



GOVERNOR'S OFFICE OF GENERAL COUNSEL

November 14, 2008

RECEIVED  
COMMONWEALTH COURT  
OF PENNSYLVANIA  
14 NOV 2008 13 17

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

**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 Third Quarter 2008 Financial Report of the Liquidator 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  
Special Funds Counsel

ALW:jlh  
Encs.

RECEIVED  
COMMONWEALTH COURT  
OF PENNSYLVANIA  
14 NOV 2008 13 17

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel S. Ario, Insurance Commissioner of the  
Commonwealth of Pennsylvania,  
  
Plaintiff,  
  
v.  
  
Legion Insurance Co.,  
  
Defendant.

No. 183 M.D. 2002

QUARTERLY REPORT OF THE LIQUIDATOR  
ON THE STATUS OF THE LIQUIDATION OF  
LEGION INSURANCE COMPANY AS OF SEPTEMBER 30, 2008

I. INTRODUCTION

Joel Scott Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator (the "Liquidator") of Legion Insurance Company ("Legion or Estate"), through his undersigned counsel, hereby submits this Quarterly Report on the status of the liquidation of Legion for the period from January 1, 2008 through September 30, 2008 ("Report").

## **II. REPORT**

### **A. Financial Statements**

Legion has prepared Special Purpose Statements of Assets and Liabilities, Changes in Statutory Capital and Surplus, Cash Flows and Changes in Liquid Investments and Operations for the period from January 1, 2008 through September 30, 2008 (“Statements”). The Statements include many estimates as noted below and may not fully reflect the effects of the liquidation upon many assets and liabilities. Consequently, the ultimate distribution to creditors is unknown at this time. For this reason, third parties should not rely on the financial information contained herein as providing any certainty or clear indication as to the ultimate distribution that will be made from Legion. The notes to the Special Purpose Statements, attached as Exhibit D, describe the nature of the line items on the Statements and should be included in any review of Legion’s financial information.

The Statements and Cash Flow Statement are addressed in more detail in sections 1 through 5 below.

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

As of September 30, 2008, the attached Special Purpose Statements of Assets and Liabilities show estimated total assets were \$2,651.2 million including \$805.3 million of cash and liquid investments.

Reinsurance recoverable and future reinsurance recoverables, net of allowance, totaled \$1,488.5 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 for specific reinsurance insolvencies or other known facts, which will likely result in compromised collections.

Early access advances to Guaranty Associations (“GAs”) totaled \$280.7 million.

**a. Cash and Liquid Investments**

Legion had a liquid investment portfolio of \$805.3 million as of September 30, 2008. Refer to the Cash Flow Summary (Exhibit C) for major components of change for the past 12 month period. Excess cash flows over and above the immediate operating needs of the Estate are transferred to investment managers and invested in short and intermediate duration portfolios and exchange traded funds. Legion’s investment advisors, Western Assets and Delaware Investments, utilize Legion’s approved investment policy to trade specific securities held in the portfolio and to generally monitor and manage the portfolio in accordance with the guidelines. All marketable securities are booked to the market values provided by Legion’s custodian, Mellon Bank, as of the end of each month. Overnight investments are mainly money and mutual funds, managed by Citi Smith Barney. The cash and liquid investment balances as of September 30, 2008 will be subsequently reduced due to the Commonwealth Court’s (“Court”) approval of the Liquidator’s Third Proposal to Distribute Assets to State Guaranty Associations (“Liquidator’s Third Proposal”) as described in Section 1e below.

**b. Premium Balances**

As of September 30, 2008, Legion reported premium balances of \$.2 million. Most policies are either in some stage of litigation, have been referred to an outside collection vendor,

or are being pursued by a second collection vendor. A Litigation Support and Collection Unit oversees premium collections and Legion actively pursues receivable amounts due the Estate.

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

Estimated losses and loss adjustment expense reserves - ceded was \$1,041.2 million, net of allowance, at September 30, 2008. Estimated losses and loss adjustment expense reserves - ceded are determined and recorded by applying the recovery terms under reinsurance contracts to individual reported case estimates of loss and loss adjustment expenses. It also includes estimates for losses and loss adjustment expenses on claims that have been incurred but not reported or have been reported but not developed (“IBNR”). Legion’s actuarial and reinsurance departments review the relationship of ceded loss to direct loss at a program, treaty and underwriting year level. Estimates are based primarily on guaranty association paid claims, known case reserves and actuarial estimates of expected losses calculated prior to Legion entering rehabilitation except as modified for the estimated impact of specific reinsurance treaty commutations that occurred after rehabilitation. Sufficient credible data is not yet available to update the aggregate actuarial estimates of reserves after the rehabilitation effective date due to the significant changes in claim settlement and reserving processes triggered by the rehabilitation and liquidation actions. As of September 30, 2008 the amount of ceded IBNR included in estimated losses and loss adjustment expense reserves – ceded was \$504.5 million.

Estimated losses and loss adjustment expense reserves - ceded decreased overall by \$12.1 million this quarter.

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

The GA data feeds reflecting paid claims plus the accepted Notices of Determination (“NODs”) issued by Legion result in ceded paid losses calculated according to the terms of

applicable reinsurance contracts. At September 30, 2008, Legion's reinsurance recoverables due or billable was \$447.3 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, 2007 through September 30, 2008 Legion collected \$200.2 million in reinsurance.

Detailed information relating to reinsurance recoverables of the estate due or billable net as of September 30, 2008 is submitted as Exhibit G.

**e. Early Access Advances**

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

During the period October 1, 2007 through September 30, 2008, Legion paid or offset state deposits and unapplied liquidated state deposits of approximately \$146.3 million to the GAs based on the Court's approval of the Liquidator's Second Proposal to Distribute Assets to the State Guaranty Associations ("Liquidator's Second Proposal"). The Court authorized a \$165.4 million early access distribution on December 3, 2007 and Legion made payment to eligible GAs at the end of December. An additional \$6.4 million was paid in the first quarter of 2008 to GAs that had not been eligible in December. On September 22, 2008 the Court approved the Liquidator's Third Proposal to distribute an additional \$213.1 million to various GAs. The majority of these funds were distributed in accordance with the petition and Court's Order on October 10, 2008.

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, 2008 for states that would not be entitled to the deposit via early access. Statutory deposits decreased slightly during the third quarter of 2008.

**2. Special Purpose Statements of Assets and Liabilities–Liabilities-EXHIBIT A**

Total estimated liabilities at September 30, 2008 were \$3.3 billion. The Statements include 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 administering 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, 2008, there was \$37.2 million in reserves for unpaid liquidator and GA administrative expenses.

