



GOVERNOR'S OFFICE OF GENERAL COUNSEL

November 13, 2009

Michael F. Krimmel, Chief Clerk  
Commonwealth Court of Pennsylvania  
601 Commonwealth Avenue, Suite 2100  
P.O. Box 69185  
Harrisburg, PA 17120-9185

RECEIVED  
COMMONWEALTH COURT  
OF PENNSYLVANIA  
13 NOV 2009 12 33

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

Dear Mr. Krimmel:

Enclosed for filing, please find an original and two (2) copies of the Quarterly Report of the Liquidator as of September 30, 2009 Pursuant to Order Dated July 1, 2004 regarding the above-referenced matter.

As directed by the Court's Order, we are also enclosing copies of the documents on a computer disk.

Thank you for your courtesies in filing the documents.

Very truly yours,

Amy L. Weber  
Insurance Department Counsel

ALW:jlh  
Encs.



## II. REPORT

### A. Financial Statements

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

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

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

As of September 30, 2009, the attached Special Purpose Statement of Assets and Liabilities shows estimated total assets were \$2,598.3 million including \$521.1 million of cash and liquid investments.

Reinsurance recoverables and future reinsurance recoverables, net of allowance, totaled \$1,248.1 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 Statements do not

reflect any general provision for estimated unrealizable reinsurance recoverable assets. The Statements do reflect provisions of \$60.0 million for specific reinsurance insolvencies and other known facts.

Early access advances to Guaranty Associations ("GAs") totaled \$750.6 million.

**a. Cash and Investments**

Legion had a cash and investment portfolio of \$521.1 million as of September 30, 2009. Refer to the Cash Flow Summary (Exhibit C) for major components of change for the past 12-month period. Excess cash flows over and above the immediate operating needs of the Estate are transferred to investment managers and invested in short and intermediate duration portfolios and exchange traded funds. Legion's investment manager, Delaware Investments, utilizes Legion's approved investment policy to trade specific securities held in the portfolio and to generally monitor and manage the portfolio in accordance with the guidelines. As of July 1, 2009, Delaware Investments is Legion's sole investment manager. All marketable securities are booked to the market values provided by Legion's custodian, BNY Mellon Bank, as of the end of each month. Overnight investments are mainly money market and mutual funds, managed by Morgan Stanley Smith Barney. Of the \$521.1 cash and investments available, \$39.5 is being reserved as it may be potentially distributed for Early Access funds currently held due to non-compliance (see Paragraph II.A.1.d.).

**b. Estimated Losses and Loss Adjustment Expense Reserves – Ceded**

Estimated losses and loss adjustment expense reserves - ceded was \$1,009.8 million, net of allowance, at September 30, 2009. Estimated losses and loss adjustment expense reserves - ceded are determined and recorded by applying the recovery terms under reinsurance contracts to individual reported case estimates of loss and loss adjustment expenses. It also includes

estimates for losses and loss adjustment expenses on claims that have been incurred but not reported or have been reported but not developed ("IBNR"). Legion's actuarial and reinsurance departments review the relationship of ceded loss to direct loss at a program, treaty and underwriting year level. Estimates are based primarily on guaranty association paid claims, known case reserves and actuarial estimates of expected losses calculated prior to Legion entering rehabilitation except as modified for the estimated impact of specific reinsurance treaty commutations that occurred after rehabilitation. Sufficient credible data is not yet available to update the aggregate actuarial estimates of reserves after the rehabilitation effective date due to the significant changes in claim settlement and reserving processes triggered by the rehabilitation and liquidation actions. As of September 30, 2009, the amount of ceded IBNR included in estimated losses and loss adjustment expense reserves – ceded was \$275.4 million.

Estimated losses and loss adjustment expense reserves - ceded decreased overall by \$10.0 million this quarter.

c. **Reinsurance Recoverables Due or Billable, Net**

The GA data feeds reflecting paid claims plus the accepted Notices of Determination ("NODs") issued by Legion result in ceded paid losses calculated according to the terms of applicable reinsurance contracts. At September 30, 2009, Legion's reinsurance recoverables due or billable was \$238.3 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 October 1, 2008 through September 30, 2009, Legion collected \$241.6 million in reinsurance.

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

**d. Early Access Advances**

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

On August 5, 2009, the Court approved the Liquidator's Fourth Proposal to Distribute Assets (\$275.0 million) to the State Guaranty Associations ("Liquidator's Fourth Proposal") bringing the total authorized by the Court to \$788.0 million for early access distributions. During the period July 1, 2009 through September 30, 2009, Legion paid or offset state deposits and unapplied liquidated state deposits of approximately \$263.2 million to the GAs. \$39.5 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 September 30, 2009 for states that would not be entitled to the deposit via early access.

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

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

Legion in 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 September 30, 2009, there was \$26.8 million in reserves for unpaid liquidator and GA administrative expenses.

However, the most significant liability is the \$2.8 billion assigned to class (b) POCs. This category includes direct insurance policy holder benefits reported by the GAs as paid (\$1.3 billion) and reserves (\$1.5 billion). The liability includes Legion's estimate of the value of POCs in excess of the GAs limits or uncovered by the GAs and for claims not yet reported or reported and not yet fully developed ("IBNR") as well as proof of claims that Legion is not yet able to evaluate. As of September 30, 2009, Legion's liability for non-guaranty fund accepted NODs was \$32.8 million.

a. **Priority Class A**

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

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

The Combined Expense Detail attached as Exhibit E lists the \$33.1 million of statutory liquidator administrative operating expenses incurred by Legion for the period January 1, 2009 through September 30, 2009.

The GAs report their administrative expenses to Legion via financial reports generally received quarterly from most GAs. Attached as Exhibit H is the Guaranty Fund Claim Overview Report showing by GA the total \$132.2 million in the administrative expenses reported to Legion as paid by GAs as of September 30, 2009. Legion conducts periodic desk reviews, onsite reviews of GA administrative expenses and reconciles data reported by GAs on an ongoing basis. Legion makes adjustments for inaccuracies or material expenses, as appropriate. Legion provides the GAs with early access monies to help fund the administrative and policyholder benefit payments made by the GAs on Legion's behalf. All such expenses will be settled through the formal NOD process.

