

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Legion Insurance Company, : No. 1 LEG 2002
(In Liquidation) :

**LIQUIDATOR'S SUBMISSION OF 2018 BUDGET
AND APPLICATION FOR APPROVAL OF ADMINISTRATIVE
EXPENSES PAID FOR THE PERIOD JULY 1 – DECEMBER 31, 2017**

Jessica K. Altman, Acting Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner"), in her official capacity as Statutory Liquidator for Legion Insurance Company ("Legion"), by and through her counsel, respectfully submits her Application for Approval of Administrative Expenses Paid for the Period July 1, 2017 through December 31, 2017.

SUBMISSION OF 2018 BUDGET

1. On January 8, 2004, the Court entered an Order requiring the Liquidator, inter alia, to provide the budget for the cost of professional services including expense reimbursements and necessary administrative expenses for Legion.

2. The Liquidator respectfully attaches at Exhibit A to this submission the Combined Operating Expenses (Budget) for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation), which includes the Liquidator's budgeted items for the cost of professional services, including Legal Fees, IT Services, and Professional and Other Services, as well as the necessary administrative services for Legion, which include, among other items salaries, benefits and rent (collectively the "2018 Budget")

APPLICATION FOR APPROVAL OF ADMINISTRATIVE EXPENSES PAID

3. 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 Application represent the expenses paid by Legion and Villanova on a consolidated basis, including all common expenses, before any allocation.

4. Pursuant to the Court's Order of January 8, 2004, the Liquidator previously filed Petitions for approval of administrative expenses paid beginning on July 29, 2003, which administrative expenses paid have been approved by the Court. Most recently, the Petition for approval of administrative expenses paid for the period January 1, 2017 through July 31, 2017 was approved by the Court on October 12, 2017.

5. With the current Application, the Liquidator respectfully submits this Application to the Court for approval of her administrative expenses paid for the period July 1, 2017 through December 31, 2017, as set forth on the attached Exhibit B, Combined Cash Basis Analysis, which were reasonable and necessary expenses for the administration of the Legion liquidation. An illustration of the expenditures as a percentage of the total expenditures paid is attached as Exhibit C, including Combined Cash Basis Analysis, Professional Fees & Expenses for the period July 1, 2017 through December 31, 2017.

6. The Affidavits of the Chief Liquidation Officer and the Vice President and Chief Financial Officer in support of the Liquidator's submission of the Application for Approval of Administrative Expenses Paid, and the Certification of Department Counsel related to legal expenses paid are attached to this Application.

WHEREFORE, the Liquidator requests that the Court enter the Order attached hereto approving the administrative expenses paid.

Respectfully submitted,



AMY L. WEBER (I.D. #45447)
Insurance Department Counsel
Office of Liquidations, Rehabilitations and
Special Funds
Capitol Associates Building
901 North 7th Street
Harrisburg, PA 17102
(717) 787-6009

Counsel for Jessica K. Altman, Acting Insurance
Commissioner of the Commonwealth of
Pennsylvania, in her official capacity as Statutory
Liquidator of Legion Insurance Company (In
Liquidation)

DATED: 2/20/18

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Legion Insurance Company :
(In Liquidation) : No. 1 LEG 2002

**AFFIDAVIT OF ROBERT E. HABERLE IN SUPPORT
OF THE LIQUIDATOR'S APPLICATION FOR APPROVAL OF
ADMINISTRATIVE EXPENSES PAID
FOR THE PERIOD JULY 1-DECEMBER 31, 2017**

I, ROBERT E. HABERLE, hereby depose and state as follows:

1. I am Chief Liquidation Officer of Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) (“the Estates”), and am responsible for overseeing their daily business operations.

2. I directed the preparation of and have reviewed the Liquidator's 2018 Budget for the Estates (the "Budget") and Application for Approval of Administrative Expenses paid for the period July1-December 31, 2017.

3. Based on my review of the Budget, my personal knowledge and business experience, and having considered information that I believe necessary to assess the Estates' projected expenses for 2018, including significant business developments and trends, cash flow expectations, capital build projects, and fixed overhead costs such as compensation and rent, I certify that the Budget is appropriate and fairly presents in all material respects the Estates' expected expenses for 2018.