However, the most significant liability is the almost \$2.8 billion assigned to class (b) POCs. This category includes direct insurance policy holder benefits reported by the GAs as paid (\$1,207.0 million) and reserved (\$1,550.9 million). The reserve includes Legion’s estimate of the value of POCs in excess of the GAs limits or uncovered by the GAs and for claims not yet reported or reported and not yet fully developed (“IBNR”) as well as proof of claims that Legion

is not yet able to evaluate. As of September 30, 2008 Legion's liability for non-guaranty fund accepted NODs was \$19.1 million.

a. **Priority Class A**

Prior to receivership, Legion, Villanova Insurance Company ("Villanova") and Legion Indemnity Company ("Indemnity") operated with an expense sharing agreement pursuant to which Legion paid the common expenses for all three companies through July 2003. Under the expense sharing agreement, common expenses were allocated 80% to Legion, 10% to Villanova and 10% to Indemnity. Following entry of the Court's Orders placing Legion and Villanova into liquidation in July, 2003, the expenses were allocated 90% to Legion and 10% to Villanova. The several schedules attached to this Report relating to expenses (Exhibits E and F) represent the expenses paid or incurred by Legion and Villanova on a consolidated basis, including all common expenses, before any allocation. The Liquidator's Petition for Approval of Administrative Expenses Paid for the Period January 1, 2008 Through June 30, 2008 was accepted by the Court on October 21, 2008.

The Combined Expense Analysis by Account attached as Exhibit E lists the \$35.6 million of statutory liquidator administrative operating expenses incurred by Legion for the period January 1 through September 30, 2008.

The GAs report their administrative expenses to Legion via financial reports generally received quarterly from most GAs. Attached as Exhibit H is the Guaranty Fund Claim Overview Report showing by GA the total \$92.0 million in the administrative expenses reported to Legion as paid by GAs as of September 30, 2008. Legion conducts periodic desk reviews and onsite reviews of GA administrative expenses. Legion makes adjustments for inaccuracies or material expenses as appropriate. Legion provides the GAs with early access monies to help fund the

administrative and policyholder benefit payments made by the GAs on Legion's behalf. All such expenses will be settled through the formal NOD process.

**b. Priority Class B**

The amounts set forth on this Statement for losses, loss adjustment expenses and IBNR for September 30, 2008 are estimates based upon guaranty association claim data, POCs and NOD data claims, pre-rehabilitation historical data and industry data. Actual liability figures will not be known until the claims fully develop or, if the claims are contingent upon the resolution of underlying litigation, that litigation is resolved. The actuarial department prepares the analysis of losses and allocated loss adjustment expense ("ALAE") reserves on direct and assumed business. The actuarial department also estimates losses and loss adjustment expense reserves – ceded based on the direct business. Due to the inherent complexity of the loss reserving process, the potential variability of the assumptions used and the variability resulting from the effect of the liquidation process, the actual emergence of losses may be significantly different from the estimate of loss and ALAE reserves included in the Statements.

Legion essentially maintained the actuarially determined ultimate direct loss by changing the IBNR by the amount of direct paid loss and increase/decrease in outstanding specific case reserves and other adjustments, which may become necessary based on their analysis of specific programs. As of September 30, 2008, the amount of direct IBNR included in priority class (b) was \$705.8 million.

**c. Priority Classes Below Class B**

Also included in total liabilities are estimated liabilities for POCs assigned to priority classifications below class (b), which summarize to \$434.2 million. See the accompanying notes for a brief description of each line item.

3. **Special Purpose Statement of Statutory Capital and Surplus Account – EXHIBIT B**

Attached to this report is a Special Purpose Statement of Statutory Capital and Surplus Account for the period from December 31, 2001 to September 30, 2008. The estimated net deficit at September 30, 2008 was \$689.2 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 Flows Summary (“Cash Flow Summary”) for the period October 1, 2007 through September 30, 2008. Reinsurance collections of \$210.3 million were the primary source of cash receipts for the period. Total sources of cash and investments for the period were \$236.3 million.

The largest cash disbursement was Guaranty Association/Early access of \$140.1 million. Total uses of cash and investments were \$204.4 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, 2007 through September 30, 2008, \$200.2 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 Collection Committee approves all settlements.

**b. Premium Collections**

During the period October 1, 2007 through September 30, 2008, Legion collected \$2.3 million, net of expense. Unearned premiums are priority class E claims and have not been paid by Legion. A Litigation Support and Collection Unit oversees premium collections and Legion actively pursues receivable amounts due the Estate.

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

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

**d. Operating Expenses**

Refer to Exhibit E, Combined Expense Analysis by Account, for line item detail of major components of operating expenses incurred by Legion for the period January 1, 2008 through September 30, 2008. Operating expenses paid per the Cash Flow Summary and Administrative Expenses Incurred per the Combined Expense Analysis by Account differ somewhat because of accruals and depreciation on fixed assets purchased (reporting of entire cash expenditure on the Cash Flow Summary compared to recording an asset and then reporting depreciation expense

over time on the Combined Expense Analysis). For most operating expenses, Legion pays the invoice and is reimbursed from Villanova for its share through an intercompany transfer. (Please refer to the explanation of expense allocation included under Section 2a.).

e. **Guaranty Association Transactions**

During the period October 1, 2007 through September 30, 2008 Legion paid approximately \$140.1 million to the GAs based on the Commonwealth Court approval to the Liquidator's second proposal to distribute assets to the GAs. The Court authorized \$165.4 million early access distribution on December 3, 2007 and Legion made payment to eligible GAs the end of December and in January of 2008, to the GAs that had previously been non-compliant.

5. **Combined Expense Analysis by Account – EXHIBIT E**

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

Exhibit E is a schedule reflecting the combined incurred expenses of Legion and Villanova from January 1, 2008 through September 30, 2008 together with a comparison, by category of expense, between 2008 actual and 2008 budget and between 2007 and 2008 actual. As reflected in the Statement, the total combined expenses through September 30, 2008 are \$35,587,000, which is 17.1% less than the 2008 budget and 6.4% more than 2007 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. In addition, the schedule reflects \$289,000 of revenue, which is 20.3% more than budget, related to collection of large deductible recoveries as provided for by Pennsylvania

statute Act 46. Lastly, the schedule lists unbudgeted revenue of \$54,000 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, 2008 Legion had a total of 201 employees. In addition, Legion utilizes a number of temporary/contractor workers when needed. At September 30, 2008, Legion had 24 such workers.

**b. Occupancy**

Legion currently leases office space in Philadelphia and Milwaukee. Legion is committed to the current lease in Philadelphia through the end of 2012. Monthly base lease payments will be \$105,248 in 2008. Legion is committed to the current lease in Milwaukee through the end of 2010. Monthly base lease payments will be \$40,402 in 2008.

**c. Legal Fees and Expenses**

Attached as Exhibit F is a schedule containing the legal expense paid detail by firm for the period January 1, 2008 through September 30, 2008 by month. Legal expenses generally pertained to reinsurance matters, policyholder and other collections, POC objections, direct actions and liquidation matters.

**d. Professional Services**

Attached as Exhibit F is a schedule containing the professional service expense paid detail by vendor name for the period January 1, 2008 through September 30, 2008 by month. The individual professionals and firms listed in the schedule include auditing services, actuarial services, collection services and consulting fees.