**b. Priority Class B**

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

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

Legion essentially maintained the actuarially determined ultimate direct loss by changing the IBNR by the amount of direct paid loss and increase/decrease in outstanding specific case reserves and other adjustments, which may become necessary based on their analysis of specific programs. As of September 30, 2009, the amount of direct IBNR included in priority class (b) was \$477.1 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 aggregate to \$286.3 million. See the accompanying notes for a brief description of each line item. Legion had entered into a pooling arrangement with affiliates related to loss experience. In the fourth quarter, 2008, the contract was accounted for as being terminated effective as of the rehabilitation date of April 1, 2002.

**3. 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 September 30, 2009. The estimated net deficit at September 30, 2009 was \$711.2 million. Net Loss is the largest component of the surplus change and is described in more detail below in the Operating Report section.

**4. Statement of Cash Flow Summary – EXHIBIT C**

Attached to this report is a Statement of Cash Flow Summary (“Cash Flow Summary”) for the period October 1, 2008 through September 30, 2009. Reinsurance collections of \$241.6

million were the primary source of cash receipts for the period. Total sources of cash and investments for the period were \$264.7 million.

The largest cash disbursement was Guaranty Association/Early access of \$461.4 million. Total uses of cash and investments were \$546.5 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 October 1, 2008 through September 30, 2009, \$241.6 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 October 1, 2008 through September 30, 2009, Legion collected \$.9 million, net of expense. Unearned premiums are priority class (e) claims and have not been paid by Legion. The Legal Department oversees premium collections and Legion actively pursues receivable amounts due the Estate.

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

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

**d. Operating Expenses**

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

**e. Guaranty Association Transactions**

As of September 30, 2009, the Court has authorized \$788.0 million in total for early access distributions. Legion has distributed via cash payments and reductions of statutory

deposits all of these funds, except for \$39.5 million which will be distributed when the GAs become compliant. From July 1, 2009 through September 30, 2009, the amount distributed was \$263.2 million.

**5. Combined Expense Detail – EXHIBIT E**

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

Exhibit E is a schedule reflecting the combined incurred expenses of Legion and Villanova from January 1, 2009 through September 30, 2009 together with a comparison, by category of expense, between 2009 YTD actual and 2009 YTD budget and between 2009 and 2008 YTD actual. As reflected in the Statement, the total combined expenses through September 30, 2009 are \$33.1 million, which is 23.5% less than the 2009 budget and 6.9% less than 2008 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. Lastly, the schedule lists unbudgeted revenue of \$36,000 related to expense reimbursement from a non-insurance affiliate. The GAs also incurred operating expenses, which are reported cumulatively on Exhibit H. Please refer to Section 2a for an explanation of the expense allocation.

**a. Salaries, Employee Benefits and Taxes**

As of September 30, 2009, Legion had a total of 138 employees. In addition, Legion utilizes a number of 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 and Milwaukee. Legion is committed to the current lease in Philadelphia through June 30, 2012. Philadelphia monthly base lease payments are \$110,588 effective July 1, 2009 and will be \$114,359, \$118,129 and \$121,899 in 2010, 2011 and 2012, respectively. Legion is committed to the current lease in Milwaukee through the end of 2010. Milwaukee monthly base lease payments are \$41,846 in 2009 and will remain \$41,846 for 2010.

**c. Legal Fees and Expenses**

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

**d. Professional Services**

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

**6. Guaranty Fund Claims and Expense Information**

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

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

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

A department within Legion coordinates with the GAs and their vendors in managing the data reporting process and the quality of data reported by GAs. As of September 30, 2009, there were 54 GAs reporting paid and outstanding loss information via electronic UDS files, either sent directly to Legion or submitted to the NCIGF secure FTP website. 52 of the GAs report monthly and 2 GAs are still reporting quarterly. Data from all GAs but 8 were current through September 30, 2009. The electronic files received from GAs are interfaced to a processing application at Legion, where the data is parsed and edited. Resolution of data errors is coordinated with the respective GA. The data is then interfaced to Legion's policy/claim system to support Estate functions, including reinsurance billing and financial reporting.

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

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

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

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

**7. Claims Process**

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

The deadline for filing POCs was June 30, 2005. As of September 30, 2009, Legion and Villanova combined had received a total of 45,551 POC claims. Of those 2,509 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 September 30, 2009, Legion had issued and accepted NODs for 31,554 of the 41,215 POC claims assigned to it for a total allowed amount of \$102.7 million. Accepted NODs accounted for 77% of the POC claims filed with the Estate. The Court has approved 27,877 of these NODs, as of September 30, 2009, for a total allowed amount of \$49.9 million. 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 September 30, 2009, Legion received 4 additional POC claims, as well as reclassifying others. An additional 3,519 NODs were issued during the period and 1,230 were accepted for approximately \$15.7 million.

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

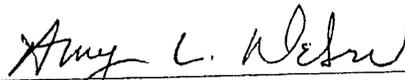
As of September 30, 2009, the Liquidator had received a total of 818 objections to the 34,982 NODs issued. As of September 30, 2009, Legion had resolved 660 objections. Of the 158 unresolved objections, 46 were assigned to referees as of September 30, 2009. Exhibit K indicates the status of all objections received through September 30, 2009, breaks down this information by priority class and includes the Allowed Amounts for objections in each priority class.