4. I know of no significant expenses or outlays for 2018 that are not included in the Budget.

5. Based on my knowledge, the Application for Approval of Administrative Expenses paid for the period July 1- December 31, 2017 fairly presents in all material respects the administrative expenses paid by the Estates for the period July 1 - December 31, 2017.

6. My certification is made in reasonable reliance on the work of qualified staff and the Estates' internal procedures for financial operations, planning and budgeting.

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



ROBERT E. HABERLE

Sworn to and subscribed before me
this 13th day of February, 2018.


NOTARY PUBLIC

COMMONWEALTH OF PENNSYLVANIA

NOTARIAL SEAL
ROBERT J. LENAHAN, Notary Public
City of Philadelphia, Phila. County
My Commission Expires December 14, 2019

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Legion Insurance Company :
(In Liquidation) : No. 1 LEG 2002

**AFFIDAVIT OF GERALD V. BEHR IN SUPPORT OF THE
LIQUIDATOR'S APPLICATION FOR APPROVAL OF ADMINISTRATIVE
EXPENSES PAID FOR THE PERIOD JULY 1-DECEMBER 31, 2017**

I, **GERALD V. BEHR**, hereby depose and state as follows:

1. I am Vice President and Chief Financial Officer for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) (“the Estates”), am currently licensed as Certified Public Accountant, and am responsible for overseeing all aspects of the Estates’ financial operations.

2. I assisted in and directed the preparation of the Liquidator's 2018 Budget for the Estates (the "Budget"), and make this certification in reliance on the assistance and support of qualified staff and the Estates' internal procedures for financial operations, planning and budgeting.

3. I certify that the Budget is appropriate and fairly presents in all materials respects the Estates' anticipated expenses for 2018 for the following areas of expected expenditure:

A. Salaries: “Salaries” includes expenses for salary and overtime compensation for all the Estates’ employees, the cost of temporary help and

contractor services, the performance compensation program, and a compensation program for displaced employees of the Estates.

B. Benefits: “Benefits” includes expenses for employee group health, life and disability programs, 401(k) contributions, employee training, workers' compensation insurance, FICA and federal and state unemployment taxes.

C. Occupancy: “Occupancy” includes expenditures for lease expenses, utility and office maintenance expenses for leased premises, records retention, furniture repair and maintenance expenses and rental costs for postage and copier/fax equipment.

D. Equipment: “Equipment” includes depreciation expenses for EDP equipment, operating and applications systems software, office furniture and fixtures and leasehold improvements, and expenditures for purchases and repairs of all other equipment used by the Estates.

E. Legal Fees and Expenses: “Legal Fees and Expenses” includes expenditures to outside law firms for matters related to reinsurance litigation, policyholder collections, managing general agent and third party administrators, the Estates' defendant issues and liquidation issues.

F. Professional Services: “Professional Services” includes expenditures for outsourced reinsurance services, audit and tax consulting fees of independent CPA firms, actuarial consulting services, management consulting services, fees for collection of overdue premium and other fees and fees to outside firms for technology support and outsourcing.

G. Other: “Other” includes expenditures for telephone, postage, express mail, printing and freight expenses, letterhead, envelopes and other office supplies; transportation, meals, lodging and other costs of employees while traveling; costs of the Pennsylvania Insurance Department for the oversight of the Estates; and insurance for fidelity and surety bonds on employees, general liability insurance, Directors and Officers and omissions coverage for directors and personal property coverage.

4. I know of no significant expenses or outlays for 2018 that are not included in the Budget.

5. I certify that the Application for Approval of Administrative Expenses paid for the period July 1-December 31, 2017 fairly presents in all material respects the Estates’ paid administrative expenses for the period July 1-December 31, 2017 for the following areas of expenditure:

A. Salaries: “Salaries” includes expenses for salary and overtime compensation for all the Estates’ employees, the cost of temporary help and contractor services, the performance compensation program, and a compensation program for displaced employees of the Estates.

B. Benefits: “Benefits” includes expenses for employee group health, life and disability programs, 401(k) contributions, employee training, workers’ compensation insurance, FICA and federal and state unemployment taxes.

C. Occupancy: “Occupancy” includes expenditures for lease expenses, utility and office maintenance expenses for leased premises, records retention, furniture repair and maintenance expenses and rental costs for postage

and copier/fax equipment.