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

The GAs are an essential part of the liquidation safety net, providing significant coverage to certain policyholders and paying covered claims as defined and required by their respective statutes. Legion has continuously worked with the National Conference of Insurance Guaranty Funds (“NCIGF”) to assure the smooth interaction between the Estate and the state guaranty funds. The NCIGF’s members include almost all of the state property and casualty insurance GAs in the United States. All aspects of cooperation between the Estate and GAs are discussed with the NCIGF. Discussions and correspondence included matters such as Legion claim file distribution, claim handling procedures, communication protocols, GA data reporting and UDS protocol, Legion product and policy information, and deductible and policy aggregate tracking. Legion personnel have worked with specific NCIGF groups and committees on specific areas, such as Liquidator Large Deductible Recoveries. Legion staff work with the GAs to obtain information required for reinsurance loss reporting to maximize reinsurance collections.

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

A department within Legion coordinates with the GAs and their vendors in managing the data reporting process and the quality of data reported by GAs. As of September 30, 2008 there were 55 GAs reporting paid and outstanding loss information via electronic UDS files, either sent directly to Legion or submitted to the NCIGF secure FTP website. 53 of the GAs report monthly and 2 GAs are still reporting quarterly. Data from all GAs but 2 were current through September 30, 2008. The electronic files received from GAs are interfaced to a processing application at Legion, where the data is parsed and edited. Resolution of data errors is coordinated with the respective GA. The data is then interfaced to Legion’s policy/claim system to support Estate functions, including reinsurance billing and financial reporting.

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

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

The Guaranty Fund Claim Overview Report (“COR”) as of September 30, 2008 summarized by state the policyholder benefit claims and administrative expenses received and applied by Legion through September 30, 2008. The COR data represented the last reported UDS claims paid inception-to-date and claim reserve information prior to September 30, 2008 for the 55 GAs (excludes Massachusetts and Oregon which have formed ancillaries to administer the Legion workers compensation claimants from those states and have not signed the refunding agreement). Administrative expenses were updated from the quarterly Financial Information Questionnaires, which generally lag behind the automated UDS transmissions. Legion adjusted the COR for states which triggered the estate’s liquidation prior to July 28, 2003, post liquidation claim payments made on behalf of GAs, questionable settlements and deductible recoveries. Legion also adjusted for disallowed administrative expenses.

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

**7. Claims Process**

The deadline for filing POCs was June 30, 2005. As of September 30, 2008, Legion and Villanova combined had received a total of 43,737 POC claims. Of those 2,339 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, 2008, Legion had issued and accepted NODs for 26,995 of the 39,628 POC claims assigned to it for a total allowed amount of \$48,724,908. Accepted NODs accounted for more than 68% of the POC claims filed with the Estate. The Court has approved 19,842 of these NODs, as of September 30, 2008, for a total allowed amount of \$25,111,545. 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, 2008, Legion received 502 additional POC claims, as well as reclassifying others. An additional 1,060 NODs were issued during the period and 1,765 were accepted for approximately \$3.0 million.

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

As of September 30, 2008, the Liquidator had received a total of 718 objections to the 28,965 NODs issued. As of September 30, 2008, Legion had resolved 501 objections. Of the 217 unresolved objections, 12 were assigned to referees as of September 30, 2008. Exhibit K indicates the status of all objections received through September 30, 2008, breaks down this information by priority class and includes the Allowed Amounts for objections in each priority class.

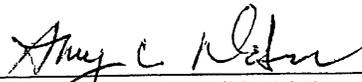
Note: Legion wrote a variety of long tail lines of business, including workers' compensation, directors and officers, medical malpractice, and professional liability. For reasons unrelated to the Legion receivership, but based rather on the nature of the insurance coverage written by Legion and the claims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

**d. Status of Distribution**

On February 8, 2008, the Liquidator filed a Petition for Approval of Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved from May 1, 2007 to October 31, 2007 ("Report of Claims"). The Report of Claims listed the allowed amounts of claimant NODs that had been accepted or assumed accepted from May 1, 2007 to October 31, 2007. The Court granted the petition on March 31, 2008. The allowed amounts on NODs approved for distribution are listed by priority class on Exhibit I. On September 11, 2008, the Liquidator filed a Petition for Approval of Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved from November 1, 2007 to April 30, 2008 ("Report of Claims 2"). The Report of Claims 2 listed the allowed amounts of claimant NODs that had been accepted or assumed accepted from November 1, 2007 to April 30, 2008. The Court granted the petition on October 21, 2008. The next step in the distribution process will be for Legion to prepare a court petition to seek approval of interim distribution calculations for NODs, including the aggregate policies. Other than workers' compensation policies, many policies written by Legion were subject to aggregate limits. The NOD allowed amounts on a few policies have exceeded or are close to exceeding the aggregate limits; therefore, when all POC claims have been evaluated for these effected policies, the final NOD allowed amounts will be an allocation of the policy aggregate limits. The allocation will be pro rated based on the relative

value of each NOD gross allowed value to the total gross allowed values of all NODs assigned to the particular policy.

Respectfully submitted,



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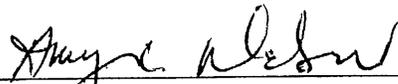
Amy L. Weber (I.D. #45447)  
Governor's Office of General Counsel  
Office of Liquidations, Rehabilitations and  
Special Funds  
901 North 7th Street  
Harrisburg, Pennsylvania 17102  
(717) 787-6009

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

Dated: November 14, 2008

**CERTIFICATION**

I, Amy L. Weber, Insurance Department Counsel, Governor's Office of General Counsel, assigned to the Office of Liquidations, Rehabilitations and Special Funds of the Pennsylvania Insurance Department, am duly authorized to make this Certification for and on behalf of Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator ("Liquidator") of Legion Insurance Company. I am responsible for reviewing the invoices and documents received from outside counsel supporting the legal fees and expenses for Exhibit F to the Quarterly Report of the Liquidator on the Status of the Liquidation of Legion Insurance Company as of September 30, 2008 and I certify that these legal fees and expenses are reasonable and necessary. I also have reviewed Exhibit E, the Combined Expense Analysis for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation), and certify that the legal fees and expenses stated therein have been reflected accurately. I understand that this Certification is made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.

  
\_\_\_\_\_  
Amy L. Weber  
Special Funds Counsel

Dated: 11/14/08



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 Estate as of September 30, 2008. As reflected in the Note accompanying these Statements, it has been prepared on a unique financial reporting basis, subject to the several assumptions and qualifications stated therein.

B. Statement Reflecting Statutory Capital and Surplus Account: Exhibit "B" to the Report is the Statement reflecting the Statutory Capital and Surplus Account for the Estate for the period December 31, 2001 through September 30, 2008.

C. Monthly Cash Flow Summary: Exhibit "C" is the cash flow summary on a monthly basis for the Estate including investment transactions for the period October 1, 2007 through September 30, 2008.

D. Notes to Special Purpose Statement of Assets and Liabilities: Exhibit "D" contains information explaining the unique financial reporting basis used to prepare the Special Purpose Statement.

