



GOVERNOR'S OFFICE OF GENERAL COUNSEL

February 13, 2008

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

RECEIVED  
COMMONWEALTH COURT  
OF PENNSYLVANIA  
13 FEB 2009 14 11

**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 Quarterly Report of the Liquidator on the Status of the Liquidation of Legion Insurance Company as of December 31, 2008 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.

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

JOEL S. ARIO,  
Insurance Commissioner of the  
Commonwealth of Pennsylvania,  
in his official capacity as Liquidator  
of Legion Insurance Company,  
Plaintiff,

v.

No. 183 M.D. 2002

LEGION INSURANCE COMPANY,  
One Logan Square, Suite 1400  
Philadelphia, PA 19103

Defendant.

RECEIVED  
COMMONWEALTH COURT  
OF PENNSYLVANIA  
13 FEB 2009 14 11

**QUARTERLY REPORT OF THE LIQUIDATOR  
ON THE STATUS OF THE LIQUIDATION OF  
LEGION INSURANCE COMPANY AS OF DECEMBER 31, 2008**

**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 January 1, 2008 through December 31, 2008 ("Report").

**II. REPORT**

**A. Financial Statements**

Legion has prepared Special Purpose Statements of Assets and Liabilities, changes in Statutory Capital and Surplus and Cash Flow Summary for the period from January 1, 2008 through December 31, 2008 ("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 notes to the Special Purpose Statements, attached as Exhibit D, describe 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 5 below.

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

As of December 31, 2008, the attached Special Purpose Statement of Assets and Liabilities shows estimated total assets were \$2,543.2 million including \$664.5 million of cash and liquid investments.

Reinsurance recoverable and future reinsurance recoverables, net of allowance, totaled \$1,351.1 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 Statement does 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 \$454.4 million.

**a. Cash and Liquid Investments**

Legion had a liquid investment portfolio of \$664.5 million as of December 31, 2008.

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 advisors, 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. All marketable securities are booked to the market values provided by Legion's custodian, Mellon Bank, as of the end of each month. Overnight investments are mainly money and mutual funds, managed by Citi Smith Barney.

**b. Premium Balances**

As of December 31, 2008 Legion reported premium balances of \$1.6 million. Most policies are either in some stage of litigation, have been referred to an outside collection vendor or are being pursued by a second collection vendor. A Litigation Support and Collection Unit oversees premium collections and Legion actively pursues receivable amounts due the Estate.

**c. Estimated Losses and Loss Adjustment Expense Reserves - Ceded**

Estimated losses and loss adjustment expense reserves - ceded was \$1,049.4 million, net of allowance, at December 31, 2008. 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 December 31, 2008 the amount of ceded IBNR included in estimated losses and loss adjustment expense reserves – ceded was \$486.8 million.

Estimated losses and loss adjustment expense reserves - ceded increased overall by \$8.3 million this quarter.

**d. 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 December 31, 2008, Legion’s reinsurance recoverables due or billable was \$301.7 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 January 1, 2008 through December 31, 2008 Legion collected \$218.5 million in reinsurance.

Detailed information relating to reinsurance recoverables of the estate due or billable net as of December 31, 2008 is submitted as Exhibit G.

e. **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 January 1, 2008 through December 31, 2008, Legion paid or offset state deposits and unapplied liquidated state deposits of approximately \$180.3 million to the GAs. \$58.6 million is being held and will be distributed when the GAs become compliant.

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 December 31, 2008 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 December 31, 2008 were \$3.2 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 administrating 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 December 31, 2008, there was \$37.9 million in reserves for unpaid liquidator and GA administrative expenses.

However, the most significant liability is the over \$2.8 billion assigned to class (b) POCs. This category includes direct insurance policy holder benefits reported by the GAs as paid (\$1,230.7 million) and reserved (\$1,576.3 million). The reserve 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 December 31, 2008 Legion’s liability for non-guaranty fund accepted NODs was \$20.7 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 January 1, 2008 Through June 30, 2008 was accepted by the Court on October 21, 2008.

The Combined Expense Analysis by Account attached as Exhibit E lists the \$47.2 million of statutory liquidator administrative operating expenses incurred by Legion for the period January 1 through December 31, 2008.

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 \$95.2 million in the administrative expenses reported to Legion as paid by GAs as of December 31, 2008. Legion conducts periodic desk reviews and onsite reviews of GA administrative expenses. 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 December 31, 2008 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 December 31, 2008, the amount of direct IBNR included in priority class (b) was \$732.5 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 \$248.9 million. Legion had entered into a pooling arrangement with affiliates related to loss experience. In the fourth quarter the contract was accounted for as being terminated effective as of the rehabilitation date of April 1, 2002. See the accompanying notes for a brief description of each line item.

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 December 31, 2008. The estimated net deficit at December 31, 2008 was \$666.5 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 Flows Summary (“Cash Flow Summary”)

for the period January 1, 2008 through December 31, 2008. Reinsurance collections of \$218.5 million were the primary source of cash receipts for the period. Total sources of cash and investments for the period were \$246.3 million.

The largest cash disbursement was Guaranty Association/Early access of \$176.4 million. Total uses of cash and investments were \$246.6 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 January 1, 2008 through December 31, 2008, \$218.5 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 January 1, 2008 through December 31, 2008 Legion collected \$1.4 million, net of expense. Unearned premiums are priority class E claims and have not been paid by Legion. A Litigation Support and Collection Unit 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, 2008 through December 31, 2008. 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**

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 \$58.6 million which will be distributed when the GAs become compliant. In 2008 the amount distributed was \$180.3 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, 2008 through December 31, 2008 together with a comparison, by category of expense, between 2008 actual and 2008 budget and between 2007 and 2008 actual. As reflected in the Statement, the total combined expenses through December 31, 2008 are \$47,225,000, which is 15.4% less than the 2008 budget and 2.4% more than 2007 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. In addition, the schedule reflects \$517,000 of revenue, which is 72.2% 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 \$68,000 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 December 31, 2008 Legion had a total of 184 employees. In addition, Legion utilizes a number of temporary/contractor workers when needed. At December 31, 2008, Legion had 27 such workers.

