

1/20/08



GOVERNOR'S OFFICE OF GENERAL COUNSEL

August 13, 2008

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

RECEIVED
COMMONWEALTH COURT
OF PENNSYLVANIA
13 AUG 2008 13 45

Re: Joel S. Arlo, Insurance Commissioner of the Commonwealth of Pennsylvania v. Villanova Insurance Company,
No. 182 M.D. 2002

Dear Mr. Krimmel:

Enclosed for filing, please find an original and two (2) copies of the Second 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.



IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel S. Ario, Insurance Commissioner,
Commonwealth of Pennsylvania,

Plaintiff,

v.

Villanova Insurance Company,
Defendant.

No. 182 M.D. 2002

RECEIVED
COMMONWEALTH COURT
OF PENNSYLVANIA
13 AUG 2008 13 46

**SECOND QUARTER 2008 FINANCIAL REPORT OF THE
LIQUIDATOR PURSUANT TO ORDER DATED JULY 1, 2004**

Joel Scott Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator (the "Liquidator") of Villanova Insurance Company ("Villanova"), through his undersigned counsel, hereby submits this Second Quarter 2008 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, 2008. 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, 2008, 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	\$2,622,000,000	\$3,314,600,000	(\$692,600,000)
VILLANOVA	\$250,700,000	\$508,900,000	(\$258,200,000)

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, 2008. As reflected in these Statements, as of June 30, 2008, Legion has a Net Deficit of \$692,600,000 and Villanova has a Net Deficit of \$258,200,000. 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, 2007 through June 30, 2008. The summaries also reflect an adjustment for marking the investments to market and other adjustments as of June 30, 2008. As reflected in these statements, the ending available cash and investments (net of payments) at market value as of June 30, 2008 for Legion and Villanova is \$788,600,000 and \$76,200,000, 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, 2008 through June 30, 2008 together with a comparison, by category of expense, between 2008 actual and 2008 budget and between 2007 and 2008 actuals. As reflected in the Statement, the total combined expenses through June 30, 2008 are \$24,697,000, which is 16.5% less than the 2008 budget and 11.6% more than 2007 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. In addition, the schedule reflects \$240,000 of revenue, which is 100.0% 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 \$40,000 related to expense reimbursement from a non-insurance affiliate.

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, 2008 through June 30, 2008. The schedule is broken down by month, with a year-to-date total through June 30, 2008 (before adjustments for changes in accrual and other non-cash transactions) of \$4,672,665.

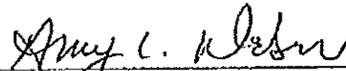
F. Administrative Expenses

Exhibit "G" Combined Expense Analysis, provides the accrued administrative expenses of the estate including salaries and employee benefits for the period January 1, 2008 through June 30, 2008 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, 2008 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

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

Dated: August 13, 2008

EXHIBIT
A

Legion Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
 June 30, 2008 and December 31, 2007
 (In Millions of Dollars)

	<u>6/30/2008</u>	<u>12/31/2007</u>
ASSETS		
Cash and short duration investments:		
Liquid securities	\$ 162.8	\$ 132.3
Money market deposits	626.8	558.6
Total invested assets	<u>788.6</u>	<u>690.9</u>
Premium balances	0.2	0.2
Estimated losses and loss adjustment expense reserves - ceded	1,053.3	1,179.2
Reinsurance recoverables due or billable, net	423.9	505.9
Early access advances	280.7	274.3
State deposits and unapplied state deposits available for early access	13.1	13.1
Post liquidation claims paid on behalf of guaranty associations	-	-
Amounts to be distributed per Act 46	14.7	17.9
Other assets	47.5	53.0
Total Assets	<u>\$ 2,622.0</u>	<u>\$ 2,734.5</u>
LIABILITIES		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses incurred since liquidation	\$ 232.3	\$ 201.1
Liquidator expenses paid since liquidation	(218.4)	(195.1)
Liquidator expenses	13.9	6.0
Guaranty associations' paid ULAE reported	87.6	95.8
Guaranty associations' reserves ULAE	22.6	14.6
Total	<u>\$ 123.9</u>	<u>\$ 116.3</u>
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	1,179.0	1,124.9
Liquidator valued NODs accepted	16.9	7.6
Estimated reserves	1,565.2	1,722.7
Total	<u>2,761.1</u>	<u>2,855.2</u>
C - Federal government claims		
D - Certain employee claims		
E - General creditor claims:		
Guaranty associations paid	26.4	16.3
Liquidator valued NODs accepted	17.3	16.5
Estimated reserves	298.3	290.9
Total	<u>342.0</u>	<u>326.7</u>
F - State and local government claims		
Liquidator valued NODs accepted	10.1	7.9
Estimated reserves	49.3	51.4
Total	<u>59.4</u>	<u>59.3</u>
G - Late filed claims		
Liquidator valued NODs accepted	1.3	0.5
Ancillary Receiverships:		
Post liquidation claims paid, gross	43.3	39.7
Estimated losses and loss adjustment expense reserves - direct	54.4	48.6
Offset of unapplied liquidated statutory deposit	(70.8)	(70.8)
Post liquidation claims, net	<u>26.9</u>	<u>17.5</u>
Total liabilities	<u>3,314.6</u>	<u>3,374.5</u>
Net surplus (deficit)	<u>(692.6)</u>	<u>(640.0)</u>
Total Liabilities and Surplus (Deficit)	<u>\$ 2,622.0</u>	<u>\$ 2,734.5</u>

