

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

**QUARTERLY REPORT OF THE LIQUIDATOR
ON THE STATUS OF THE LIQUIDATION OF
LEGION INSURANCE COMPANY AS OF MARCH 31, 2018**

I. INTRODUCTION

Jessica K. Altman, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator (the “Liquidator”) of Legion Insurance Company (“Legion or Estate”), through her undersigned counsel, hereby submits this Quarterly Report on the status of the liquidation of Legion for the period from January 1, 2018 through March 31, 2018 (“Report”).

II. REPORT

A. Financial Statements

Legion has prepared the Special Purpose Statement of Assets and Liabilities, Statutory Capital and Surplus Account and Cash Flow Summary (“Statements”). The Statements include many estimates as noted below and may not fully reflect the effects of the liquidation. 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 Statement of Assets and Liabilities, attached as Exhibit D, describes

the nature of the line items on the Statements and should be included in any review of Legion's financial information.

The Statements are addressed in more detail in sections 1 through 4 below.

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

As of March 31, 2018, the attached Special Purpose Statement of Assets and Liabilities shows estimated total assets were \$2,147.8 million including \$456.2 million of cash and liquid investments.

Early access advances to Guaranty Associations (“GAs”) totaled \$1,690.6 million.

a. Cash and Investments.

Legion had a cash and investment portfolio of \$456.2 million as of March 31, 2018. Refer to the Cash Flow Summary (Exhibit C) for major components of change for the current year. Excess cash flows over and above the immediate operating needs of the Estate are transferred to money market funds in the Estate's account with Morgan Stanley. All securities are held by Morgan Stanley until maturity, and all proceeds will be placed in the money market funds. All marketable securities are booked to the market values provided by Morgan Stanley as of the end of each month. Of the \$456.2 million cash and investments available, \$65.8 million is being reserved as it may be potentially distributed for Early Access funds currently held. (See section 1(b) below.)

b. Early Access Advances.

Workers' compensation claims 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 are considered part of early access monies.

On August 7, 2014, the Court approved the Liquidator's Ninth Proposal to Distribute Assets (\$130.0 million) to the State Guaranty Associations ("Liquidator's Ninth Proposal") bringing the total authorized by the Court to \$1.75 billion for early access distributions. Legion has distributed all of these funds via cash payments and reductions of statutory deposits, except for \$65.8 million which is currently being held.

c. State Deposits and Unapplied State Deposits.

A \$1 million unapplied state deposit is held by the Oregon Insurance Guaranty Association pending the final distribution.

2. Special Purpose Statement of Assets and Liabilities – Liabilities – EXHIBIT A.

Total estimated liabilities at March 31, 2018, were \$2.4 billion. The statement includes Legion's liability for GA-accepted administrative expense NODs of \$205.6M. It does not include an estimate of the cost that will be incurred by Legion in administering the Estate over time. Legion liquidation expenses are class (a) priority payments under the Insurance Department Act of 1921, 40 P.S. § 221.44 ("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 March 31, 2018, there was \$.1 million in reserves for unpaid liquidator expenses.

However, the most significant liability is the \$2.1 billion assigned to class (b) proofs of claim ("POCs"). This category includes Legion's liability for GA-accepted NODs of \$2,030.4 million and for non-guaranty fund-accepted NODs of \$59.0 million. A reduction of \$29.5 million is shown for distribution payments issued to class (b) claimants as of March 31, 2018.

On April 29, 2015, the Court entered an Order establishing a Claims Bar Date. The Order provides that all claims must have matured into a legal cause of action and a Proof of Claim filed with the Estate by July 28, 2015. Prior to issuance of NODs to GAs, the estate accepted information on losses reported to the GAs up through the Claims Bar Date.

a. Priority Class A.

Prior to receivership, Legion, Villanova Insurance Company (“Villanova”) and Legion Indemnity Company (“Indemnity”) operated with an expense sharing agreement pursuant to which Legion paid the common expenses for all three companies through July 2003. Under the expense sharing agreement, common expenses were allocated 80% to Legion, 10% to Villanova and 10% to Indemnity. Following entry of the Court’s Orders placing Legion and Villanova into liquidation in July 2003, the expenses were allocated 90% to Legion and 10% to Villanova. The several schedules attached to this Report relating to expenses (Exhibits E and F) represent the expenses paid or incurred by Legion and Villanova on a consolidated basis, including all common expenses, before any allocation. The Liquidator’s Petition for Approval of Administrative Expenses Paid for the Period July 1, 2017 through December 31, 2017, was approved by the Court on March 29, 2018.

