

GOVERNOR'S OFFICE OF GENERAL COUNSEL

August 13, 2008

RECEIVED
COMMONWEALTH COURT
OF PENNSYLVANIA
13 AUG 2008 13 45

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 Second Quarter 2008 Financial Report of the Liquidator Pursuant to Order Dated July 1, 2004 regarding the above-referenced matter.

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

Thank you for your courtesies in filing the documents.

Very truly yours,

Amy L. Weber
Special Funds Counsel

ALW;jlh
Encs.

	<u>Assets</u>	<u>Liabilities</u>	<u>Net Surplus (Deficit)</u>
LEGION	\$2,622,000,000	\$3,314,600,000	(\$692,600,000)
VILLANOVA	\$250,700,000	\$508,900,000	(\$258,200,000)

B. Statements Reflecting Statutory Capital and Surplus Accounts

Attached hereto as Exhibits "C" and "D" are Statements reflecting the Statutory Capital and Surplus Accounts for Legion and Villanova, respectively, for the period December 31, 2001 through June 30, 2008. As reflected in these Statements, as of June 30, 2008, Legion has a Net Deficit of \$692,600,000 and Villanova has a Net Deficit of \$258,200,000. All cash receipts and disbursements including investment transactions are reflected in the monthly cash flow summaries (see Item C, Monthly Cash Flow Summaries, below). Also, the Liquidator has provided an expense analysis comparing, by category of expense, budget with actual accrued expenses (see Item D below).

C. Monthly Cash Flow Summaries

Attached hereto as Exhibits "E" and "F" are cash flow summaries on a monthly basis for Legion and Villanova including investment transactions, respectively, for the period July 1, 2007 through June 30, 2008. The summaries also reflect an adjustment for marking the investments to market and other adjustments as of June 30, 2008. As reflected in these statements, the ending available cash and investments (net of payments) at market value as of June 30, 2008 for Legion and Villanova is \$788,600,000 and \$76,200,000, respectively.

D. Combined Expense Analysis

Prior to receivership, Legion, Villanova and Legion Indemnity Company ("Indemnity") operated with an expense sharing agreement pursuant to which Legion paid the common expenses for all three companies through July 2003. Under the expense sharing agreement,

common expenses were allocated 80% to Legion, 10% to Villanova and 10% to Indemnity. Following entry of the Court's Orders placing Legion and Villanova into liquidation in July, 2003, the expenses were allocated 90% to Legion and 10% to Villanova. The several schedules attached to this Report relating to expenses (Exhibits G and H) represent the expenses paid or incurred by Legion and Villanova on a consolidated basis, including all common expenses, before any allocation.

Exhibit "G" is a schedule reflecting the combined incurred expenses of Legion and Villanova from January 1, 2008 through June 30, 2008 together with a comparison, by category of expense, between 2008 actual and 2008 budget and between 2007 and 2008 actuals. As reflected in the Statement, the total combined expenses through June 30, 2008 are \$24,697,000, which is 16.5% less than the 2008 budget and 11.6% more than 2007 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. In addition, the schedule reflects \$240,000 of revenue, which is 100.0% more than budget, related to collection of large deductible recoveries as provided for by Pennsylvania statute Act 46. Lastly, the schedule lists unbudgeted revenue of \$40,000 related to expense reimbursement from a non-insurance affiliate.

E. Professional Services Paid and Incurred

Attached hereto as Exhibit "H" is a schedule reflecting the amounts which the Liquidator paid to or amounts which the Liquidator has incurred as a result of the performance of services by various professional vendors, including law firms, accounting and actuarial firms, consultants on reinsurance and other matters, premium audit and collection services, and other litigation and support service providers, during the period January 1, 2008 through June 30, 2008. The schedule is broken down by month, with a year-to-date total through June 30, 2008 (before adjustments for changes in accrual and other non-cash transactions) of \$4,672,665.

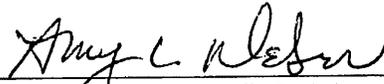
F. Administrative Expenses

Exhibit "G" Combined Expense Analysis, provides the accrued administrative expenses of the estate including salaries and employee benefits for the period January 1, 2008 through June 30, 2008 except for certain guaranty association expenses that may qualify as administrative expenses of the estate. Exhibit "H," Professional Services Paid and Incurred provides additional detail.

G. Reinsurance Recoverables Due or Billable Net

Detailed information relating to reinsurance recoverables of the estates due or billable net as of June 30, 2008 is submitted as Exhibits "I" and "J" respectively.