E. Combined Expense Analysis: Prior to receivership, Legion, Villanova Insurance Company ("Villanova") and Legion Indemnity Company ("Indemnity") (collectively the "Estates") operated with an expense sharing agreement pursuant to which Legion paid the common expenses for all three companies through July 2003. Under the expense

sharing agreement, common expenses were allocated 80% to Legion, 10% to Villanova and 10% to Indemnity. Following entry of the Court's Orders placing Legion and Villanova into liquidation in July, 2003, the expenses were allocated 90% to Legion and 10% to Villanova. The schedules attached to the Report relating to expenses represent the expenses paid or incurred by the Estates on a consolidated basis, including all common expenses, before any allocation. Exhibit "E" is a schedule reflecting the combined incurred expenses of the Estates from January 1, 2008 through September 30, 2008 together with a comparison, by category of expense, between 2008 actual and 2008 budget and between 2007 and 2008 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. Exhibit E provides the accrued administrative expenses of the Estates including salaries and employee benefits for the period January 1, 2008 through September 30, 2008 except for certain guaranty association expenses that may qualify as administrative expenses of the estate.

F. Professional Services Paid and Incurred: Exhibit "F" is a schedule reflecting the amounts which the Liquidator paid to or amounts which the Liquidator has incurred as a result of the performance of services by various professional vendors, including accounting and actuarial firms, consultants on reinsurance and other matters, premium audit and collection services, and other support service providers, during the period January 1, 2008 through September 30, 2008. Legal vendors, including

law firms and other litigation and support service providers, are broken out separately on Exhibit "F."

G. Reinsurance Recoverables Due or Billable Net: Detailed information relating to reinsurance recoverables of the Estate due or billable net as of September 30, 2008 is submitted as Exhibit "G"

H. Guaranty Fund Claim Overview Report: Summary information for liquidation class ("Class") A and B claims at a state guaranty association level is provided in Exhibit "H". This information excludes any state guaranty associations which have formed an ancillary to administer their claims.

I. Proof of Claim Statistics Inception to Date: Exhibit "I" provides inception to date summary information at a Class level of various proof of claims statistics.

J. Proof of Claim Statistics Quarter to Date: Exhibit "J" provides quarter to date summary 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.

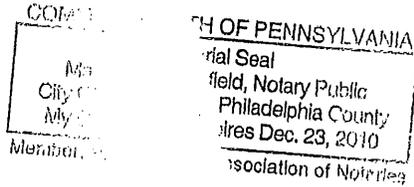
4. Based on my knowledge, the financial information included in the Report fairly presents in all material respects the financial condition, results of operations and cash flows for the Third Quarter of 2008.

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

  
MICHAEL I. QUIST

Sworn to and subscribed before me  
this 12th day of November, 2008.

  
NOTARY PUBLIC





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

  
**JOSEPH ZARANDONA**

**Sworn to and subscribed before me  
this 11 th day of NOV, 2008.**

  
**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, 2008 and December 31, 2007**  
(In Millions of Dollars)

	9/30/2008	12/31/2007
<b>ASSETS</b>		
Cash and short duration investments:		
Liquid securities	\$ 166.3	\$ 132.3
Money market deposits	639.0	558.6
Total invested assets	805.3	690.9
Premium balances	0.2	0.2
Estimated losses and loss adjustment expense reserves - ceded	1,041.2	1,179.2
Reinsurance recoverables due or billable, net	447.3	505.9
Early access advances	280.7	274.3
State deposits and unapplied state deposits available for early access	13.0	13.1
Post liquidation claims paid on behalf of guaranty associations	-	-
Amounts to be distributed per Act 46	14.9	17.9
Other assets	48.6	53.0
Total Assets	\$ 2,651.2	\$ 2,734.5
<b>LIABILITIES</b>		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses incurred since liquidation	\$ 247.9	\$ 201.1
Liquidator expenses paid since liquidation	(228.9)	(195.1)
Liquidator expenses	19.0	6.0
Guaranty associations' paid ULAE reported	92.0	95.8
Guaranty associations' reserves ULAE	18.2	14.5
Total	\$ 129.2	\$ 116.3
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	1,207.0	1,124.9
Liquidator valued NODs accepted	19.1	7.6
Estimated reserves - guaranty associations	613.5	623.7
Estimated reserves - other	937.4	1,099.0
Total	2,777.0	2,855.2
C - Federal government claims		
D - Certain employee claims		
E - General creditor claims:		
Guaranty associations paid	26.0	18.3
Liquidator valued NODs accepted	17.9	16.5
Estimated reserves	311.8	290.9
Total	355.7	325.7
F - State and local government claims		
Liquidator valued NODs accepted	10.1	7.9
Estimated reserves	49.3	51.4
Total	59.4	59.3
G - Late filed claims		
Liquidator valued NODs accepted	1.5	0.5
Ancillary Receiverships:		
Post liquidation claims paid, gross	43.9	39.7
Estimated losses and loss adjustment expense reserves - direct	53.8	48.6
Offset of unapplied liquidated statutory deposit	(80.1)	(70.8)
Post liquidation claims, net	17.6	17.5
Total liabilities	3,340.4	3,374.5
Net surplus (deficit)	(689.2)	(640.0)
Total Liabilities and Surplus (Deficit)	\$ 2,651.2	\$ 2,734.5

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

**EXHIBIT**  
**B**

**Legion Insurance Company (In Liquidation)**  
**Statutory Capital and Surplus Account**  
**For the Period December 31, 2001 Thru September 30, 2008**  
**(In Millions of Dollars)**

<b>Surplus as Regards Policyholders, Beginning Balance</b>	\$ 298.3
Net Loss:	
Underwriting Loss, Net	(1,139.5)
Investment Income, Net	136.9
Other Expense, Net	(24.7)
Loss Before Income Taxes	(1,027.3)
Federal & Foreign Income Taxes	(22.4)
Net Loss	(1,004.9)
Net Unrealized Capital Gains (Losses)	(36.5)
Change in Net Deferred Income Tax	(42.3)
Change in Non Admitted Assets	73.5
Change in Provision for Reinsurance	22.7
Change in Surplus as Regards Policyholders for the Period	(987.5)
<b>Surplus as Regards Policyholders, Ending Balance</b>	<u>\$ (689.2)</u>

**EXHIBIT**  
**C**



**EXHIBIT  
D**

**Legion Insurance Company (In Liquidation)  
Note to Special Purpose Statement of Assets and Liabilities**

The special-purpose statements of assets and liabilities of Legion Insurance Company (In Liquidation) are prepared on a unique financial reporting basis in that the statements do 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 statements of assets and liabilities. The statements do 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 statements 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 statements of assets and liabilities are 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 statements do not reflect any general provision for estimated unrealizable reinsurance recoverable assets. The statements do 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 statements 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  
 September 30, 2008 ACTUALS vs BUDGET  
 (\$ In Thousands)