The Combined Expense Detail attached as Exhibit E lists \$2.5 million of statutory liquidator administrative total operating expenses incurred by Legion and Villanova for the period January 1, 2018 through March 31, 2018.

Subsequent to the Claims Bar Date, Legion began issuing NODs for GA administrative expense POCs based on Legion’s continuing review of each GA’s reported expenses. As of March 31, 2018, Legion’s liability for GA administrative expense as reflected in NODs issued by Legion and accepted by GAs was \$205.6 million.

b. Priority Class B.

Subsequent to the Claims Bar Date, Legion began issuing NODs for GA losses and loss adjustment expenses for claims incurred as of the Claims Bar Date. As of March 31, 2018, Legion's liability for GA policyholder benefit claims as reflected in NODs issued by Legion and accepted by GAs was \$2,030.4 million. NODs have also been issued for non-GA policyholder claims aggregating \$59 million, which were determined through the POC evaluation process.

c. Priority Classes Below Class B.

Also included in total liabilities are estimated liabilities for POCs assigned to priority classifications below class (b), which aggregate to \$122.7 million. (See the accompanying notes for a brief description of each line item.)

Throughout the liquidation period, it has been anticipated that Legion would not make distributions to claimants whose claims were classified (c) or below. In order to maximize the Estates' resources and assets, Legion decided to issue "Class Only" NODs for class (e), (f) and (g) levels. These NODs acknowledged the legitimacy of a claim but assigned no dollar value to the claim. In the event it was determined that Legion would be able to make distributions to claimants in levels below class (b), the Class Only NODs for those classes where distributions might be made would be valued and issued an amended NOD. When the Court amended its rules for the summary and formal proceedings against insurers effective July 30, 2012, all class (e), (f) and (g) claims valued after that date were assigned a dollar value. While it is still not anticipated that Legion will pay out below a class (b) claim, as a result of the issuance of Class Only NODs, total liabilities in those classes may be substantially understated.

3. 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 March 31, 2018. The estimated net deficit at March 31, 2018, was \$240.5 million.

4. Statement of Cash Flow Summary – EXHIBIT C.

Attached to this report is a Statement of Cash Flow Summary (“Cash Flow Summary”) for the period January 1, 2018 through March 31, 2018. Total sources of cash and investments for the period were \$1.6 million.

Total uses of cash and investments were \$3.5 million for the period.

a. Operating Expenses.

Refer to Exhibit E, Combined Expense Detail, for line item detail of major components of operating expenses incurred by Legion and Villanova for the period January 1, 2018 through March 31, 2018. Operating expenses paid per the Cash Flow Summary and Administrative Expenses Incurred per the Combined Expense Detail differs somewhat because of accruals. 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.)

b. Guaranty Association Transactions.

As of March 31, 2018, the Court has authorized \$1.75 billion in total for early access distributions. Legion has previously distributed via cash payments and reductions of statutory deposits all of these funds, except for \$65.8 million which is currently being held.

c. Interim Distribution.

On February 27, 2012, the Court approved the Liquidator's Amended Petition for First Interim Distribution allowing a 50% distribution to all class (b) claimants whose NOD is approved by the Court. As of March 31, 2018, Legion has made distribution payments of \$29.5 million.

5. Combined Expense Detail – EXHIBIT E.

Exhibit E is a schedule reflecting the combined incurred expenses of Legion and Villanova from January 1, 2018 through March 31, 2018, together with a comparison, by category of expense, between 2018 YTD actual and 2018 YTD budget and between 2018 YTD actual and 2017 YTD actual. As reflected in the Statement, the total operating expenses through March 31, 2018, are \$2.5 million, which is 4.9% lower than the 2018 budget and is 6.8% less than the 2017 actual. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. (Please refer to Section 2a for an explanation of the expense allocation.)

a. Labor, Benefits and Payroll Taxes.

