



COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
Office of Chief Counsel
Capitol Associates Building
901 North 7th Street
Harrisburg, PA 17102

Governor's Office
of General Counsel

Phone (717) 787-6009
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August 15, 2006

Daniel Schuckers
Prothonotary
Commonwealth Court
628 South Office Building
Harrisburg, PA 17120-0001

RE: M. Diane Koken, Insurance Commissioner of the Commonwealth of
Pennsylvania v. Villanova Insurance Company,
No. 182 M.D. 2002

Dear Mr. Schuckers:

Enclosed for filing please find the original and two hard copies of the Second Quarter 2006 Financial Report of the Liquidator Pursuant to Order Dated July 1, 2004.

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:mm
Enclosure

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. Diane Koken, Insurance Commissioner,
Commonwealth of Pennsylvania,

Plaintiff,

v.

Villanova Insurance Company,
Defendant.

No. 182 M.D. 2002

RECEIVED
COMMONWEALTH COURT
OF PENNSYLVANIA
15 AUG 2006 12 16

**SECOND QUARTER 2006 FINANCIAL REPORT OF THE
LIQUIDATOR PURSUANT TO ORDER DATED JULY 1, 2004**

M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator (the "Liquidator") of Villanova Insurance Company ("Villanova"), through her undersigned counsel, hereby submits this Second Quarter 2006 Financial Report ("Report") pursuant to this Court's Order of July 1, 2004.

REPORT

A. Special Purpose Statements of Assets and Liabilities

Attached hereto as Exhibits "A" and "B" are Special Purpose Statements of Assets and Liabilities for Legion Insurance Company ("Legion") and Villanova, respectively, as of June 30, 2006. As reflected in the Note accompanying these Statements, they have been prepared on a unique financial reporting basis, subject to the several assumptions and qualifications stated therein. The Statements reflect that, as of June 30, 2006, the Assets, Liabilities and Net Surplus (Deficit) of Legion and Villanova are as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net Surplus (Deficit)</u>
LEGION	\$2,938,800,000	\$3,261,800,000	(\$323,000,000)
VILLANOVA	\$254,000,000	\$368,800,000	(\$114,800,000)

B. Statements Reflecting Statutory Capital and Surplus Accounts

Attached hereto as Exhibits "C" and "D" are Statements reflecting the Statutory Capital and Surplus Accounts for Legion and Villanova, respectively, for the period December 31, 2001 through June 30, 2006. As reflected in these Statements, as of June 30, 2006, Legion has a Net Deficit of \$323,000,000 and Villanova has a Net Deficit of \$114,800,000. All cash receipts and disbursements including investment transactions are reflected in the monthly cash flow summaries (see Item C, Monthly Cash Flow Summaries, below). Also, the Liquidator has provided an expense analysis comparing, by category of expense, budget with actual accrued expenses (see Item D below).

C. Monthly Cash Flow Summaries

Attached hereto as Exhibits "E" and "F" are cash flow summaries on a monthly basis for Legion and Villanova including investment transactions, respectively, for the period July 1, 2005 through June 30, 2006. As reflected in these statements, the ending available cash and investments (net of payments) as of June 30, 2006 for Legion and Villanova is \$429,300,000 and \$50,200,000, respectively.

D. 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 several schedules attached to this Report relating to expenses (Exhibits G and H) represent the expenses paid or incurred by Legion and Villanova on a consolidated basis, including all common expenses, before any allocation.

Exhibit "G" is a schedule reflecting the combined incurred expenses of Legion and Villanova from January 1, 2006 through June 30, 2006 together with a comparison, by category of expense, between 2006 actual and 2006 budget and between 2005 and 2006 actuals. As reflected in the Statement, the total combined expenses through June 30, 2006 are \$24,539,000, which is 21.09% less than the 2006 budget and 6.34% more than 2005 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. In addition, the schedule reflects \$401,000 of revenue, which is 26.50% more than budget, related to collection of large deductible recoveries as provided for by Pennsylvania statute, Act 46 (40 P.S. § 221.23a).

E. Professional Services Paid and Incurred

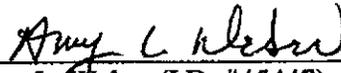
Attached hereto as Exhibit "H" is a schedule reflecting the amounts which the Liquidator paid to or amounts which the Liquidator has incurred as a result of the performance of services by various professional vendors, including law firms, accounting and actuarial firms, consultants on reinsurance and other matters, premium audit and collection services, and other litigation and support service providers, during the period January 1, 2006 through June 30, 2006. The schedule is broken down by month, with a year-to-date total through June 30, 2006 (before adjustments for changes in accrual and other non-cash transactions) of \$5,493,710.