**d. Status of Distribution**

On February 8, 2008, the Liquidator filed a Petition for Approval of Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved from May 1, 2007 to October 31, 2007 ("Report of Claims"). The Report of Claims listed the allowed amounts of claimant NODs that had been accepted or assumed accepted from May 1, 2007 to October 31, 2007. The Court granted the petition on March 31, 2008. On September 11, 2008, the Liquidator filed a Petition for Approval of Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved from November 1, 2007 to April 30, 2008 ("Report of Claims 2"). The Report of Claims 2 listed the allowed amounts of claimant NODs that had been accepted or assumed accepted from November 1, 2007 to April 30, 2008. The Court granted the petition on October 21, 2008. On April 7, 2009, the Liquidator filed a Petition for Approval of Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved from May 1, 2008 to October 31, 2008 ("Report of Claims 3"). The Report of Claims 3 listed the allowed amounts of claimant NODs that had been accepted or assumed accepted from May 1, 2008 to October 31, 2008. The Court granted the petition on May 13, 2009. On September 21, 2009, the Liquidator filed a Petition for Approval of Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved from November 1, 2008 to April 30, 2009 ("Report of Claims 4"). The Report of Claims 4 listed the allowed amounts of claimant NODs that had been accepted or assumed accepted from November 1, 2008 to April 30, 2009. The Court granted the petition on October 28, 2009. The allowed amounts on NODs approved for distribution are listed by priority class on Exhibit I. The next step in the distribution process will be for Legion to prepare a court petition to seek approval of interim distribution calculations for NODs, including the aggregate policies. Other than workers'

compensation policies, many policies written by Legion were subject to aggregate limits. The NOD allowed amounts on a few policies have exceeded or are close to exceeding the aggregate limits; therefore, when all POC claims have been evaluated for these effected policies, the final NOD allowed amounts will be an allocation of the policy aggregate limits. The allocation will be pro rated based on the relative value of each NOD gross allowed value to the total gross allowed values of all NODs assigned to the particular policy.

Respectfully submitted,



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Amy L. Weber (I.D. # 45447)  
Insurance Department Counsel  
Governor's Office of General Counsel  
Office of Liquidations, Rehabilitations and  
Special Funds  
Capitol Associates Building  
901 N. 7<sup>th</sup> Street  
Harrisburg, PA 17102  
(717) 787-6009

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

Dated: 11/13/09

CERTIFICATION

I, Amy L. Weber, Governor's Office of General Counsel, assigned to the Office of Liquidations, Rehabilitations and Special Funds of the Pennsylvania Insurance Department, am duly authorized to make this Certification for and on behalf of Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator ("Liquidator") of Legion Insurance Company. I am responsible for reviewing the invoices and documents received from outside counsel supporting the legal fees and expenses for Exhibit F to the Quarterly Report of the Liquidator on the Status of the Liquidation of Legion Insurance Company as of September 30, 2009 and I certify that these legal fees and expenses are reasonable and necessary. I also have reviewed Exhibit E, the Combined Expense Analysis for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation), and certify that the legal fees and expenses stated therein have been reflected accurately. I understand that this Certification is made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.

  
\_\_\_\_\_  
Amy L. Weber  
Insurance Department Counsel

Dated: 11/13/09



3. I certify that the Exhibits attached to the Report fairly present the following:
- A. Special Purpose Statement of Assets and Liabilities: Exhibit "A" to the Report is the Special Purpose Statement of Assets and Liabilities for the Estates as of September 30, 2009. As reflected in the Note accompanying these Statements, it has been prepared on a unique financial reporting basis, subject to the several assumptions and qualifications stated therein.
  - B. Statement Reflecting Statutory Capital and Surplus Account: Exhibit "B" to the Report is the Statement reflecting the Statutory Capital and Surplus Account for the Estates for the period December 31, 2001 through September 30, 2009.
  - C. Monthly Cash Flow Summary: Exhibit "C" is the cash flow summary on a monthly basis for the Estate including investment transactions for the period October 1, 2008 through September 30, 2009.
  - D. Notes to Special Purpose Statement of Assets and Liabilities: Exhibit "D" contains information explaining the unique financial reporting basis used to prepare the Special Purpose Statement.
  - E. Combined Expense Analysis: Prior to receivership, Legion, Villanova and Legion Indemnity Company ("Indemnity") operated with an expense sharing agreement pursuant to which Legion paid the common expenses for all three companies through July 2003. Under the expense sharing agreement, common expenses were allocated 80% to Legion, 10% to Villanova and 10% to Indemnity. Following entry of the Court's Orders placing Legion and Villanova into liquidation in July, 2003, the expenses were allocated 90% to

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

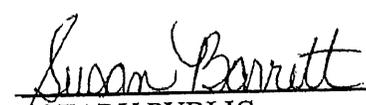
- F. Professional Services Paid and Incurred: Exhibit "F" is a schedule reflecting the amounts which the Liquidator paid to or amounts which the Liquidator has incurred as a result of the performance of services by various professional vendors, including accounting and actuarial firms, consultants on reinsurance and other matters, premium audit and collection services, and other support service providers, during the period January 1, 2009 through September 30, 2009. Legal vendors, including law firms and other litigation and support service providers, are broken out separately on Exhibit "F."
- G. Reinsurance Recoverables due or Billable Net: Detailed information relating to reinsurance recoverables of the Estate due or billable net as of September 30, 2009 is submitted as Exhibit "G."

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

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

  
GERALD V. BEHR

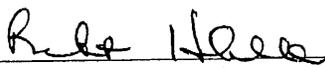
Sworn to and subscribed before me  
This 10th day of November 2009.

  
NOTARY PUBLIC

COMMONWEALTH OF PENNSYLVANIA  
NOTARIAL SEAL  
SUSAN BARRETT Notary Public  
City of Philadelphia, Phila. County  
My Commission Expires December 22, 2009



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

  
\_\_\_\_\_  
ROBERT HABERLE

Sworn to and subscribed before me  
this 9 th day of Nov, 2009.