Respectfully submitted,



Amy L. Weber (I.D. #45447)
Special Funds Counsel
Office of Liquidations, Rehabilitations and
Special Funds
901 North 7th Street
Harrisburg, Pennsylvania 17102
(717) 787-6009

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

Dated: August 13, 2008

EXHIBIT
A

Legion Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
June 30, 2008 and December 31, 2007
(In Millions of Dollars)

	6/30/2008	12/31/2007
ASSETS		
Cash and short duration investments:		
Liquid securities	\$ 162.8	\$ 132.3
Money market deposits	<u>625.8</u>	<u>558.6</u>
Total invested assets	788.6	690.9
Premium balances	0.2	0.2
Estimated losses and loss adjustment expense reserves - ceded	1,053.3	1,179.2
Reinsurance recoverables due or billable, net	423.9	505.9
Early access advances	280.7	274.3
State deposits and unapplied state deposits available for early access	13.1	13.1
Post liquidation claims paid on behalf of guaranty associations	-	-
Amounts to be distributed per Act 46	14.7	17.9
Other assets	<u>47.5</u>	<u>53.0</u>
Total Assets	<u>\$ 2,622.0</u>	<u>\$ 2,734.5</u>
LIABILITIES		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses incurred since liquidation	\$ 232.3	\$ 201.1
Liquidator expenses paid since liquidation	<u>(218.4)</u>	<u>(195.1)</u>
Liquidator expenses	13.9	6.0
Guaranty associations' paid ULAE reported	87.5	95.8
Guaranty associations' reserves ULAE	<u>22.5</u>	<u>14.5</u>
Total	\$ 123.9	\$ 116.3
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	1,179.0	1,124.9
Liquidator valued NODs accepted	16.9	7.6
Estimated reserves	<u>1,565.2</u>	<u>1,722.7</u>
Total	2,761.1	2,855.2
C - Federal government claims		
D - Certain employee claims		
E - General creditor claims:		
Guaranty associations paid	26.4	18.3
Liquidator valued NODs accepted	17.3	16.5
Estimated reserves	<u>298.3</u>	<u>290.9</u>
Total	342.0	325.7
F - State and local government claims		
Liquidator valued NODs accepted	10.1	7.9
Estimated reserves	<u>49.3</u>	<u>51.4</u>
Total	59.4	59.3
G - Late filed claims		
Liquidator valued NODs accepted	1.3	0.5
Ancillary Receiverships:		
Post liquidation claims paid, gross	43.3	39.7
Estimated losses and loss adjustment expense reserves - direct	54.4	48.6
Offset of unapplied liquidated statutory deposit	<u>(70.8)</u>	<u>(70.8)</u>
Post liquidation claims, net	26.9	17.5
Total liabilities	3,314.6	3,374.5
Net surplus (deficit)	<u>(692.6)</u>	<u>(640.0)</u>
Total Liabilities and Surplus (Deficit)	<u>\$ 2,622.0</u>	<u>\$ 2,734.5</u>

* See Note to Special Purpose Statement of Assets and Liabilities

EXHIBIT
B

Villanova Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
June 30, 2008 and December 31, 2007
(In Millions of Dollars)

	6/30/2008	12/31/2007
ASSETS		
Cash and short duration investments:		
Liquid securities	\$ -	\$ -
Money market deposits	76.2	62.3
Total invested assets	76.2	62.3
Premium balances	0.3	0.2
Estimated losses and loss adjustment expense reserves - ceded	56.8	84.8
Reinsurance recoverables due or billable, net	66.6	86.3
Early access advances	35.2	34.9
State deposits and unapplied state deposits available for early access	1.1	1.2
Post liquidation claims paid on behalf of guaranty associations	-	-
Amounts to be distributed per Act 46	3.2	4.6
Other assets	11.3	8.0
Total Assets	\$ 250.7	\$ 282.3
LIABILITIES		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses incurred since liquidation	\$ 24.4	\$ 22.9
Liquidator expenses paid since liquidation	(23.9)	(21.3)
Liquidator expenses	0.5	1.6
Guaranty associations' paid ULAE reported	15.5	22.1
Guaranty associations' reserves ULAE	12.5	5.9
Total	\$ 28.5	\$ 29.6
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	213.4	199.9
Liquidator valued NODs accepted	0.2	-
Estimated reserves	230.1	253.7
Total	443.7	453.6
C - Federal government claims		
Total	-	-
D - Certain employee claims		
Total	-	-
E - General creditor claims:		
Guaranty associations paid	5.6	2.4
Liquidator valued NODs accepted	1.5	1.3
Estimated reserves	22.2	33.9
Total	29.3	37.6
F - State and local government claims:		
Liquidator valued NODs accepted	2.2	2.0
Estimated reserves	2.3	2.5
Total	4.5	4.5
G - Late filed claims:		
Liquidator valued NODs accepted	-	-
Ancillary Receiverships:		
Post liquidation claims paid, gross	2.2	1.8
Estimated losses and loss adjustment expense reserves - direct	3.0	2.8
Offset of unapplied liquidated statutory deposit	(2.3)	(2.2)
Post liquidation claims, net	2.9	2.4
Total liabilities	508.9	527.7
Net surplus (deficit)	(258.2)	(245.4)
Total Liabilities and Surplus (Deficit)	\$ 250.7	\$ 282.3