June 30, 2006 except for certain guaranty association expenses that may qualify as administrative expenses of the estate. Exhibit "H," Professional Services Paid and Incurred provides additional detail.

G. Reinsurance Recoverables Due or Billable Net

Detailed information relating to reinsurance recoverables of the estates due or billable net as of June 30, 2006 is submitted as Exhibits "I" and "J" respectively.

Respectfully submitted,

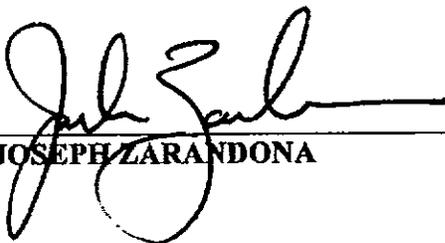


Amy L. Weber (I.D. #45447)
Special Funds Counsel
Office of Liquidations, Rehabilitations and
Special Funds
901 North 7th Street
Harrisburg, Pennsylvania 17102
(717) 787-6009

Attorney for Diane Koken, Insurance
Commissioner of the Commonwealth of
Pennsylvania in her official capacity as
Statutory Liquidator of Villanova Insurance
Company

Dated: August 15, 2006

18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.



JOSEPH ZARANDONA

Sworn to and subscribed before me
this 14 th day of AUGUST, 2006.


NOTARY PUBLIC
Notarial Seal
Maureen Greenfield, Notary Public
City Of Philadelphia, Philadelphia County
My Commission Expires Dec. 23, 2006
Member, Pennsylvania Association Of Notaries

and "B" to the Report are Special Purpose Statements of Assets and Liabilities for the Estates as of June 30, 2006. As reflected in the Note accompanying these Statements, they have been prepared on a unique financial reporting basis, subject to the several assumptions and qualifications stated therein.

B. Statements Reflecting Statutory Capital and Surplus Accounts:

Exhibits "C" and "D" to the Report are Statements reflecting the Statutory Capital and Surplus Accounts for the Estates for the period December 31, 2001 through June 30, 2006.

C. Monthly Cash Flow Summaries: Exhibits "E" and "F" are cash flow summaries on a monthly basis for the Estates including investment transactions, respectively, for the period April 1, 2005 through June 30, 2006.

D. 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 several 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 "G" is a schedule reflecting the combined incurred expenses of the Estates from April 1, 2006 through June 30, 2006 together with a comparison, by category of expense, between 2006 actual and 2006 budget and between 2005 and 2006 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses.

F. Professional Services Paid and Incurred: Exhibit "H" 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 April 1, 2006 through June 30, 2006. Legal vendors, including law firms and other litigation and support service providers, are broken out separately on Exhibit "H."

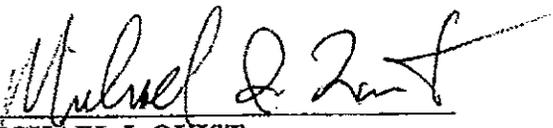
G. Administrative Expenses: Exhibit "G," Combined Expense Analysis, provides the accrued administrative expenses of the Estates including salaries and employee benefits for the period April 1, 2006 through June 30, 2006 except for certain guaranty association expenses that may qualify as administrative expenses of the estate. Exhibit "H" Professional Services Paid and Incurred provides additional detail.

H. Reinsurance Recoverables Due or Billable Net: Exhibits "I" and "J" provide detailed information relating to reinsurance recoverables of

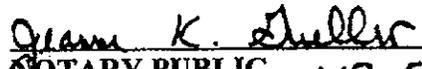
the Estates due or billable net as of June 30, 2006 is submitted as Exhibits "I" and "J" respectively.

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 Second Quarter of 2006.

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.

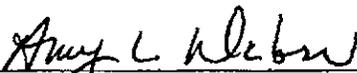

MICHAEL I. QUIST

Sworn to and subscribed before me
this 14 th day of Aug, 2006.