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

COMMONWEALTH OF PENNSYLVANIA  
Notarial Seal  
Maureen Greenfield, Notary Public  
City Of Philadelphia, Philadelphia County  
My Commission Expires Dec. 23, 2010  
Member, Pennsylvania Association of Notaries

**EXHIBIT**

**A**

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

	<u>9/30/2009</u>	<u>12/31/2008</u>
<b>ASSETS</b>		
Cash investments:		
Fixed income and equity securities	\$ 173.4	\$ 161.9
Money market deposits	<u>347.7</u>	<u>502.6</u>
Total cash and invested assets	521.1	664.5
Estimated losses and loss adjustment expense reserves - ceded	1,009.8	1,049.4
Reinsurance recoverables due or billable, net	238.3	301.7
Early access advances	750.6	454.4
State deposits and unapplied state deposits available for early access	7.6	9.7
Amounts to be distributed per Act 46	23.4	8.6
Amounts to be collected from Large Deductibles	45.3	50.6
Other assets	<u>2.2</u>	<u>4.3</u>
Total Assets	<u>\$ 2,598.3</u>	<u>\$ 2,543.2</u>
<b>LIABILITIES</b>		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses incurred since liquidation	\$ 279.4	\$ 251.8
Liquidator expenses paid since liquidation	<u>(268.8)</u>	<u>(237.7)</u>
Liquidator expenses	10.6	14.1
Guaranty associations paid ULAE reported	132.2	95.2
Guaranty associations' reserves ULAE	<u>16.2</u>	<u>23.8</u>
Total	\$ 159.0	\$ 133.1
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	1,312.6	1,230.7
Liquidator valued NODs accepted	32.8	20.7
Estimated reserves - guaranty associations	618.0	601.4
Estimated reserves - other	<u>900.8</u>	<u>974.9</u>
Total	2,864.2	2,827.7
C - Federal government claims		
D - Certain employee claims		
E - General creditor claims		
Guaranty associations paid	28.4	28.4
Liquidator valued NODs accepted	41.4	18.8
Estimated value	<u>142.5</u>	<u>125.1</u>
Total	212.3	172.3
F - State and local government claims		
Liquidator valued NODs accepted	26.7	10.3
Estimated value	<u>32.0</u>	<u>49.0</u>
Total	58.7	59.3
G - Late filed claims		
Liquidator valued NODs accepted	1.8	1.5
Ancillary Receiverships:		
Post liquidation claims paid, gross	45.3	44.3
Estimated losses and loss adjustment expense reserves - direct	51.7	51.6
Offset of unapplied liquidated statutory deposit	<u>(83.5)</u>	<u>(80.1)</u>
Post liquidation claims, net	13.5	15.8
Total liabilities	3,309.5	3,209.7
Net surplus (deficit)	<u>(711.2)</u>	<u>(666.5)</u>
Total Liabilities and Surplus (Deficit)	<u>\$ 2,598.3</u>	<u>\$ 2,543.2</u>

\* See Note to Special Purpose Statement of Assets and Liabilities

**EXHIBIT**  
**B**

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

<b>Surplus as Regards Policyholders, Beginning Balance</b>	\$	298.3
<b>Net Loss:</b>		
Underwriting Loss, Net		(1,192.2)
Investment Income, Net		149.2
Other Expense, Net		<u>(30.2)</u>
Loss Before Income Taxes *		(1,073.2)
Federal & Foreign Income Taxes		<u>(22.4)</u>
Net Loss		(1,050.8)
Change in Net Unrealized Capital Gains (Losses)		(30.4)
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		(1,009.5)
<b>Surplus as Regards Policyholders, Ending Balance</b>	<b>\$</b>	<b><u><u>(711.2)</u></u></b>

Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) combined have booked an estimated net adjustment of \$275M in the 4th quarter 2006 related to additional losses in excess of reinsurance coverage prior to pooling.

**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 DETAIL  
 September 30, 2009 ACTUAL vs BUDGET  
 (\$ in Thousands)

	Year to Date			2009 Actual vs 2009 Court Budget		2009 Actual vs 2008 Actual	
	2009 Actual	% of Total Operating	2009 Court Budget	Dollar Variance	Percent Variance	Dollar Variance	Percent Variance
Total Staffing - Current	138		185	47	25.4%	63	31.3%
General & Administrative Expenses							
Labor, Benefits, & Payroll Taxes:	\$		\$			\$	
Labor - Internal	12,558		15,073	2,515	16.7%	(1,809)	-52.9%
Labor - External	5,228		3,419	(1,809)		739	21.5%
Benefits & Payroll Taxes	2,694		3,433	739		1,445	4.4%
Total Labor, Benefits, and Payroll Taxes	20,480	61.8%	26,181	5,711	21.8%	1,445	4.4%
Occupancy	2,277	6.9%	2,154	(123)	-5.7%	(138)	-6.4%
Equipment	2,016	6.1%	2,780	764	27.5%	532	20.9%
Legal Fees and Expenses	1,829	5.5%	4,125	2,296	55.7%	1,713	48.4%
Professional Services							
Actuarial	356	1.1%	1,375	1,019	74.1%	(240)	-205.7%
Reinsurance	2,450	7.4%	2,088	(362)	-17.4%	(574)	-30.6%
Other	265	0.8%	612	348	56.8%	66	19.9%
IT Services	1,122	3.4%	811	(311)	-38.3%	(266)	-31.0%
Liquidator Costs	652	2.0%	750	98	13.1%	20	2.9%
Other	1,676	5.1%	2,398	722	30.1%	(94)	-6.0%
Total Expenses	33,123	100.0%	43,284	10,161	23.5%	2,464	6.9%
Revenue for Collecting Large Deductible Recoveries as Provided by PA Statute Act 46							
Act 46 Collection	17		(320)	(337)	105.3%	(306)	105.8%
Expense Reimbursement							
Non-insurance affiliate	(36)		-	36	n/a	(19)	34.2%
Total Revenue	(19)		(320)	(301)	94.1%	(324)	94.5%
Net Budget	\$ 33,104		\$ 42,964	\$ 9,860	22.9%	\$ 2,139	6.1%