* See Note to Special Purpose Statement of Assets and Liabilities

**Legion Insurance Company (In Liquidation) and
Villanova Insurance Company (In Liquidation)
Note to Special Purpose Statement of Assets and Liabilities**

The special-purpose statements of assets and liabilities of Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) are prepared on a unique financial reporting basis in that the statements do not reflect the effect of the companies' liquidation. The liquidation process will result in the realization of amounts on transfer or disposition of assets and in the satisfaction of liabilities at amounts that may be substantially different than those reflected in the accompanying statements of assets and liabilities. The statements do not include any adjustments that might result from outcomes of the uncertainties related to the future effects of the liquidation and various potential exposures, recoveries or benefits. Specifically, the following facts should be noted in reviewing the accompanying special-purpose statements of assets and liabilities:

- Estimated priority class of claims from the insurers' estates is set forth in detail in Article V of the Commonwealth of Pennsylvania Insurance Department Act of 1921 at 40 P.S. 22144. The classes are:
 - A Administrative expenses
 - B Claims for policy benefits
 - C Federal government claims
 - D Certain employee claims
 - E General creditor claims
 - F State and local government claims
 - G Late filed claims

Note: Administrative expenses include both the guaranty associations' expenses related to administering the claims of the companies in liquidation and the Liquidator's expenses.

- The amounts to be distributed per Act 46 represent funds collected under large deductible policies. These funds will be paid, as outlined in Act 46, to those entities that funded the claim payments.
- The recorded priority class B reflected on the special-purpose statements of assets and liabilities are based primarily on guaranty association paid claims, known case reserves and actuarial estimates of expected losses calculated prior to the companies entering rehabilitation. Sufficient credible data is not yet available to update the aggregate actuarial estimates of reserves after the rehabilitation effective date due to the significant changes in claim settlement and reserving processes triggered by the rehabilitation and liquidation actions;
- The statements do not reflect any general provision for estimated unrealizable reinsurance recoverable assets. The statements do reflect provisions for specific reinsurance insolvencies or other industry known facts which will likely result in compromised collections;
- There is an estimated provision for current guaranty association costs that have been incurred by the estates;
- There is no provision for future internal operating costs to execute the activities and responsibilities of the estates in the liquidation process through the date of the final liquidation of the estates.

The special purpose statements of assets and liabilities is not intended to be in conformity with and may vary significantly from generally accepted accounting principles and statutory accounting practices for a property and casualty insurance company as prescribed by the National Association of Insurance Commissioners. Certain presentation reclassifications have been made to reflect the estimated priority classes.

EXHIBIT
C

Legion Insurance Company (In Liquidation)
Statutory Capital and Surplus Account
For the Period December 31, 2001 Thru June 30, 2008
(In Millions of Dollars)

Surplus as Regards Policyholders, Beginning Balance	\$ 298.3
Net Loss:	
Underwriting Loss, Net	(1,137.1)
Investment Income, Net	120.0
Other Expense, Net	(23.9)
Loss Before Income Taxes	<u>(1,041.0)</u>
Federal & Foreign Income Taxes	(22.4)
Net Loss	<u>(1,018.6)</u>
Net Unrealized Capital Gains (Losses)	(26.1)
Change in Net Deferred Income Tax	(42.3)
Change in Non Admitted Assets	73.4
Change in Provision for Reinsurance	22.7
Change in Surplus as Regards Policyholders for the Period	<u>(990.9)</u>
Surplus as Regards Policyholders, Ending Balance	<u>\$ (692.6)</u>