NOTARY PUBLIC exp 5.10.09

CERTIFICATION

I, Amy L. Weber, Special Funds Counsel, of the 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 M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator ("Liquidator") of Villanova Insurance Company. I am responsible for reviewing the invoices and documents received from outside counsel supporting the legal fees and expenses for the Exhibit H to the Second Quarter 2006 Financial Report of the Liquidator and I certify that these legal fees and expenses are reasonable and necessary. I also have reviewed 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: 8/15/06

EXHIBIT

A

Legion Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
June 30, 2006 and December 31, 2005
(In Millions of Dollars)

	<u>6/30/2006</u>	<u>12/31/2005</u>
ASSETS		
Cash and short duration investments:		
Liquid securities	\$ 282.2	\$ 300.6
Illiquid securities	-	-
Money market deposits	143.8	97.5
Restricted deposits	16.7	0.6
Statutory deposits	16.5	16.8
Total invested assets	<u>459.2</u>	<u>415.5</u>
Premium balances	0.5	4.8
Estimated losses and loss adjustment expense reserves - ceded	1,741.3	2,059.8
Reinsurance recoverables due or billable, net	598.6	678.0
Unapplied liquidated statutory deposit proceeds	89.2	178.5
Post liquidation claims paid on behalf of guaranty associations	2.4	5.5
Other assets	47.6	7.2
Total Assets	<u>\$ 2,938.8</u>	<u>\$ 3,349.4</u>
LIABILITIES		
Estimated losses and loss adjustment expense reserves - direct	\$ 1,997.0	\$ 2,245.4
Estimated losses and loss adjustment expense reserves - assumed	184.9	193.7
Post liquidation claims paid by guaranty associations	811.1	753.8
Funds held	18.6	19.6
Other liabilities	250.2	362.3
Total liabilities	<u>3,261.8</u>	<u>3,574.8</u>
Net surplus (deficit)	<u>(323.0)</u>	<u>(225.4)</u>
Total Liabilities and Surplus (Deficit)	<u>\$ 2,938.8</u>	<u>\$ 3,349.4</u>

* See Note to Special Purpose Statement of Assets and Liabilities

**Legion Insurance Company (In Liquidation) and
Villanova 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) and Villanova 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:

- The recorded estimated direct and assumed losses and loss adjustment expense reserves and the related estimated ceded losses and loss adjustment expense reserves reflected on the special-purpose statements of assets and liabilities are based primarily on 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 an estimated provision for future guaranty association costs but 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.

**EXHIBIT
B**

Villanova Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
June 30, 2006 and December 31, 2005
(In Millions of Dollars)

	<u>6/30/2006</u>	<u>12/31/2005</u>
ASSETS		
Cash and short duration investments:		
Liquid securities	\$ 24.0	\$ 31.0
Money market deposits	25.3	5.7
Restricted deposits	5.3	-
Statutory deposits	1.0	1.0
Total invested assets	<u>55.8</u>	<u>37.7</u>
Premium balances	1.2	0.7
Estimated losses and loss adjustment expense reserves - ceded	113.9	141.1
Reinsurance recoverables due or billable, net	75.2	84.8
Unapplied liquidated statutory deposit proceeds	3.8	37.1
Post liquidation claims paid on behalf of guaranty associations	0.2	0.5
Other assets	4.1	4.0
Total Assets	<u>\$ 254.0</u>	<u>\$ 305.9</u>
LIABILITIES		
Estimated losses and loss adjustment expense reserves - direct	\$ 183.6	\$ 221.8
Estimated losses and loss adjustment expense reserves - assumed	21.3	21.6
Post liquidation claims paid by guaranty associations	118.9	134.0
Funds held	3.9	4.0
Other liabilities	41.1	33.5
Total liabilities	<u>368.8</u>	<u>414.9</u>
Net surplus (deficit)	<u>(114.8)</u>	<u>(109.0)</u>
Total Liabilities and Surplus (Deficit)	<u>\$ 254.0</u>	<u>\$ 305.9</u>

* See Note to Special Purpose Statement of Assets and Liabilities

**Legion Insurance Company (In Liquidation) and
Villanova 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) and Villanova 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:

- The recorded estimated direct and assumed losses and loss adjustment expense reserves and the related estimated ceded losses and loss adjustment expense reserves reflected on the special-purpose statements of assets and liabilities are based primarily on 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 an estimated provision for future guaranty association costs but 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.