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
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant	-	-	6,382	-	-
	ARBITRATION & MEDIATION	Reinsurance Arbitrator	-	-	-	10,000	-
	BISTATE REPORTING	Reinsurance Arbitrator	-	3,427	1,621	-	-
	CONTINENTAL CASUALTY	Legal fees reimbursed via arbitration process	-	-	-	-	-
	DANIEL STERN	Reinsurance Witness	-	-	-	-	-
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation	964	984	800	636	1,124
	DAVID THIRKILL	Reinsurance Arbitrator	-	-	-	700	1,750
	ESQUIRE DEPOSITION SERVICES	General Collection Litigation	-	-	-	-	-
	GRP, LLC	Court Reporting Services	-	5,008	788	1,397	2,295
	INSURANCE METRICS CORP	Reinsurance Witness	-	-	-	-	-
	KATHLEEN WALSH GRAMER	Reinsurance Witness	-	-	-	-	7,067
	KB RESOLUTIONS, INC.	Reference Fees	-	-	-	-	-
	KEYSTONE RISK PARTNERS	Reinsurance Arbitrator	-	-	-	-	-
	LANDMARK LEGAL SOLUTIONS	Reinsurance Arbitrator	399	-	1,526	74	669
	LEGALINK	Reference Fees	-	-	1,057	-	-
	LENSINEXIS	Legal Research Fees	313	313	313	-	626
	MARKSADR, LLC	Court Reporting Services	-	18,243	-	-	-
	MARTSON, DEARDORFF, WILLIAMS, OTTO, GILROY & FALLER	Court Reporting Services	-	-	-	-	-
	PEPPER HAMILTON LLP	Reinsurance Arbitrator	28,375	15,529	39,010	345,381	113,501
	PIETRAGALLO, GORDON, ALFANO, BOSICK & RASPANTI, LLP	General Litigation and Liquidation Advice	6,821	9,234	23,568	22,466	13,968
	ROBBRE, LLC	Reinsurance Arbitrator	-	-	1,200	2,240	4,840
	STEPHEN T. CURLEY, ESQ.	Premium Collection Litigation	-	-	3,227	-	-
	STYLIA KAMINSKY	Reinsurance Arbitrator	-	-	-	-	10,480
	THE MGS GROUP, INC	Copy and Scanning Services	-	-	-	-	3,254
	THOMSON WEST	Legal Research Fees	3,031	2,646	78	2,646	5,667
	WINTER REPORTING INC.	Court Reporting Services	-	-	4,321	-	-
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	Premium Collection Litigation, Labor Advice, General Advice	51,168	-	36,028	45,836	35,651
Total Legal Fees and Expenses Paid			91,550	(25,644)	774	39	244
Change in Legal Fees and Expenses accrual and other non-cash transactions			8,567	103,649	256,365	(153,675)	186,642
Total Legal Fees and Expenses Incurred			100,117	133,399	379,760	277,678	367,776

Legion Insurance Company (In Liquidation)  
 Villanova Insurance Company (In Liquidation)  
 Legal Expenses and Fees and Professional Services Paid  
 January 1, 2008 - September 30, 2009

Classification	VENDOR NAME	Services Provided	January	February	March	April	May
Professional Services	ACCESS RECEIVABLES MGMT.	Collection Support Services	-	-	-	3,875	-
	ALAN GRAY INSURANCE SERVICES, INC.	Contract Reinsurance Services	15,100	-	9,710	14,250	112,144
	ANDREW WALSH	Reinsurance Consultant	-	-	-	-	-
	ANEXINET	Data Management Consultant	52,718	20,385	-	-	-
	CSCIFSG-MYND CORP.	Data Processing and Outsourcing	54,335	66,253	51,002	-	104,662
	GRP LLC	Reinsurance Witness	-	-	-	-	-
	HARD COPY	IT Technical Support	10,075	-	-	-	-
	HELIX UK LIMITED	London Reinsurance Collection Intermediary	95,500	-	-	337,831	20,000
	HEMITT ASSOCIATES LLC	Human Resources Consulting	-	-	109,595	-	-
	HUGGINS ACTUARIAL SERVICE, INC.	Actuarial Services	-	-	-	-	-
	IMAGERIGHT, INC.	IT Technical Support	2,105	-	-	-	293
	INTUIT INC.	IT Technical Support	-	-	-	-	13,320
	JEFFERSON WELLS INTERNATIONAL, INC.	Audit Services	-	-	-	-	500
	JOHNSON LAMBERT & CO	Audit Services	-	-	-	-	-
	MERCER HUMAN RESOURCE CONSULTING	Human Resources Consulting	592	-	-	-	-
	MINTZER SAROWITZ ZRIS & LEDVA	Litigation Support Services	-	-	-	1,378	-
	MNF CONSULTING, LLC	Litigation Support Services	-	-	-	-	-
	PHILIP MASIN	Human Resources Consulting	-	-	-	-	-
	PRICEWATERHOUSE COOPERS LLP	Actuarial Services	18,865	19,884	35,400	-	86,537
	REINSURANCE SOLUTIONS LLC	Reinsurance Technical Support	-	37,675	64,140	-	19,950
	RELIANCE INS CO (IN LIQUIDATION)	Shared Resource for Monitoring Reinsurers Solvency	19,604	-	-	35,351	-
	RESOURCE BRIDGE	eLearning Technology Development	-	-	-	-	-
	RIGHT MANAGEMENT CONSULTANTS	Human Resources Consulting	1,500	-	-	-	-
	SIGNATURE CAPTIVE SOLUTIONS	Reinsurance Technical Support & Contract Reinsurance Services	-	-	12,938	80,313	8,813
	SMART BUSINESS ADVISORY & CONSULTING LLC	Reinsurance Technical Support & Contract Reinsurance Services	-	257,722	163,612	222,410	167,130
	SMART BUSINESS ADVISORY AND CONSULTING UK LIMITED	Reinsurance Technical Support & Contract Reinsurance Services	-	25,154	-	-	-
	PREMIUM RECEIVED NET OF COLLECTION FEES	Reinsurance Technical Support & Contract Reinsurance Services	763	1,838	6,462	2,749	1,480
	Aggregate Amount for Total Vendor Payments Under \$1,000	Collection Support Services	38	-	-	-	-
		General Professional Fees	275,294	428,911	452,859	718,536	536,849
Total Professional Services Paid			74,989	1,554	54,136	(94,926)	6,733
Change in Professional Services Incurred			350,283	430,445	506,985	623,610	545,582
Total Professional Services Incurred			450,439	563,834	886,755	901,287	933,359
Total Legal Expenses and Fees and Professional Services Incurred							

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

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

Legion Insurance Company (in Liquidation)  
 Villanova Insurance Company (in Liquidation)  
 Legal Expenses and Fees and Professional Services Paid  
 January 1, 2009 - September 30, 2009