**b. Occupancy**

Legion currently leases office space in Philadelphia and Milwaukee. Legion is committed to the current lease in Philadelphia through the end of 2012. Philadelphia monthly base lease payments were \$106,818 in 2008 and will be \$110,589, \$114,359, \$118,129 and \$121,899 in 2009, 2010, 2011 and 2012, respectively. Legion is committed to the current lease in Milwaukee through the end of 2010. Milwaukee monthly base lease payments were \$40,402 in 2008 and will remain \$40,402 for 2009 and 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, 2008 through December 31, 2008 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, 2008 through December 31, 2008 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 December 31, 2008 there were 55 GAs reporting paid and outstanding loss information via electronic UDS files, either sent directly to Legion or submitted to the NCIGF secure FTP website. 53 of the GAs report monthly and 2 GAs are still reporting quarterly. Data from all GAs but 9 were current through December 31, 2008. 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 December 31, 2008 summarized by state the policyholder benefit claims and administrative expenses received and applied by Legion through December 31, 2008. The COR data represented the last reported UDS claims paid inception-to-date and claim reserve information prior to December 31, 2008 for the 55 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**

The deadline for filing POCs was June 30, 2005. As of December 31, 2008 Legion and Villanova combined had received a total of 43,815 POC claims. Of those 2,364 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 December 31, 2008, Legion had issued and accepted NODs for 28,405 of the 39,649 POC claims assigned to it for a total allowed amount of \$51,331,107. Accepted NODs accounted for almost 72% of the POC claims filed with the Estate. The Court has approved 23,582 of these NODs, as of December 31, 2008, for a total allowed amount of \$38,538,559. 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 December 31, 2008 Legion received 21 additional POC claims, as well as reclassifying others. An additional 734 NODs were issued during the period and 1,410 were accepted for approximately \$2.6 million.

**c. Notice of Determination Objection Statistics – EXHIBIT K**

As of December 31, 2008, the Liquidator had received a total of 731 objections to the 29,699 NODs issued. As of December 31, 2008 Legion had resolved 531 objections. Of the 200 unresolved objections, 16 were assigned to referees as of December 31, 2008. Exhibit K indicates the status of all objections received through December 31, 2008, breaks down this

information by priority class and includes the Allowed Amounts for objections in each priority class.

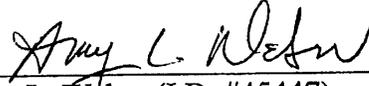
Note: Legion wrote a variety of long tail lines of business, including workers' compensation, directors and officers, medical malpractice, and professional liability. For reasons unrelated to the Legion receivership, but based rather on the nature of the insurance coverage written by Legion and the claims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

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. The allowed amounts on NODs approved for distribution are listed by priority class on Exhibit I. 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. 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,



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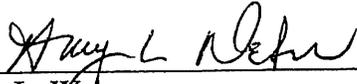
Amy L. Weber (I.D. #45447)  
Governor's Office of General Counsel  
Office of Liquidations, Rehabilitations and  
Special Funds  
901 North 7th Street  
Harrisburg, Pennsylvania 17102  
(717) 787-6009

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: February 13, 2009

**CERTIFICATION**

I, Amy L. Weber, Insurance Department Counsel, 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 December 31, 2008 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: 2/13/09



- 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 December 31, 2008. 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 December 31, 2008.
- 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 January 1, 2008 through December 31, 2008.
- 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, 2008 through December 31, 2008 together with a comparison, by category of expense, between 2008 and the 2008 budget and between 2007 and 2008 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, 2008 through December 31, 2008 except for certain guaranty association expenses that may qualify as administrative expenses of the Estates.

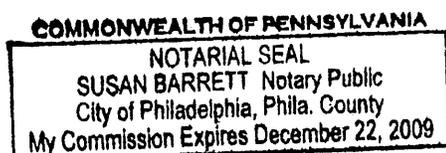
- F. Professional Services Paid and Incurred: Exhibit "F" is a schedule reflecting the amounts which the Liquidator paid to or amounts which the Liquidator has incurred as a result of the performance of services by various professional vendors, including accounting and actuarial firms, consultants on reinsurance and other matters, premium audit and collection services, and other support service providers, during the period January 1, 2008 through December 31, 2008. 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 December 31, 2008 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 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 of 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 Fourth 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.

  
GERALD V. BEHR

Sworn to and subscribed before me  
This 2 th day of February 2009.

  
NOTARY PUBLIC



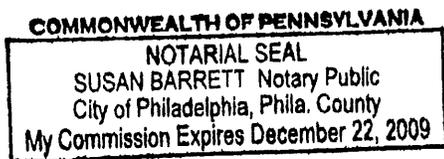


knowledge, information and belief, and make these statements subject to the penalties of  
18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

  
\_\_\_\_\_  
JOSEPH ZARANDONA

Sworn to and subscribed before me  
this 12 th day of February 2009.