EXHIBIT
C

Legion Insurance Company (In Liquidation)
Statutory Capital and Surplus Account
For the Period December 31, 2001 Thru June 30, 2006
(In Millions of Dollars)

Surplus as Regards Policyholders, Beginning Balance	\$ 298.3
Net Loss:	
Underwriting Loss, Net	(692.4)
Investment Income, Net	37.8
Other Expense, Net	<u>(22.5)</u>
Loss Before Income Taxes *	(677.1)
Federal & Foreign Income Taxes	<u>(22.4)</u>
Net Loss	(654.7)
Net Unrealized Capital Losses	(23.0)
Change in Net Deferred Income Tax	(42.3)
Change in Non Admitted Assets	78.0
Change in Provision for Reinsurance	<u>22.7</u>
Chg in Surplus as Regards Policyholders for the Period	(621.3)
Surplus as Regards Policyholders, Ending Balance	<u>\$ (323.0)</u>

* Includes income of \$21.5M related to an arbitration settlement in 2004.

**EXHIBIT
D**

Villanova Insurance Company (In Liquidation)
Statutory Capital and Surplus Account
For the Period December 31, 2001 Thru June 30, 2006
(In Millions of Dollars)

Surplus as Regards Policyholders, Beginning Balance	\$ 27.6
Net Loss:	
Underwriting Loss, Net	(33.7)
Investment Income, Net	7.4
Other Expense, Net	<u>(5.2)</u>
Loss Before Income Taxes	(31.5)
Federal & Foreign Income Taxes	<u>7.5</u>
Net Loss	(39.0)
Net Unrealized Capital Gains	(0.3)
Change in Net Deferred Income Tax	(8.6)
Change in Non Admitted Assets	(96.2)
Change in Provision for Reinsurance	<u>1.7</u>
Chg in Surplus as Regards Policyholders for the Period	(142.4)
Surplus as Regards Policyholders, Ending Balance	<u>\$ (114.8)</u>

EXHIBIT
E

Legion Insurance Company (In Liquidation)
 Cash Flow Summary
 Liquidation Basis
 YTD June 30, 2008
 (in millions)

	2008											
	July	August	September	October	November	December	January	February	March	April	May	June
Beginning Available Cash and Investments*	\$ 288.1	\$ 307.4	\$ 306.4	\$ 388.6	\$ 312.8	\$ 343.4	\$ 402.2	\$ 414.4	\$ 438.8	\$ 477.3	\$ 517.0	\$ 530.7
Premium collections (net of expenses)	0.8	0.3	0.4	0.8	0.2	0.3	0.2	0.1	0.3	0.3	1.5	0.2
Reinsurance collections:												
Reinsurance recoverables:												
Mutual Companies	-	0.5	-	0.4	1.4	2.0	1.0	1.6	-	-	-	-
All Other Reinsurers	5.8	3.8	2.8	3.6	28.1	48.4	12.9	33.9	58.8	38.1	23.8	21.2
Reinsurance commissions/settlements:												
Mutual Companies	-	-	-	-	-	-	-	-	-	-	-	-
All Other Reinsurers	-	-	-	-	-	-	-	-	-	-	-	-
Deductible Recoveries:												
Mutual Companies	1.9	2.7	1.4	1.0	2.7	6.2	-	1.2	4.0	2.4	2.1	-
All Other Reinsurers	-	-	-	-	-	-	-	0.1	-	-	-	-
Portfolio sales/maturities	-	-	-	-	-	-	-	-	-	-	-	-
Investment income (net of expenses)	0.7	1.2	0.9	1.0	1.0	2.2	1.3	1.4	1.9	2.2	1.4	1.3
Total Sources of Cash	9.2	8.8	5.6	6.8	33.4	60.1	16.4	38.3	65.0	43.0	28.6	22.7
Loss & loss adjustment expense payments	(0.8)	0.0	(0.1)	-	-	-	-	-	(0.1)	-	-	0.0
Paid expenses	(1.6)	(2.2)	(2.7)	(1.6)	(1.7)	(3.1)	(2.2)	(2.3)	(3.2)	(2.5)	(2.3)	(2.5)
Payroll	(1.2)	(1.7)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.3)	(2.0)	(1.3)	(1.3)	(4.7)
Intercompany transfers	-	-	-	-	-	-	-	(8.9)	(8.0)	-	(7.8)	(2.0)
Guaranty Association transactions	-	-	0.2	-	-	(0.1)	-	-	-	-	-	(114.5)
Other cash inflows (outflows)	0.7	0.3	0.6	0.5	0.3	3.3	0.4	0.4	(16.0)	0.5	(3.7)	(0.4)
Total Uses of Cash	(2.9)	(3.5)	(3.4)	(2.8)	(2.8)	(1.3)	(3.2)	(33.1)	(27.3)	(3.3)	(18.1)	(124.1)
Ending Available Cash and Investments	\$ 307.4	\$ 308.4	\$ 308.8	\$ 312.8	\$ 343.4	\$ 402.2	\$ 414.4	\$ 438.8	\$ 477.3	\$ 517.0	\$ 530.7	\$ 429.3