* See Note to Special Purpose Statement of Assets and Liabilities

**EXHIBIT
B**

Villanova Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
June 30, 2008 and December 31, 2007
(in Millions of Dollars)

	6/30/2008	12/31/2007
ASSETS		
Cash and short duration investments:		
Liquid securities	\$ -	\$ -
Money market deposits	76.2	62.3
Total invested assets	76.2	62.3
Premium balances	0.3	0.2
Estimated losses and loss adjustment expense reserves - ceded	66.8	84.8
Reinsurance recoverables due or billable, net	66.6	86.3
Early access advances	35.2	34.9
State deposits and unapplied state deposits available for early access	1.1	1.2
Post liquidation claims paid on behalf of guaranty associations	-	-
Amounts to be distributed per Act 46	3.2	4.6
Other assets	11.3	8.0
Total Assets	\$ 260.7	\$ 282.3
LIABILITIES		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses incurred since liquidation	\$ 24.4	\$ 22.9
Liquidator expenses paid since liquidation	(23.9)	(21.3)
Liquidator expenses	0.5	1.6
Guaranty associations' paid ULAE reported	15.5	22.1
Guaranty associations' reserves ULAE	12.5	5.9
Total	\$ 28.5	\$ 29.6
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	213.4	199.9
Liquidator valued NODs accepted	0.2	-
Estimated reserves	230.1	253.7
Total	443.7	463.6
C - Federal government claims		
D - Certain employee claims		
E - General creditor claims:		
Guaranty associations paid	5.6	2.4
Liquidator valued NODs accepted	1.6	1.3
Estimated reserves	22.2	33.9
Total	29.3	37.6
F - State and local government claims:		
Liquidator valued NODs accepted	2.2	2.0
Estimated reserves	2.3	2.5
Total	4.5	4.5
G - Late filed claims:		
Liquidator valued NODs accepted	-	-
Ancillary Recoveries:		
Post liquidation claims paid, gross	2.2	1.8
Estimated losses and loss adjustment expense reserves - direct	3.0	2.8
Offset of unapplied liquidated statutory deposit	(2.3)	(2.2)
Total	2.9	2.4
Total liabilities	508.9	527.7
Net surplus (deficit)	(268.2)	(245.4)
Total Liabilities and Surplus (Deficit)	\$ 260.7	\$ 282.3

* 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:

- 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
C

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

Surplus as Regards Policyholders, Beginning Balance	\$ 298.3
Net Loss:	
Underwriting Loss, Net	(1,137.1)
Investment Income, Net	120.0
Other Expense, Net	(23.9)
Loss Before Income Taxes	<u>(1,041.0)</u>
Federal & Foreign Income Taxes	(22.4)
Net Loss	<u>(1,018.6)</u>
Net Unrealized Capital Gains (Losses)	(26.1)
Change in Net Deferred Income Tax	(42.3)
Change in Non Admitted Assets	73.4
Change in Provision for Reinsurance	22.7
Change in Surplus as Regards Policyholders for the Period	<u>(990.9)</u>
Surplus as Regards Policyholders, Ending Balance	<u>\$ (692.6)</u>

