



GOVERNOR'S OFFICE OF GENERAL COUNSEL

October 22, 2008

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**

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COMMONWEALTH COURT  
OF PENNSYLVANIA  
22 OCT 2008 14

Dear Mr. Krimmel:

Enclosed for filing please find the original and two (2) copies of the Liquidator's Petition for Leave to File Confidential Affidavit Under Seal, as well as the Order 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.



A to the Petition for Leave; and

**IT IS FURTHER ORDERED** that the Prothonotary of the Commonwealth Court of Pennsylvania shall file the Confidential Affidavit and its exhibit (attached as Sealed Exhibit A) UNDER SEAL, taking all necessary and appropriate precautions to prevent the public disclosure of the Confidential Affidavit until further Order of this Court.

MARY HANNAH LEAVITT, Judge

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and Release Agreement (the "Petition"). In support of this Petition, the Liquidator avers the following:

1. Simultaneously with this Petition, the Liquidator is filing a Petition which seeks an Order approving the Commutation, Settlement and Release Agreement (hereinafter referred to as "the Agreement") between the Liquidator and LDG Reinsurance Corporation. The Petition is supported in part by the Confidential Affidavit.

2. Preserving the confidentiality of the information contained in the Confidential Affidavit and its exhibit will serve important interests, including maximizing the assets of the Estate, enhancing the efficiency and economy of Liquidation, and facilitating the Liquidator's efforts to "protect...the interests of insureds, creditors and the public generally...." 40 P.S. § 221.1(c); see 40 P.S. § 221.23.

3. The Confidential Affidavit and its exhibit contain sensitive information regarding the Liquidator's reasons for entering into the Agreement and how the parties arrived at the final commutation amount. It would be highly prejudicial to the Liquidator, and Legion's creditors and policyholders, if the details of the Liquidator's strategies, business valuations, and rationale behind the Agreements were disclosed to the public.

4. The Liquidator has been and likely will be negotiating settlements or commutations with a number of Legion's reinsurers. If the analysis supporting the amounts the Liquidator is willing to accept from a particular reinsurer is made public, other reinsurers will be able to use that information in determining their own negotiating positions. This is likely to set a ceiling on the amounts the Liquidator will be able to collect from other reinsurers, thereby hampering his

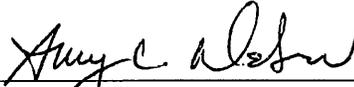
efforts to maximize the recovery of assets of the Legion Estate. Commutation agreements between insurers often contain confidentiality provisions for this very reason.

5. Consistent with the foregoing, if any policyholder or creditor of the Legion Estate (other than another reinsurer of Legion) with a demonstrable interest in the subject matter of the Agreement wishes to review the Confidential Affidavit, the Liquidator, subject to the Court's approval, will provide it to that person or entity upon its execution of a confidentiality agreement limiting the use of and prohibiting disclosure of the information contained therein. This represents the least restrictive means of accomplishing the necessary purpose of maintaining the confidentiality of these materials.

6. The Liquidator requests that, in resolving this Petition, the Court review the Confidential Affidavit and its exhibit in camera, grant the Petition, and direct the Prothonotary to file the Confidential Affidavit and its exhibit under seal. Should the Court be inclined to deny the Petition, the Liquidator respectfully requests that the Court permit the Liquidator the opportunity to withdraw the Petition and Confidential Affidavit to avoid any prejudice which may befall the Liquidator, the Estate, or may be caused to the policyholders and claimants of Legion from premature public disclosure of this information.

WHEREFORE, the Liquidator respectfully requests that this Court grant the Petition for Leave to File Confidential Affidavit Under Seal and enter an Order in the form attached hereto.

Respectfully submitted,



Amy E. Weber, Special Funds Counsel  
I.D. # 45447

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Office of Liquidations, Rehabilitations  
and Special Funds  
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Attorney for Joel S. Ario, Insurance Commissioner  
of the Commonwealth of Pennsylvania, in his  
official capacity as Statutory Liquidator of Legion  
Insurance Company (In Liquidation)

Dated: 10/22/08