As of March 31, 2018, Legion had a total of 25 employees. In addition, Legion utilizes temporary/contractor workers when needed. Current plans dictate that this mix will fluctuate as Legion implements a more flexible staffing model designed to ensure continuity of specialized and institutional knowledge critical to the Estate.

b. Occupancy.

Legion currently leases office space in Philadelphia. The lease term expires on June 30, 2018, with monthly base lease payments of \$24,750 through June 30, 2018. Legion has executed

a lease agreement through September 30, 2019, on new office space in Philadelphia with monthly base lease payments of \$20,750 effective June 15, 2018.

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, 2018 through March 31, 2018, by month. Legal expenses generally pertained to NOD objections 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, 2018 through March 31, 2018, by month. The individual professionals and firms listed in the schedule include auditing services, tax services and consulting fees.

e. Federal Income Taxes.

Legion expects no tax liabilities or refunds in future years.

6. Guaranty Fund Claims and Expense Information.

The GAs have been 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 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 were discussed with the NCIGF. Discussions and correspondence included matters such as Legion claim file distribution, claim handling procedures, communication protocols, GA data reporting and

Uniform Data Standards 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 large deductible recoveries.

a. Status of Uniform Data Standards (“UDS”).

A unit within Legion coordinated with the GAs and their vendors in managing the data reporting process and the quality of data reported by GAs. As of the Claims Bar Date, 48 GAs reported paid and outstanding loss information via electronic UDS files, either sent directly to Legion or submitted to the NCIGF secure FTP website. The electronic files received from GAs were interfaced to a processing application at Legion. The data was then interfaced to Legion’s policy/claim system to support Estate functions. As NODs have been issued to individual GAs, those GAs have ceased reporting UDS data. As of March 31, 2018, all GAs have been issued NODs and have ceased reporting UDS files to Legion.

b. Guaranty Fund Claim Overview – EXHIBIT H.

The Guaranty Fund NODs Accepted Report (“NAR”) summarizes by state the policyholder benefit claims and administrative expenses for those GAs where NODs have been issued. As of March 31, 2018, all GAs have been issued NODs.

Subsequent to the Claims Bar Date, Legion began issuing NODs for GA administrative expense and for GA loss and loss adjustment expense POCs based on Legion’s continuing review of each GA’s reported amounts. As of March 31, 2018, NODs for \$205.6 million of GA administrative expense and \$2,030.4 million of loss and loss adjustment expense have been issued and accepted by 58 GAs. The NAR data summarizes by state the valuations of the class (a) administrative expense and class (b) policyholder benefit claims as reflected on the NODs

issued to those GAs. A Petition for Approval of Report and Recommendations on Legion Insurance Company's Undisputed Guaranty Associations' Claims was filed with the Court on March 26, 2018.

7. Claims Process.

The deadline for filing POCs was June 30, 2005. As of March 31, 2018, Legion and Villanova combined had received a total of 46,154 POC claims. Of those, 2,766 were received after the claim filing deadline. On April 29, 2015, the Court entered an Order establishing a Claims Bar Date. The Order provides that all claims must have matured into a legal cause of action and a Proof of Claim filed with the Estate by July 28, 2015. POCs filed prior to the Claims Bar Date have been evaluated consistent with the Order and the late filing provisions of the Act.

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

As of March 31, 2018, Legion had issued NODs for all of the 41,486 POC claims assigned to it for a total amount of \$2.4 billion. All but 2 of the NODs have been accepted by the claimants. The Court has approved 41,365 of these NODs as of March 31, 2018, for a total allowed amount of \$179.7 million. Exhibit I breaks down this information by priority class.

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

During the quarter ended March 31, 2018, Legion completed reclassifications and/or set-up new suffixes for multiple claims on individual POCs received prior to the Claims Bar Date which resulted in a net increase of 2 POC suffixes for the quarter. An additional 9 NODs were issued during the period and 9 were accepted.

c. Notice of Determination Objection Statistics – EXHIBIT K.

As of March 31, 2018, the Liquidator had received a total of 943 objections on the 41,486 NODs issued. As of March 31, 2018, Legion had resolved 941 objections. As of March 31, 2018, the 2 unresolved objections had received reports and recommendations from the assigned referee, and were awaiting rulings from the Commonwealth Court. Exhibit K indicates the status of all objections received through March 31, 2018, breaks down this information by priority class and includes the Allowed Amounts for objections in each priority class.