EXHIBIT
D

Villanova Insurance Company (In Liquidation)
Statutory Capital and Surplus Account
For the Period December 31, 2001 Thru June 30, 2008
(In Millions of Dollars)

Surplus as Regards Policyholders, Beginning Balance	\$ 27.6
Net Loss:	
Underwriting Loss, Net	(130.0)
Investment Income, Net	13.6
Other Expense, Net	<u>(2.5)</u>
Loss Before Income Taxes	(118.9)
Federal & Foreign Income Taxes	<u>7.5</u>
Net Loss	(126.4)
Net Unrealized Capital Gains (Losses)	-
Change in Net Deferred Income Tax	(8.6)
Change in Non Admitted Assets	(152.5)
Change in Provision for Reinsurance	<u>1.7</u>
Change in Surplus as Regards Policyholders for the Period	(285.8)
Surplus as Regards Policyholders, Ending Balance	<u>\$ (258.2)</u>

EXHIBIT
E

Legion Insurance Company (in Liquidation)
 Cash Flow Summary
 Liquidation Basis
 YTD June 30, 2008
 (in millions)

	2008											
	July	August	September	October	November	December	January	February	March	April	May	June
Beginning Available Cash and Investments	\$ 721.9	\$ 731.8	\$ 771.4	\$ 782.8	\$ 797.0	\$ 817.8	\$ 817.8	\$ 694.9	\$ 737.2	\$ 765	\$ 781.3	\$ 790.3
Premium collections (net of expenses)	0.3	0.3	0.2	0.1	0.7	0.3	-	0.1	-	0.1	0.2	0.3
Reinsurance collections:												
Reinsurance recoverables:												
Mutual Companies	-	-	-	-	-	-	-	-	-	-	-	-
All Other Reinsurers	7.3	21.3	12.0	11.3	19.7	11.6	6.4	48.2	29.8	21.6	10.8	8.4
Reinsurance commutations/settlements:												
Mutual Companies	-	-	-	1.9	-	-	-	-	-	-	-	-
All Other Reinsurers	-	18.4	-	2.0	-	-	0.1	-	-	-	-	-
Deductible Recoveries:												
Mutual Companies	1.4	-	1.1	4.3	0.7	-	-	-	-	1.8	-	0.8
All Other	0.2	0.1	0.5	0.1	0.1	0.1	-	0.1	0.1	0.4	0.2	0.1
Investment income (net of expenses)	2.8	2.7	2.9	3.0	2.9	2.9	1.4	0.2	2.0	2.1	1.7	1.8
Total Sources of Cash	12.0	42.8	16.7	22.7	24.1	14.9	7.9	48.6	31.9	26.0	12.9	11.4
Loss & loss adjustment expense payments	-	-	-	-	-	-	-	-	-	-	-	-
Paid expenses	(1.7)	(2.0)	(1.6)	(2.2)	(2.1)	(2.6)	(1.9)	(2.1)	(2.8)	(2.3)	(2.8)	(2.3)
Payroll	(1.3)	(1.8)	(1.2)	(1.3)	(1.3)	(1.3)	(2.1)	(1.3)	(1.4)	(1.4)	(1.3)	(3.8)
Intercompany transfers	(0.4)	0.2	(0.2)	(0.4)	-	(0.5)	(0.3)	-	-	(8.1)	-	(1.0)
Guaranty Association transactions	-	-	-	-	-	(133.4)	(6.7)	-	-	-	-	-
Amount to be distributed per Act 46	-	-	(2.6)	(4.8)	-	(0.8)	-	(0.1)	-	(0.3)	-	(1.9)
Other cash inflows (outflows)	1.3	0.4	0.3	0.2	0.1	0.8	0.1	0.2	0.1	2.4	0.2	0.1
Total Uses of Cash	(2.1)	(3.2)	(5.3)	(8.5)	(3.3)	(137.8)	(10.9)	(3.3)	(4.1)	(9.7)	(3.9)	(8.9)
Ending Available Cash and Investments	\$ 731.8	\$ 771.4	\$ 782.8	\$ 797.0	\$ 817.8	\$ 817.8	\$ 694.9	\$ 737.2	\$ 765.0	\$ 781.3	\$ 790.3	\$ 792.8
Mark to Market and other adjustments			(3.8)			(4.0)			(6.3)			(4.2)
Adjusted Balance		\$ 779.0				\$ 690.9			\$ 758.7			\$ 788.6

