



COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
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February 26, 2008

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

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

Dear Mr. Krimmel:

Enclosed for filing please find the original and two hard copies of the Liquidator's Petition For Leave to File Confidential Affidavit Under Seal.

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,

A handwritten signature in cursive script, appearing to read "Amy C. Weber".

Amy C. Weber
Special Funds Counsel

ALW:mm
Enclosure

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

Plaintiff,

v.

LEGION INSURANCE COMPANY,

Defendant.

Docket No. 183 M.D. 2002

*In Re: Commutation, Settlement and Release Agreement between
Legion Insurance Company (In Liquidation) and Phoenix Life Insurance Company*

ORDER

This matter having come before the Court on the Petition of Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as the Statutory Liquidator ("Liquidator") of Legion Insurance Company (In Liquidation) ("Legion") for Leave to File Confidential Affidavit Under Seal;

IT IS on this ____ day of _____, 2008, hereby ORDERED that Petition for Leave to File Confidential Affidavit Under Seal is GRANTED, and that the Liquidator is permitted to file under seal the Confidential Affidavit attached as Sealed Exhibit A to the Petition for Leave; and

IT IS FURTHER ORDERED that the Prothonotary of the Commonwealth Court of Pennsylvania shall file the Confidential Affidavit (attached as Sealed Exhibit A) UNDER SEAL, taking all necessary and appropriate precautions to prevent the public disclosure of the Confidential Affidavit until further Order of this Court.

MARY HANNAH LEAVITT, Judge

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

Plaintiff,

v.

LEGION INSURANCE COMPANY,

Defendant.

Docket No. 183 M.D. 2002

26 FEB 2008 18 13

COMMONWEALTH COURT
OF PENNSYLVANIA

*In Re: Commutation, Settlement and Release Agreement between
Legion Insurance Company (In Liquidation) and Phoenix Life Insurance Company*

**LIQUIDATOR'S PETITION FOR LEAVE TO
FILE CONFIDENTIAL AFFIDAVIT UNDER SEAL**

Petitioner Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania in his official capacity as the Statutory Liquidator ("Liquidator") of Legion Insurance Company (In Liquidation) ("Legion"), respectfully requests that this Court grant the Liquidator leave to file the Confidential Affidavit of Gregg C. Frederick ("Confidential Affidavit") under seal (attached hereto as Sealed Exhibit A), and enter an Order directing the Prothonotary of the Commonwealth Court to file the Confidential Affidavit under seal. The Confidential Affidavit is being submitted in support of the Liquidator's Petition for Approval of Commutation, Settlement and Release Agreement (the "Petition"). In support of this Petition, the Liquidator avers the following:

1. Simultaneously with this Petition, the Liquidator is filing a Petition which seeks an Order approving the Commutation, Settlement and Release Agreement (hereinafter referred to as

"the Agreement") between the Liquidator and Phoenix Life Insurance Company ("Phoenix Life"). The Petition is supported in part by the Confidential Affidavit.

2. Preserving the confidentiality of the information contained in the Confidential Affidavit and its exhibits will serve important interests, including maximizing the assets of the Estate, enhancing the efficiency and economy of Liquidation, and facilitating the Liquidator's efforts to "protect...the interests of insureds, creditors and the public generally...." 40 P.S. § 221.1(c); see 40 P.S. § 221.23.

3. The Confidential Affidavit and its exhibits contain sensitive information regarding the Liquidator's reasons for entering into the Agreement and how the parties arrived at the final commutation amount. It would be highly prejudicial to the Liquidator, and Legion's creditors and policyholders, if the details of the Liquidator's strategies, business valuations, and rationale behind the Agreements were disclosed to the public.

4. The Liquidator has been and likely will be negotiating settlements or commutations with a number of Legion's reinsurers. If the analysis supporting the amounts the Liquidator is willing to accept from a particular reinsurer is made public, other reinsurers will be able to use that information in determining their own negotiating positions. This is likely to set a ceiling on the amounts the Liquidator will be able to collect from other reinsurers, thereby hampering his efforts to maximize the recovery of assets of the Legion Estate. Commutation agreements between insurers often contain confidentiality provisions for this very reason.

5. Consistent with the foregoing, if any policyholder or creditor of the Legion Estate (other than another reinsurer of Legion) with a demonstrable interest in the subject matter of the

Agreement wishes to review the Confidential Affidavit, the Liquidator, subject to the Court's approval, will provide it to that person or entity upon its execution of a confidentiality agreement limiting the use of and prohibiting disclosure of the information contained therein. This represents the least restrictive means of accomplishing the necessary purpose of maintaining the confidentiality of these materials.

6. The Liquidator requests that, in resolving this Petition, the Court review the Confidential Affidavit in camera, grant the Petition, and direct the Prothonotary to file the Confidential Affidavit (and its exhibits) under seal. Should the Court be inclined to deny the Petition, the Liquidator respectfully requests that the Court permit the Liquidator the opportunity to withdraw the Petition and Confidential Affidavit to avoid any prejudice which may befall the Liquidator, the Estate, or may be caused to the policyholders and claimants of Legion from premature public disclosure of this information.

WHEREFORE, the Liquidator respectfully requests that this Court grant the Petition for Leave to File Confidential Affidavit Under Seal and enter an Order in the form attached hereto.

Respectfully submitted,



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

Attorney for Joel S. Ario, Acting Insurance
Commissioner of the Commonwealth of
Pennsylvania, in his official capacity as Statutory
Liquidator of Legion Insurance Company (In
Liquidation)

Dated: 2/26/08