

GOVERNOR'S OFFICE OF GENERAL COUNSEL

August 14, 2009

Michael F. Krimmel, Chief Clerk
Commonwealth Court of Pennsylvania
601 Commonwealth Avenue, Suite 2100
P.O. Box 69185
Harrisburg, PA 17120-0001

RECEIVED
COMMONWEALTH COURT
OF PENNSYLVANIA
14 AUG 2009 11 41

*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 Quarterly Report of the Liquidator as of June 30, 2009 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
Insurance Department Counsel

ALW:jlh
Encs.

RECEIVED
COMMONWEALTH COURT
OF PENNSYLVANIA
13 AUG 2009 11 41

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

**QUARTERLY REPORT OF THE LIQUIDATOR
ON THE STATUS OF THE LIQUIDATION OF
LEGION INSURANCE COMPANY AS OF JUNE 30, 2009**

I. INTRODUCTION

Joel Scott Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator (the "Liquidator") of Legion Insurance Company ("Legion or Estate"), through his undersigned counsel, hereby submits this Quarterly Report on the status of the liquidation of Legion for the period from April 1, 2009 through June 30, 2009 ("Report").

II. REPORT

A. Financial Statements

Legion has prepared the Special Purpose Statement of Assets and Liabilities, Statutory Capital and Surplus Account and Cash Flow Summary ("Statements"). The Statements include many estimates as noted below and may not fully reflect the effects of the liquidation upon many assets and liabilities. Consequently, the ultimate distribution to creditors is unknown at this time. For this reason, third parties should not rely on the financial information contained herein as providing any certainty or clear indication as to the ultimate distribution that will be made from Legion. The Note to the Special Purpose Statement of Assets and Liabilities, attached as Exhibit D, describes the nature of the line items on the Statements and should be included in any review of Legion's financial information.

The Statements and Cash Flow Statement are addressed in more detail in sections 1 through 4 below.

1. Special Purpose Statement of Assets and Liabilities – Assets - EXHIBIT A

As of June 30, 2009, the attached Special Purpose Statement of Assets and Liabilities shows estimated total assets were \$2,596.0 million including \$764.4 million of cash and liquid investments.

Reinsurance recoverables and future reinsurance recoverables, net of allowance, totaled \$1,267.7 million. These amounts may change significantly over time because, among other things, 1) the amount of reinsurance recoverable will change as valid Proofs of Claim ("POCs") continue to be evaluated and allowed amounts determined; 2) reinsurance collection will be affected by valid offsets, disputes and uncollectible amounts due to the financial condition of reinsurers; and 3) Legion will actively pursue reinsurance commutations in an effort to collect

reinsurance sooner, as this represents a significant asset of the Estate. The statements do not reflect any general provision for estimated unrealizable reinsurance recoverable assets. The statements do reflect provisions of \$60.0 million for specific reinsurance insolvencies and other known facts.

Early access advances to Guaranty Associations (“GAs”) totaled \$485.3 million.

a. Cash and Investments

Legion had a cash and investment portfolio of \$764.4 million as of June 30, 2009. Refer to the Cash Flow Summary (Exhibit C) for major components of change for the past 12 month period. Excess cash flows over and above the immediate operating needs of the Estate are transferred to investment managers and invested in short and intermediate duration portfolios and exchange traded funds. Legion’s investment managers, Western Assets and Delaware Investments, utilize Legion’s approved investment policy to trade specific securities held in the portfolio and to generally monitor and manage the portfolio in accordance with the guidelines. As of July 1, 2009, Delaware Investments is Legion’s sole investment manager. All marketable securities are booked to the market values provided by Legion’s custodian, BNY Mellon Bank, as of the end of each month. Overnight investments are mainly money and mutual funds, managed by Morgan Stanley Smith Barney.

b. Estimated Losses and Loss Adjustment Expense Reserves - Ceded

Estimated losses and loss adjustment expense reserves - ceded was \$1,019.8 million, net of allowance, at June 30, 2009. Estimated losses and loss adjustment expense reserves - ceded are determined and recorded by applying the recovery terms under reinsurance contracts to individual reported case estimates of loss and loss adjustment expenses. It also includes estimates for losses and loss adjustment expenses on claims that have been incurred but not

reported or have been reported but not developed ("IBNR"). Legion's actuarial and reinsurance departments review the relationship of ceded loss to direct loss at a program, treaty and underwriting year level. Estimates are based primarily on guaranty association paid claims, known case reserves and actuarial estimates of expected losses calculated prior to Legion entering rehabilitation except as modified for the estimated impact of specific reinsurance treaty commutations that occurred after 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. As of June 30, 2009, the amount of ceded IBNR included in estimated losses and loss adjustment expense reserves -- ceded was \$364.2 million.

Estimated losses and loss adjustment expense reserves - ceded increased overall by \$3.7 million this quarter.

c. Reinsurance Recoverables Due or Billable, Net

The GA data feeds reflecting paid claims plus the accepted Notices of Determination ("NODs") issued by Legion result in ceded paid losses calculated according to the terms of applicable reinsurance contracts. At June 30, 2009, Legion's reinsurance recoverables due or billable was \$247.9 million.

A Reinsurance Recovery Committee oversees the collection of reinsurance. When necessary, Legion utilizes outside counsel and the arbitration clauses in the treaties to recover or negotiate payments. During the period July 1, 2008 through June 30, 2009, Legion collected \$247.2 million in reinsurance.

Detailed information relating to reinsurance recoverables of the estate due or billable net as of June 30, 2009 is submitted as Exhibit G.

d. **Early Access Advances**

Workers' compensation paid by Legion on behalf of the GAs during the first 90 days after the date of the Liquidation and pursuant to the Court's Order is considered part of early access monies.

On September 22, 2008, the Court approved the Liquidator's Third Proposal to Distribute Assets (\$213.1 million) to the State Guaranty Associations ("Liquidator's Third Proposal") bringing the total authorized by the Court to \$513 million for early access distributions. During the period April 1, 2009 through June 30, 2009, Legion paid or offset state deposits and unapplied liquidated state deposits of approximately \$29.5 million to the GAs. \$27.7 million is being held and will be distributed when the GAs become compliant.¹

State deposits and unapplied state deposits available for early access represent deposits retained by or still available to various state insurance departments. They are valued at market value plus accrued interest on a date based upon when a refunding agreement was signed, the date Legion became aware that the applicable Insurance Department or guaranty association took control of the asset for states that have not signed a refunding agreement plus an imputed interest value or the market value as of June 30, 2009 for states that would not be entitled to the deposit via early access.

2. **Special Purpose Statement of Assets and Liabilities—Liabilities-EXHIBIT A**

Total estimated liabilities at June 30, 2009 were \$3.3 billion. The Statement includes an estimate of the liquidation expenses that have been incurred by the GAs in administering the Estate. They do not include an estimate of the cost that will be incurred by Legion in

¹ On August 5, 2009, the Court approved the Liquidator's Fourth Proposal to Distribute Assets (\$275 million) to the State Guaranty Associations ("Liquidator's Fourth Proposal") bringing the total authorized by the Court to \$788 million for early access distributions.

administering the Estate over time. Legion liquidation expenses are class (a) priority payments under the Insurance Department Act of 1921, 40 P.S. § 221.1.63 ("Act"), as are certain GA expenses, to the extent permitted by the Act. Both Liquidator and GA expenses will be paid before distributions for claims under policies for losses, class (b) priority and other lower class creditors. As of June 30, 2009, there was \$24.9 million in reserves for unpaid liquidator and GA administrative expenses.