  
\_\_\_\_\_  
NOTARY PUBLIC



**EXHIBIT**

**A**

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

	12/31/2008	12/31/2007
<b>ASSETS</b>		
Cash and short duration investments:		
Liquid securities	\$ 161.9	\$ 132.3
Money market deposits	502.6	558.6
Total invested assets	664.5	690.9
Premium balances	1.6	0.2
Estimated losses and loss adjustment expense reserves - ceded	1,049.4	1,179.2
Reinsurance recoverables due or billable, net	301.7	505.9
Early access advances	454.4	274.3
State deposits and unapplied state deposits available for early access	9.7	13.1
Amounts to be distributed per Act 46	8.6	17.9
Other assets	53.3	53.0
Total Assets	\$ 2,543.2	\$ 2,734.5
<b>LIABILITIES</b>		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses incurred since liquidation	\$ 251.8	\$ 201.1
Liquidator expenses paid since liquidation	(237.7)	(195.1)
Liquidator expenses	14.1	6.0
Guaranty associations paid ULAE reported	95.2	95.8
Guaranty associations' reserves ULAE	23.8	14.5
Total	\$ 133.1	\$ 116.3
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	1,230.7	1,124.9
Liquidator valued NODs accepted	20.7	7.6
Estimated reserves - guaranty associations	601.4	623.7
Estimated reserves - other	974.9	1,099.0
Total	2,827.7	2,855.2
C - Federal government claims		
D - Certain employee claims		
E - General creditor claims		
Guaranty associations paid	28.4	18.3
Liquidator valued NODs accepted	18.8	16.5
Estimated reserves	125.1	290.9
Total	172.3	325.7
F - State and local government claims		
Liquidator valued NODs accepted	10.3	7.9
Estimated reserves	49.0	51.4
Total	59.3	59.3
G - Late filed claims		
Liquidator valued NODs accepted	1.5	0.5
Ancillary Receiverships:		
Post liquidation claims paid, gross	44.3	39.7
Estimated losses and loss adjustment expense reserves - direct	51.6	48.6
Offset of unapplied liquidated statutory deposit	(80.1)	(70.8)
Post liquidation claims, net	15.8	17.5
Total liabilities	3,209.7	3,374.5
Net surplus (deficit)	(666.5)	(640.0)
Total Liabilities and Surplus (Deficit)	\$ 2,543.2	\$ 2,734.5

\* 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 December 31, 2008**  
(In Millions of Dollars)

<b>Surplus as Regards Policyholders, Beginning Balance</b>	\$ 298.3
Net Loss:	
Underwriting Loss, Net	(1,136.9)
Investment Income, Net	141.7
Other Expense, Net	(14.4)
Loss Before Income Taxes	<u>(1,009.6)</u>
Federal & Foreign Income Taxes	<u>(22.4)</u>
Net Loss	(987.2)
Change in Net Unrealized Capital Gains (Losses)	(49.3)
Change in Net Deferred Income Tax	(42.3)
Change in Non Admitted Assets	91.3
Change in Provision for Reinsurance	<u>22.7</u>
Change in Surplus as Regards Policyholders for the Period	(964.8)
<b>Surplus as Regards Policyholders, Ending Balance</b>	<u><u>\$ (666.5)</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)  
 VILLANOVA INSURANCE COMPANY (IN LIQUIDATION)  
 COMBINED EXPENSE ANALYSIS BY ACCOUNT  
 December 31, 2008 ACTUALS vs BUDGET  
 (\$ in Thousands)

	Year to Date				2008 Actual vs 2008 Budget			2008 Actual vs 2007 Actual		
	2008		2007		Dollar Variance	Percent Variance	Dollar Variance	Percent Variance	Dollar Variance	Percent Variance
	Actual	% of Total Operating	Budget	Actual						
Full Time	184		208	214	24	11.5%	30	14.0%		
Part Time	-		-	1	-	n/a	1	100.0%		
Contractor Help	27		18	28	(9)	-50.0%	1	3.6%		
Total Staffing - Current	211		226	243	15	6.6%	32	13.2%		
Staffing - Average										
Full Time	199		207	213	8	3.6%	14	6.4%		
Part Time	1		1	1	-	0.0%	1	50.0%		
Contractor Help	28		16	25	(12)	-77.4%	(3)	-10.0%		
Total Staffing - Average	227		223	239	(5)	-2.0%	12	4.8%		
General & Administrative Expenses										
Salaries	\$ 24,900	52.7%	\$ 25,900	\$ 22,625	\$ 1,000	3.9%	\$ (2,275)	-10.1%		
Benefits	3,937	8.3%	4,500	4,162	563	12.5%	224	5.4%		
Occupancy	2,867	6.1%	3,400	2,848	533	15.7%	(19)	-0.7%		
Equipment	3,576	7.6%	4,400	4,052	824	18.7%	476	11.7%		
Legal Fees and Expenses	4,344	9.2%	6,200	3,896	1,856	29.9%	(448)	-11.5%		
Professional Services	4,814	10.2%	7,700	5,225	2,890	37.5%	415	7.9%		
Other	2,787	5.9%	3,700	3,315	913	24.7%	527	15.9%		
Total Expenses	47,225	100.0%	55,800	46,122	8,575	15.4%	(1,099)	-2.4%		
Revenue for Collecting Large Deductible Recoveries as Provided by PA Statute Act 46										
Act 46 Collection	517		300	236	217	72.2%	281	118.9%		
Expense Reimbursement										
Non-insurance affiliate	68		-	807	68	n/a	(739)	-91.6%		
Total Revenue	584		300	1,043	284	94.8%	(458)	-44.0%		
Net Budget	\$ 46,641		\$ 55,500	\$ 45,079	\$ 8,859	16.0%	\$ (1,557)	-3.5%		