EXHIBIT
F

EXHIBIT
G

LEGION INSURANCE COMPANY (IN LIQUIDATION)
 VILLANOVA INSURANCE COMPANY (IN LIQUIDATION)
 COMBINED EXPENSE ANALYSIS BY ACCOUNT
 June 30, 2008 ACTUALS vs BUDGET
 (\$ In Thousands)

	Year to Date				2008 Actual vs 2008 Budget		2008 Actual vs 2007 Actual	
	2008 Actual	% of Total Operating	2008 Budget	2007 Actual	Dollar Variance	Percent Variance	Dollar Variance	Percent Variance
Full Time	209		218	208	9	4.1%	(1)	-0.5%
Part Time	1		1	1	-	0.0%	-	0.0%
Contractor Help	25		33	24	8	24.2%	(1)	-4.2%
Total Staffing - Current	235		252	233	17	6.7%	(2)	-0.9%
Staffing - Average								
Full Time	212		212	210	-	0.0%	(2)	-1.0%
Part Time	1		1	1	-	0.0%	-	0.0%
Contractor Help	27		23	23	(4)	-15.2%	(4)	-15.2%
Total Staffing - Average	239		236	234	(4)	-1.5%	(6)	-2.4%
General & Administrative Expenses								
Salaries	\$ 12,141	49.2%	\$ 13,794	\$ 10,485	\$ 1,653	12.0%	\$ (1,656)	-15.8%
Benefits	2,593	10.5%	2,610	2,396	17	0.6%	(197)	-8.2%
Occupancy	1,426	5.8%	1,689	1,489	263	15.5%	62	4.2%
Equipment	1,825	7.4%	2,032	1,856	207	10.2%	31	1.7%
Legal Fees and Expenses	2,773	11.2%	3,228	1,334	455	14.1%	(1,439)	-107.9%
Professional Services	2,277	9.2%	3,953	2,784	1,676	42.4%	507	18.2%
Other	1,661	6.7%	2,282	1,786	620	27.2%	125	7.0%
Total Expenses	24,697	100.0%	29,587	22,130	4,890	16.5%	(2,567)	-11.6%
Revenue for Collecting Large Deductible Recoveries as Provided by PA Statute Act 46								
Act 46 Collection	240		120	236	120	100.0%	4	1.7%
Expense Reimbursement	40		-	774	40	n/a	(734)	-94.8%
Non-insurance affiliate								
Total Revenue	280		120	1,010	160	133.4%	(730)	-72.3%
Net Budget	\$ 24,417		\$ 29,467	\$ 21,120	\$ 5,050	17.1%	\$ (3,297)	-15.6%

Note 1 This exhibit does not include certain guaranty association expenses that may qualify as administrative expenses of the estate.

Note 2 Expenses reimbursed for the sale and ongoing operations of PRMS.

**EXHIBIT
H**

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Expenses and Fees and Professional Services Paid
 January 2008 - June 2008

Classification	VENDOR NAME	Services Provided	January	February	March
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant	1,575		
	ARBITRATION & MEDIATION	Reinsurance Arbitrator	1,620		
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation		3,307	
	DAVID THIRKILL	Reinsurance Arbitrator	3,150		
	DEUTSCH, KERRIGAN, & STILES, L.L.P.	General Collection Litigation		881	
	ESQUIRE DEPOSITION SERVICES	Court Reporting Services			
	GOLKOW TECHNOLOGIES, INC.	Court Reporting Services			
	GRP LLC	Reinsurance Witness			
	JEC CONSULTING, INC.	Reinsurance Arbitrator			22,658
	JOHN ROWLAND QC	Reinsurance Arbitrator			4,108
	LEXISNEXIS	Legal Research Fees	1,379	465	304
	MARTIN D. HABER	Reinsurance Arbitrator			817
	MARY ELLEN BURNS, ESQUIRE	Reinsurance Arbitrator	1,536		
	MILLER ALFANO & RASPANTI PC	General Litigation and Liquidation Advice	1,142	1,487	
	ON-SITE SOURCING, INC.	Scanning and Copying Services			
	P.J.Z. CRICKMERE	Witness Fees			
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice	109,073		264,848
	PIETRAGALLO, GORDON, ALFANO, BOSICK & RASPANTI, LLP	General Litigation and Liquidation Advice			
	ROBBRE, LLC	Reinsurance Arbitrator			2,000
	ROBERT B. GREEN	Reinsurance Arbitrator			8,838
	SCHIFF HARDIN, LLP	Premium Collection Litigation		188	2,639
	SCHWARTZ SEMERDJIAN HAILE BALLARD & CAULEY LLP	Premium Collection Litigation	3,755		975
	STRADLEY RONON	Premium Collection Litigation		1,132	6,893
	STROOCK & STROOCK & LAVAN, LLC	Reinsurance Arbitrator		2,934	(26,756)
	THOMSON WEST	Legal Research Fees	2,668		2,718
	TRENAMI, KEMKER, SCHARF, BARKIN	General Litigation		62,863	
	W. MAX HOLLMANN	Expert Witness		31,827	9,550
	WINTER REPORTING INC.	Court Reporting Services			
	WMF CONSULTING, INC.	Expert Witness Services		5,714	15,639
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	Premium Collection Litigation, Asset Sale Advice, Labor Advice, General Advice	158,928	34,995	121
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Legal Support Costs	1,127	371	16
			285,954	146,184	315,967
			36,699	199,229	155,524
			322,653	345,413	471,491
Total Legal Fees and Expenses Paid					
Change in Legal Fees and Expenses accrual and other non-cash transactions					
Total Legal Fees and Expenses Incurred					