However, the most significant liability is the over \$2.9 billion assigned to class (b) POCs. This category includes direct insurance policy holder benefits reported by the GAs as paid (\$1,299.3 million) and reserves of \$1,533 million. The liability includes Legion's estimate of the value of POCs in excess of the GAs limits or uncovered by the GAs and for claims not yet reported or reported and not yet fully developed ("IBNR"), as well as proof of claims that Legion is not yet able to evaluate. As of June 30, 2009, Legion's liability for non-guaranty fund accepted NODs was \$31.1 million.

a. Priority Class A

Prior to receivership, Legion, Villanova Insurance Company ("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 E and F) represent the expenses paid or incurred by Legion and Villanova on a consolidated basis, including all common expenses, before any allocation. The Liquidator's Petition for Approval of

Administrative Expenses Paid for the Period July 1, 2008 Through December 31, 2008 was accepted by the Court on June 24, 2009.

The Combined Expense Analysis by Account attached as Exhibit E lists the \$22.8 million of statutory liquidator administrative operating expenses incurred by Legion for the period January 1, 2009 through June 30, 2009.

The GAs report their administrative expenses to Legion via financial reports generally received quarterly from most GAs. Attached as Exhibit H is the Guaranty Fund Claim Overview Report showing by GA the total \$120.8 million in the administrative expenses reported to Legion as paid by GAs as of June 30, 2009. Legion conducts periodic desk reviews, onsite reviews of GA administrative expenses and reconciles data reported by GAs on an ongoing basis. Legion makes adjustments for inaccuracies or material expenses, as appropriate. Legion provides the GAs with early access monies to help fund the administrative and policyholder benefit payments made by the GAs on Legion's behalf. All such expenses will be settled through the formal NOD process.

b. Priority Class B

The amounts set forth on this Statement for losses, loss adjustment expenses and IBNR for June 30, 2009 are estimates based upon guaranty association claim data, POCs and NOD data claims, pre-rehabilitation historical data and industry data. Actual liability figures will not be known until the claims fully develop or, if the claims are contingent upon the resolution of underlying litigation, that litigation is resolved. The actuarial department prepares the analysis of losses and allocated loss adjustment expense ("ALAE") reserves on direct and assumed business. The actuarial department also estimates losses and loss adjustment expense reserves – ceded based on the direct business. Due to the inherent complexity of the loss reserving process,

the potential variability of the assumptions used and the variability resulting from the effect of the liquidation process, the actual emergence of losses may be significantly different from the estimate of loss and ALAE reserves included in the Statements.

Legion essentially maintained the actuarially determined ultimate direct loss by changing the IBNR by the amount of direct paid loss and increase/decrease in outstanding specific case reserves and other adjustments, which may become necessary based on their analysis of specific programs. As of June 30, 2009, the amount of direct IBNR included in priority class (b) was \$566.5 million.

c. Priority Classes Below Class B

Also included in total liabilities are estimated liabilities for POCs assigned to priority classifications below class (b), which summarize to \$292.0 million. See the accompanying notes for a brief description of each line item. Legion had entered into a pooling arrangement with affiliates related to loss experience. In the fourth quarter 2008, the contract was accounted for as being terminated effective as of the rehabilitation date of April 1, 2002.

3. Special Purpose Statement of Statutory Capital and Surplus Account - EXHIBIT B

Attached to this report is a Special Purpose Statement of Statutory Capital and Surplus Account for the period from December 31, 2001 to June 30, 2009. The estimated net deficit at June 30, 2009 was \$705.1 million. Net Loss is the largest component of the surplus change and is described in more detail below in the Operating Report section.

4. Statement of Cash Flow Summary - EXHIBIT C

Attached to this report is a Statement of Cash Flow Summary ("Cash Flow Summary") for the period July 1, 2008 through June 30, 2009. Reinsurance collections of \$247.2 million

were the primary source of cash receipts for the period. Total sources of cash and investments for the period were \$277.5 million.

The largest cash disbursement was Guaranty Association/Early access of \$200.5 million. Total uses of cash and investments were \$279.7 million for the period.

a. **Reinsurance Collections**

Reinsurance recoverables are a significant asset of Legion. Legion claims and accounting staff provide reinsurers with required claims documentation to support reinsurance billings, respond to inquiries, resolve disputes and verify proper offsets. Nevertheless, reinsurance collections can be difficult and often take significant amounts of time in liquidation. In many cases, time frames for responses and payments from reinsurers have lengthened considerably. Many reinsurers now require much more documentation (significantly more than prior to liquidation and sometimes often more than is contractually required), have repeated inquiries for information already provided, and then respond with many questions before even stating their payment position on the billings. Formal and informal dispute resolution actions have been required against a few reinsurers with substantial overdue balances.

Legion does not record an estimated allowance for uncollectible reinsurance, as noted earlier. During the period July 1, 2008 through June 30, 2009, \$247.2 million of reinsurance was collected. In addition to standard billing and collection efforts, Legion is also using commutations as a way to accelerate collections. In a commutation, Legion would receive a lump sum payment today from a reinsurer representing an estimate of all known and future unknown losses. The Reinsurance Recovery Committee approves all settlements.

b. **Premium Collections**

During the period July 1, 2008 through June 30, 2009, Legion collected \$1.4 million, net of expense. Unearned premiums are priority class (e) claims and have not been paid by Legion. The Legal Department oversees premium collections and Legion actively pursues receivable amounts due the Estate.

c. **Deductible Recoveries/Amounts to be Distributed per Act 46.**

Legion collects funds under large deductible policies. These funds will be paid, as outlined in Pennsylvania Statute Act 46, to those entities that funded the claim payments. Until the appropriate allocation can be determined, the funds are transferred to a separate restricted cash account.

d. **Operating Expenses**

Refer to Exhibit E, Combined Expense Analysis by Account, for line item detail of major components of operating expenses incurred by Legion for the period January 1, 2009 through June 30, 2009. Operating expenses paid per the Cash Flow Summary and Administrative Expenses Incurred per the Combined Expense Analysis by Account differ somewhat because of accruals and depreciation on fixed assets purchased (reporting of entire cash expenditure on the Cash Flow Summary compared to recording an asset and then reporting depreciation expense over time on the Combined Expense Analysis). For most operating expenses, Legion pays the invoice and is reimbursed from Villanova for its share through an intercompany transfer. (Please refer to the explanation of expense allocation included under Section 2a.).

e. **Guaranty Association Transactions**

As of June 30, 2009, the Court has authorized \$513 million in total for early access distributions. Legion has distributed via cash payments and reductions of statutory deposits all

of these funds except for \$27.7 million, which will be distributed when the GAs become compliant. From April 1, 2009 through June 30, 2009, the amount distributed was \$29.5 million.