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	April	May	June
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant	1,575	-	-	3,070	-	-
	ARBITRATION & MEDIATION	Reinsurance Arbitrator	1,620	-	-	-	-	-
	CMS CAMERON MCKENNA	Reinsurance Witness	-	-	-	-	-	-
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation	-	3,307	-	1,831	342	323
	DAVID THIRKILL	Reinsurance Arbitrator	3,150	-	-	-	-	-
	DEUTSCH, KERRIGAN, & STILES, L.L.P.	General Collection Litigation	-	881	-	579	2,476	-
	ESQUIRE DEPOSITION SERVICES	Court Reporting Services	-	-	-	8,401	-	-
	GOLKOW TECHNOLOGIES, INC.	Court Reporting Services	-	-	-	-	2,845	9,022
	GRP, LLC	Reinsurance Witness	-	-	-	3,688	-	-
	JEC CONSULTING, INC.	Reinsurance Arbitrator	-	-	22,558	14,579	14,891	12,529
	JOHN ROWLAND QC	Reinsurance Arbitrator	-	-	4,108	-	-	-
	KATHLEEN WALSH CRAMER	Referee Fees	-	-	-	-	-	-
	LEXISNEXIS	Legal Research Fees	1,379	465	304	304	-	3,852
	MARTIN D. HABER	Reinsurance Arbitrator	-	-	817	-	-	9,594
	MAGNA LEGAL SERVICES	Court Reporting Services	-	-	-	-	-	-
	MARY ELLEN BURNS, ESQUIRE	Reinsurance Arbitrator	1,536	-	-	-	-	-
	MILLER ALFANO & RASPANTI PC	General Litigation and Liquidation Advice	1,142	1,487	-	-	-	-
	NELSON LEVINE DE LUCA & HORST	Reinsurance Arbitrator	175	154	-	347	-	-
	ON-SITE SOURCING, INC.	Scanning and Copying Services	-	-	-	-	-	92,585
	P.J.Z. CRICKMERE	Witness Fees	-	-	-	9,318	-	-
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice	109,073	-	264,848	203,103	305,635	184,314
	PIETRAGALLO, GORDON, ALFANO, BOSICK & RASPANTI, LLP	General Litigation and Liquidation Advice	-	-	-	17,450	11,956	18,391
	ROBBRE, LLC	Reinsurance Arbitrator	-	-	2,000	-	-	560
	ROBERT B. GREEN	Reinsurance Arbitrator	-	-	8,838	-	-	-
	SCHIFF HARDIN, LLP	Premium Collection Litigation	-	188	2,638	1,479	2,909	3,330
	SCHWARTZ SEMERDJIAN HAILE BALLARD & CAULEY LLP	Premium Collection Litigation	3,755	-	975	1,159	-	959
	STRADLEY RONON	Premium Collection Litigation	-	-	6,893	6,777	5,825	17,038
	SYLVIA KAMINSKY	Reinsurance Arbitrator	-	-	-	-	-	-
	THE FEINBERG GROUP, LLP	Reinsurance Arbitrator	-	-	-	-	-	-
	THE HUSTEAD LAW FIRM	Premium Collection Litigation	-	-	-	-	-	-
	THE MCS GROUP, INC	Copy and Scanning Services	953	-	-	-	-	-
	THOMSON WEST	Legal Research Fees	2,668	2,934	2,718	2,646	2,814	4,824
	TRENUM, KEMKER, SCHARF, BARKIN	General Litigation	-	62,883	-	164,884	147,578	45,115
	TRIAL GRAPHIX	Litigation Support Services	-	-	-	-	-	-
	W. MAX HOLLMANN	Expert Witness	-	31,827	9,550	21,950	-	-
	WINTER REPORTING INC.	Court Reporting Services	-	-	1,448	-	9,528	4,111
	WMF CONSULTING, INC.	Expert Witness Services	-	5,714	15,639	-	2,695	-
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	Premium Collection Litigation, Labor Advice, General Advice	158,928	34,995	121	70,265	32,132	35,669
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Legal Support Costs	-	217	(26,140)	1,744	16	-
	Total Legal Fees and Expenses Paid		285,954	146,184	315,967	535,022	542,342	442,014
	Change in Legal Fees and Expenses accrual and other non-cash transactions		36,699	199,230	155,524	(274,684)	6,653	382,131
	Total Legal Fees and Expenses Incurred		322,653	345,413	471,481	260,338	548,995	824,144