Classification	VENDOR NAME	Services Provided	June	July	August	September	2009 Total
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant	-	-	-	(6,352)	-
	ARBITRATION & MEDIATION	Reinsurance Arbitrator	-	-	-	-	10,000
	BLS/STATE REPORTING	Reinsurance Arbitrator	-	-	-	-	5,047
	CONTINENTAL CASUALTY	Legal fees reimbursed via arbitration process	(350,000)	-	-	-	(350,000)
	DANIEL STERN	Reinsurance Witness	-	-	-	1,694	1,694
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation	1,046	2,399	1,495	-	14,805
	DAVID THIRKILL	Reinsurance Arbitrator	-	-	-	-	2,450
	DUANE MORRIS	General Collection Litigation	130	2,863	21,398	42,369	66,601
	ESQUIRE DEPOSITION SERVICES	Court Reporting Services	-	-	625	(6,421)	4,782
	GRP, LLC	Reinsurance Witness	-	-	-	2,723	-
	INSURANCE METRICS CORP	Referee Fees	-	-	-	-	7,067
	KATHLEEN WALSH CRAMER	Reinsurance Arbitrator	-	1,400	-	-	1,400
	KB RESOLUTIONS, INC.	Reinsurance Arbitrator	-	-	-	1,054	1,054
	KEYSTONE RISK PARTNERS	Reinsurance Arbitrator	-	1,833	-	3,259	7,860
	LANDMARK LEGAL SOLUTIONS	Referee Fees	60	-	-	-	1,057
	LEGALINK	Referee Fees	-	-	-	-	2,504
	LEXISNEXIS	Legal Research Fees	313	313	-	-	18,243
	MARKSADR, LLC	Court Reporting Services	-	-	-	-	2,276
	MARTSON, DEARDORFF, WILLIAMS, OTTO, GILROY & FALLER	Reinsurance Arbitrator	-	-	2,276	-	-
	PEPPER HAMILTON LLP	Reinsurance Arbitrator	136,274	181,127	220,349	794	1,090,339
	PIETRAGALLO GORDON ALFANO BOSICK & RASPANTI, LLP	General Litigation and Liquidation Advice	39,102	3,572	43,856	24,637	187,196
	ROBBRE, LLC	Reinsurance Arbitrator	4,680	60	-	-	13,240
	STEPHEN J CURLEY, ESQ.	Premium Collection Litigation	-	-	-	-	3,227
	SYLVIA KAMINSKY	Reinsurance Arbitrator	-	-	-	-	10,480
	THE WCS GROUP, INC	Copy and Scanning Services	3,457	3,896	2,746	-	3,254
	THOMSON WEST	Legal Research Fees	1,088	-	-	-	24,166
	WINTER REPORTING INC.	Court Reporting Services	55,201	-	-	-	5,410
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	Premium Collection Litigation, Labor Advice, General Advice	50	-	-	-	223,904
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Legal Support Costs	(108,397)	207,652	293,102	65,549	1,337,128
	Total Legal Fees and Expenses Paid		(76,706)	536,051	(755,985)	384,502	491,388
	Change in Legal Fees and Expenses accrual and other non-cash transactions		(185,103)	743,692	(462,864)	454,051	1,628,515
	Total Legal Fees and Expenses Incurred						

Legion Insurance Company (In Liquidation)  
 Villanova Insurance Company (In Liquidation)  
 Legal Expenses and Fees and Professional Services Paid  
 January 1, 2008 - September 30, 2009

Classification	VENDOR NAME	Services Provided	June	July	August	September	2009 Total
Professional Services	ACCESS RECEIVABLES MGMT.	Collections Support Services	22,800	-	-	-	3,875
	ALAN GRAY INSURANCE SERVICES, INC.	Contract Reinsurance Services	-	19,950	-	41,503	235,457
	ANDREW WALSH	Reinsurance Consultant	-	-	-	19,053	19,053
	ANEXINET	Data Management Consultant	181,652	111,190	(16,842)	-	349,303
	CS/PSG-MYND CORP.	Data Processing and Outsourcing	52,045	53,860	51,702	-	485,965
	GRP LLC	Reinsurance Witness	-	-	-	6,921	6,921
	HARD COPY	IT Technical Support	-	-	-	-	10,075
	HELIX UK LIMITED	London Reinsurance Collection Intermediary	78,247	-	74,197	152,444	762,219
	HEWITT ASSOCIATES LLC	Human Resources Consulting	46,391	-	101,257	-	109,565
	HUGGINS ACTUARIAL SERVICE, INC.	Actuarial Services	-	1,239	-	-	147,548
	IMAGERIGHT, INC.	IT Technical Support	276	-	14,064	-	2,856
	INTUIT INC.	IT Technical Support	-	4,730	-	-	16,738
	JEFFERSON WELLS INTERNATIONAL INC.	Audit Services	-	28,776	19,713	340	18,390
	JOHNSON LAMBERT & CO	Audit Services	-	2,030	-	-	48,988
	MERCER HUMAN RESOURCE CONSULTING	Human Resources Consulting	-	333	117	-	2,622
	MINTZER SAROWITZ ZRIS & LEDVA	Litigation Support Services	-	-	-	-	1,837
	MAN CONSULTING, LLC	Litigation Support Services	-	-	-	1,685	1,685
	PHILIP MASIN	Human Resources Consulting	34,400	-	-	-	34,400
	PRICEWATERHOUSE COOPERS LLP	Actuarial Services	4,320	-	-	-	167,106
	REINSURANCE SOLUTIONS LLC	Reinsurance Technical Support	-	37,800	22,200	-	202,165
	RELANCE INS CO (IN LIQUIDATION)	Shared Resources for Monitoring Reinsurers Solvency	-	38,782	-	-	93,717
	RESOURCE BRIDGE	eLearning Technology Development	-	-	-	10,788	10,788
	RIGHT MANAGEMENT CONSULTANTS	Human Resources Consulting	-	-	-	-	1,500
	SIGNATURE CAPTIVE SOLUTIONS	Reinsurance Technical Support	24,800	25,200	(39,450)	(47,500)	65,113
	SMART BUSINESS ADVISORY & CONSULTING LLC	Reinsurance Technical Support & Contract Reinsurance Services	102,704	-	300,399	-	1,219,918
	SMART BUSINESS ADVISORY AND CONSULTING UK LIMITED	Reinsurance Technical Support & Contract Reinsurance Services	(1,988)	-	-	-	25,154
	PREMIUM RECEIVED NET OF COLLECTION FEES	Calculations Support Services	-	1,160	79	1,537	14,479
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Professional Fees	545,847	305,205	549,017	239,951	4,052,460
Total Professional Services Paid			9,564	274,569	(431,936)	244,196	140,978
Change in Professional Services accrual and other non-cash transactions			555,531	579,775	117,082	484,156	4,193,458
Total Professional Services Incurred			370,428	1,323,467	(345,803)	938,207	6,021,973
Total Legal Expenses and Fees and Professional Services Incurred							