**EXHIBIT
D**

Exhibit D

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

Surplus as Regards Policyholders, Beginning Balance	\$	27.6
Net Loss:		
Underwriting Loss, Net		(130.0)
Investment Income, Net		13.6
Other Expense, Net		(2.5)
Loss Before Income Taxes		(118.9)
Federal & Foreign Income Taxes		7.5
Net Loss		(126.4)
Net Unrealized Capital Gains (Losses)		-
Change in Net Deferred Income Tax		(8.6)
Change in Non Admitted Assets		(162.6)
Change in Provision for Reinsurance		1.7
Change in Surplus as Regards Policyholders for the Period		(285.8)
Surplus as Regards Policyholders, Ending Balance	\$	(268.2)

EXHIBIT
E

Ligon 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	\$ 771.8	\$ 771.4	\$ 771.4	\$ 782.5	\$ 787.0	\$ 817.2	\$ 894.3	\$ 691.9	\$ 737.2	765	781.3	790.3
Premium collections (net of expenses)	0.3	0.3	0.2	0.1	0.1	0.3	-	0.1	-	0.1	0.1	0.3
Reinsurance collections:												
Mutual Companies	-	-	-	-	-	-	-	-	-	-	-	-
All Other Reinsurers	7.3	21.3	12.0	11.3	12.7	11.6	6.4	48.2	29.8	21.6	10.8	8.4
Reinsurance commitments/adjustments:												
Mutual Companies	-	-	-	1.9	-	-	-	-	-	-	-	-
All Other Reinsurers	-	18.4	-	2.0	-	-	0.1	-	-	-	-	-
Deductible Recoveries:												
Mutual Companies	1.4	-	1.1	4.3	0.7	-	-	-	-	1.8	-	0.8
All Other	0.2	0.1	0.5	0.1	0.1	0.1	-	0.1	0.1	0.4	0.2	0.1
Investment Income (net of expenses)	2.8	2.7	2.8	3.0	2.9	2.9	1.4	0.2	2.0	2.1	1.7	1.8
Total Sources of Cash	12.0	22.3	16.7	22.7	24.1	14.5	7.9	48.5	31.9	26.0	12.9	11.4
Less: Loss adjustment expenses payments	-	-	-	-	-	-	-	-	-	-	-	-
Paid expenses	(1.7)	(2.0)	(1.6)	(2.2)	(2.1)	(2.6)	(1.8)	(2.1)	(2.8)	(2.3)	(2.3)	(2.2)
Payroll	(1.3)	(1.8)	(1.2)	(1.3)	(1.3)	(1.3)	(2.1)	(1.3)	(1.4)	(1.4)	(1.3)	(1.3)
Intercompany transfers	(0.4)	0.2	(0.2)	(0.4)	-	(0.5)	(0.2)	-	-	(0.1)	-	(1.0)
Guaranty Association transactions	-	-	-	-	-	(133.4)	(6.7)	-	-	-	-	-
Amount to be distributed per Act 46	-	-	(2.6)	(4.8)	-	(0.8)	-	(0.1)	-	(0.3)	-	(1.4)
Other cash inflows (outflows)	1.3	0.4	0.3	0.2	0.1	0.5	0.1	0.2	0.1	2.4	0.2	0.1
Total Uses of Cash	(2.1)	(5.2)	(6.3)	(8.5)	(8.3)	(137.9)	(10.8)	(3.3)	(4.3)	(0.7)	(0.9)	(8.5)
Ending Available Cash and Investments	\$ 771.8	\$ 771.4	\$ 782.5	\$ 787.0	\$ 817.2	\$ 894.3	\$ 691.9	\$ 737.2	\$ 765.9	\$ 781.3	\$ 790.3	\$ 792.2
Mark to Market and other adjustments	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)
Adjusted Balance	\$ 775.6											

**EXHIBIT
F**

Villanova Insurance Company (In Liquidation)
 Cash Flow Summary
 Liquidation Basis
 YTD June 30, 2005
 (In millions)