Classification	VENDOR NAME	Services Provided	January	February	March	April	May	June
Professional Services	ALLIANCE CONSULTING	Data Management Consultant	35,670	27,280	35,545	24,750	16,800	7,980
	ANEXINET	Data Management Consultant	-	-	-	-	-	-
	ARAYA SOLUTIONS, INC.	IT Technical Support	-	3,200	-	-	-	-
	BONNIE KUMIEGA & ASSOC	IT Technical Support	-	-	-	-	-	-
	CSC/FSG-MYND CORP.	IT Technical Support	56,135	52,842	54,468	51,361	54,151	53,348
	ENET PARTNERS, INC.	IT Technical Support	-	15,000	-	-	-	33,750
	HELIX UK LIMITED	London Reinsurance Collection Intermediary	99,500	99,500	99,500	-	100,800	99,500
	HEWITT ASSOCIATES LLC	Human Resources & Technical Consulting	-	-	3,484	-	-	-
	HUGGINS ACTUARIAL SERVICE, INC.	Actuarial Services	84,638	-	-	-	68,120	-
	JEFFERSON WELLS INTERNATIONAL INC.	Audit Services	12,000	-	23,185	33,835	790	-
	JOHNSON LAMBERT & CO	Audit Services	8,541	-	4,341	-	-	22,300
	MERCER HUMAN RESOURCE CONSULTING	Human Resources Consulting	-	2,577	282	-	1,565	763
	MINTZER SAROWITZ ZRIS & LEDVA	Litigation Support Services	-	61,564	-	151,628	-	65
	NAVIGANT CONSULTING, INC.	Data Management Consultant	-	-	23,255	-	-	-
	PRICEWATERHOUSE COOPERS LLP	Actuarial Services	-	-	-	-	-	-
	REINSURANCE SOLUTIONS LLC	Reinsurance Technical Support	60,707	31,350	23,556	17,977	24,386	-
	RELANCE INS CO (IN LIQUIDATION)	Shared Resource for Monitoring Reinsurers Solvency	18,516	-	-	-	34,940	-
	RESOURCE BRIDGE	e-Learning Technology Development	-	-	9,605	-	25,000	9,605
	RESPONSE COMPANIES	Investment Consulting	-	-	-	-	-	-
	RIGHT MANAGEMENT CONSULTANTS	Human Resources Consulting	-	-	-	1,500	1,500	-
	SMART BUSINESS ADVISORY & CONSULTING LLC	Reinsurance Technical Support & Contract Reinsurance Services	-	286,314	91,817	83,132	-	144,089
	TRANSNET CORPORATION	Data Management Consultant	4,950	-	-	-	-	-
	VIVISHMO, INC.	Data Management Consultant	-	-	-	-	-	-
	PREMIUM RECEIVED NET OF COLLECTION FEES	Aggregate Amount for Total Vendor Payments Under \$1,000	5,252	5,198	3,780	(219)	37	4,404
			1,157	(3,495)	(502)	(3,363)	(362)	-
Total Professional Services Paid			387,266	581,330	372,346	360,600	327,892	375,749
Change in Professional Services accrual and other non-cash transactions			(73,948)	(197,941)	13,534	2,043	104,564	23,830
Total Professional Services Incurred			313,318	383,389	385,880	362,544	432,455	399,578
Total Legal Expenses and Fees and Professional Services Incurred			635,972	728,602	857,371	622,962	981,450	1,223,722

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

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

Classification	VENDOR NAME	Services Provided	July	August	September	October	November	December	2008 Total
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant	-	11,928	-	-	-	-	16,573
	ARBITRATION & MEDIATION	Reinsurance Arbitrator	-	-	-	-	-	28,053	30,583
	GMS CAMERON MCKENNA	Reinsurance Witness	-	9,819	-	-	9,426	-	19,245
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation	76	661	-	2,479	1,849	2,379	13,245
	DAVID THIRKILL	Reinsurance Arbitrator	-	5,600	-	-	-	-	8,750
	DEUTSCH, KERRIGAN, & STILES, L.L.P.	General Collection Litigation	-	-	-	-	-	-	3,936
	ESQUIRE DEPOSITION SERVICES	Court Reporting Services	-	1,641	-	428	-	-	10,470
	GOLKOW TECHNOLOGIES, INC.	Court Reporting Services	1,834	-	-	-	-	-	13,701
	GRP LLC	Reinsurance Witness	-	8,740	-	-	-	1,313	81,740
	JEC CONSULTING, INC.	Reinsurance Arbitrator	16,346	-	-	-	-	-	81,002
	JOHN ROWLAND QC	Reinsurance Arbitrator	-	62,261	-	-	-	-	66,370
	KATHLEEN WALSH CRAMER	Reference Fees	-	-	-	-	-	-	10,656
	LEXISNEXIS	Legal Research Fees	1,551	344	313	313	1,569	-	313
	MARTIN D. HABER	Reinsurance Arbitrator	71,882	-	-	-	-	-	10,706
	MAGNA LEGAL SERVICES	Court Reporting Services	-	-	-	-	-	-	82,283
	MARY ELLEN BURNS, ESQUIRE	Reinsurance Arbitrator	-	-	-	50,272	-	-	-
	MILLER ALFANO & RASPANTI PC	General Litigation and Liquidation Advice	-	-	-	-	-	-	-
	NELSON LEVINE DE LUCA & HORST	Reinsurance Arbitrator	347	732	-	-	-	-	39
	ON-SITE SOURCING, INC.	Scanning and Copying Services	-	-	-	-	-	-	-
	P.J.Z. CRICKMERE	Witness Fees	-	14,260	-	-	-	-	-
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice	2,941	612,963	145,748	46,093	101,746	177,067	2,153,531
	PIETRAGALLO, GORDON, ALFANO, BOSICK & RASPANTI, LLP	General Litigation and Liquidation Advice	16,325	52,464	54,091	49,821	23,263	47,491	281,292
	ROBBRE, LLC	Reinsurance Arbitrator	3,120	860	-	-	4,827	-	-
	ROBERT B. GREEN	Reinsurance Arbitrator	-	-	-	-	-	-	-
	SCHIFF HARDIN, LLP	Premium Collection Litigation	2,984	120	47	239	-	-	-
	SCHWARTZ SEMERDJIAN HAILE BALLARD & CAULEY LLP	Premium Collection Litigation	304	2,655	-	115	-	208	-
	STRADLEY RONON	Premium Collection Litigation	496	253	-	-	-	-	-
	SYLVIA KAMINSKY	Reinsurance Arbitrator	-	3,750	-	-	-	-	-
	THE FEINBERG GROUP, LLP	Reinsurance Arbitrator	37,500	-	-	-	-	-	-
	THE HUSTEAD LAW FIRM	Premium Collection Litigation	2,280	-	-	-	-	-	-
	THE MCS GROUP, INC	Copy and Scanning Services	-	-	3,132	1,664	5,854	-	-
	THOMSON WEST	Legal Research Fees	2,646	3,316	2,660	3,036	3,568	2,646	36,477
	TRENAM, KEMKER, SCHARF, BARKIN	General Litigation	-	13,120	-	-	-	-	-
TRIAL GRAPHIX	Litigation Support Services	-	-	19,261	-	-	-	-	
W. MAX HOLLMANN	Expert Witness	-	10,150	-	-	-	-	-	
WINTER REPORTING INC.	Court Reporting Services	3,058	-	-	-	-	-	-	
WMF CONSULTING, INC.	Expert Witness Services	-	-	-	-	-	-	-	
WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	Premium Collection Litigation, Labor Advice, General Advice	6,367	91,025	29,693	45,405	42,337	48,700	595,637	
Aggregate Amount for Total Vendor Payments Under \$1,000		14	-	-	-	-	-	-	24,047
Total Legal Fees and Expenses Paid		169,682	909,873	251,649	204,247	188,585	319,873	4,311,392	
Change in Legal Fees and Expenses accrued and other non-cash transactions		326,140	(980,496)	91,745	(81,853)	(251)	181,346	32,183	
Total Legal Fees and Expenses Incurred		495,822	(70,623)	343,394	112,393	188,334	501,219	4,343,575	