5. Combined Expense Analysis by Account – EXHIBIT E

The operating expenses of Legion relate to efforts by the Liquidator to marshal and maximize the assets of the Estate for the benefit of all Legion policyholders and claimants, as well as to review and determine the ultimate liabilities of the Estate, to fulfill the public policies and purposes of the Act and the liquidation process, and to investigate and hold accountable those third parties alleged to contribute to the insolvency of Legion.

Exhibit E is a schedule reflecting the combined incurred expenses of Legion and Villanova from January 1, 2009 through June 30, 2009 together with a comparison, by category of expense, between 2009 YTD actual and 2009 YTD budget and between 2009 and 2008 YTD actual. As reflected in the Statement, the total combined expenses through June 30, 2009 are \$22,785,000, which is 25.0% less than the 2009 budget and 7.7% less than 2008 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. Lastly, the schedule lists unbudgeted revenue of \$36,000 related to expense reimbursement from a non-insurance affiliate. The GAs also incurred operating expenses, which are reported cumulatively on Exhibit H. Please refer to Section 2a for an explanation of the expense allocation.

a. Salaries, Employee Benefits and Taxes

As of June 30, 2009, Legion had a total of 144 employees. In addition, Legion utilizes a number of temporary/contractor workers when needed. At June 30, 2009, Legion had 34 such workers. Current plans dictate that this number will fluctuate as Legion implements a more

flexible staffing model designed to ensure continuity of specialized and institutional knowledge critical to the Estate.

b. Occupancy

Legion currently leases office space in Philadelphia and Milwaukee. Legion is committed to the current lease in Philadelphia through June 30, 2012. Philadelphia monthly base lease payments were \$106,818 through June 30, 2009 and will increase to \$110,588 effective July 1, 2009 and will be \$114,359, \$118,129 and \$121,899 in 2010, 2011 and 2012, respectively. Legion is committed to the current lease in Milwaukee through the end of 2010. Milwaukee monthly base lease payments are \$41,846 in 2009 and will remain \$41,846 for 2010.

c. Legal Fees and Expenses

Attached as Exhibit F is a schedule containing the legal expense paid detail by firm for the period January 1, 2009 through June 30, 2009 by month. Legal expenses generally pertained to reinsurance matters, policyholder and other collections, POC objections, direct actions and liquidation matters.

d. Professional Services

Attached as Exhibit F is a schedule containing the professional service expense paid detail by vendor name for the period January 1, 2009 through June 30, 2009 by month. The individual professionals and firms listed in the schedule include auditing services, actuarial services, collection services and consulting fees.

6. Guaranty Fund Claims and Expense Information

The GAs are an essential part of the liquidation safety net, providing significant coverage to certain policyholders and paying covered claims as defined and required by their respective statutes. Legion has continuously worked with the National Conference of Insurance Guaranty

Funds ("NCIGF") to assure the smooth interaction between the Estate and the state guaranty funds. The NCIGF's members include almost all of the state property and casualty insurance GAs in the United States. All aspects of cooperation between the Estate and GAs are discussed with the NCIGF. Discussions and correspondence included matters such as Legion claim file distribution, claim handling procedures, communication protocols, GA data reporting and UDS protocol, Legion product and policy information and deductible and policy aggregate tracking. Legion personnel have worked with specific NCIGF groups and committees on specific areas, such as Liquidator Large Deductible Recoveries. Legion staff work with the GAs to obtain information required for reinsurance loss reporting to maximize reinsurance collections.

a. **Status of Uniform Data Standards ("UDS")**

A department within Legion coordinates with the GAs and their vendors in managing the data reporting process and the quality of data reported by GAs. As of June 30, 2009, there were 54 GAs reporting paid and outstanding loss information via electronic UDS files, either sent directly to Legion or submitted to the NCIGF secure FTP website. 52 of the GAs report monthly and 2 GAs are still reporting quarterly. Data from all GAs but 5 were current through June 30, 2009. The electronic files received from GAs are interfaced to a processing application at Legion where the data is parsed and edited. Resolution of data errors is coordinated with the respective GA. The data is then interfaced to Legion's policy/claim system to support Estate functions, including reinsurance billing and financial reporting.

Data quality is additionally monitored through various reports and procedures, which specifically address aspects of the UDS data, such as Net Worth recoveries and Liquidator Large Deductible recoveries.

b. **Guaranty Fund Claim Overview – EXHIBIT H**

The Guaranty Fund Claim Overview Report (“COR”) as of June 30, 2009 summarized by state the policyholder benefit claims and administrative expenses received and applied by Legion through June 30, 2009. The COR data represented the last reported UDS claims paid inception-to-date and claim reserve information prior to June 30, 2009 for the 54 GAs (excludes Massachusetts and Oregon which have formed ancillaries to administer the Legion workers compensation claimants from those states and have not signed the refunding agreement). Administrative expenses were updated from the quarterly Financial Information Questionnaires, which generally lag behind the automated UDS transmissions. Legion adjusted the COR for states which triggered the estate’s liquidation prior to July 28, 2003, post liquidation claim payments made on behalf of GAs, questionable settlements and deductible recoveries. Legion also adjusted for disallowed administrative expenses.

Legion considers the COR to be the GAs’ proof of claim against the Estate. Legion provides the GAs with early access monies to help fund the administrative and policyholder benefit payments made by the GAs on Legion’s behalf. All such expenses will be settled through the formal NOD process, which may include objections to adjustments made by Legion.

7. **Claims Process**

Legion wrote a variety of long tail lines of business, including workers’ compensation, directors and officers, medical malpractice and professional liability. For reasons unrelated to the Legion receivership, but based rather on the nature of the insurance coverage written by Legion and the claims under those policies, it may be many years before some of these long tail claims will be resolved.

The deadline for filing POCs was June 30, 2005. As of June 30, 2009, Legion and Villanova combined had received a total of 45,491 POC claims. Of those 2,484 were received after the claim filing deadline. Notwithstanding the claim filing deadline, Legion continues to receive new POC claims. Late filed claims will be evaluated consistent with the late filing provisions of the Act.

a. Proofs of Claim Statistics – EXHIBIT I (Inception-to-Date)

As of June 30, 2009, Legion had issued and accepted NODs for 30,324 of the 41,211 POC claims assigned to it for a total allowed amount of \$87,054,275. Accepted NODs accounted for 74% of the POC claims filed with the Estate. The Court has approved 27,880 of these NODs, as of June 30, 2009, for a total allowed amount of \$49,865,199. Exhibit I breaks down this information by priority class. NODs will be issued for all POC received (see note below).

b. Proofs of Claim Statistics – EXHIBIT J (Quarter-to-Date)

During the quarter ended June 30, 2009, Legion received 743 additional POC claims, as well as reclassifying others. An additional 1,154 NODs were issued during the period and 769 were accepted for approximately \$14.8 million.