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Expenses and Fees and Professional Services Paid
 January 2008 - June 2008

Classification	VENDOR NAME	Services Provided	April	May	June	2008 Total
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant	3,070			4,645
	ARBITRATION & MEDIATION	Reinsurance Arbitrator				1,620
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation	1,831	342	323	5,803
	DAVID THIRKILL	Reinsurance Arbitrator				3,150
	DEUTSCH, KERRIGAN, & STILES, L.L.P.	General Collection Litigation	579	2,476		3,936
	ESQUIRE DEPOSITION SERVICES	Court Reporting Services	8,401			8,401
	GOLKOW TECHNOLOGIES, INC.	Court Reporting Services		2,845	9,022	11,867
	GRP, LLC	Reinsurance Witness	3,688			3,688
	JEC CONSULTING, INC.	Reinsurance Arbitrator	14,579	14,891	12,529	64,656
	JOHN ROWLAND QC	Reinsurance Arbitrator				4,108
	LEXISNEXIS	Legal Research Fees	304		3,852	6,304
	MARTIN D. HABER	Reinsurance Arbitrator			9,594	10,411
	MARY ELLEN BURNS, ESQUIRE	Reinsurance Arbitrator				1,536
	MILLER ALFANO & RASPANTI PC	General Litigation and Liquidation Advice				2,629
	ON-SITE SOURCING, INC.	Scanning and Copying Services			92,585	92,585
	P.J.Z. CRICKMERE	Witness Fees	9,318			9,318
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice	203,103	305,635	184,314	1,066,973
	PIETRAGALLO, GORDON, ALFANO, BOSICK & RASPANTI, LLP	General Litigation and Liquidation Advice	17,450	11,996	18,391	47,838
	ROBBRE, LLC	Reinsurance Arbitrator			360	2,920
	ROBERT B. GREEN	Reinsurance Arbitrator				8,838
	SCHIFF HARDIN, LLP	Premium Collection Litigation	1,479	2,909	3,330	10,546
	SCHWARTZ SEMERD, JIAN HAILE BALLARD & CAULEY LLP	Premium Collection Litigation	1,159		959	6,848
	STRADLEY RONON	Premium Collection Litigation	6,777	5,825	17,036	37,662
	STROOCK & STROOCK & LAVAN, LLC	Reinsurance Arbitrator				(26,156)
	THOMSON WEST	Legal Research Fees	2,646	2,814	4,824	18,604
	TRENAM, KEMKER, SCHARF, BARKIN	General Litigation	164,864	147,678	45,115	420,560
	W. MAX HOLLMANN	Expert Witness	21,950			63,327
	WINTER REPORTING INC.	Court Reporting Services	1,448	9,528	4,111	15,086
	WMF CONSULTING, INC.	Expert Witness Services		2,685		24,047
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	Premium Collection Litigation, Asset Sale Advice, Labor Advice, General Advice	70,265	32,132	35,669	332,110
	Aggregate Amount for Total Vendor Payments Under \$1,000		2,091	16		3,621
	Total Legal Fees and Expenses Paid		535,022	542,342	442,014	2,267,482
	Change in Legal Fees and Expenses accrual and other non-cash transactions		(274,684)	6,653	382,131	505,553
	Total Legal Fees and Expenses Incurred		260,338	548,995	824,145	2,773,035