EXHIBIT
F

Villanova Insurance Company (in Liquidation)
 Cash Flow Summary
 Liquidation Basis
 YTD June 30, 2006
 (in millions)

	2006											
	July	August	September	October	November	December	January	February	March	April	May	June
Beginning Available Cash and Investments*	\$ 34.1	\$ 38.0	\$ 36.6	\$ 36.6	\$ 38.3	\$ 36.5	\$ 37.3	\$ 40.0	\$ 60.0	\$ 60.6	\$ 61.3	\$ 59.8
Premium collections (net of expenses)	-	0.1	0.2	-	0.1	-	-	-	0.1	-	-	-
Reinsurance collection:												
Reinsurance recoverables:												
Mutual Companies	-	-	-	0.1	-	0.5	0.3	-	-	-	-	-
All Other Reinsurers	0.3	0.4	0.1	-	-	0.2	2.3	-	1.6	-	1.1	1.2
Reinsurance commitments/settlements:												
Mutual Companies	-	-	-	-	-	-	-	-	-	-	-	-
All Other Reinsurers	-	-	-	-	-	-	-	-	-	-	-	-
Deductible Recoveries:												
Mutual Companies	-	-	-	-	-	-	-	-	-	-	-	-
All Other Reinsurers	0.5	-	-	-	-	-	-	-	-	0.5	-	-
Portfolio settlements	-	-	-	-	-	-	-	-	-	-	-	-
Investment Income (net of expenses)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.2	0.1	0.1
Total Sources of Cash	0.9	0.6	0.4	0.2	0.2	0.8	2.7	0.1	2.0	0.7	1.2	1.3
Loss & loss adjustment expense payments	-	-	-	-	-	-	-	-	-	-	-	-
Paid expenses	-	-	(0.1)	(0.1)	-	-	-	-	-	-	-	-
Payroll	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany transfers	-	-	-	-	-	-	-	9.9	6.0	-	7.8	2.0
Guaranty Association transactions	-	-	-	0.3	-	-	-	-	-	-	-	(12.9)
Other cash inflows (outflows)	-	-	-	-	-	-	-	-	(7.4)	-	(0.5)	-
Total Uses of Cash	-	-	(0.1)	0.2	-	-	-	9.9	(1.4)	-	7.3	(10.9)
Ending Available Cash and Investments	\$ 36.0	\$ 35.8	\$ 35.8	\$ 36.3	\$ 36.8	\$ 37.3	\$ 40.0	\$ 60.0	\$ 60.8	\$ 61.3	\$ 59.8	\$ 60.2

EXHIBIT
G

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 COMBINED EXPENSE ANALYSIS BY ACCOUNT
 June 30, 2006 ACTUALS vs BUDGET
 (\$ In Thousands)

	Year to Date			2006 Actual vs 2006 Budget			2006 Actual vs 2005 Actual		
	2006 Actual	% of Total Operating	2006 Budget	2005 Actual	Dollar Variance	Percent Variance	Dollar Variance	Percent Variance	
Staffing - Current Month	245		264	249	19	7.2%	4	1.8%	
Full Time	1		1	3	-	0.0%	2	66.7%	
Part Time	26		40	33	14	35.0%	7	21.2%	
Contractor Help									
Total Staffing - Current	272		305	285	33	10.82%	13	4.56%	
Staffing - Average	252		262	250	10	3.8%	(2)	-0.8%	
Full Time	1		1	3	-	0.0%	2	66.7%	
Part Time	28		35	28	7	18.8%	-	0.0%	
Contractor Help									
Total Staffing - Average	281		298	281	17	5.55%	-	0.00%	
General & Administrative Expenses *									
Salaries	\$ 11,826	48.2%	\$ 13,853	\$ 10,682	\$ 2,027	14.6%	\$ (1,144)	-10.7%	
Benefits	2,383	9.7%	2,555	2,338	172	6.7%	(45)	-1.9%	
Occupancy	1,723	7.0%	1,782	1,829	59	3.3%	106	5.8%	
Equipment	1,853	7.6%	2,192	1,105	339	15.5%	(748)	-67.7%	
Legal Fees and Expenses	2,021	8.2%	2,573	1,234	552	21.5%	(787)	-63.8%	
Professional Services	3,133	12.8%	6,248	4,346	3,115	49.9%	1,213	27.9%	
Other	1,600	6.5%	1,895	1,542	295	15.6%	(58)	-3.8%	
Total Expenses	24,539	100.0%	31,098	23,076	6,559	21.09%	(1,463)	-6.34%	
Revenue for collecting large deductible recoveries as provided by PA statute Act 46	401		317	-	84	26.5%	401	n/a	
Large Deductible Collection Revenue									
Net Expenses	\$ 24,138		\$ 30,781	\$ 23,076	\$ 6,643	21.58%	\$ (1,062)	-4.60%	