c. Notice of Determination Objection Statistics – EXHIBIT K

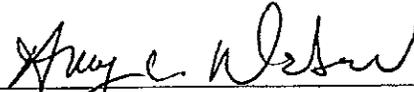
As of June 30, 2009, the Liquidator had received a total of 782 objections to the 31,463 NODs issued. As of June 30, 2009, Legion had resolved 644 objections. Of the 138 unresolved objections, 39 were assigned to referees as of June 30, 2009. Exhibit K indicates the status of all objections received through June 30, 2009, breaks down this information by priority class and includes the Allowed Amounts for objections in each priority class.

d. Status of Distribution

On February 8, 2008, the Liquidator filed a Petition for Approval of Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved from May 1, 2007 to October 31, 2007 ("Report of Claims"). The Report of Claims listed the allowed amounts of claimant NODs that had been accepted or assumed accepted from May 1, 2007 to October 31, 2007. The Court granted the petition on March 31, 2008. On September 11, 2008, the Liquidator filed a Petition for Approval of Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved from November 1, 2007 to April 30, 2008 ("Report of Claims 2"). The Report of Claims 2 listed the allowed amounts of claimant NODs that had been accepted or assumed accepted from November 1, 2007 to April 30, 2008. The Court granted the petition on October 21, 2008. On April 7, 2009, the Liquidator filed a Petition for Approval of Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved from May 1, 2008 to October 31, 2008 ("Report of Claims 3"). The Report of Claims 3 listed the allowed amounts of claimant NODs that had been accepted or assumed accepted from May 1, 2008 to October 31, 2008. The Court granted the petition on May 13, 2009. The allowed amounts on NODs approved for distribution are listed by priority class on Exhibit I. The next step in the distribution process will be for Legion to prepare a court petition to seek approval of interim distribution calculations for NODs, including the aggregate policies. Other than workers' compensation policies, many policies written by Legion were subject to aggregate limits. The NOD allowed amounts on a few policies have exceeded or are close to exceeding the aggregate limits; therefore, when all POC claims have been evaluated for these effected policies, the final NOD allowed amounts will be an allocation of the policy

aggregate limits. The allocation will be pro rated based on the relative value of each NOD gross allowed value to the total gross allowed values of all NODs assigned to the particular policy.

Respectfully submitted,



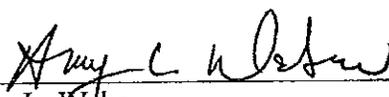
Amy L. Weber (I.D. #45447)
Governor's Office of General Counsel
Office of Liquidations, Rehabilitations and
Special Funds
901 North 7th Street
Harrisburg, Pennsylvania 17102
(717) 787-6009

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

Dated: August 17, 2009

CERTIFICATION

I, Amy L. Weber, Governor's 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 F to the Quarterly Report of the Liquidator on the Status of the Liquidation of Legion Insurance Company as of June 30, 2009 and I certify that these legal fees and expenses are reasonable and necessary. I also have reviewed Exhibit E, 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
Insurance Department Counsel

Dated: 8/14/09

3. I certify that the Exhibits attached to the Report fairly present the following:
- A. Special Purpose Statement of Assets and Liabilities: Exhibit "A" to the Report is the Special Purpose Statement of Assets and Liabilities for the Estates as of June 30, 2009. As reflected in the Note accompanying these Statements, it has been prepared on a unique financial reporting basis, subject to the several assumptions and qualifications stated therein.
 - B. Statement Reflecting Statutory Capital and Surplus Account: Exhibit "B" to the Report is the Statement reflecting the Statutory Capital and Surplus Account for the Estates for the period December 31, 2001 through June 30, 2009.
 - C. Monthly Cash Flow Summary: Exhibit "C" is the cash flow summary on a monthly basis for the Estate including investment transactions for the period July 1, 2008 through June 30, 2009.
 - D. Notes to Special Purpose Statement of Assets and Liabilities: Exhibit "D" contains information explaining the unique financial reporting basis used to prepare the Special Purpose Statement.
 - E. 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

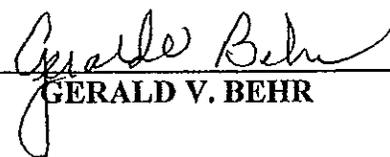
Legion and 10% to Villanova. The schedules attached to the Report relating to expenses represent the expenses paid or incurred by the Estates on a consolidated basis, including all common expenses, before any allocation. Exhibit "E" is a schedule reflecting the combined incurred expenses of the Estates from January 1, 2009 through June 30, 2009 together with a comparison, by category of expense, between 2009 and the 2009 budget and between 2008 and 2009 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. Exhibit E provides the accrued administrative expenses of the Estates including salaries and employee benefits for the period of January 1, 2009 through June 30, 2009 except for certain guaranty association expenses that may qualify as administrative expenses of the Estates.

F. Professional Services Paid and Incurred: Exhibit "F" 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, 2009 through June 30, 2009. Legal vendors, including law firms and other litigation and support service providers, are broken out separately on Exhibit "F."

G. Reinsurance Recoverables due or Billable Net: Detailed information relating to reinsurance recoverables of the Estate due or billable net as of June 30, 2009 is submitted as Exhibit "G."

-
- H. Guaranty Fund Claim Overview Report: Summary information for liquidation class ("Class") A and B claims at a state guaranty association level is provided in Exhibit "H." This information may include adjustments for inaccuracies in GA data reporting or material expenses, as appropriate. This information excludes any state guaranty associations which have formed an ancillary to administer their claims.
- I. Proof of Claim Statistics Inception to Date: Exhibit "I" provides inception to date summary information at a Class level of various proof of claims statistics.
- J. Proof of Claim Statistics Quarter to Date: Exhibit "J" provides quarter to date summary information at a Class level of various proofs of claims statistics.
- K. Notice of Determination Objection Statistics: Summary information at a class level of Notice of Determination Objections received, resolved and unresolved is provided in Exhibit "K". Additional summary information is also provided related to unresolved objections.
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 2009.

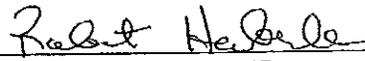
5. I verify that the matters stated herein are true and correct to the best of my knowledge, information and belief, and make these statements subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.


GERALD V. BEHR

Sworn to and subscribed before me
This 12th day of August 2009.


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

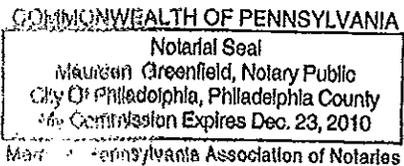
knowledge, information and belief, and make these statements subject to the penalties of
18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.



ROBERT HABERLE

Sworn to and subscribed before me
this 13 th day of August 2009.