EXHIBIT
I

Legion Insurance Company (In Liquidation)
Reinsurance Recoverables Due or Billable, Net
June 30, 2008

Reinsurer	Amount
	\$ 43,645,716
MIDWEST EMPLOYERS CASUALTY COMPANY	31,308,828
HANNOVER RUCKVERSICHERUNGS AG	24,783,409
FIRST EXCESS REINSURANCE CORPORATION	12,994,218
AMERICAN SAFETY CASUALTY INSURANCE COMPANY	11,362,039
ODYSSEY REINSURANCE CORPORATION	8,914,406
AMERICAN RE-INSURANCE COMPANY	8,214,084
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	7,337,031
FOLKSAMERICA REINSURANCE COMPANY	6,824,448
SCOR REINSURANCE COMPANY	6,144,019
TRANSATLANTIC REINSURANCE COMPANY	6,067,090
FEDERAL INSURANCE COMPANY	5,957,153
ALEA EUROPE LIMITED	5,312,741
MUTUAL INDEMNITY (BERMUDA), LTD.	5,275,225
XL REINSURANCE AMERICA LTD	4,738,417
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	4,614,614
LLOYDS SYNDICATE # 435	4,235,457
PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY	3,600,788
CORE INSURANCE COMPANY	3,360,449
EMPLOYERS REINSURANCE CORPORATION	3,348,727
CHUBB ATLANTIC INDEMNITY LIMITED	3,304,236
WESTCHESTER FIRE INSURANCE COMPANY	3,088,056
LLOYDS SYNDICATE # 53	2,733,965
LINCOLN NATIONAL LIFE INSURANCE COMPANY	2,626,609
AMERICAN NATIONAL INSURANCE COMPANY	2,435,618
ODYSSEY AMERICA REINSURANCE CORPORATION	2,396,473
JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY	2,376,667
CNA INTERNATIONAL REINSURANCE COMPANY	2,371,487
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	2,299,695
WESTPORT INSURANCE CORPORATION	2,161,108
LINCOLN NATIONAL HEALTH & CASUALTY INSURANCE COMPA	2,159,613
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	2,166,063
ACE INSURANCE SA-NV	2,146,827
LIFE REASSURANCE CORPORATION OF AMERICA	2,097,113
LLOYDS SYNDICATE # 183	2,001,133
MANULIFE REINSURANCE CORPORATION (USA)	1,816,428
TRUSTMARK INSURANCE COMPANY	1,802,763
UNDERWRITERS REINSURANCE COMPANY	1,724,395
LLOYDS SYNDICATE # 1245	1,440,302
UTAH WORKERS COMPENSATION FUND	1,361,963
UNIONAMERICA INSURANCE COMPANY LTD	1,330,103
TRENWICK AMERICA REINSURANCE CORPORATION	1,314,437
LLOYDS SYNDICATE # 570	1,281,532
LLOYDS SYNDICATE # 376	1,240,851
HARTFORD FIRE INSURANCE COMPANY	1,227,337
LLOYDS SYNDICATE # 1173	1,186,274
GIO (UK) LTD	1,095,408
CHARTWELL REINSURANCE COMPANY	1,054,373
LLOYDS SYNDICATE # 362	25,407,059
All Other Reinsurers (Less than \$1M due LIC)	136,243,413
Pending Cessions	\$ 423,949,957
Total Reinsurance recoverables due or billable, net	<u>423,949,957</u>

EXHIBIT
J

Villanova Insurance Company (In Liquidation)
Reinsurance Recoverables Due or Billable, Net
June 30, 2008

Reinsurer	Amount
SWISS REINSURANCE AMERICA CORPORATION	\$ 5,237,821
GE REINSURANCE CORPORATION	4,080,940
HANNOVER RUCKVERSICHERUNGS AG	3,997,066
ALEA EUROPE LIMITED	2,595,288
MIDWEST EMPLOYERS CASUALTY COMPANY	2,290,884
WESTPORT INSURANCE CORPORATION	1,923,380
FIRST EXCESS REINSURANCE CORPORATION	1,809,133
CHARTWELL REINSURANCE COMPANY	1,685,909
ODYSSEY REINSURANCE CORPORATION	1,492,698
SWISS RE LIFE COMPANY OF AMERICA	1,093,678
CHUBB ATLANTIC INDEMNITY LIMITED	1,067,558
All Other Reinsurers (Less than \$1M due VIC)	8,923,276
Pending Cessions	<u>30,385,211</u>
Total Reinsurance recoverables due or billable, net	<u>\$ 66,582,844</u>

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 12 th day of August, 2008.