	Year to Date			2008 Actual vs 2008 Budget			2008 Actual vs 2007 Actual		
	2008 Actual	% of Total Operating	2008 Budget	2007 Actual	Dollar Variance	Percent Variance	Dollar Variance	Percent Variance	
Full Time	201		211	205	10	4.7%	4	2.0%	
Part Time	-		1	1	1	100.0%	1	100.0%	
Contractor Help	24		22	32	(2)	-9.1%	8	25.0%	
Total Staffing - Current	225		234	238	9	3.8%	13	5.5%	
Staffing - Average									
Full Time	208		208	208	1	0.2%	1	0.2%	
Part Time	1		1	1	1	50.0%	1	50.0%	
Contractor Help	26		18	27	(9)	-48.6%	1	3.7%	
Total Staffing - Average	234		227	236	(8)	-3.3%	2	0.8%	
General & Administrative Expenses									
Salaries	\$ 18,492	52.0%	\$ 19,949	\$ 16,306	\$ 1,457	7.3%	\$ (2,186)	-13.4%	
Benefits	3,433	9.6%	3,570	3,289	137	3.8%	(145)	-4.4%	
Occupancy	2,139	6.0%	2,544	2,150	404	15.9%	11	0.5%	
Equipment	2,548	7.2%	3,212	2,980	664	20.7%	432	14.5%	
Legal Fees and Expenses	3,542	10.0%	4,750	2,492	1,208	25.4%	(1,049)	-42.1%	
Professional Services	3,179	8.9%	5,937	3,905	2,758	46.5%	726	18.6%	
Other	2,253	6.3%	2,990	2,326	737	24.7%	73	3.1%	
Total Expenses	35,587	100.0%	42,953	33,448	7,366	17.1%	(2,139)	-6.4%	
Revenue for Collecting Large Deductible Recoveries as Provided by PA Statute Act 46									
Expense Reimbursement	289		240	236	49	20.3%	52	22.2%	
Non-insurance affiliate	54		-	792	54	n/a	(737)	-93.2%	
Total Revenue	343		240	1,028	103	42.9%	(685)	-66.6%	
Net Budget	\$ 35,244		\$ 42,713	\$ 32,420	\$ 7,469	17.5%	\$ (2,824)	-8.7%	

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	1,575	-	-	3,070	-
	ARBITRATION & MEDIATION	Reinsurance Arbitrator	1,620	-	-	-	-
	GMS CAMERON MCKENNA	Reinsurance Witness	-	-	-	-	-
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation	-	3,307	-	1,831	342
	DAVID THIRKILL	Reinsurance Arbitrator	3,150	-	-	-	-
	DEUTSCH, KERRIGAN, & STILES, L.L.P.	General Collection Litigation	-	881	-	579	2,476
	ESQUIRE DEPOSITION SERVICES	Court Reporting Services	-	-	-	8,401	-
	GOLKOW TECHNOLOGIES, INC.	Court Reporting Services	-	-	-	-	2,845
	GRP, LLC	Reinsurance Witness	-	-	-	3,688	-
	JEC CONSULTING, INC.	Reinsurance Arbitrator	-	-	22,658	14,579	14,891
	JOHN ROWLAND QC	Reinsurance Arbitrator	-	-	4,108	-	-
	LEXISNEXIS	Legal Research Fees	1,379	465	304	304	-
	MARTIN D. HABER	Reinsurance Arbitrator	-	-	-	817	-
	MARY ELLEN BURNS, ESQUIRE	Reinsurance Arbitrator	1,536	-	-	-	-
	MILLER ALFANO & RASPANTI PC	General Litigation and Liquidation Advice	1,142	1,487	-	-	-
	NELSON LEVINE DE LUCA & HORST	Reinsurance Arbitrator	175	154	-	347	-
	ON-SITE SOURCING, INC.	Scanning and Copying Services	-	-	-	-	-
	P.J.Z. CRICKMERE	Witness Fees	-	-	-	9,318	-
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice	109,073	-	264,848	203,103	305,635
	PIETRAGALLO, GORDON, ALFANO, BOSICK & RASPANTI, LLP	General Litigation and Liquidation Advice	-	-	-	17,450	11,996
	ROBBRE, LLC	Reinsurance Arbitrator	-	-	2,000	-	560
	ROBERT B. GREEN	Reinsurance Arbitrator	-	-	8,838	-	-
	SCHIFF HARDIN, LLP	Premium Collection Litigation	-	188	2,639	1,479	2,909
	SCHWARTZ SEMERDJIAN HAILE BALLARD & CAULEY LLP	Premium Collection Litigation	3,755	-	975	1,159	-
	STRADLEY RONON	Premium Collection Litigation	-	1,132	6,893	6,777	5,825
	STROOCK & STROOCK & LAVAN, LLP	Reinsurance Arbitrator's Fee Reimbursement	-	-	(26,156)	-	-
	SYLVIA KAMINSKY	Reinsurance Arbitrator	-	-	-	-	-
	THE FEINBERG GROUP, LLP	Reinsurance Arbitrator	-	-	-	-	-
	THE HUSTEAD LAW FIRM	Premium Collection Litigation	-	-	-	-	-
	THE MCS GROUP, INC	Copy and Scanning Services	953	-	-	-	-
	THOMSON WEST	Legal Research Fees	2,668	2,934	2,718	2,646	2,814
	TRENAM, KEMKER, SCHARF, BARKIN	General Litigation	-	62,883	-	164,884	147,678
	TRIAL GRAPHIX	Litigation Support Services	-	-	-	-	-
	W. MAX HOLLMANN	Expert Witness	-	31,827	9,550	21,950	-
	WINTER REPORTING INC.	Court Reporting Services	-	-	-	1,448	9,528
	WMF CONSULTING, INC.	Expert Witness Services	-	5,714	15,639	-	2,695
	WOLF BLOCK SCHORR & SOLUS-COHEN, LLP	Premium Collection Litigation, Labor Advice, General Advice	158,928	34,995	121	70,265	32,132
	Aggregate Amount for Total Vendor Payments Under \$1,000		-	217	16	1,744	16
<b>Total Legal Fees and Expenses Paid</b>			285,954	146,184	315,967	535,022	542,342
<b>Change in Legal Fees and Expenses accrual and other non-cash transactions</b>			36,699	199,230	155,524	(274,684)	6,653
<b>Total Legal Fees and Expenses Incurred</b>			322,653	345,413	471,491	260,338	548,995