NOTARY PUBLIC



EXHIBIT

A

Legion Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
June 30, 2009 and December 31, 2008
(In Millions of Dollars)

	<u>6/30/2009</u>	<u>12/31/2008</u>
ASSETS		
Cash investments:		
Fixed income and equity securities	\$ 84.1	\$ 161.9
Money market deposits	<u>680.3</u>	<u>502.6</u>
Total cash and invested assets	764.4	664.5
Estimated losses and loss adjustment expense reserves - ceded	1,019.8	1,049.4
Reinsurance recoverables due or billable, net	247.9	301.7
Early access advances	485.3	454.4
State deposits and unapplied state deposits available for early access	9.7	9.7
Amounts to be distributed per Act 46	18.8	8.6
Amounts to be collected from Large Deductibles	48.4	50.6
Other assets	1.7	4.3
Total Assets	<u>\$ 2,596.0</u>	<u>\$ 2,543.2</u>
LIABILITIES		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses incurred since liquidation	\$ 270.6	\$ 251.8
Liquidator expenses paid since liquidation	<u>(261.1)</u>	<u>(237.7)</u>
Liquidator expenses	9.5	14.1
Guaranty associations paid ULAE reported	120.8	95.2
Guaranty associations' reserves ULAE	<u>15.4</u>	<u>23.8</u>
Total	\$ 145.7	\$ 133.1
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	1,299.3	1,230.7
Liquidator valued NODs accepted	31.1	20.7
Estimated reserves - guaranty associations	614.9	601.4
Estimated reserves - other	<u>918.1</u>	<u>974.9</u>
Total	2,863.4	2,827.7
C - Federal government claims		
D - Certain employee claims		
E - General creditor claims		
Guaranty associations paid	28.4	28.4
Liquidator valued NODs accepted	36.3	18.8
Estimated value	<u>150.4</u>	<u>125.1</u>
Total	215.1	172.3
F - State and local government claims		
Liquidator valued NODs accepted	26.7	10.3
Estimated value	<u>32.0</u>	<u>49.0</u>
Total	58.7	59.3
G - Late filed claims		
Liquidator valued NODs accepted	1.7	1.5
Ancillary Receiverships:		
Post liquidation claims paid, gross	45.0	44.3
Estimated losses and loss adjustment expense reserves - direct	52.1	51.6
Offset of unapplied liquidated statutory deposit	<u>(80.6)</u>	<u>(60.1)</u>
Post liquidation claims, net	16.5	15.8
Total liabilities	3,301.1	3,209.7
Net surplus (deficit)	<u>(705.1)</u>	<u>(666.5)</u>
Total Liabilities and Surplus (Deficit)	<u>\$ 2,596.0</u>	<u>\$ 2,543.2</u>

* See Note to Special Purpose Statement of Assets and Liabilities

EXHIBIT
B

Legion Insurance Company (In Liquidation)
Statutory Capital and Surplus Account
For the Period December 31, 2001 Thru June 30, 2009
(In Millions of Dollars)

Surplus as Regards Policyholders, Beginning Balance	\$ 298.3
Net Loss:	
Underwriting Loss, Net	(1,173.5)
Investment Income, Net	147.0
Other Expense, Net	(27.2)
Loss Before Income Taxes	<u>(1,053.7)</u>
Federal & Foreign Income Taxes	(22.4)
Net Loss	<u>(1,031.3)</u>
Change in Net Unrealized Capital Gains (Losses)	(43.8)
Change in Net Deferred Income Tax	(42.3)
Change in Non Admitted Assets	91.3
Change in Provision for Reinsurance	22.7
Change in Surplus as Regards Policyholders for the Period	<u>(1,003.4)</u>
Surplus as Regards Policyholders, Ending Balance	<u><u>\$ (705.1)</u></u>

EXHIBIT

C

EXHIBIT
D

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

The Special Purpose Statement of Assets and Liabilities of Legion Insurance Company (In Liquidation) is prepared on a unique financial reporting basis in that the statement does 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 statement of assets and liabilities. The statement does 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 Statement 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 Statement of Assets and Liabilities is 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 statement does not reflect any general provision for estimated unrealizable reinsurance recoverable assets. The statement does 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 Statement 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

E

LEGION INSURANCE COMPANY (IN LIQUIDATION)
 VILANOVA INSURANCE COMPANY (IN LIQUIDATION)
 COMBINED EXPENSE ANALYSIS BY ACCOUNT
 June 30, 2009 ACTUALS vs BUDGET
 (\$ In Thousands)

	Year to Date				2009 Actual vs 2009 Budget		2009 Actual vs 2008 Actual	
	2009 Actual	% of Total Operating	2009 Budget	2008 Actual	Dollar Variance	Percent Variance	Dollar Variance	Percent Variance
Full Time	144		185	209	41	22.2%	65	31.1%
Part Time	-		-	1	-	n/a	1	100.0%
Contractor Help	34		18	25	(16)	-88.9%	(9)	-36.0%
Total Staffing - Current	178		203	235	25	12.3%	57	24.3%
Staffing - Average								
Full Time	164		197	212	33	16.5%	48	22.5%
Part Time	-		-	1	-	n/a	1	100.0%
Contractor Help	31		18	27	(13)	-69.4%	(4)	-15.1%
Total Staffing - Average	195		215	240	20	9.3%	46	19.0%
General & Administrative Expenses								
Salaries - Internal	\$ 9,111	40.0%	\$ 10,749	\$ 9,712	\$ 1,639	15.2%	\$ 601	6.2%
Salaries - External	2,930	12.9%	5,180	2,429	2,250	43.4%	(501)	-20.6%
Benefits	1,922	8.4%	2,465	2,593	543	22.0%	671	25.9%
Occupancy	1,430	6.3%	1,385	1,426	(45)	-3.3%	(4)	-0.3%
Equipment	1,429	6.3%	1,815	1,825	386	21.3%	396	21.7%
Legal Fees and Expenses	1,094	4.8%	2,730	2,773	1,656	60.2%	1,679	60.6%
Professional Services	3,012	13.2%	3,622	2,277	609	16.8%	(735)	-32.3%
Other	1,857	8.1%	2,420	1,661	563	23.3%	(195)	-11.8%
Total Expenses	22,785	100.0%	30,396	24,697	7,601	25.0%	1,912	7.7%
Revenue for Collecting Large Deductible Recoveries as Provided by PA Statute Act 46								
Act 46 Collection	(17)		160	240	(176)	-109.9%	(257)	-107.0%
Expense Reimbursement				40	36	n/a	(4)	-10.9%
Non-insurance affiliate								
Total Revenue	19		160	280	(140)	-87.6%	(261)	-93.3%
Net Budget	\$ 22,768		\$ 30,226	\$ 24,417	\$ 7,461	24.7%	\$ 1,651	6.8%