D. Equipment: “Equipment” includes depreciation expenses for EDP equipment, operating and applications systems software, office furniture and fixtures and leasehold improvements, and expenditures for purchases and repairs of all other equipment used by the Estates.

E. Legal Fees and Expenses: “Legal Fees and Expenses” includes expenditures to outside law firms for matters related to reinsurance litigation, policyholder collections, managing general agent and third party administrators, the Estates’ defendant issues and liquidation issues.

F. Professional Services: “Professional Services” includes expenditures for outsourced reinsurance services, audit and tax consulting fees of independent CPA firms, actuarial consulting services, management consulting services, fees for collection of overdue premium and other fees and fees to outside firms for technology support and outsourcing.

G. Other: “Other” includes expenditures for telephone, postage, express mail, printing and freight expenses, letterhead, envelopes and other office supplies; transportation, meals, lodging and other costs of employees while traveling; costs of the Pennsylvania Insurance Department for the oversight of the Estates; and insurance for fidelity and surety bonds on employees, general liability insurance, Directors and Officers and omissions coverage for directors and personal property coverage.

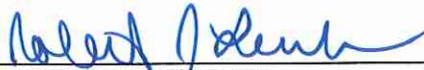
6. Based on my knowledge, the Application for Approval of Administrative Expenses paid for the period July 1-December 31, 2017 fairly presents in all material

respects the administrative expenses paid by the Estates for the period July 1-December 31, 2017.

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


GERALD V. BEHR

Sworn to and subscribed before me
this 15 th day of February, 2018.


NOTARY PUBLIC
COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
ROBERT J. LENAHAN, Notary Public
City of Philadelphia, Phila. County
My Commission Expires December 14, 2019

CERTIFICATION

I, Amy L. Weber, 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 Jessica K. Altman, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator ("Liquidator") of Legion Insurance Company. I have read the Combined Cash Basis Analysis for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) and certify that the Legal Fees and Expenses stated therein for the period July 1, 2017 through December 31, 2017, are reasonable and necessary expenses to the best of my knowledge, information and belief. 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: 2/20/18

EXHIBIT A

Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
COMBINED OPERATING EXPENSES (BUDGET)
(\$ In Thousands)

	2017		2018	
Total Staffing - Ending	19		15	
	Year to Date 2017 Budget	% of Total Operating	Year to Date 2018 Budget	% of Total Operating
G & A Expenses				
Labor <i>Salary and overtime compensation for all Legion employees and the cost of temporary help, contractor services and outsourced services utilized. Also includes the performance compensation program and compensation program for displaced Legion employees.</i>	\$ 5,201	54.3%	\$ 4,833	56.9%
Benefits <i>Expenses incurred for employee group health, life and disability programs, 401(k) contributions, employee training, workers' compensation insurance and FICA and Federal and state unemployment taxes.</i>	893	9.3%	688	8.1%
Occupancy <i>Lease expenses for facilities, utility and office maintenance expenses for leased premises, records retention, furniture repair and maintenance expenses and rental costs for postage and copier/fax equipment.</i>	707	7.4%	688	8.1%
Equipment <i>Expenses for operating and applications systems software and purchases and repairs for all other equipment used by Legion.</i>	555	5.8%	802	9.4%
Legal Fees and Expenses <i>Legal retainers and fees to outside law firms for matters related to reinsurance litigation, policyholders collections, managing general agent and third party administrators, Legion defendant issues and liquidation issues.</i>	465	4.9%	200	2.4%
Professional Services <i>Fees for reinsurance services, audit and tax consulting fees of independent CPA firms, fees to outside firms for actuarial consulting services, management consulting services, fees for collection of overdue premium, fees to outside firms for technology support, and other fees.</i>	621	6.5%	196	2.3%
Other <i>Telephone, postage, express mail, printing and freight expenses. Also includes cost of office supplies, transportation, meals, lodging and other costs of employees while traveling, costs of the PA Insurance Department for the oversight of the Legion and Villanova estates and insurance expenses for fidelity and surety bonds on employees, general liability insurance, Directors and Officers, errors and omissions and personal property coverage.</i>	1,129	11.8%	1,085	12.8%
Net Budget	\$ 9,571	100.0%	\$ 8,492	100.0%