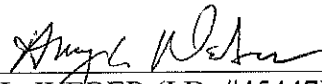
d. Status of Distribution.

Since February 2008, on a semi-annual basis the Liquidator has filed a Petition for Approval of Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved (“Report of Claims”). The Report of Claims lists the allowed amounts of non-GA claimant NODs that had been accepted or assumed accepted in the prior six-month period. On January 29, 2018, the Liquidator filed the most recent Report of Claims for the period July 1, 2017 to December 31, 2017. The Court granted the petition on March 5, 2018. The allowed amounts on NODs approved for distribution are listed by priority class on Exhibit I.

On December 2, 2011, the Liquidator filed an Amended Petition for First Interim Distribution Pursuant to 40 P.S. § 221.46, for a 50% distribution of NOD allowed amounts to all class (b) claimants whose NOD is approved by the Court, including the aggregate policies. The petition sought an Order allowing the Liquidator to hold back from interim distributions to claimants which have made claims against the Estate under policies having aggregate limits of liability, and have received approved notices of determination a “Safety Factor Percentage” of 50% of the aggregate limits to address any future developments with Unevaluated POCs.” The

Petition was granted by Court Order dated February 27, 2012. On June 1, 2017, the Liquidator filed an application with the Court seeking elimination of the Safety Factor Percentage. The Court granted the application on July 11, 2017, and accordingly all Court approved non-GA class (b) claimants have received a 50% distribution.

Respectfully submitted,



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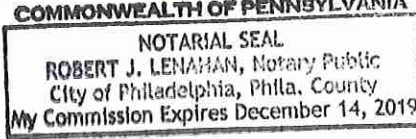
Counsel for Jessica K. Altman, Insurance
Commissioner of the Commonwealth of
Pennsylvania, in her official capacity as Statutory
Liquidator of Legion Insurance Company (In
Liquidation)

DATED: 5/10/18

5. 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 7 th day of May, 2018.


NOTARY PUBLIC
COMMONWEALTH OF PENNSYLVANIA

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

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 January 1, 2001 through March 31, 2018.
- 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, 2018 through March 31, 2018.
- 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, 2018 through March 31, 2018 together with a comparison, by category of expense, between 2018 and the 2018 budget and between 2017 and 2018 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, 2018 through March 31, 2018 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, 2018 through March 31, 2018. 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 March 31, 2018 is submitted as Exhibit “G.”
- H. Guaranty Fund Claim Overview: Summary information for liquidation class (“Class”) A and B claims at a state guaranty association level is provided in Exhibit “H.” As of March 31, 2018, notices of determination have been issued to all state guaranty associations.

- I. Proof of Claim Statistics Inception to Date: Exhibit “I” provides inception to date summary information at a Class level of various proof of claims statistics.
 - J. Proof of Claim Statistics Quarter to Date: Exhibit “J” provides quarter to date summary information at a Class level of various proofs of claims statistics.
 - K. Notice of Determination Objection Statistics: Summary information at a class level of Notice of Determination Objections received, resolved and unresolved is provided in Exhibit “K”. Additional summary information is also provided related to unresolved objections.
4. Based on my knowledge, the financial information included in the Report fairly presents in all material respects the financial condition, results of operations and cash flows for the first quarter of 2018.

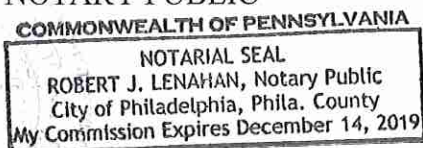
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- I. Proof of Claim Statistics Inception to Date: Exhibit "I" provides inception to date summary information at a Class level of various proof of claims statistics.
 - J. Proof of Claim Statistics Quarter to Date: Exhibit "J" provides quarter to date summary information at a Class level of various proofs of claims statistics.
 - K. Notice of Determination Objection Statistics: Summary information at a class level of Notice of Determination Objections received, resolved and unresolved is provided in Exhibit "K". Additional summary information is also provided related to unresolved objections.
4. Based on my knowledge, the financial information included in the Report fairly presents in all material respects the financial condition, results of operations and cash flows for the first quarter of 2018.
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

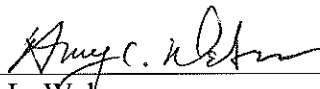
Sworn to and subscribed before me
This 7th day of May, 2018.