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

3. I certify that the Exhibits attached to the Report fairly present the following:

A. Special Purpose Statements of Assets and Liabilities: Exhibits "A" and "B" to the Report are Special Purpose Statements of Assets and Liabilities for the Estates as of June 30, 2008. As reflected in the Note accompanying these Statements, they have been prepared on a unique financial reporting basis, subject to the several assumptions and qualifications stated therein.

B. Statements Reflecting Statutory Capital and Surplus Accounts: Exhibits "C" and "D" to the Report are Statements reflecting the Statutory Capital and Surplus Accounts for the Estates for the period December 31, 2001 through June 30, 2008.

C. Monthly Cash Flow Summaries: Exhibits "E" and "F" are cash flow summaries on a monthly basis for the Estates including investment transactions for the period July 1, 2007 through June 30, 2008.

D. Combined Expense Analysis: Prior to receivership, Legion, Villanova and Legion Indemnity Company ("Indemnity") operated with an expense sharing agreement pursuant to which Legion paid the common expenses for all three companies through July 2003. Under the expense sharing agreement, common expenses were allocated 80% to Legion, 10% to Villanova and 10% to Indemnity. Following entry of the Court's Orders placing Legion and Villanova into liquidation in July, 2003, the expenses were allocated 90% to Legion and 10% to Villanova. The

several schedules attached to the Report relating to expenses represent the expenses paid or incurred by the Estates on a consolidated basis, including all common expenses, before any allocation. Exhibit "G" is a schedule reflecting the combined incurred expenses of the Estates from January 1, 2008 through June 30, 2008 together with a comparison, by category of expense, between 2008 actual and 2008 budget and between 2007 and 2008 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses.

F. Professional Services Paid and Incurred: Exhibit "H" is a schedule reflecting the amounts which the Liquidator paid to or amounts which the Liquidator has incurred as a result of the performance of services by various professional vendors, including accounting and actuarial firms, consultants on reinsurance and other matters, premium audit and collection services, and other support service providers, during the period January 1, 2008 through June 30, 2008. Legal vendors, including law firms and other litigation and support service providers, are broken out separately on Exhibit "H."

G. Administrative Expenses: Exhibit "G," Combined Expense Analysis, provides the accrued administrative expenses of the Estates including salaries and employee benefits for the period January 1, 2008 through June 30, 2008 except for certain guaranty association expenses that may qualify as administrative expenses of the estate. Exhibit "H" Professional Services Paid and Incurred provides additional detail.

H. Reinsurance Recoverables Due or Billable Net: Detailed information relating to reinsurance recoverables of the Estates due or billable net as of June 30, 2008 is submitted as Exhibits "I" and "J" respectively.

4. Based on my knowledge, the financial information included in the Report fairly presents in all material respects the financial condition, results of operations and cash flows for the Second Quarter of 2008.

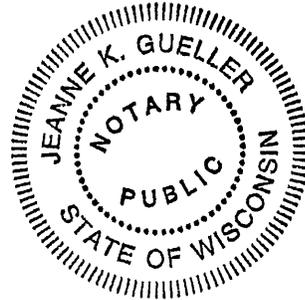
5. I verify that the matters stated herein are true and correct to the best of my knowledge, information and belief, and make these statements subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Michael I. Quist

MICHAEL I. QUIST

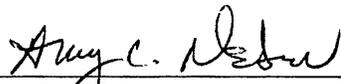
Sworn to and subscribed before me
this 11 th day of Aug, 2008.

Jeanne K. Gueller
NOTARY PUBLIC *exp 5-10-09*



CERTIFICATION

I, Amy L. Weber, Special Funds Counsel, of the Office of General Counsel, assigned to the Office of Liquidations, Rehabilitations and Special Funds of the Pennsylvania Insurance Department, am duly authorized to make this Certification for and on behalf of Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator ("Liquidator") of Legion Insurance Company. I am responsible for reviewing the invoices and documents received from outside counsel supporting the legal fees and expenses for Exhibit H to the Second Quarter 2008 Financial Report of the Liquidator and I certify that these legal fees and expenses are reasonable and necessary. I also have reviewed Exhibit G, the Combined Expense Analysis for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation), and certify that the legal fees and expenses stated therein have been reflected accurately. I understand that this Certification is made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.



Amy L. Weber
Special Funds Counsel

Dated: 8/13/08