Classification	Vendor Name	Services Provided	July	August	September	October	November	December	2008 Total	
Professional Services	ALLIANCE CONSULTING	Data Management Consultant	8,400	-	-	-	-	-	156,425	
	ANEXINET	Data Management Consultant	-	-	-	-	-	20,385	20,385	
	ARRAYA SOLUTIONS, INC.	IT Technical Support	-	-	-	-	-	-	3,200	
	BONNIE KUMIEGA & ASSOC	Collections Support Services	4,950	-	-	-	4,950	-	4,950	
	CSC/FSG-MYND CORP.	Data Processing and Outsourcing	55,093	61,037	61,307	59,824	54,707	55,099	670,371	
	ENET PARTNERS, INC.	IT Technical Support	-	-	-	-	-	-	48,750	
	HELIX UK LIMITED	London Reinsurance Collection Intermediary	99,500	99,500	105,186	-	-	-	298,500	1,101,596
	HEWITT ASSOCIATES LLC	Human Resources & Technical Consulting	11,840	1,748	-	2,056	11,112	-	-	18,410
	HUGGINS ACTUARIAL SERVICE, INC.	Actuarial Services	19,448	-	-	14,560	26,325	-	-	238,466
	JEFFERSON WELLS INTERNATIONAL INC.	Audit Services	18,200	8,499	-	-	-	-	-	96,793
	JOHNSON LAMBERT & CO	Audit Services	3,547	-	15,708	12,086	-	-	8,494	85,324
	MERCER HUMAN RESOURCE CONSULTING	Human Resources Consulting	-	-	-	-	-	-	-	18,700
	MINTZER SAROWITZ ZRIS & LEDVA	Litigation Support Services	-	-	-	-	-	-	-	2,924
	NAVIGANT CONSULTING, INC.	Data Management Consultant	-	-	-	14,040	44,600	-	-	213,162
	PRICEWATERHOUSE COOPERS LLP	Actuarial Services	38,239	-	45,655	18,900	14,700	-	-	120,756
	REINSURANCE SOLUTIONS LLC	Reinsurance Technical Support	50,540	-	-	19,231	-	-	-	33,920
	RELIANCE INS CO (IN LIQUIDATION)	Shared Resource for Monitoring Reinsurers Solvency	-	-	-	-	-	-	-	123,227
	RESOURCE BRIDGE	eLearning Technology Development	-	-	-	-	-	-	-	42,000
	RESPONSE COMPANIES	Investment Consulting	-	-	9,750	-	-	-	-	9,750
	RIGHT MANAGEMENT CONSULTANTS	Human Resources Consulting	1,500	1,500	-	1,500	-	-	-	24,400
	SMART BUSINESS ADVISORY & CONSULTING,LLC	Reinsurance Technical Support & Contract Reinsurance Services	243,540	94,236	66,124	-	132,224	-	116,856	1,258,343
	TRANSNET CORPORATION	Data Management Consultant	-	-	-	-	-	-	-	4,950
	VIVISIMO, INC.	Data Management Consultant	-	-	-	-	148,410	-	-	148,410
	PREMIUM RECEIVED NET OF COLLECTION FEES	Collections Support Services	1,263	16,839	(2,461)	4,093	12,782	-	1,443	54,338
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Professional Fees	1,838	(100)	9,686	1,618	289	-	2,259	9,025
	Total Professional Services Paid		557,898	300,391	311,145	147,848	445,149	-	762,777	4,930,391
	Change in Professional Services Incurred		(307,395)	83,476	(45,338)	38,124	(15,970)	-	257,585	(116,437)
	Total Professional Services Incurred		250,503	383,867	265,806	186,972	429,179	-	1,020,362	4,813,954
	Total Legal Expenses and Fees and Professional Services Incurred		746,325	315,244	609,201	299,366	617,513	-	1,521,581	9,157,529

\* 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**  
**December 31, 2008**