*This exhibit does not include certain guaranty association expenses that may qualify as administrative expenses of the estate.

**EXHIBIT
H**

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Expenses and Fees and Professional Services Paid
 January 2006 - June 2006

Classification	VENDOR NAME	January	February	March	April	May	June	2006 Total
Legal Fees and Expenses	ANDREW WALSH		17,193	4,883	12,136			17,019
	ARBITRATION & MEDIATION							1,500
	BAGEHOT & COMPANY	1,500		1,827	123	291		2,241
	BRAVERMAN, DANIELS & KASKEY, LTD.	82		1,685	3,469	45	135	5,417
	BROWN, BROWN & KLASS		2,420					2,420
	CONYERS, DILL & PEARMAN	399		3,748	2,908	16,980		24,035
	DASHIELL LAW OFFICES, LLC	16,051		5,678	175	17,019		39,923
	DEUTSCH, KERRIGAN, & STILES, L.L.P.			5,722				5,722
	DIANE NERGAARD		1,507				7,489	1,507
	DOBY PROFESSIONAL REPORTING, INC.	1,807		11,108				18,597
	ESQUIRE DEPOSITION SERVICE	650	6,060		4,869	1,237	2,598	14,177
	FIFTH THIRD BANK							1,237
	GLENN R. PARTRIDGE	2,887		936				3,822
	HUNTER + GEIST, INC.	3,489						3,489
	JACKSON LEWIS, LLP			2,750				2,750
	JAMES DECRESCENZO REPORTING, LLC	300	300	600				1,200
	JAMS, INC.	2,398						2,398
	JEFFREY D. MILLER, FSA						8,679	8,679
	KAPLAN, LEAMAN & WOLF COURT REPORTS						295	13,043
	LEGALINK			9,507	3,241			12,748
	LEXISNEXIS			523	621	2,141		3,286
	LIGHTFOOT, FRANKLIN & WHITE, LLC							45,347
	MARTIN D. HABER	630	44,717		7,776		28,954	229,270
	MILLER ALFANO & RASPANTI PC	67,063	1,049	72,279		52,149		25,204
	MORGENSTEIN & JUBELIRER LLP	5,996		1,366		17,842		41,383
	ON-SITE SOURCING, INC.	280	8,004		875	1,725	30,499	41,383
	PEPPER HAMILTON LLP	42,086		740,259	79,811	99,349	130,108	1,091,614
	PETER CRICKMERE		10,711					10,711
	ROYAL COURT REPORTING	490		1,087			449	2,026
	SCHWARTZ SEMERDJIAN HAILE BALLARD & CAULEY LLP	8,042		6,352	2,819	6,747		23,961
	STITES & HARBISON	1,701		441	1,250	975	944	5,310
	STRADLEY RONON STEVENS & YOUNG	7,524	5,466	51,338	36,146	351,119	93	451,686
	SUMMIT DOCUMENT SVCS, BIRMINGHAM	23,301						23,301
	SYLVIA KAMINSKY	1,105						1,105
	TATE, LAZARINI & BEALL		(210)	2,206				1,996
	THE GASS COMPANY, INC.			30,882				30,882
	THE HUSTEAD LAW FIRM	5,794			2,306	6,178	2,479	16,758

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Expense and Fees and Professional Services Paid
 January 2006 - June 2006