EXHIBIT B

Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
COMBINED CASH BASIS ANALYSIS
July 1, 2017 to December 31, 2017

Total Staffing - End of Period	25	
	For the Period	% of Total Operating
<u>G & A Expenses</u>		
Labor <i>Salary and overtime compensation for all Legion employees and the cost of temporary help, contractor services and outsourced services utilized. Also includes the performance compensation program and compensation program for displaced Legion employees.</i>	\$ 2,007,576	57.6%
Benefits <i>Expenses incurred for employee group health, life and disability programs, 401(k) contributions, employee training, workers' compensation insurance and FICA and Federal and state unemployment taxes.</i>	275,423	7.9%
Occupancy <i>Lease expenses for facilities, utility and office maintenance expenses for leased premises, records retention, furniture repair and maintenance expenses and rental costs for postage and copier/fax equipment.</i>	313,636	9.0%
Equipment <i>Expenses for operating and applications systems software and purchases and repairs for all other equipment used by Legion.</i>	269,475	7.8%
Legal Fees and Expenses <i>Legal retainers and fees to outside law firms for matters related to reinsurance litigation, policyholders collections, managing general agent and third party administrators, Legion defendant issues and liquidation issues.</i>	45,012	1.3%
Professional Services <i>Fees for reinsurance services, audit and tax consulting fees of independent CPA firms, fees to outside firms for actuarial consulting services, management consulting services, fees for collection of overdue premium, fees to outside firms for technology support, and other fees.</i>	296,875	8.5%
Other <i>Telephone, postage, express mail, printing and freight expenses. Also includes cost of office supplies, transportation, meals, lodging and other costs of employees while traveling, costs of the PA Insurance Department for the oversight of the Legion and Villanova estates and insurance expenses for fidelity and surety bonds on employees, general liability insurance, Directors and Officers, errors and omissions and personal property coverage.</i>	275,219	7.9%
Total Operating Expenses	3,483,216	100.0%
Investment Expenses <i>Banking, management and custodial fees</i>	58,317	
Legal Reimbursement Revenue <i>Reimbursement from a Guaranty Association for prior years legal expense</i>	(122,119)	
Federal Income Tax Refund	(1,278,692)	
Total Expenses, Net	\$ 2,140,722	