\* 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**  
**September 30, 2009**

Reinsurer	Amount
HANNOVER RUCKVERSICHERUNGS AG	\$ 23,877,664
MIDWEST EMPLOYERS CASUALTY COMPANY	22,564,228
FIRST EXCESS REINSURANCE CORPORATION	15,903,963
ODYSSEY REINSURANCE CORPORATION	13,669,270
SWISS REINSURANCE AMERICA CORPORATION	13,662,641
TRANSATLANTIC REINSURANCE COMPANY	7,891,625
GE REINSURANCE CORPORATION	6,829,445
ALEA EUROPE LIMITED	4,731,560
NATIONAL REINSURANCE CORPORATION	3,910,538
WESTCHESTER FIRE INSURANCE COMPANY	3,608,661
AMERICAN RE-INSURANCE COMPANY	2,905,123
FOLKSAMERICA REINSURANCE COMPANY	2,902,273
LLOYDS SYNDICATE # 435	2,884,937
AMERICAN NATIONAL INSURANCE COMPANY	2,750,830
LUMBERMENS MUTUAL CASUALTY COMPANY	2,639,498
CNA INTERNATIONAL REINSURANCE COMPANY	2,635,737
CORE INSURANCE COMPANY	2,449,890
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	2,370,389
PXRE REINSURANCE COMPANY	2,263,169
LLOYDS SYNDICATE # 1245	2,120,523
TRENWICK AMERICA REINSURANCE CORPORATION	2,117,302
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	2,098,524
LINCOLN NATIONAL HEALTH & CASUALTY INSURANCE COMPA	2,088,738
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	1,831,087
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	1,781,956
SWISS RE LIFE COMPANY OF AMERICA	1,764,968
MUTUAL INDEMNITY (BERMUDA), LTD.	1,637,075
FEDERAL INSURANCE COMPANY	1,563,863
MANULIFE REINSURANCE CORPORATION (USA)	1,554,880
CHUBB ATLANTIC INDEMNITY LIMITED	1,543,286
LLOYDS SYNDICATE # 183	1,443,932
AMERICAN SAFETY CASUALTY INSURANCE COMPANY	1,430,158
SCOR REINSURANCE COMPANY	1,414,492
TERRA NOVA INSURANCE COMPANY LTD	1,402,443
UNDERWRITERS REINSURANCE COMPANY	1,372,320
RELIASTAR LIFE INSURANCE COMPANY	1,365,932
XL REINSURANCE AMERICA LTD	1,275,525
LLOYDS SYNDICATE # 1173	1,263,027
ODYSSEY RE (LONDON) LIMITED	1,193,018
CHARTWELL REINSURANCE COMPANY	1,150,321
LLOYDS SYNDICATE # 362	1,023,929
HOUSTON CASUALTY COMPANY	1,023,647
LLOYDS SYNDICATE # 510	1,011,164
WESTPORT INSURANCE CORPORATION	1,006,683
ALL OTHER REINSURERS (LESS THAN \$1M DUE)	20,417,791
PENDING CESSIONS	39,979,320
<b>TOTAL REINSURANCE RECOVERABLES DUE OR BILLABLE, NET</b>	<b>\$ 238,327,348</b>