Reinsurer	Amount
MIDWEST EMPLOYERS CASUALTY COMPANY	\$ 48,956,939.51
HANNOVER RUCKVERSICHERUNGS AG	25,528,467
SWISS REINSURANCE AMERICA CORPORATION	17,466,219
FIRST EXCESS REINSURANCE CORPORATION	15,064,088
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	9,779,244
ODYSSEY REINSURANCE CORPORATION	9,736,662
TRANSATLANTIC REINSURANCE COMPANY	7,478,881
PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY	6,479,112
ALEA EUROPE LIMITED	6,130,420
MUTUAL INDEMNITY (BERMUDA), LTD.	5,841,486
AMERICAN RE-INSURANCE COMPANY	5,077,855
FEDERAL INSURANCE COMPANY	5,075,402
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	4,727,332
GE REINSURANCE CORPORATION	4,425,002
FOLKSAMERICA REINSURANCE COMPANY	3,755,306
EAGLE STAR REINSURANCE COMPANY LTD	3,659,621
AMERICAN UNITED LIFE INSURANCE COMPANY	3,649,115
SCOR REINSURANCE COMPANY	3,576,276
WESTCHESTER FIRE INSURANCE COMPANY	3,501,257
LLOYDS SYNDICATE # 435	3,306,823
AMERICAN NATIONAL INSURANCE COMPANY	2,946,885
LINCOLN NATIONAL LIFE INSURANCE COMPANY	2,733,965
CNA INTERNATIONAL REINSURANCE COMPANY	2,423,291
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	2,370,413
ACE INSURANCE SA-NV	2,161,476
LIFE REASSURANCE CORPORATION OF AMERICA	2,146,827
TRENWICK AMERICA REINSURANCE CORPORATION	2,125,903
LINCOLN NATIONAL HEALTH & CASUALTY INSURANCE COMPA	2,117,495
CHUBB ATLANTIC INDEMNITY LIMITED	2,096,193
SWISS RE LIFE COMPANY OF AMERICA	1,988,392
CONTINENTAL CASUALTY COMPANY	1,920,170
AMERICAN SAFETY CASUALTY INSURANCE COMPANY	1,831,830
TRUSTMARK INSURANCE COMPANY	1,816,428
LLOYDS SYNDICATE # 1245	1,745,456
JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY	1,742,711
GIO (UK) LTD	1,657,935
UTAH WORKERS COMPENSATION FUND	1,588,700
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	1,581,263
WESTPORT INSURANCE CORPORATION	1,507,325
ODYSSEY AMERICA REINSURANCE CORPORATION	1,419,019
TERRA NOVA INSURANCE COMPANY LTD	1,395,964
MUTUAL INDEMNITY, LTD.	1,387,977
ODYSSEY RE (LONDON) LIMITED	1,346,428
LLOYDS SYNDICATE # 1173	1,333,905
LLOYDS SYNDICATE # 570	1,305,977
XL REINSURANCE AMERICA LTD	1,246,541
MANULIFE REINSURANCE CORPORATION (USA)	1,206,073
UNIONAMERICA INSURANCE COMPANY LTD	1,154,177
CORE INSURANCE COMPANY	1,139,662
UNDERWRITERS REINSURANCE COMPANY	1,137,589
CHARTWELL REINSURANCE COMPANY	1,125,962
LLOYDS SYNDICATE # 362	1,125,341
LLOYDS SYNDICATE # 79	1,023,536
LLOYDS SYNDICATE # 510	1,011,094
All Other Reinsurers (Less than \$1M due LIC)	21,297,857
Pending Cessions	30,335,321
Total Reinsurance recoverables due or billable, net	<u>\$ 301,710,590</u>

**EXHIBIT  
H**

**Legion Insurance Company (in Liquidation)**  
**Guaranty Fund Claim Overview Report**  
**As of December 31, 2008**

State	GA	Number			A- Level Paid Admin Exp	B - Level Paid		B- Level Known Case Reserves
		Number Files Assigned	files Complete	Number files outstanding		Losses and Loss Adj Expenses		
AK	354	40	34	6	\$ 14,348	\$ 1,778,658	\$ 269,925	
AL	301	587	366	221	2,156,513	20,401,613	35,827,748	
AR	303	244	228	16	123,971	2,957,100	1,253,158	
AZ	402	82	78	4	437,125	1,163,586	51,244	
AZ	302	350	280	70	643,623	4,646,808	10,438,028	
CA	360	44,528	37,293	7,235	18,523,360	429,139,093	171,353,799	
CO	305	390	364	26	649,501	8,477,018	4,005,077	
CT	306	1,378	1,273	105	2,740,070	24,984,284	6,211,174	
DC	308	47	40	7	200,315	820,379	860,446	
DE	307	113	89	24	542,665	2,653,259	1,794,958	
FL	409	681	651	30	1,425,455	27,524,618	1,038,421	
FL	309	753	724	29	2,010,563	52,435,336	6,756,223	
GA	310	3,046	2,908	138	5,112,907	64,456,286	55,524,679	
HI	352	44	41	3	155,554	1,490,290	335,449	
IA	314	135	116	19	276,029	2,076,596	396,871	
ID	311	70	62	8	79,416	1,083,257	783,942	
IL	312	1,882	1,822	60	4,304,340	31,080,462	8,471,840	
IN	313	198	184	14	557,313	2,449,215	173,176	
KS	315	278	251	27	482,952	8,460,298	5,406,338	
KY	316	439	291	148	760,012	10,309,690	13,984,664	
LA	317	293	256	37	508,581	8,408,012	3,091,958	
MD	319	368	323	45	1,367,495	5,513,612	2,773,610	
ME	318	264	253	11	440,706	2,398,432	2,145,056	
MI	321	628	584	44	1,692,026	18,582,672	11,744,839	
MN	322	190	160	30	352,799	3,643,832	1,956,231	
MO	324	653	628	25	755,767	7,896,838	10,473,240	
MS	323	1,333	1,173	160	3,043,255	35,583,719	19,600,071	
MT	325	99	70	29	300,097	2,547,754	3,042,524	
NC	332	1,460	1,389	71	2,207,221	28,043,289	10,170,630	
ND	333	7	7	-	84,757	418,710	-	
NE	326	113	102	11	89,975	2,176,493	2,989,985	
NH	328	550	529	21	837,667	3,928,431	2,068,598	
NJ	429	1,289	1,201	88	1,478,254	34,254,248	3,195,760	
NJ	329	1,796	1,548	248	1,460,643	41,869,824	15,876,599	
NM	330	96	66	30	215,595	2,078,459	2,303,146	
NV	327	831	729	102	1,458,086	7,532,056	1,243,751	
NY	431	5,206	4,264	942	-	73,123,085	32,243,454	
NY	331	2,652	2,119	533	20,717,692	69,525,587	32,364,578	
OH	334	113	100	13	643,481	1,821,122	1,513	
OK	335	705	652	53	1,351,545	10,911,532	10,315,579	
PA	437	757	686	71	803,628	12,864,497	1,931,713	
PA	337	726	590	136	2,026,565	44,476,578	23,386,570	
RI	338	261	248	13	442,697	3,402,039	349,101	
SC	339	1,437	1,343	94	1,524,093	32,293,603	16,848,398	
SD	340	32	29	3	62,468	264,505	262,759	
TN	341	1,359	928	431	2,748,772	27,708,661	19,597,291	
TX	342	2,213	2,026	187	2,956,968	37,711,319	13,673,127	
UT	343	67	57	10	151,406	1,064,633	114,168	
VA	345	611	509	102	1,278,673	16,112,256	27,177,507	
VT	344	298	275	23	427,413	3,621,751	4,510,088	
WA	346	78	75	3	121,165	717,880	566	
WI	348	174	157	17	456,858	4,278,151	839,261	
WV	347	37	33	4	201,924	1,097,509	12	
WY	349	10	8	2	32,323	752,298	147,563	
NOHLGA	370	424	400	24	1,772,267	2,710,094	-	
		81,991	70,212	11,779	\$ 95,208,891	\$ 1,247,721,326	\$ 601,376,407	