	2005											
	July	August	September	October	November	December	January	February	March	April	May	June
Beginning Available Cash and Investments	\$ 69.1	\$ 70.8	\$ 70.8	\$ 70.5	\$ 70.3	\$ 70.7	\$ 62.3	\$ 62.3	\$ 64.8	\$ 85.7	\$ 75.3	\$ 74.5
Premium obligations (net of expenses)	-	-	-	-	-	-	-	-	-	-	-	-
Reinsurance collections:												
Reinsurance recoverables:												
Mutual Companies	0.3	0.4	0.2	3.9	0.1	1.2	0.7	1.3	0.7	-	-	(0.4)
All Other Reinsurers	-	-	-	-	-	-	-	-	-	-	-	-
Reinsurance commitments/assessments:												
Mutual Companies	-	-	-	-	-	-	-	-	-	-	-	-
All Other Reinsurers	-	-	-	-	-	-	-	-	-	-	-	-
Debitable Recoveries:												
Mutual Companies	-	-	-	-	-	-	-	-	-	-	-	-
All Other	-	-	-	-	-	-	-	-	-	-	-	-
Investment income (net of expenses)	0.3	0.5	0.2	0.5	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Total Sources of Cash	0.6	0.7	0.4	3.2	0.4	1.5	0.5	1.5	0.5	0.2	0.2	(0.2)
Loss & loss adjustment expense payments	-	-	-	-	-	-	-	-	-	-	-	-
Paid expenses	-	-	-	-	-	-	-	-	-	-	-	-
Payroll	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany transfers	0.4	-	-	0.4	-	0.5	0.3	-	-	9.5	-	1.0
Guaranty Association transactions	-	-	-	-	-	(10.6)	(0.2)	-	-	-	-	-
Amount to be distributed per Act 45	-	-	(1.2)	(0.6)	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Other cash inflows (outflows)	-	0.4	-	-	-	0.1	-	-	-	-	-	-
Total Uses of Cash	0.4	(0.9)	(0.2)	(0.2)	(12.5)	0.1	-	-	-	9.4	-	0.9
Ending Available Cash and Investments	\$ 70.1	\$ 70.5	\$ 70.5	\$ 70.3	\$ 70.7	\$ 62.3	\$ 62.3	\$ 64.8	\$ 66.7	\$ 76.3	\$ 75.5	\$ 74.2
Mark to Market and other adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Balance	\$ 70.1	\$ 70.5	\$ 70.5	\$ 70.3	\$ 70.7	\$ 62.3	\$ 62.3	\$ 64.8	\$ 66.7	\$ 76.3	\$ 75.5	\$ 74.2

EXHIBIT
G

LEGION INSURANCE COMPANY (IN LIQUIDATION)
 VILLANOVA INSURANCE COMPANY (IN LIQUIDATION)
 COMBINED EXPENSE ANALYSIS BY ACCOUNT
 June 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	209		218	208	9	4.1%	(1)	-0.5%	
Part Time	1		1	1	-	0.0%	-	0.0%	
Contractor Help	25		33	24	8	24.2%	(1)	-4.2%	
Total Staffing - Current	235		252	233	17	6.7%	(2)	-0.9%	
Staffing - Average									
Full Time	212		212	210	-	0.0%	(2)	-1.0%	
Part Time	1		1	1	-	0.0%	-	0.0%	
Contractor Help	27		23	23	(4)	-15.2%	(4)	-15.2%	
Total Staffing - Average	239		236	234	(4)	-1.5%	(6)	-2.4%	
General & Administrative Expenses									
Salaries	\$ 12,141	49.2%	\$ 13,794	\$ 10,455	\$ 1,653	12.0%	\$ (1,656)	-15.3%	
Benefits	2,593	10.5%	2,610	2,396	17	0.5%	(197)	-8.2%	
Occupancy	1,426	5.8%	1,689	1,489	263	15.5%	62	4.2%	
Equipment	1,825	7.4%	2,032	1,956	207	10.2%	31	1.7%	
Legal Fees and Expenses	2,773	11.2%	3,228	1,334	455	14.1%	(1,439)	-107.5%	
Professional Services	2,277	9.2%	3,953	2,784	1,576	42.8%	507	18.2%	
Other	1,661	6.7%	2,282	1,768	620	27.2%	125	7.0%	
Total Expenses	24,697	100.0%	29,587	22,130	4,890	18.5%	(2,567)	-11.5%	
Revenue for Collecting Large Deductible Recoveries as Provided by PA Statute Act 46									
Act 46 Collection	240		120	236	120	100.0%	4	1.7%	
Expense Reimbursement					40	n/a	(734)	-94.8%	
Non-insurance affiliate					160	133.4%	(730)	-72.3%	
Total Revenue	280		120	1,010	5,050	17.1%	(3,297)	-15.6%	
Net Budget	\$ 24,417		\$ 29,467	\$ 21,120	\$ 5,050	17.1%	\$ (3,297)	-15.6%	