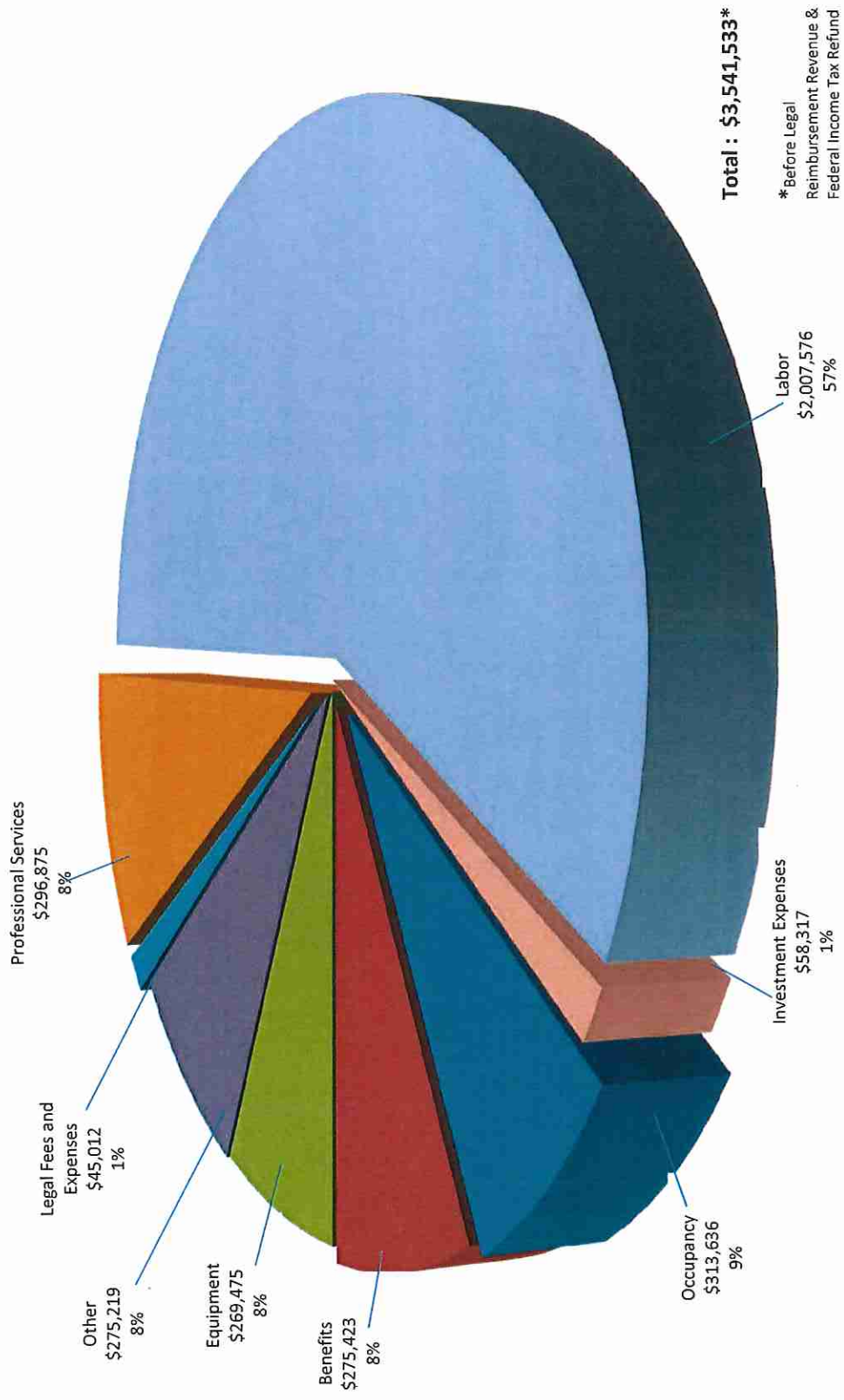
Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Legal Fees and Expenses and Professional Services Paid
July 1, 2017 - December 31, 2017

Classification	VENDOR NAME	Services Provided	2017 Total
Legal Fees and Expenses	DUANE MORRIS LLP	General Litigation	21,600
	LEXISNEXIS	Legal Research Fees	1,927
	DANIEL STERN, REFEREE	Referee Fees	925
	STRADLEY RONON STEVENS & YOUNG LLP	Liquidation Legal Counsel	1,606
	WEST PUBLISHING CORPORATION	Legal Research Fees	18,604
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Legal Support Costs	350
Total Legal Fees and Expenses Paid			45,012
Change in Legal Fees and Expenses accrual and other non-cash transactions			(2,626)
Total Legal Fees and Expenses Incurred			42,386
Professional Services	ASHDAR PARTNERS, INC.	IT Consulting	63,500
	COMPUTER SCIENCES CORPORATION	Data Processing	174,764
	ERNST & YOUNG LLP	Tax Consulting	19,069
	JOHNSON LAMBERT & COMPANY LLP	Audit Services	39,542
Total Professional Services Paid			296,875
Change in Professional Services accrual and other non-cash transactions			(39,942)
Total Professional Services Incurred			256,933
Total Legal Fees and Expenses and Professional Services Incurred			299,319