Classification	VENDOR NAME	January	February	March	April	May	June	2006 Total
	TIMMIS & INMAN PLLC	3,002		251		1,900		5,154
	W. MAX HOLLMANN	15,576	4,489					20,064
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	159,055		111,906	35,310	90,214	3,869	400,355
	Aggregate Amount for Total Vendor Payments Under \$1,000	2,990	62	1,101	604	327	411	5,495
Legal Fees and Expenses Total		374,198	101,767	1,069,437	194,439	666,239	217,002	2,623,082
Professional Services		60,000		96,500		50,600	57,025	264,125
	ALLIANCE CONSULTING				12,020	4,060	2,210	18,290
	AMPER, POLITZNER & MATTIS, P.C.						6,787	6,787
	BONNIE KUMIEGA & ASSOC							4,158
	CLAIMS MANAGEMENT GROUP LIMITED		4,158		67,311	67,055		270,285
	CSC/FSG-MYND CORP.	73,487	62,432		2,697		213	3,791
	GLASSBERG & POLLAK	152	609	120	1,120			11,134
	GOLDMAN & WARSHAW		10,014		75			7,079
	GR CONSULTING,LLC	1,050	4,200	1,754	4,052			4,052
	H2L2 LLP							471,100
	HELIX UK LIMITED	60,500	102,650	102,650	102,650	102,650	12,269	12,269
	HEWITT ASSOCIATES LLC							1,800
	HINMAN, HOWARD & KATTELL				1,800			1,250
	IEMPOLYEE							6,729
	JAY APPLEBAUM	2,850	702	(227)	2,294	16,625	1,110	88,789
	JEFFERSON WELLS INTERNATIONAL INC.		28,145		22,370			1,126
	JOHN DOHERTY			1,126				5,897
	KARL HOWE & ASSOCIATES			612				5,435
	KAZLOW & KAZLOW							1,345
	LAMONT, HANLEY & ASSOC., INC					1,345		2,006
	MCKAY, SIMPSON & LAWLER							4,109
	MICHAEL TRUSKOL			110	3,999			12,250
	PHILIP MASIN			12,250				50,000
	PHILO SMITH	50,000						183,360
	REINSURANCE SOLUTIONS INT'L	49,620						66,454
	RELIANCE INS CO (IN LIQUIDATION	32,476		60,540				27,500
	RIGHT MANAGEMENT CONSULTANTS			26,000				1,708
	SCHLESINGER & SCHLESINGER		958					1,042,431
	SMART & ASSOCIATES,LLP		342,505	215,493	27,774	137,958	318,701	4,031
	TROUT & ASSOCIATES, LTD.			1,273		2,758		275,175
	VERIS CONSULTING	81,286	70,703	15,256	16,749	53,000	38,180	9,626
	WILLIAMS & SHEDD	4,303	5,889	(135)	(431)			6,536
	Aggregate Amount for Total Vendor Payments Under \$1,000	624	1,707	921	677	936	1,671	

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Expenses and Fees and Professional Services Paid
 January 2006 - June 2006

Classification	VENDOR NAME	January	February	March	April	May	June	2006 Total
Professional Services Total		416,348	634,672	555,894	299,135	436,986	527,592	2,870,627
Total Legal Expenses and Fees and Professional Services Paid		790,546	736,439	1,625,331	493,574	1,103,225	744,594	5,493,710
Change in accrual and other non-cash transactions		46,204	244,019	(585,046)	(5,758)	(39,721)	561	(339,742)
Total Legal Expenses and Fees and Professional Services Incurred		836,750	980,458	1,040,285	487,816	1,063,504	745,155	5,153,968

* All expenses above are gross before any allocation between Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation).

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

EXHIBIT
I

Legion Insurance Company (In Liquidation)
Reinsurance Recoverables Due or Billable, Net
June 30, 2006