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
H**

Page 1 of 1
01/11/2016

Legion Insurance Company (In Liquidation)
 Vitanova Insurance Company (In Liquidation)
 Legal Expenses and Fees and Professional Services Paid
 January 2008 - June 2008

Classification	VENDOR NAME	Services Provided	January	February	March
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant	1,575		
	ARBITRATION & MEDIATION	Reinsurance Arbitrator	1,820		
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation		3,307	
	DAVID THIRKILL	Reinsurance Arbitrator	3,150		
	DEUTSCH KERRIGAN & STILES, L.L.P.	General Collection Litigation		881	
	ESQUIRE DEPOSITION SERVICES	Court Reporting Services			
	GOLKOW TECHNOLOGIES, INC.	Court Reporting Services			
	GRP, LLC	Reinsurance Witness			22,658
	LEG CONSULTING, INC.	Reinsurance Arbitrator			4,108
	JOHN ROWLAND QC	Reinsurance Arbitrator	1,379	465	304
	LEXISNEXIS	Legal Research Fees			817
	MARTIN D. HABER	Reinsurance Arbitrator	1,586		
	MARY ELLEN BURNS ESQUIRE	Reinsurance Arbitrator	1,142	1,487	
	MILLER ALFANO & RASPANTI PC	General Litigation and Liquidation Advice			
	ON-SITE SOURCING, INC.	Scanning and Copying Services			
	P.J.Z. CRICKMERE	Witness Fees			264,848
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice	109,073		
	PIETRAGALLO, GORDON, ALFANO, BOSICK & RASPANTI LLP	General Litigation and Liquidation Advice			
	ROBBE LLC	Reinsurance Arbitrator			2,000
	ROBERT B. GREEN	Reinsurance Arbitrator			8,838
	SCHIFF HARDIN LLP	Premium Collection Litigation		188	2,539
	SCHWARTZ SEMERDJIAN HALL & CAULEY LLP	Premium Collection Litigation	3,753		978
	SCHWARTZ SEMERDJIAN HALL & CAULEY LLP	Premium Collection Litigation		1,132	6,893
	STRADLEY RONON	Premium Collection Litigation			(26,156)
	STROOCK & STROOCK & LAVAN, LLC	Reinsurance Arbitrator			2,718
	THOMSON MEST	Legal Research Fees	2,868	2,334	
	TRENAM, KEMKER, SCHARF, BARKIN	General Litigation		62,863	
	W. MAX HOLLIMANN	Expert Witness		31,827	9,550
	WINTER REPORTING INC.	Court Reporting Services			15,638
	WOLF CONSULTING, INC.	Expert Witness Services			
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	Premium Collection Litigation, Asset Sale Advice, Labor Advice, General Advice	158,328	34,995	121
		General Legal Support Costs	1,127	371	16
		Aggregate Amount for Total Vendor Payments Under \$1,000	285,954	146,184	315,967
	Total Legal Fees and Expenses Paid	36,699	199,729	155,524	
	Change in Legal Fees and Expenses accrued and other non-cash transactions	322,653	245,413	471,481	
	Total Legal Fees and Expenses Incurred				

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Expenses and Fees and Professional Services Paid
 January 2008 - June 2008