Classification	VENDOR NAME	Services Provided	January	February	March	April	May
Professional Services	ALLIANCE CONSULTING	IT Technical Support	35,670	27,280	35,545	24,750	16,800
	ARRAYA SOLUTIONS, INC.	Collections Support Services	-	3,200	-	-	-
	BONNIE KUMEGA & ASSOC	Collections Support Services	-	-	-	-	-
	CSC/FSG-MYND CORP.	Data Processing and Outsourcing	56,135	52,842	54,468	51,361	54,151
	ENET PARTNERS, INC.	IT Technical Support	-	15,000	-	-	-
	HELIX UK LIMITED	London Reinsurance Collection Intermediary	99,500	99,500	99,500	-	100,900
	HEWITT ASSOCIATES LLC	Human Resources & Technical Consulting	-	-	3,494	-	-
	HUGGINS ACTUARIAL SERVICE, INC.	Actuarial Services	84,838	-	-	-	68,120
	JAY APPLEBAUM	Collections Support Services	-	(3,778)	(435)	(4,273)	(421)
	JEFFERSON WELLS INTERNATIONAL INC.	Audit Services	12,000	-	23,195	33,835	790
	JOHNSON LAMBERT & CO	Audit Services	8,541	-	-	-	-
	MERCER HUMAN RESOURCE CONSULTING	Human Resources Consulting	-	-	4,341	-	1,565
	MINITZER SAROWITZ ZRIS & LEDVA	Litigation Support Services	-	2,577	282	-	65
	NAVIGANT CONSULTING, INC.	Data Management Consultant	-	61,564	-	151,628	-
	PREMIUM RECEIVED NET OF COLLECTION FEES	Data Management Consultant	5,252	5,198	3,790	(219)	37
	PRICEWATERHOUSE COOPERS LLP	Actuarial Services	-	-	23,255	-	-
	REINSURANCE SOLUTIONS LLC	Reinsurance Technical Support	60,707	31,350	23,556	17,977	24,386
	RELANCE INS CO (IN LIQUIDATION)	Reinsurance Technical Support	18,516	-	-	-	34,940
	RESOURCE BRIDGE	e-Learning Technology Development	-	-	9,605	-	25,000
	RESPONSE COMPANIES	Investment Consulting	-	-	-	-	-
	RIGHT MANAGEMENT CONSULTANTS	Human Resources Consulting	-	-	-	1,500	1,500
	SMART BUSINESS ADVISORY & CONSULTING, LLC	Reinsurance Technical Support & Contract	-	286,314	91,817	83,132	-
	TRANSNET CORPORATION	Reinsurance Services	4,950	-	-	-	-
	Aggregate Amount for Total Vendor Payments Under \$1,000	Data Management Consultant	1,157	284	(67)	910	59
<b>Total Professional Services Paid</b>		General Professional Fees	387,266	581,330	372,346	360,600	327,892
<b>Change in Professional Services accrual and other non-cash transactions</b>			(73,948)	(197,941)	11,916	2,043	104,564
<b>Total Professional Services Incurred</b>			313,318	383,389	384,262	362,644	432,455
<b>Total Legal Expenses and Fees and Professional Services Incurred</b>			635,972	728,802	855,753	622,982	981,450

\* 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.

Classification	VENDOR NAME	Services Provided	June	July	August	September	2008 Total
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant	-	-	11,928	-	16,573
	ARBITRATION & MEDIATION	Reinsurance Arbitrator	-	-	-	-	1,620
	CMS CAMERON MCKENNA	Reinsurance Witness	-	-	9,819	-	9,819
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation	323	76	661	-	6,539
	DAVID THIRKILL	Reinsurance Arbitrator	-	-	5,600	-	8,750
	DEUTSCH, KERRIGAN, & STILES, L.L.P.	General Collection Litigation	-	-	-	-	3,936
	ESQUIRE DEPOSITION SERVICES	Court Reporting Services	-	-	1,641	-	10,042
	GOLKOW TECHNOLOGIES, INC.	Court Reporting Services	9,022	1,834	-	-	13,701
	GRP, LLC	Reinsurance Witness	-	-	8,740	-	12,428
	JEC CONSULTING, INC.	Reinsurance Arbitrator	12,529	16,346	-	-	81,002
	JOHN ROWLAND QC	Reinsurance Arbitrator	-	-	62,261	-	66,370
	LEXISNEXIS	Legal Research Fees	3,852	1,551	344	313	8,512
	MARTIN D. HABER	Reinsurance Arbitrator	9,594	71,882	-	-	82,293
	MARY ELLEN BURNS, ESQUIRE	Reinsurance Arbitrator	-	-	-	-	1,536
	MILLER ALFANO & RASPANTI PC	General Litigation and Liquidation Advice	-	-	-	-	2,629
	NELSON LEVINE DE LUCA & HORST	Reinsurance Arbitrator	-	347	732	-	1,753
	ON-SITE SOURCING, INC.	Scanning and Copying Services	92,585	-	-	-	92,585
	P.J.Z. CRICKMERE	Witness Fees	-	-	14,260	-	23,578
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice	184,314	2,941	612,963	145,748	1,828,625
	PIETRAGALLO, GORDON, ALFANO, BOSICK & RASPANTI, LLP	General Litigation and Liquidation Advice	18,391	16,325	52,464	57,714	174,341
	ROBBRE, LLC	Reinsurance Arbitrator	360	3,120	960	-	7,000
	ROBERT B. GREEN	Reinsurance Arbitrator	-	-	-	-	8,638
	SCHIFF HARDIN, LLP	Premium Collection Litigation	3,330	2,584	120	47	13,296
	SCHWARTZ SEMERDJIAN HAILE BALLARD & CAULEY LLP	Premium Collection Litigation	959	304	2,635	-	9,787
	STRADLEY RONON	Premium Collection Litigation	17,036	496	253	-	38,412
	STROOCK & STROOCK & LAVAN, LLP	Reinsurance Arbitrator's Fee Reimbursement	-	-	-	-	(26,156)
	SYLVIA KAMINSKY	Reinsurance Arbitrator	-	-	3,750	-	3,750
	THE FEINBERG GROUP, LLP	Reinsurance Arbitrator	-	37,500	-	-	37,500
	THE HUSTEAD LAW FIRM	Premium Collection Litigation	-	2,290	-	-	2,290
	THE MCS GROUP, INC	Copy and Scanning Services	-	-	3,132	(164)	3,921
	THOMSON WEST	Legal Research Fees	4,824	2,646	3,316	2,660	27,226
	TRENAM, KEMKER, SCHARF, BARKIN	General Litigation	45,115	-	13,120	-	433,660
	TRIAL GRAPHIX	Litigation Support Services	-	-	-	19,261	19,261
	W. MAX HOLLMANN	Expert Witness	-	-	10,150	-	73,477
	WINTER REPORTING INC.	Court Reporting Services	4,111	3,058	-	-	18,144
	WMF CONSULTING, INC.	Expert Witness Services	-	-	-	-	24,047
	WOLF BLOCH SCHORR & SOLIS-COHEN, LLP	Premium Collection Litigation, Labor Advice, General Advice	35,669	6,367	91,025	29,693	459,195
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Legal Support Costs	-	14	-	-	2,008
	Total Legal Fees and Expenses Paid		442,014	169,682	909,873	255,273	3,602,310
	Change in Legal Fees and Expenses accrual and other non-cash transactions		382,131	326,140	(980,496)	88,122	(60,682)
	Total Legal Fees and Expenses Incurred		824,144	495,822	(70,623)	343,394	3,541,628