**EXHIBIT  
I**

Legion Insurance Company (In Liquidation)  
 Proofs of Claim Statistics  
 Inception to Date December 31, 2008

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	1,150	15	1,069	1,064	\$ -	940	\$ -
B - Policyholder Claims	18,015	890	10,791	10,602	20,662,757	8,513	10,405,244
C - Federal Government	-	-	-	-	-	-	-
D - Employees	11	-	-	-	-	-	-
E - General Credit/UEP	18,825	363	17,169	16,092	18,788,603	13,828	17,136,871
F - State/Local Government	123	2	106	92	10,341,334	89	10,106,965
G - Late Filed/Subrogation	1,517	932	564	555	1,538,413	212	889,479
H - Surplus, Prem. Refunds	-	-	-	-	-	-	-
I - Shareholders/Other Owners	8	-	-	-	-	-	-
No Class	-	-	-	-	-	-	-
<b>TOTALS</b>	<b>39,649</b>	<b>2,202</b>	<b>29,699</b>	<b>28,405</b>	<b>\$ 51,331,107</b>	<b>23,582</b>	<b>\$ 38,538,559</b>

**EXHIBIT**  
**J**

Legion Insurance Company (In Liquidation)  
 Proofs of Claim Statistics\*  
 Quarter to Date December 31, 2008

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	2	12	\$ -	96	\$ -
B - Policyholder Claims	(504)	(389)	433	1,518,635	1,201	8,419,580
C - Federal Government	-	-	-	-	-	-
D - Employees	-	-	-	-	-	-
E - General Credit/UEP	508	1,098	946	847,896	2,270	1,782,914
F - State/Local Government	(7)	17	3	234,369	15	2,557,460
G - Late Filed/Subrogation	22	6	16	5,299	158	667,060
H - Surplus, Prem. Refunds	-	-	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-	-	-
No Class	-	-	-	-	-	-
<b>TOTALS</b>	<b>21</b>	<b>734</b>	<b>1,410</b>	<b>\$ 2,606,199</b>	<b>3,740</b>	<b>\$ 13,427,014</b>

\*Negative amounts represent reclassifications.

**EXHIBIT**  
**K**

Legion Insurance Company (In Liquidation)  
 Notice of Determination Objection Statistics  
 Inception to Date December 31, 2008

Class Descriptions	Total # NOD Objections Received	Allowed Amounts on Objections	# of Objections Resolved	Allowed Amounts on Objections Resolved
A - Administrative Expenses	7 \$	-	4 \$	-
B - Policyholder Claims	270	1,504,715	168	1,416,543
C - Federal Government	-	-	-	-
D - Employees	-	-	-	-
E - General Credit/UEP	438	13,986,369	349	468,188
F - State/Local Government	2	11,971	2	11,971
G - Late Filed/Subrogation	14	266,353	8	64,223
H - Surplus, Prem. Refunds	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-
<b>TOTALS</b>	<b>731 \$</b>	<b>15,769,408</b>	<b>531 \$</b>	<b>1,960,925</b>

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	3 \$	-	- \$	-	3 \$	-
B - Policyholder Claims	102	88,172	16	-	86	88,172
C - Federal Government	-	-	-	-	-	-
D - Employees	-	-	-	-	-	-
E - General Credit/UEP	89	13,518,181	-	-	89	13,518,181
F - State/Local Government	-	-	-	-	-	-
G - Late Filed/Subrogation	6	202,131	-	-	6	202,131
H - Surplus, Prem. Refunds	-	-	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-	-	-
<b>TOTALS</b>	<b>200 \$</b>	<b>13,808,484</b>	<b>16 \$</b>	<b>-</b>	<b>184 \$</b>	<b>13,808,484</b>