NOTARY PUBLIC



CERTIFICATION

I, Amy L. Weber, Governor’s Office of General Counsel, assigned to the Office of Liquidations, Rehabilitations and Special Funds of the Pennsylvania Insurance Department, am duly authorized to make this Certification for and on behalf of Jessica K. Altman, Insurance Commissioner of the Commonwealth of Pennsylvania, in her 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 March 31, 2018, 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: 5/10/18

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

**EXHIBITS A - K
QUARTERLY REPORT OF THE LIQUIDATOR
ON THE STATUS OF THE LIQUIDATION
OF LEGION INSURANCE COMPANY
AS OF MARCH 31, 2018**

EXHIBIT

A

Legion Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
March 31, 2018 and December 31, 2017
(In Millions of Dollars)

	3/31/2018	12/31/2017
ASSETS		
Cash investments:		
Fixed income securities	\$ 2.5	\$ 3.0
Money market deposits	453.7	455.1
Total cash and invested assets	456.2	458.1
Early access advances	1,690.6	1,690.6
State deposits and unapplied state deposits available for early access	1.0	1.0
Other assets	-	0.2
Total Assets	\$ 2,147.8	\$ 2,149.9
LIABILITIES		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses incurred since liquidation	\$ 458.0	\$ 455.9
Liquidator expenses paid since liquidation	(457.9)	(454.8)
Liquidator expenses	0.1	1.1
Guaranty associations paid ULAE reported	-	127.8
Guaranty associations NODs accepted	205.6	82.3
Total	\$ 205.7	\$ 211.2
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	-	904.0
Guaranty associations NODs accepted	2,030.4	994.2
Liquidator valued NODs accepted	59.0	59.0
Asset distribution payments, net	(29.5)	(29.4)
Estimated reserves - guaranty associations	-	207.4
Total	2,059.9	2,135.2
C - Federal government claims		
Liquidator valued NODs accepted	0.9	0.9
D - Certain employee claims		
	-	-
E - General creditor claims		
Liquidator valued NODs accepted	89.5	89.5
Estimated value	-	0.3
Total	89.5	89.8
F - State and local government claims		
Liquidator valued NODs accepted	26.9	26.9
G - Late filed/subrogation claims		
Guaranty associations NODs accepted	2.0	-
Liquidator valued NODs accepted	3.4	3.4
Total	5.4	3.4
Total liabilities	2,388.3	2,464.0
Net surplus (deficit)	(240.5)	(317.5)
Total Liabilities and Surplus (Deficit)	\$ 2,147.8	\$ 2,146.5

* See Notes to Special Purpose Statement of Assets and Liabilities

EXHIBIT
B

Legion Insurance Company (In Liquidation)
Statutory Capital and Surplus Account
For the various periods
(in millions of Dollars)

Surplus as regards to policyholders, as of December 31, 2001	\$ 298.3
Net loss:	
Underwriting loss, net	(30.6)
Investment income, net	(0.8)
Other income (expenses), net	3.4
Loss before income taxes	(28.0)
Federal & foreign income taxes	-
Net loss	(28.0)
Change in net unrealized capital gains (losses)	3.2
Change in net deferred income tax	(42.3)
Change in non-admitted assets	47.7
Change in provision for reinsurance	-
Change in surplus for the period	(19.4)
Surplus as regards to policyholders, as of March 31, 2002	278.9
<u>Surplus activity during Rehabilitation Period:</u>	
Net loss:	
Underwriting loss, net	(279.0)
Investment income, net	10.5
Other income (expenses), net	(5.1)
Net loss	(273.6)
Change in net unrealized capital gains (losses)	(25.6)
Change in net deferred income tax	-
Change in non-admitted assets	(18.5)
Change in provision for reinsurance	22.7
Change in surplus for the period	(295.0)
Surplus as regards to policyholders, as of July 28, 2003	(16.1)
<u>Surplus activity during Liquidation:</u>	
Net loss:	
Underwriting gain, net	140.1
Class A - Administrative expenses	(659.0)
Class A - Investment expense	(4.6)
Investment income	197.8
Other income (expenses), net	37.0
Net loss	(288.7)
Change in net unrealized capital gains (losses)	2.1
Change in non-admitted assets	62.2
Change in surplus for the period	(224.4)
Surplus as regards to policyholders, as of March 31, 2018	\$ (240.5)