Classification	VENDOR NAME	June	July	August	September	2008 Total
Professional Services	ALLIANCE CONSULTING	7,980	8,400	-	-	156,425
	ARRAYA SOLUTIONS, INC.	-	-	-	-	3,200
	BONNIE KUMIEGA & ASSOC	-	4,950	-	-	4,950
	CSC/FSG-MYND CORP.	53,348	55,093	61,037	61,307	499,742
	ENET PARTNERS, INC.	33,750	-	-	-	48,750
	HELIX UK LIMITED	99,500	99,500	99,500	105,196	803,096
	HEWITT ASSOCIATES LLC	-	-	1,748	-	5,242
	HUGGINS ACTUARIAL SERVICE, INC.	-	19,448	-	-	172,406
	JAY APPLEBAUM	-	-	-	-	(8,907)
	JEFFERSON WELLS INTERNATIONAL, INC.	-	11,840	15,133	-	96,793
	JOHNSON LAMBERT & CO	22,300	18,200	8,499	15,708	73,247
	MERCER HUMAN RESOURCE CONSULTING	763	3,547	-	-	10,216
	MINTZER SAROWITZ ZRIS & LEDVA	-	-	-	-	2,924
	NAVIGANT CONSULTING, INC.	4,404	1,263	18,839	(2,481)	213,192
	PREMIUM RECEIVED NET OF COLLECTION FEES	-	-	-	-	36,081
	PRICEWATERHOUSE COOPERS LLP	-	-	-	-	23,255
	REINSURANCE SOLUTIONS LLC	-	38,239	-	-	242,071
	RELIANCE INS CO (IN LIQUIDATION)	-	50,540	-	-	45,855
	RESOURCE BRIDGE	9,605	-	42,000	-	103,996
	RESPONSE COMPANIES	-	-	-	-	85,210
	RIGHT MANAGEMENT CONSULTANTS	-	-	-	9,750	9,750
	SMART BUSINESS ADVISORY & CONSULTING, LLC	144,099	243,540	94,236	66,124	1,009,262
	TRANSNET CORPORATION	-	-	-	-	4,950
	Aggregate Amount for Total Vendor Payments Under \$1,000	-	1,838	(100)	9,686	13,766
	<b>Total Professional Services Paid</b>	375,749	557,898	342,391	311,145	3,616,617
	<b>Change in Professional Services accrual and other non-cash transactions</b>	25,447	(307,395)	41,476	(45,338)	(439,176)
	<b>Total Professional Services Incurred</b>	401,196	250,503	383,867	265,806	3,177,441
	<b>Total Legal Expenses and Fees and Professional Services Incurred</b>	1,225,340	746,325	313,244	609,201	6,719,070

\* 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, 2008**

Reinsurer	Amount
MIDWEST EMPLOYERS CASUALTY COMPANY	\$ 43,370,774
FIRST EXCESS REINSURANCE CORPORATION	23,657,406
HANNOVER RUCKVERSICHERUNGS AG	23,113,169
SWISS REINSURANCE AMERICA CORPORATION	15,043,391
AMERICAN SAFETY CASUALTY INSURANCE COMPANY	13,055,673
ODYSSEY REINSURANCE CORPORATION	10,676,227
AMERICAN RE-INSURANCE COMPANY	8,274,399
TRANSATLANTIC REINSURANCE COMPANY	7,593,152
FOLKSAMERICA REINSURANCE COMPANY	6,956,014
XL REINSURANCE AMERICA LTD	6,842,242
GE REINSURANCE CORPORATION	6,686,324
PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY	6,480,793
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	6,299,606
SCOR REINSURANCE COMPANY	6,232,163
ALEA EUROPE LIMITED	6,082,738
MUTUAL INDEMNITY (BERMUDA), LTD.	5,943,206
FEDERAL INSURANCE COMPANY	4,748,117
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	4,664,661
LLOYDS SYNDICATE # 435	3,967,239
WESTPORT INSURANCE CORPORATION	3,721,187
AMERICAN UNITED LIFE INSURANCE COMPANY	3,650,601
WESTCHESTER FIRE INSURANCE COMPANY	3,338,685
CHUBB ATLANTIC INDEMNITY LIMITED	3,281,068
LLOYDS SYNDICATE # 53	3,108,961
UNDERWRITERS REINSURANCE COMPANY	2,816,495
LINCOLN NATIONAL LIFE INSURANCE COMPANY	2,733,053
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	2,416,526
ODYSSEY AMERICA REINSURANCE CORPORATION	2,346,086
CNA INTERNATIONAL REINSURANCE COMPANY	2,241,351
AMERICAN NATIONAL INSURANCE COMPANY	2,238,732
SWISS RE LIFE COMPANY OF AMERICA	2,182,517
LIFE REASSURANCE CORPORATION OF AMERICA	2,109,527
LLOYDS SYNDICATE # 183	2,003,973
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	1,990,580
LINCOLN NATIONAL HEALTH & CASUALTY INSURANCE COMPA	1,913,484
MANULIFE REINSURANCE CORPORATION (USA)	1,900,014
LLOYDS SYNDICATE # 1245	1,824,823
JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY	1,763,950
UTAH WORKERS COMPENSATION FUND	1,665,953
TRUSTMARK INSURANCE COMPANY	1,605,059
ACE INSURANCE SA-NV	1,603,598
TRENWICK AMERICA REINSURANCE CORPORATION	1,580,577
MUTUAL INDEMNITY, LTD.	1,438,869
CORE INSURANCE COMPANY	1,421,452
LLOYDS SYNDICATE # 376	1,359,044
GIO (UK) LTD	1,329,603
ODYSSEY RE (LONDON) LIMITED	1,307,332
EMPLOYERS REINSURANCE CORPORATION	1,294,270
QBE REINSURANCE (LONDON) LTD	1,225,370
CONTINENTAL CASUALTY COMPANY	1,219,144
CHARTWELL REINSURANCE COMPANY	1,108,489
LLOYDS SYNDICATE # 570	1,016,282
QBE REINSURANCE CORPORATION	1,013,868
All Other Reinsurers (Less than \$1M due LIC)	18,470,449
Pending Cessions	151,524,809
Total Reinsurance recoverables due or billable, net	\$ 447,343,060