**EXHIBIT**  
**H**

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

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	36	4	\$ 15,325	\$ 1,794,348	\$ 197,980	
AL	301	588	396	192	2,468,252	21,387,541	37,808,227	
AR	303	244	229	15	147,304	3,000,791	1,174,372	
AZ	402	82	79	3	446,843	1,170,813	40,980	
AZ	302	352	288	64	724,550	5,251,074	11,764,990	
CA	360	45,593	38,522	7,071	48,058,721	479,179,772	214,893,218	
CO	305	390	366	24	735,230	8,870,008	3,591,650	
CT	306	1,380	1,288	92	3,015,897	25,728,795	6,124,391	
DC	308	47	39	8	256,826	901,227	1,847,240	
DE	307	113	92	21	653,362	3,046,069	1,981,088	
FL	409	681	659	22	1,447,834	27,861,986	130,995	
FL	309	753	732	21	2,056,819	54,292,500	3,708,786	
GA	310	3,048	2,927	121	5,555,804	68,349,074	48,763,949	
HI	352	44	41	3	155,740	1,490,290	335,449	
IA	314	135	121	14	285,995	2,099,955	395,995	
ID	311	70	63	7	86,600	1,131,102	756,196	
IL	312	1,882	1,826	56	4,115,601	32,602,107	7,730,771	
IN	313	198	185	13	596,983	2,513,348	103,869	
KS	315	278	255	23	519,109	9,123,741	4,869,131	
KY	316	439	307	132	842,496	11,043,213	15,843,676	
LA	317	293	266	27	575,637	8,676,890	2,980,599	
MD	319	369	325	44	1,522,027	5,954,666	2,992,549	
ME	318	264	258	6	510,292	2,691,289	1,984,092	
MI	321	630	588	42	1,808,758	19,195,049	10,513,830	
MN	322	190	163	27	372,304	3,745,077	1,893,255	
MO	324	654	634	20	825,963	8,903,577	9,963,522	
MS	323	1,333	1,201	132	3,025,700	36,915,138	22,251,200	
MT	325	99	71	28	349,998	2,739,533	3,475,666	
NC	332	1,460	1,400	60	2,429,081	29,497,960	8,291,892	
ND	333	7	7	-	84,757	416,975	-	
NE	326	113	103	10	133,953	2,336,768	3,248,367	
NH	328	550	531	19	876,274	4,035,693	2,380,282	
NJ	429	1,333	1,209	124	1,500,326	35,550,298	2,278,887	
NJ	329	1,804	1,557	247	1,462,943	43,110,974	15,099,400	
NM	330	97	70	27	316,113	2,187,434	2,308,011	
NV	327	1,135	915	220	1,688,202	7,884,908	865,040	
NY	431	5,220	4,540	680	-	81,773,659	21,628,118	
NY	331	2,684	2,173	511	24,381,136	75,717,452	28,473,841	
OH	334	113	102	11	698,072	1,890,027	13	
OK	335	705	660	45	1,177,858	11,412,928	9,793,520	
PA	437	758	699	59	883,866	13,573,299	1,272,651	
PA	337	727	605	122	2,075,045	47,029,905	19,818,085	
RI	338	261	250	11	476,406	3,479,392	370,797	
SC	339	1,438	1,357	81	1,787,154	33,002,234	17,149,449	
SD	340	32	29	3	64,912	276,482	245,351	
TN	341	1,361	942	419	3,134,188	28,986,517	20,086,175	
TX	342	2,217	2,056	161	3,133,912	38,453,282	13,872,808	
UT	343	68	57	11	161,098	953,116	285,691	
VA	345	614	529	85	1,492,247	17,322,314	26,948,866	
VT	344	299	278	21	474,610	3,772,083	4,288,072	
WA	346	78	76	2	125,379	718,630	2	
WI	348	176	160	16	491,566	4,388,545	804,629	
WV	347	37	34	3	216,058	1,097,509	9	
WY	349	10	8	2	34,187	770,152	332,948	
NOHLGA	370	424	400	24	1,772,267	2,710,094	-	
		83,486	72,304	11,182	\$ 132,247,578	\$ 1,342,007,604	\$ 617,960,570	

**EXHIBIT**

**I**

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

Class Descriptions	Total # of POC Claims Received	# of POC Claims Received After 6/30/05	# of NODs Issued	# of NODs Accepted	Allowed Amounts on Accepted NODs	# of NODs Approved for Distribution	Allowed Amounts on NODs Approved for Distribution
A - Administrative Expenses	1,159	17	1,070	1,067	\$ 0	1,060	\$ 0
B - Policyholder Claims	15,267	663	12,327	11,665	32,815,851	10,432	19,959,526
C - Federal Government	-	-	-	-	-	-	-
D - Employees	6	-	-	-	-	-	-
E - General Credit/UEP	19,997	376	18,257	17,989	41,410,181	15,751	18,251,950
F - State/Local Government	124	3	111	110	26,707,636	89	10,106,965
G - Late Filed/Subrogation	4,662	1,259	3,217	723	1,772,381	545	1,535,885
H - Surplus, Prem. Refunds	-	-	-	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-	-	-	-
No Class	-	-	-	-	-	-	-
<b>TOTALS</b>	<b>41,215</b>	<b>2,318</b>	<b>34,982</b>	<b>31,554</b>	<b>\$ 102,706,048</b>	<b>27,877</b>	<b>\$ 49,854,326</b>

**EXHIBIT**  
**J**

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

Class Descriptions	Total # of POC Claims Received	# of NODs Issued	# of NODs Accepted	Allowed Amounts on Accepted NODs	# of NODs Approved for Distribution**	Allowed Amounts on NODs Approved for Distribution**
A - Administrative Expenses	-	-	(2)	\$ 0	(2)	\$ -
B - Policyholder Claims	(2,959)	692	728	1,684,063	-	-
C - Federal Government	-	-	-	-	-	-
D - Employees	-	-	-	-	-	-
E - General Credit/UEP	12	312	418	13,932,742	(1)	(10,873)
F - State/Local Government	2	1	-	-	-	-
G - Late Filed/Subrogation	2,949	2,514	86	34,970	-	-
H - Surplus, Prem. Refunds	-	-	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-	-	-
No Class	-	-	-	-	-	-
<b>TOTALS</b>	<b>4</b>	<b>3,519</b>	<b>1,230</b>	<b>\$ 15,651,774</b>	<b>(3)</b>	<b>\$ (10,873)</b>

\*Negative amounts represent reclassifications.

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

**EXHIBIT**  
**K**

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

Class Descriptions	Total # NOD Objections Received	Allowed Amounts on Objections	# of Objections Resolved	Allowed Amounts on Objections Resolved
A - Administrative Expenses	7	\$ 0	7	\$ 0
B - Policyholder Claims	308	1,675,165	252	1,624,174
C - Federal Government	-	-	-	-
D - Employees	-	-	-	-
E - General Credit/UEP	484	38,196,773	386	645,653
F - State/Local Government	2	11,971	2	11,971
G - Late Filed/Subrogation	17	436,417	14	234,287
H - Surplus, Prem. Refunds	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-
<b>TOTALS</b>	<b>818</b>	<b>\$ 40,320,326</b>	<b>660</b>	<b>\$ 2,516,085</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	0	\$ 0	0	\$ 0	0	\$ 0
B - Policyholder Claims	56	50,991	29	50,991	27	0
C - Federal Government	-	-	-	-	-	-
D - Employees	-	-	-	-	-	-
E - General Credit/UEP	99	37,551,120	15	13,060,312	84	24,490,807
F - State/Local Government	-	-	-	-	-	-
G - Late Filed/Subrogation	3	202,130	2	202,130	1	-
H - Surplus, Prem. Refunds	-	-	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-	-	-
<b>TOTALS</b>	<b>158</b>	<b>\$ 37,804,241</b>	<b>46</b>	<b>\$ 13,313,434</b>	<b>112</b>	<b>\$ 24,490,807</b>