EXHIBIT
C

Legion Insurance Company (In Liquidation)
 Cash Flow Summary - Monthly Summaries
 Liquidation Basis
 YTD January 1, 2018 - March 31, 2018
 (in millions)

	January	February	March	YTD 2018
Beginning Available Cash and Investments	\$ 458.1	\$ 457.8	\$ 457.0	\$ 458.1
Investment income	0.4	0.4	0.6	1.4
Total Sources of Cash	<u>0.4</u>	<u>0.4</u>	<u>0.6</u>	<u>1.4</u>
Paid expenses	(0.3)	(0.1)	(0.8)	(1.2)
Payroll	(0.4)	(1.3)	(0.5)	(2.2)
Intercompany transfers	-	0.2	-	0.2
Guaranty Association transactions	-	-	-	-
Distributions to Court approved NODs	-	-	(0.1)	(0.1)
Other cash inflows (outflows)	-	-	-	-
Total Uses of Cash	<u>(0.7)</u>	<u>(1.2)</u>	<u>(1.4)</u>	<u>(3.3)</u>
Ending Available Cash and Investments	\$ 457.8	\$ 457.0	\$ 456.2	\$ 456.2

EXHIBIT
D

Legion Insurance Company (In Liquidation)
Notes 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. § 221.44. 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 recorded priority class B reflected on the Special Purpose Statement of Assets and Liabilities is based on NODs issued in 2018, and primarily on guaranty association paid claims, POCs and NODs issued, any known case reserves and actuarial estimates of expected losses on an undiscounted basis in 2017;
- There is an estimated provision in 2017 for current guaranty association costs that have been incurred by the estates and for the open claim runoff as of the Claims Bar Date;
- 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;
- There is no provision for potential federal income tax liabilities in future years, if any;
- For classes below (b), liabilities are carried at NOD accepted value, except for NODs issued on a "Class Only" basis, which are carried at \$0.

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
 March 31, 2018 ACTUAL vs BUDGET
 (\$ In Thousands)**

	Year to Date				2018 Actual vs 2018 Budget		2018 Actual vs 2017 Actual	
	2018 Actual	% of Total Operating	2018 Budget	2017 Actual	Variance	Percent Variance	Variance	Percent Variance
Full time Employee Equivalents	25		23	26	(2)	-8.7%	1	3.8%
General & Administrative Expenses								
Labor, Benefits, & Payroll Taxes:								
Labor - Internal & External	\$ 1,215		\$	1,210			\$	(5)
Benefits & Payroll Taxes	321			376				55
Total Labor, Benefits, and Payroll Taxes	1,536	60.8%	\$ 1,633	1,586	\$ 97	5.9%	\$ 50	3.2%
Occupancy	157	6.1%	157	182	-	0.0%	25	13.6%
Equipment	149	5.9%	143	165	(6)	-4.3%	16	9.5%
Legal Fees and Expenses	9	0.4%	50	34	41	82.1%	25	73.8%
Professional Services								
IT Services	33	1.3%	32	119	(1)	-2.9%	86	72.7%
Other	-	0.0%	-	6	-	n/a	6	100.0%
Liquidator Costs	145	5.8%	114	104	(31)	-27.5%	(41)	-39.5%
Other	492	19.5%	522	509	30	5.8%	17	3.4%
Total Operating Expenses	\$ 2,521	100.0%	\$ 2,651	\$ 2,705	\$ 130	4.9%	\$ 184	6.8%

EXHIBIT
F

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Fees and Expenses and Professional Services Paid
 January 1, 2018 - March 31, 2018