**EXHIBIT  
H**

**Legion Insurance Company (In Liquidation)**  
**Guaranty Fund Claim Overview Report**  
**September 30, 2008**

State	GA	Number Files Assigned	Number		A- Level Paid Admin Exp	B - Level Paid		B- Level Known Case Reserves
			files Complete	Number files outstanding		Losses and Loss Adj Expenses		
AK	354	40	34	6	\$ 14,067	\$ 1,772,122	\$ 274,769	
AL	301	584	356	228	2,156,513	20,041,420	34,550,226	
AR	303	244	227	17	115,600	2,935,977	1,243,598	
AZ	402	82	77	5	437,125	1,193,930	51,947	
AZ	302	350	280	70	643,623	4,604,689	12,029,095	
CA	360	44,246	36,997	7,249	17,746,415	424,308,811	164,281,159	
CO	305	390	361	29	649,501	8,389,247	4,033,345	
CT	306	1,376	1,265	111	2,678,185	24,511,411	6,858,811	
DC	308	47	40	7	189,666	794,728	896,113	
DE	307	113	89	24	511,110	2,583,730	1,769,591	
FL	409	681	644	37	1,420,387	27,403,537	987,159	
FL	309	753	723	30	2,010,563	51,644,142	7,925,579	
GA	310	3,046	2,895	151	4,934,734	62,919,179	59,677,786	
HI	352	44	41	3	155,434	1,490,290	335,449	
IA	314	135	118	17	274,907	2,066,276	398,691	
ID	311	70	62	8	79,416	1,118,686	1,044,455	
IL	312	1,882	1,818	64	4,051,378	30,902,347	8,480,816	
IN	313	198	183	15	547,837	2,415,430	215,834	
KS	315	278	252	26	482,952	8,352,131	5,585,288	
KY	316	439	286	153	733,395	10,081,407	13,979,630	
LA	317	293	253	40	508,581	8,306,494	3,344,554	
MD	319	368	310	58	1,318,883	5,451,148	3,089,321	
ME	318	264	253	11	431,957	2,383,311	2,179,064	
MI	321	628	580	48	1,644,751	18,471,877	11,910,254	
MN	322	190	160	30	352,799	3,620,015	1,947,327	
MO	324	653	624	29	725,785	7,683,311	10,506,108	
MS	323	1,333	1,140	193	2,964,539	35,300,020	19,502,433	
MT	325	99	70	29	300,097	2,484,739	2,366,912	
NC	332	1,459	1,386	73	2,143,536	27,522,028	10,543,554	
ND	333	7	7	-	84,757	418,710	-	
NE	326	113	102	11	89,975	2,129,687	3,036,791	
NE	326	113	102	11	89,975	2,129,687	3,036,791	
NH	328	550	523	27	828,117	3,867,240	2,453,977	
NH	328	550	523	27	828,117	3,867,240	2,453,977	
NJ	429	1,283	1,198	85	1,473,923	34,039,975	3,791,710	
NJ	329	1,787	1,531	256	1,458,843	40,841,842	16,359,446	
NM	330	95	66	29	211,104	2,058,376	2,317,206	
NV	327	809	685	124	1,418,810	7,453,123	502,178	
NY	431	5,199	4,077	1,122	-	68,707,074	36,874,406	
NY	331	2,633	2,116	517	19,558,182	67,590,344	33,865,616	
OH	334	113	100	13	620,642	1,818,959	1,513	
OK	335	705	648	57	1,309,903	10,896,532	10,577,365	
OK	335	705	648	57	1,309,903	10,896,532	10,577,365	
PA	437	756	683	73	787,185	12,550,052	2,227,632	
PA	337	726	578	148	1,969,004	43,879,510	23,896,050	
RI	338	261	244	17	438,061	3,332,219	362,693	
SC	339	1,436	1,337	99	1,457,951	31,902,231	18,607,048	
SD	340	32	29	3	60,986	260,882	266,382	
TN	341	1,358	927	431	2,748,772	27,208,905	19,136,493	
TX	342	2,209	2,013	196	2,893,683	37,600,423	14,533,191	
UT	343	67	55	12	148,503	1,063,575	290,653	
VA	345	611	502	109	1,235,817	15,418,464	28,701,302	
VT	344	298	271	27	420,095	3,663,936	4,607,425	
WA	346	78	74	4	121,165	714,785	5,577	
WI	348	174	154	20	435,949	4,272,934	920,751	
WV	347	37	33	4	195,818	1,096,836	12	
WY	349	10	8	2	32,323	739,803	160,933	
NOHLGA	370				1,772,267	2,710,094		
		81,632	69,485	12,147	\$ 91,995,568	\$ 1,226,988,943	\$ 613,505,217	

**EXHIBIT**  
**I**

Legion Insurance Company (In Liquidation)  
 Proofs of Claim Statistics  
 Inception to Date September 30, 2008

Class Descriptions	Total # of POC Claims Received	# of POC Claims Received After 6/30/05	# of NODs Issued	# of NODs Accepted	Allowed Amounts on Accepted NODs	# of NODs Approved for Distribution	Allowed Amounts on NODs Approved for Distribution
A - Administrative Expenses	1,148	15	1,067	1,052	\$ -	844	\$ -
B - Policyholder Claims	18,519	912	11,180	10,169	19,144,122	7,312	1,985,664
C - Federal Government	-	-	-	-	-	-	-
D - Employees	11	-	-	-	-	-	-
E - General Credit/UEP	18,317	332	16,071	15,146	17,940,707	11,558	15,353,957
F - State/Local Government	130	2	89	89	10,106,965	74	7,549,505
G - Late Filed/Subrogation	1,495	919	558	539	1,533,114	54	222,419
H - Surplus, Prem. Refunds	-	-	-	-	-	-	-
I - Shareholders/Other Owners	8	-	-	-	-	-	-
No Class	-	-	-	-	-	-	-
<b>TOTALS</b>	<b>39,628</b>	<b>2,180</b>	<b>28,965</b>	<b>26,995</b>	<b>\$ 48,724,908</b>	<b>19,842</b>	<b>\$ 25,111,545</b>

**EXHIBIT**  
**J**

Legion Insurance Company (In Liquidation)  
 Proofs of Claim Statistics \*  
 Quarter to Date September 30, 2008

Class Descriptions	Total # of POC Claims Received	# of NODs Issued	# of NODs Accepted	Allowed Amounts on Accepted NODs	# of NODs Approved for Distribution	Allowed Amounts on NODs Approved for Distribution
A - Administrative Expenses	5	6	6	\$ -	-	\$ -
B - Policyholder Claims	(29)	325	970	2,235,867	-	-
C - Federal Government	-	-	-	-	-	-
D - Employees	-	-	-	-	-	-
E - General Credit/UEP	532	721	678	602,056	(3)	(2,671)
F - State/Local Government	-	-	-	-	-	-
G - Late Filed/Subrogation	(4)	8	111	188,019	-	-
H - Surplus, Prem. Refunds	-	-	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-	-	-
No Class	(2)	-	-	-	-	-
<b>TOTALS</b>	<b>502</b>	<b>1,060</b>	<b>1,765</b>	<b>\$ 3,025,942</b>	<b>(3)</b>	<b>\$ (2,671)</b>

\* Negative amounts represent reclassifications.

**EXHIBIT**  
**K**

Legion Insurance Company (In Liquidation)  
 Notice of Claim Evaluation Objection Statistics  
 Inception to Date September 30, 2008

Class Descriptions	Total # NOD Objections Received	Allowed Amounts on Objections	# of Objections Resolved	Allowed Amounts on Objections Resolved
A - Administrative Expenses	7	\$ -	4	\$ -
B - Policyholder Claims	269	1,014,615	162	926,443
C - Federal Government	-	-	-	-
D - Employees	-	-	-	-
E - General Credit/UEP	427	13,921,327	326	440,858
F - State/Local Government	1	540	1	540
G - Late Filed/Subrogation	14	266,353	8	64,223
H - Surplus, Prem. Refunds	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-
<b>TOTALS</b>	<b>718</b>	<b>\$ 15,202,835</b>	<b>501</b>	<b>\$ 1,432,064</b>

Class Descriptions	Total Objections Unresolved	Allowed Amounts on Objections Unresolved	# of Objections Unresolved Assigned to Referees	Allowed Amounts on Objections Unresolved Assigned to Referees	# of Objections Unresolved Not Assigned to Referees	Allowed Amounts on Objections Unresolved Not Assigned to Referees
A - Administrative Expenses	3	\$ -	-	\$ -	3	\$ -
B - Policyholder Claims	107	88,172	12	-	95	88,172
C - Federal Government	-	-	-	-	-	-
D - Employees	-	-	-	-	-	-
E - General Credit/UEP	101	13,480,469	-	-	101	13,480,469
F - State/Local Government	-	-	-	-	-	-
G - Late Filed/Subrogation	6	202,131	-	-	6	202,131
H - Surplus, Prem. Refunds	-	-	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-	-	-
<b>TOTALS</b>	<b>217</b>	<b>\$ 13,770,772</b>	<b>12</b>	<b>\$ -</b>	<b>205</b>	<b>\$ 13,770,772</b>