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

F

Classification	VENDOR NAME	Services Provided	January	February	March
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant	-	-	6,382
	ARBITRATION & MEDIATION	Reinsurance Arbitrator	-	-	-
	BI-STATE REPORTING	Reinsurance Arbitrator	-	3,427	1,621
	CONTINENTAL CASUALTY	Legal fees reimbursed via arbitration process	-	-	-
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation	564	984	800
	DAVID THIRKILL	Reinsurance Arbitrator	-	-	-
	ESQUIRE DEPOSITION SERVICES	Court Reporting Services	-	-	715
	GRP, LLC	Reinsurance Witness	-	5,008	788
	KATHLEEN WALSH CRAMER	Referee Fees	-	-	-
	LANDMARK LEGAL SOLUTIONS	Referee Fees	399	-	1,526
	LEGALINK	Referee Fees	-	-	1,057
	LEXISNEXIS	Legal Research Fees	313	313	313
	MARKSADR, LLC	Court Reporting Services	-	18,243	-
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice	26,375	15,529	39,010
	PIETRAGALLO, GORDON, ALFANO, BOSICK & RASPANTI, LLP	General Litigation and Liquidation Advice	6,821	9,234	23,558
	ROBBRE, LLC	Reinsurance Arbitrator	-	-	1,200
	STEPHEN J CURLEY, ESQ.	Premium Collection Litigation	-	-	3,227
	SYLVIA KAMINSKY	Reinsurance Arbitrator	-	-	-
	THE MCS GROUP, INC	Copy and Scanning Services	-	-	-
	THOMSON WEST	Legal Research Fees	3,031	2,646	78
	WINTER REPORTING INC.	Court Reporting Services	-	-	4,321
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	Premium Collection Litigation, Labor Advice, General Advice	51,188	-	36,028
	Aggregate Amount for Total Vendor Payments Under \$1,000	(General) Legal Support Costs	500	(25,644)	774
Total Legal Fees and Expenses Paid			91,590	29,740	121,395
Change in Legal Fees and Expenses accrual and other non-cash transactions			8,567	103,649	298,365
Total Legal Fees and Expenses Incurred			100,157	133,389	319,760

Classification	VENDOR NAME	Services Provided	January	February	March
Professional Services	ACCESS RECEIVABLES MGMT.	Collections Support Services	-	-	-
	ALAN GRAY INSURANCE SERVICES, INC.	Contract Reinsurance Services	15,100	-	9,710
	ANEXINET	Data Management Consultant	52,718	20,385	-
	CSC/SC-MYND CORP.	Data Processing and Outsourcing	54,335	66,253	51,002
	HARD COPY	IT Technical Support	10,075	-	-
	HELIX UK LIMITED	London Reinsurance Collection Intermediary	99,500	-	-
	HEWITT ASSOCIATES LLC	Human Resources & Technical Consulting	-	-	108,595
	HUGGINS ACTUARIAL SERVICE, INC.	Actuarial Services	-	-	-
	INTUIT INC.	IT Technical Support	2,105	-	-
	JEFFERSON WELLS INTERNATIONAL INC.	Audit Services	-	-	-
	MINTZER SAROWITZ ZRIS & LEDVA	Litigation Support Services	-	-	-
	PHILIP MASIN	Human Resources Consulting	-	-	-
	PRICewaterhouse COOPERS LLP	Actuarial Services	18,965	19,884	35,400
	REINSURANCE SOLUTIONS LLC	Reinsurance Technical Support	-	37,875	64,140
	RELANCE INS CO (IN LIQUIDATION)	Shared Resource for Monitoring Reinsurers Solvency	19,604	-	-
	RIGHT MANAGEMENT CONSULTANTS	Human Resources Consulting	1,500	-	-
	SIGNATURE CAPTIVE SOLUTIONS	Reinsurance Technical Support	-	-	-
	SMART BUSINESS ADVISORY & CONSULTING,LLC	Reinsurance Technical Support & Contract Reinsurance Services	-	257,722	163,612
	SMART BUSINESS ADVISORY AND CONSULTING UK LIMITED	Reinsurance Technical Support & Contract Reinsurance Services	-	25,154	-
	PREMIUM RECEIVED, NET OF COLLECTION FEES	Collections Support Services	763	1,838	6,462
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Professional Fees	630	-	-
Total Professional Services Paid			275,294	428,911	452,859
Change in Professional Services accrual and other non-cash transactions			74,989	1,534	54,136
Total Professional Services Incurred			350,283	430,445	506,995
Total Legal Expenses and Fees and Professional Services Incurred			450,439	563,834	866,735

* All expenses above are gross before any allocation among Legion Insurance Company (In Liquidation), Villanova Insurance Company (In Liquidation) and PRMSLIC, Inc.

Credit amounts may represent adjustments to accruals, negative expenses and classification adjustments.

Classification	VENDOR NAME	Services Provided	April	May	June	2009 Total
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant	-	-	-	6,382
	ARBITRATION & MEDIATION	Reinsurance Arbitrator	10,000	-	-	10,000
	BI-STATE REPORTING	Legal fees reimbursed via arbitration process	-	-	(350,000)	5,047
	CONTINENTAL CASUALTY	Premium Collection Litigation	636	1,124	1,046	5,552
	DASHIELL LAW OFFICES, LLC	Reinsurance Arbitrator	700	1,750	-	2,450
	DAVID THIRKILL	Court Reporting Services	1,397	2,295	-	4,406
	ESQUIRE DEPOSITION SERVICES	Reinsurance Witness	-	-	-	5,796
	GRP, LLC	Referee Fees	-	7,067	-	7,067
	KATHLEEN WALSH CRAMER	Referee Fees	74	669	60	2,727
	LANDMARK LEGAL SOLUTIONS	Referee Fees	-	-	-	1,057
	LEGALINK	Referee Fees	-	626	313	1,878
	LEXISNEXIS	Legal Research Fees	-	-	-	18,243
	MARKSADR, LLC	Court Reporting Services	-	-	-	678,089
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice	345,381	113,501	136,274	115,050
	PIETRAGALLO, GORDON, ALFANO, BOSICK & RASPANTI, LLP	General Litigation and Liquidation Advice	22,406	13,968	39,102	4,880
	ROBBRE, LLC	Reinsurance Arbitrator	2,240	4,840	-	3,227
	STEPHEN J CURLEY, ESQ.	Premium Collection Litigation	-	-	-	10,480
	SYLVIA KAMINSKY	Reinsurance Arbitrator	-	10,480	-	3,254
	THE MCS GROUP, INC	Copy and Scanning Services	-	3,254	-	17,524
	THOMSON WEST	Legal Research Fees	2,646	5,667	3,467	1,089
	WINTER REPORTING INC.	Court Reporting Services	-	-	55,201	223,904
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	Premium Collection Litigation, Labor Advice, General Advice	45,836	35,651	180	(23,908)
		General Legal Support Costs	39	244	-	766,815
		Aggregate Amount for Total Vendor Payments Under \$1,000	431,355	201,135	(108,397)	326,041
		Total Legal Fees and Expenses Paid	(153,675)	186,642	(78,706)	1,093,656
		Change in Legal Fees and Expenses: accrual and other non-cash transactions	277,678	387,776	(185,103)	-
		Total Legal Fees and Expenses Incurred	-	-	-	-