Classification	VENDOR NAME	Services Provided	2018 Total
Legal Fees and Expenses	LEXISNEXIS	Legal Research Fees	952
	WEST PUBLISHING CORPORATION	Legal Research Fees	7,878
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Legal Support Costs	118
Total Legal Fees and Expenses Paid			8,948
Change in Legal Fees and Expenses accrual and other non-cash transactions			-
Total Legal Fees and Expenses Incurred			8,948
Professional Services	ASHDAR PARTNERS, INC.	IT Consulting	28,870
	COMPUTER SCIENCES CORPORATION	Data Processing	32,347
Total Professional Services Paid			61,217
Change in Professional Services accrual and other non-cash transactions			(27,794)
Total Professional Services Incurred			33,423
Total Legal Fees and Expenses and Professional Services Incurred			42,371

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

EXHIBIT
G

**Legion Insurance Company (In Liquidation)
Reinsurance Recoverables Due or Billable, Net
March 31, 2018**

Reinsurer

Amount

NONE

EXHIBIT
H

Legion Insurance Company (in Liquidation)
Guaranty Fund - NODs Accepted
As of March 31, 2018

State	GA	Number Files Assigned	A- Level Paid Admin Exp	B - Level Paid Losses and Known Case Reserves, and Loss Adj Expenses
AK	354	35	\$ 23,458	\$ 1,850,911
AL	301	617	3,421,600	58,646,249
AR	303	241	269,798	3,866,118
AZ - PC	402	117	460,941	1,156,249
AZ - SFIC	302	352	914,636	10,071,164
AZ- WC	402	42	162,312	8,529,954
CA	360	39,262	85,720,780	692,248,054
CO	305	413	966,994	12,449,795
CT	306	1,342	4,126,177	33,461,051
DC	308	60	599,803	5,016,559
DE	307	116	393,994	2,664,241
FL	309	753	1,997,848	54,504,843
FL	409	680	1,447,918	27,920,365
GA	310	3,111	5,374,175	97,605,784
HI	352	45	163,112	1,705,381
IA	314	145	389,745	2,626,535
ID	311	67	145,226	1,565,894
IL	312	2,037	5,529,700	42,120,013
IN	313	204	594,900	2,599,673
KS	315	326	659,783	13,411,110
KY	316	456	1,689,874	25,411,385
LA	317	292	902,428	8,785,929
MA	320	3,749	7,838,046	50,287,000
MD	319	430	2,085,460	12,885,355
ME	318	262	789,915	4,222,095
MI	321	652	1,962,955	23,364,347
MN	322	197	510,723	5,405,806
MO	324	683	1,206,707	16,642,306
MS	323	1,352	4,491,632	59,525,187
MT	325	100	678,948	5,198,260
NC	332	1,500	3,659,552	40,265,420
ND	333	7	84,757	416,975
NE	326	112	451,515	6,639,406
NH	328	544	987,584	7,136,412
NJ	329	1,836	2,842,991	73,034,442
NJ	429	1,215	1,562,585	37,006,096
NM	330	98	415,100	4,630,767
NOLHGA	370	424	1,659,145	2,786,023
NV	327	1,130	1,850,360	10,888,083
NY	331/431	7,356	32,130,515	246,313,449
OH	334	121	660,490	1,637,666
OK	335	717	2,115,955	16,928,254
OR	336	177	575,170	8,229,670
PA	337	999	2,998,512	70,744,451
PA	437	701	961,238	13,744,910
PR	358	-	0	0
RI	338	302	508,485	3,824,823
SC	339	1,442	2,822,535	48,161,345
SD	340	32	87,925	623,360
TN	341	1,609	4,878,323	51,597,608
TX	342	2,217	4,316,783	48,873,530
UT	343	65	221,532	842,706
VA	345	632	2,709,760	35,943,419
VT	344	319	588,678	6,494,308
WA	346	84	125,976	718,122
WI	348	194	625,934	4,995,526
WV	347	34	170,000	1,097,509
WY	349	8	44,941	1,094,336
GA NODs accepted			\$ 205,573,931	\$ 2,030,416,229

EXHIBIT

I

Legion Insurance Company (In Liquidation)
Proofs of Claim Statistics
Inception to Date March 31, 2018