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

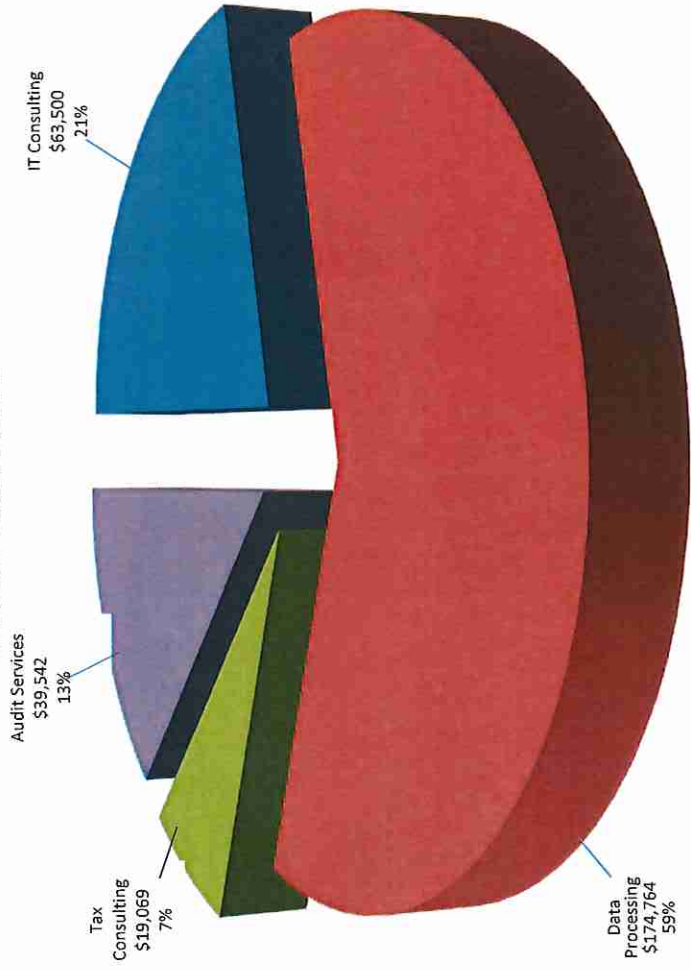
EXHIBIT C

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Combined Cash Basis Analysis
 July 1, 2017 - December 31, 2017



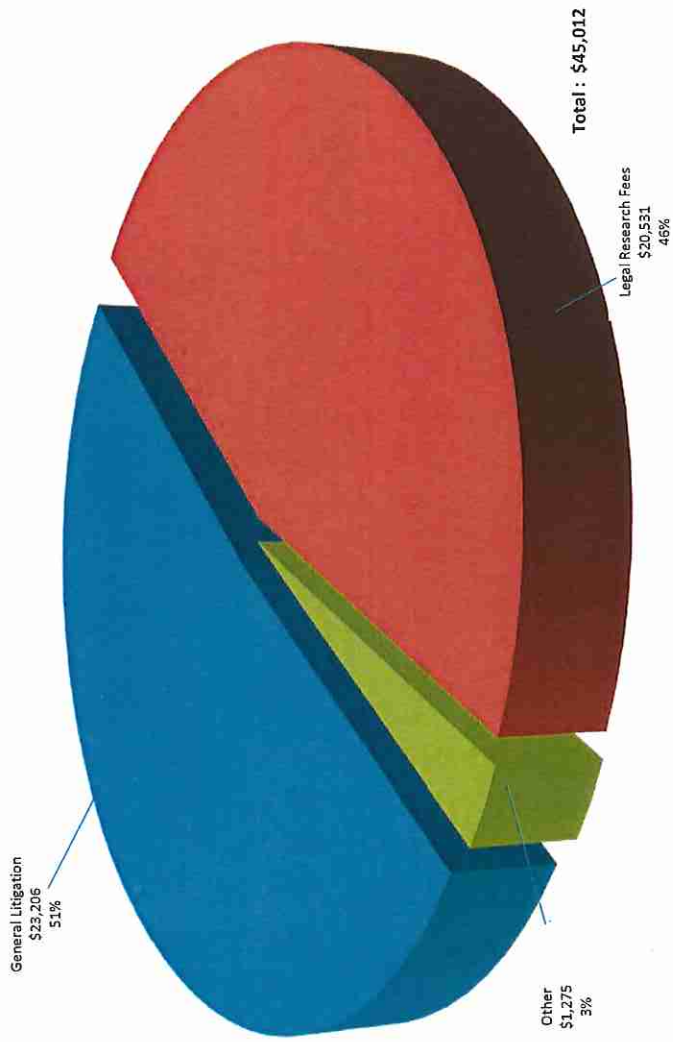
Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Professional Services

July 1, 2017 - December 31, 2017



Total: \$296,875

Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Legal Fees & Expenses
July 1, 2017 - December 31, 2017



IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Legion Insurance Company, : No. 1 LEG 2002
(In Liquidation) :

ORDER

AND NOW, this _____ day of _____, 2018, upon consideration of the Statutory Liquidator's 2018 Budget and Application for Approval of Administrative Expenses Paid for the Period July 1, 2017 through December 31, 2017, the Application is hereby GRANTED.

BY THE COURT:

MARY HANNAH LEAVITT, J.