Reinsurer	Amount
FIRST EXCESS AND REINSURANCE CORPORATION	\$ 49,112,540
GE REINS CORP	42,140,482
NWVWEST EMPLOYERS CASUALTY COMPANY	35,238,589
HANNOVER RUCKVERSICHERUNGS AG	28,128,046
SCOR REINSURANCE COMPANY	23,647,948
SWISS RE LIFE & HEALTH AMERICA INC	21,810,782
EMPLOYERS REINSURANCE CORPORATION	17,261,637
TRANSATLANTIC REINSURANCE COMPANY	14,759,937
AMERICAN RE-INSURANCE COMPANY	14,731,575
SWISS REINSURANCE AMERICA CORP	12,970,457
LLOYDS SYNDICATE # 653	11,745,985
ODYSSEY REINS CORPORATION	10,558,577
JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY	9,455,752
LINCOLN NATIONAL HEALTH & CASUALTY INSURANCE COMPANY	9,478,308
FEDERAL INSURANCE COMPANY	8,918,844
CONTINENTAL CASUALTY COMPANY	8,102,917
XL REINSURANCE AMERICA LTD	8,566,941
BERKLEY INSURANCE COMPANY	8,171,134
LLOYDS SYNDICATE # 435	6,068,616
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	5,578,216
HARTFORD FIRE INSURANCE COMPANY	4,765,438
AMERICAN NATIONAL INSURANCE COMPANY	4,698,020
EVEREST REINSURANCE COMPANY	4,655,329
RELIASTAR LIFE INSURANCE COMPANY	4,235,027
FOLKSAMERICA REINSURANCE COMPANY	4,019,302
UNDERWRITERS REINSURANCE COMPANY	4,004,846
TRUSTMARK INSURANCE CO	3,948,091
EMPLOYERS EQUITY INSURANCE COMPANY	3,816,025
CORE INSURANCE COMPANY	3,584,937
PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY	3,465,290
LUMBERMENS MUTUAL CASUALTY CO	3,082,759
LLOYDS SYNDICATE # 376	3,081,597
CONSTITUTION INS CO	2,994,825
XL MID OCEAN REINSURANCE COMPANY LTD	2,891,028
AUTO-OWNERS INS CO	2,528,878
ODYSSEY AMER REINS CO	2,509,454
GIO (UK) LTD	2,452,552
HURST-HOLME INS COMPANY, LTD	2,380,228
CNA REINSURANCE CO. LTD.	2,283,828
LLOYDS SYNDICATE # 1245	2,270,043
WESTCHESTER FIRE INS CO	2,258,963
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	2,208,393
MUTUAL INDEMNITY (BERMUDA), LTD.	2,153,652
LLOYDS SYNDICATE # 1141	2,044,423
TRENWICK AMERICA REINSURANCE CORP	1,962,284
LLOYDS SYNDICATE # 271	1,590,691
UNIONAMERICA INSURANCE COMPANY, LTD	1,563,257
MANULIFE REINSURANCE CORP, USA	1,418,969
LLOYDS SYNDICATE # 205	1,411,230
GENERAL REINSURANCE CORPORATION	1,410,372
LLOYDS SYNDICATE # 991	1,350,112
LLOYDS SYNDICATE # 382	1,347,168
LLOYDS SYNDICATE # 570	1,228,093
AMERICAN UNITED LIFE INSURANCE COMPANY	1,210,321
MLA LIMITED	1,206,721
MUTUAL INDEMNITY, LTD.	1,156,043
ST PAUL REINSURANCE COMPANY LTD	1,122,814
LLOYDS SYNDICATE # 1218	1,108,875
CHARTWELL REINSURANCE COMPANY	1,095,134
ZURICH REINSURANCE CENTRE INC	1,069,744
INSURANCE COMPANY OF NORTH AMERICA	1,068,489
LLOYDS SYNDICATE # 183	1,054,876
LLOYDS SYNDICATE # 314	1,015,977
ALEA (BERMUDA) LTD	1,011,851
All Other Reinsurers (Less than \$1M due LIC)	27,238,657
Pending Cessions	129,487,528
	<u>\$ 598,825,238</u>

EXHIBIT

J

Villanova Insurance Company (In Liquidation)
Reinsurance Recoverables Due or Billable, Net
June 30, 2006

<u>Reinsurer</u>	<u>Amount</u>
SWISS REINSURANCE AMERICA CORP	5,630,069
LLOYDS SYNDICATE #053	3,603,152
MOTORS INSURANCE CORPORATION	2,979,459
MIDWEST EMPLOYERS CASUALTY COMPANY	2,913,994
ODYSSEY REINS CORPORATION	2,676,831
ODYSSEY AMER REINS CO	2,475,016
HANNOVER RUCKVERSICHERUNGS AG	2,180,238
CHARTWELL REINSURANCE COMPANY	1,536,450
AMERICAN NATIONAL INSURANCE COMPANY	1,312,063
FIRST EXCESS AND REINSURANCE CORPORATION	1,115,526
GE REINS CORP	1,040,748
All Other Reinsurers (Less than \$1M due VIC)	11,576,702
Pending Cessions	38,174,539
Total Reinsurance recoverables due or billable, net	<u>\$ 75,214,577</u>