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 - non GA	1,107	35	1,107	1,106	\$ 0	1,106	\$ 0
A - Administrative Expenses - GA	58	-	58	58	205,573,931	-	-
B - Policyholder Claims - non GA	14,787	1,055	14,787	14,787	58,972,898	14,787	58,972,898
B - Policyholder Claims - GA	58	-	58	58	2,030,416,229	-	-
C - Federal Government	2	1	2	2	930,649	1	930,649
D - Employees	-	-	-	-	-	-	-
E - General Credit/UEP	19,053	376	19,053	19,052	89,475,345	19,052	89,475,345
F - State/Local Government	121	5	121	121	26,905,367	121	26,905,367
G - Late Filed/Subrogation - non GA	6,298	1,044	6,298	6,298	3,448,000	6,298	3,448,000
G - Subrogation/Ancillary - GA	2	-	2	2	1,981,365	-	-
H - Surplus, Prem. Refunds	-	-	-	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-	-	-	-
No Class	-	-	-	-	-	-	-
TOTALS	41,486	2,516	41,486	41,484	\$ 2,417,703,784	41,365	\$ 179,732,259

* Includes new suffixes set-up on POCs received prior to the Claims Bar Date of 7/28/2015. A POC may have more than one suffix to address multiple claims presented in a single POC. A NOD is issued for each valid suffix.

EXHIBIT
J

Legion Insurance Company (In Liquidation)
 Proofs of Claim Statistics
 Quarter to Date March 31, 2018

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 - non GA	-	-	-	\$ 0	-	\$ 0
A - Administrative Expenses - GA	-	3	3	123,225,470	-	-
B - PolicyHolder Claims - non GA	-	-	-	-	1	44,340
B - PolicyHolder Claims - GA	-	3	3	1,036,167,287	-	-
C - Federal Government	-	1	1	0	-	-
D-Employees	-	-	-	-	-	-
E - General Credit/UEP	-	-	-	-	-	-
F- State/Local Government	-	-	-	-	-	-
G- Late Filed/Subrogation - non GA	-	-	-	-	1	0
G - Subrogation/Ancillary - GA	2	2	2	1,981,365	-	-
H - Surplus, Prem. Refunds	-	-	-	-	-	-
I- Shareholders/Other Owners	-	-	-	-	-	-
No Class	-	-	-	-	-	-
TOTALS	2	9	9	\$ 1,161,374,122	2	\$ 44,340

* Includes new suffixes set-up on POCs received prior to the Claims Bar Date of 7/28/2015. A POC may have more than one suffix to address multiple claims presented in a single POC. A NOD is issued for each valid suffix.

EXHIBIT
K

Legion Insurance Company (In Liquidation)
 Notice of Determination Objection Statistics
 Inception to Date March 31, 2018

Class Descriptions	Total # NOD Objections Received	Allowed Amounts on Objections		# of Objections		Allowed Amounts on Objections Resolved
		\$	\$	Resolved	Not Resolved	
A - Administrative Expenses	9	\$	0	8	8	0
B - Policyholder Claims	343	3,108,511		343		3,108,511
C - Federal Government	-	-		-		-
D - Employees	-	-		-		-
E - General Credit/UEP	519	14,452,707		518		14,452,707
F - State/Local Government	4	11,971		4		11,971
G - Late Filed/Subrogation	68	1,046,022		68		1,046,022
H - Surplus, Prem. Refunds	-	-		-		-
I - Shareholders/Other Owners	-	-		-		-
TOTALS	943	\$ 18,619,211	\$	941	\$	18,619,211

Class Descriptions	Total Objections	Allowed Amounts on Objections		# of Objections		Allowed Amounts on Objections Assigned to Referrees	# of Objections Unresolved Not Assigned to Referrees	Allowed Amounts on Objections Unresolved Not Assigned to Referrees
		Unresolved	Resolved	Assigned to	Not Assigned to			
A - Administrative Expenses	1	\$	0	1	0	\$	0	0
B - Policyholder Claims	-	-		-		-	-	-
C - Federal Government	-	-		-		-	-	-
D - Employees	-	-		-		-	-	-
E - General Credit/UEP	1	0		1	0			
F - State/Local Government	-	-		-		-	-	-
G - Late Filed/Subrogation	-	-		-		-	-	-
H - Surplus, Prem. Refunds	-	-		-		-	-	-
I - Shareholders/Other Owners	-	-		-		-	-	-
TOTALS	2	\$	0	2	0	\$	0	0