Classification	VENDOR NAME	Services Provided	April	May	June	2009 Total
Professional Services	ACCESS RECEIVABLES MGMT.	Collections Support Services	3,875	-	-	3,875
	ALAN GRAY INSURANCE SERVICES, INC.	Contract Reinsurance Services	14,250	112,144	22,800	174,004
	ANEXINET	Data Management Consultant	-	-	181,852	254,954
	CSC/FSG-MYND CORP.	Data Processing and Outsourcing	-	104,682	52,045	308,318
	HARD COPY	IT Technical Support	-	-	-	10,075
	HELIX UK LIMITED	London Reinsurance Collection Intermediary	337,831	20,000	78,247	535,578
	HEWITT ASSOCIATES LLC	Human Resources & Technical Consulting	-	-	-	109,585
	HUGGINS ACTUARIAL SERVICE, INC.	Actuarial Services	-	-	46,391	46,391
	INTUIT INC.	IT Technical Support	-	293	276	2,674
	JEFFERSON WELLS INTERNATIONAL INC.	Audit Services	-	13,320	-	13,320
	MINTZER SAROWITZ ZRIS & LEDVA	Litigation Support Services	1,378	-	-	1,378
	PHILIP MASIN	Human Resources Consulting	-	-	34,400	34,400
	PRICEWATERHOUSE COOPERS LLP	Actuarial Services	-	88,537	4,320	167,106
	REINSURANCE SOLUTIONS LLC	Reinsurance Technical Support	20,400	19,950	-	142,165
	RELANCE INS CO (IN LIQUIDATION)	Shared Resource for Monitoring Reinsurers Solvency	36,331	-	-	54,935
	RIGHT MANAGEMENT CONSULTANTS	Human Resources Consulting	-	-	-	1,500
	SIGNATURE CAPTIVE SOLUTIONS	Reinsurance Technical Support & Contract Reinsurance Services	80,313	8,813	24,800	126,863
	SMART BUSINESS ADVISORY & CONSULTING, LLC	Reinsurance Technical Support & Contract Reinsurance Services	222,410	167,130	102,704	913,579
	SMART BUSINESS ADVISORY AND CONSULTING UK LIMITED	Reinsurance Technical Support & Contract Reinsurance Services	-	-	-	25,154
	PREMIUM RECEIVED NET OF COLLECTION FEES	Collections Support Services	2,749	1,480	(1,968)	11,303
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Professional Fees	-	500	-	1,180
	Total Professional Services Paid		718,536	536,843	545,847	2,958,296
	Change in Professional Services accrual and other non-cash transactions		(84,928)	8,733	9,684	54,148
	Total Professional Services Incurred		623,610	545,582	555,531	3,012,446
	Total Legal Expenses and Fees and Professional Services Incurred		901,287	533,359	370,428	4,106,102

* All expenses above are gross before any allocation among Legion Insurance Company (In Liquidation), Villanova Insurance Company (In Liquidation) and PRMSLIC, Inc.

Credit amounts may represent adjustments to accruals, negative expenses and classification adjustments.

EXHIBIT
G

Legion Insurance Company (In Liquidation)
Reinsurance Recoverables Due or Billable, Net
June 30, 2009

Reinsurer	Amount
	\$
HANNOVER RUCKVERSICHERUNGS A G	23,806,858
MIDWEST EMPLOYERS CASUALTY COMPANY	19,353,044
FIRST EXCESS REINSURANCE CORPORATION	13,551,942
SWISS REINSURANCE AMERICA CORPORATION	13,222,412
ODYSSEY REINSURANCE CORPORATION	12,986,923
TRANSATLANTIC REINSURANCE COMPANY	7,854,463
EMPLOYERS REINSURANCE CORPORATION	7,426,207
GE REINSURANCE CORPORATION	6,784,861
AMERICAN RE-INSURANCE COMPANY	6,362,442
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	5,352,455
ALEA EUROPE LIMITED	4,659,456
NATIONAL REINSURANCE CORPORATION	3,965,309
WESTCHESTER FIRE INSURANCE COMPANY	3,576,824
WESTPORT INSURANCE CORPORATION	3,053,101
LLOYDS SYNDICATE # 435	2,794,604
LUMBERMENS MUTUAL CASUALTY COMPANY	2,750,178
AMERICAN NATIONAL INSURANCE COMPANY	2,556,539
FOLKSAMERICA REINSURANCE COMPANY	2,477,662
CNA INTERNATIONAL REINSURANCE COMPANY	2,408,163
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	2,370,413
CHUBB ATLANTIC INDEMNITY LIMITED	2,346,588
AMERICAN SAFETY CASUALTY INSURANCE COMPANY	1,818,862
SWISS RE LIFE COMPANY OF AMERICA	1,806,976
TRENWICK AMERICA REINSURANCE CORPORATION	1,794,867
LLOYDS SYNDICATE # 1245	1,790,090
LINCOLN NATIONAL HEALTH & CASUALTY INSURANCE COMPANY	1,744,187
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	1,739,701
PXRE REINSURANCE COMPANY	1,621,137
MANULIFE REINSURANCE CORPORATION (USA)	1,462,604
FEDERAL INSURANCE COMPANY	1,459,481
TERRA NOVA INSURANCE COMPANY LTD	1,402,443
SCOR REINSURANCE COMPANY	1,292,655
LLOYDS SYNDICATE # 1173	1,265,818
UNDERWRITERS REINSURANCE COMPANY	1,264,656
XL REINSURANCE AMERICA LTD	1,260,743
ODYSSEY RE (LONDON) LIMITED	1,192,963
CORE INSURANCE COMPANY	1,186,512
CHARTWELL REINSURANCE COMPANY	1,118,881
PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY	1,087,313
LLOYDS SYNDICATE # 362	1,017,068
LLOYDS SYNDICATE # 510	1,011,160
LLOYDS SYNDICATE # 183	1,010,350
ALL OTHER REINSURERS (LESS THAN \$1M DUE)	19,310,476
PENDING CESSIONS	49,757,341
TOTAL REINSURANCE RECOVERABLES DUE OR BILLABLE, NET	\$ 247,956,744

Legion Insurance Company (In Liquidation)
 Guaranty Fund Claim Overview Report
 As of June 30, 2009

State	GA	Number Files		Number files outstanding	A- Level Paid Admin Exp	B - Level Paid		B- Level Known Case Reserves
		Assigned	Complete			Losses and Loss Adj Expenses		
AK	354	40	36	4	\$ 14,909	\$ 1,786,690	\$ 204,178	
AL	301	588	390	198	2,391,870	21,149,644	38,888,857	
AR	303	244	228	16	132,384	2,971,780	1,218,107	
AZ	402	82	78	4	431,725	1,172,438	41,230	
AZ	302	352	288	64	883,389	5,037,298	11,724,643	
CA	360	45,403	38,359	7,044	38,115,189	475,284,246	204,978,062	
CO	305	390	366	24	711,493	8,747,380	3,625,962	
CT	306	1,378	1,277	101	2,988,264	25,433,013	5,882,993	
DC	308	47	39	8	248,945	874,797	1,737,978	
DE	307	113	91	22	615,580	2,951,091	2,094,266	
FL	409	681	655	26	1,447,834	27,839,286	491,818	
FL	309	753	728	25	2,056,819	53,250,914	5,860,063	
GA	310	3,047	2,919	128	5,417,942	67,054,237	49,338,189	
HI	352	44	41	3	155,648	1,490,290	335,449	
IA	314	135	119	16	285,995	2,092,365	428,723	
ID	311	70	83	7	83,882	1,123,594	771,805	
IL	312	1,882	1,824	58	4,530,954	32,102,251	8,376,735	
IN	313	198	186	12	565,391	2,470,588	144,397	
KS	315	278	254	24	505,907	9,050,944	4,946,251	
KY	316	439	304	135	818,240	10,855,063	13,187,039	
LA	317	293	285	28	544,098	8,580,824	2,884,680	
MD	319	369	327	42	1,462,116	5,814,504	3,039,722	
ME	318	264	257	7	494,767	2,664,164	2,025,358	
MI	321	629	585	44	1,770,727	19,067,914	10,766,291	
MN	322	190	164	26	362,282	3,695,510	1,815,010	
MO	324	654	631	23	768,534	8,656,022	10,355,389	
MS	323	1,333	1,196	137	3,116,544	36,397,950	22,985,464	
MT	325	99	71	28	333,457	2,703,933	3,504,970	
NC	332	1,460	1,397	63	2,361,107	29,235,172	8,779,446	
ND	333	7	7	-	84,757	418,710	-	
NE	326	113	103	10	99,629	2,278,767	3,305,847	
NH	328	550	530	20	869,569	4,024,622	2,412,743	
NJ	429	1,319	1,208	113	1,492,994	35,222,823	2,215,849	
NJ	329	1,803	1,557	246	1,462,943	43,110,974	15,145,980	
NM	330	96	67	29	227,551	2,116,362	2,298,180	
NV	327	1,105	867	238	1,585,249	7,746,790	994,759	
NY	431	5,215	4,472	743	-	80,112,132	24,328,240	
NY	331	2,675	2,158	517	23,384,095	74,197,882	29,150,592	
OH	334	113	102	11	681,318	1,824,866	13	
OK	335	705	655	50	1,489,452	11,335,470	10,156,609	
PA	437	758	697	61	849,757	13,220,378	1,579,778	
PA	337	727	604	123	2,056,829	46,214,999	20,208,508	
RI	338	261	249	12	479,848	3,463,308	240,799	
SC	339	1,437	1,349	88	1,690,764	32,830,687	17,175,863	
SD	340	32	29	3	63,592	272,305	249,527	
TN	341	1,360	939	421	3,068,869	28,662,176	20,046,436	
TX	342	2,216	2,045	171	3,078,972	38,215,588	14,148,972	
UT	343	67	57	10	154,063	951,196	227,608	
VA	345	613	521	92	1,464,212	16,924,927	27,042,722	
VT	344	299	276	23	466,586	3,708,343	4,398,159	
WA	346	78	76	2	124,817	718,630	2	
WI	348	174	160	14	481,129	4,371,279	763,204	
WV	347	37	34	3	210,970	1,097,509	9	
WY	349	10	8	2	33,783	767,827	335,272	
NOHLGA	370	424	400	24	1,772,267	2,710,094	-	
		83,225	71,908	11,319	\$ 120,749,807	\$ 1,326,072,540	\$ 614,858,735	

EXHIBIT

I

Legion Insurance Company (In Liquidation)
 Proofs of Claim Statistics
 Inception to Date June 30, 2009

Class Descriptions	Total # of POC Claims Received	# of POC Claims Received After 6/30/05	# of NODs Issued	# of NODs Accepted	Allowed Amounts on Accepted NODs	# of NODs Approved for Distribution	Allowed Amounts on NODs Approved for Distribution
A - Administrative Expenses	1,159	15	1,070	1,069	\$ 0	1,062	\$ 0
B - Policyholder Claims	18,226	918	11,635	10,937	31,131,788	10,432	19,959,526
C - Federal Government	-	-	-	-	-	-	-
D - Employees	6	-	-	-	-	-	-
E - General Credit/UEP	19,985	370	17,945	17,571	27,477,439	15,762	18,262,823
F - State/Local Government	122	3	110	110	26,707,636	89	10,106,965
G - Late Filed/Subrogation	1,713	996	703	637	1,737,411	545	1,535,885
H - Surplus, Prem. Refunds	-	-	-	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-	-	-	-
No Class	-	-	-	-	-	-	-
TOTALS	41,211	2,302	31,463	30,324	\$ 87,054,276	27,880	\$ 49,865,199

EXHIBIT

J

Legion Insurance Company (In Liquidation)
Proofs of Claim Statistics*
Quarter to Date June 30, 2009

Class Descriptions	Total # of POC Claims Received	# of NODs Issued	# of NODs Accepted	Allowed Amounts on Accepted NODs	# of NODs Approved for Distribution**	Allowed Amounts on NODs Approved for Distribution**
A - Administrative Expenses	2	1	-	\$ 0	122	\$ -
B - PolicyHolder Claims	(61)	731	202	574,360	1,919	9,554,282
C - Federal Government	-	-	-	-	-	-
D- Employees	(6)	-	-	-	-	-
E - General Cred/UWP	663	292	484	5,777,141	1,924	1,125,952
F- State/Local Government	2	-	2	8,260,349	-	0
G- Late Filed/Subrogation	150	130	81	198,998	333	646,406
H - Surplus, Prem. Refunds	-	-	-	-	-	-
I- Shareholders/Other Owners	(8)	-	-	-	-	-
No Class	-	-	-	-	-	-
TOTALS	743	1,154	769	\$ 14,810,849	4,298	\$ 11,326,640

*Negative amounts represent reclassifications.

**These amounts not only include those NODs approved during this Quarter by any Orders Approving the Liquidator's Report on Legion/Villanova Claims Undisputed and Resolved Claims Report but also any Orders issued this Quarter resolving NOD Objections, as well as, any reclassifications.

EXHIBIT
K

Legion Insurance Company (In Liquidation)
 Notice of Determination Objection Statistics
 Inception to Date June 30, 2009

Class Descriptions	Total # ROD Objections Received	Allowed Amounts on Objections	# of Objections Resolved	Allowed Amounts on Objections Resolved
A - Administrative Expenses	7	\$ 0	7	\$ 0
B - Policyholder Claims	288	1,673,861	248	1,622,870
C - Federal Government	-	-	-	-
D - Employees	-	-	-	-
E - General Credit/UEP	470	38,111,102	376	549,091
F - State/Local Government	2	11,971	2	11,971
G - Late Filed/Subrogation	15	438,417	13	234,287
H - Surplus, Prem. Refunds	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-
TOTALS	782	\$ 40,233,351	644	\$ 2,418,218

Class Descriptions	Total Objections Unresolved	Allowed Amounts on Objections Unresolved	# of Objections Unresolved Assigned to Referees	Allowed Amounts on Objections Unresolved Assigned to Referees	# of Objections Unresolved Not Assigned to Referees	Allowed Amounts on Objections Unresolved Not Assigned to Referees
A - Administrative Expenses	0	\$ 0	0	\$ 0	0	\$ 0
B - Policyholder Claims	42	50,991	24	50,991	18	0
C - Federal Government	-	-	-	-	-	-
D - Employees	-	-	-	-	-	-
E - General Credit/UEP	94	37,662,011	14	13,060,312	80	24,501,699
F - State/Local Government	-	-	-	-	-	-
G - Late Filed/Subrogation	2	202,130	1	202,130	1	-
H - Surplus, Prem. Refunds	-	-	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-	-	-
TOTALS	138	\$ 37,815,133	39	\$ 13,313,434	99	\$ 24,501,699