Classification	VENDOR NAME	Services Provided	April	May	June	2008 Total
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant	3,070			4,645
	ARBITRATION & MEDIATION	Reinsurance Arbitrator			1,620	1,620
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation	1,831	342	323	5,203
	DAVID THIRKILL	Reinsurance Arbitrator		2,476		3,150
	DEUTSCH, KERRIGAN, & STILES, L.L.P.	General Collection Litigation	579			3,936
	ESQUIRE DEPOSITION SERVICES	Court Reporting Services	8,401		9,022	8,401
	GOLKOW TECHNOLOGIES, INC.	Court Reporting Services	3,868	2,845		11,867
	GRP LLC	Reinsurance Witness	14,579	14,891	12,529	3,688
	JEC CONSULTING, INC.	Reinsurance Arbitrator			3,852	4,108
	JOHN ROWLAND QC	Legal Research Fees	304		9,894	6,304
	LEXISNEXIS	Reinsurance Arbitrator				10,411
	MARTIN D. HABER	Reinsurance Arbitrator				1,536
	MARY ELLEN BURNS, ESQUIRE	General Litigation and Liquidation Advice				2,629
	MILLER ALFANO & RASPANTI PC	Scanning and Copying Services			92,585	92,585
	ON-SITE SOURCING, INC.	Witness Fees	9,378			9,378
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice	205,103	305,635	184,314	1,066,973
	P.J.Z. CRUCKIERE	General Litigation and Liquidation Advice	17,450	11,996	18,391	47,838
	PIETRAGALLO, GORDON, ALFANO, BOSICK & RASPANTI, LLP	Reinsurance Arbitrator		560	980	2,920
	ROBERT B. GREEN	Reinsurance Arbitrator				3,338
	SCHIFF HARDIN, LLP	Premium Collection Litigation	1,479	2,909	3,330	10,546
	SCHWARTZ SEMERDJIAN HAILE BALLARD & CAULEY LLP	Premium Collection Litigation	1,159		959	6,848
	STRADLEY RONON	Premium Collection Litigation	6,777	5,825	17,096	37,662
	STROOCK & STROOCK & LAVAN, LLC	Reinsurance Arbitrator		2,846	4,824	18,604
	TROMSON WEST	Legal Research Fees	184,384	147,878	45,115	420,550
	TRENUM, KEMKER, SCHARF, BARKIN	Expert Witness	21,950			63,327
	W. MAX HOLLMANN	Court Reporting Services	1,448	9,528	4,111	15,086
	WINTER REPORTING INC.	Expert Witness Services		2,685		24,047
	WMF CONSULTING, INC.	Premium Collection Litigation, Asset Sale Advice, Labor Advice, General Advice				302,110
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	General Legal Support Costs	70,265	32,132	35,669	3,621
			2,091	16		2,267,482
			535,022	542,342	442,014	505,553
			(274,684)	6,958	824,145	2,773,035
			260,338	548,395		
	Aggregate Amount for Total Vendor Payments Under \$1,000					
	Total Legal Fees and Expenses Paid					
	Change in Legal Fees and Expenses accrual and other non-cash transactions:					
	Total Legal Fees and Expenses Incurred					

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Expenses and Fees and Professional Services Paid
 January 2008 - June 2008

Classification	Vendor Name	Services Provided	April	May	June	2008 Total
Professional Services	ALLIANCE CONSULTING	Data Management Consultant	24,750	16,800	7,980	148,025
	ARRAYA SOLUTIONS, INC.	IT Technical Support			3,200	3,200
	CSC/FSG-MYND CORP.	Data Processing and Outsourcing	51,361	54,151	33,248	322,305
	ENET	IT Technical Support		100,900	89,500	438,800
	HELD UK LIMITED	London Reinsurance Collection Intermediary				3,494
	HEWITT ASSOCIATES LLC	Human Resources & Technical Consulting		68,120		152,958
	HUGGINS ACTUARIAL SERVICE, INC.	Actuarial Services	33,835	790		69,820
	JEFFERSON WELLS INTERNATIONAL, INC.	Audit Services			22,300	30,841
	JOHNSON LAMBERT & CO	Audit Services		1,565	763	6,889
	MERGER HUMAN RESOURCE CONSULTING	Human Resources Consulting				2,924
	MINTZER SAROWITZ ZRIS & LEDVA	Litigation Support Services	151,628	65		213,192
	NAVIGANT CONSULTING, INC.	Data Management Consultant				23,255
	PRICEWATERHOUSE COOPERS LLP	Actuarial Services				157,977
	REINSURANCE SOLUTIONS INTL	Reinsurance Technical Support	17,977	24,386		53,456
	RELANCE INS CO (IN LIQUIDATION)	Shared Resources for Monitoring Reinsurers Solvency				44,210
	RESOURCE BRIDGE	e-Learning Technology Development		34,940	9,605	3,000
	RIGHT MANAGEMENT CONSULTANTS	Human Resources Consulting	1,500	1,500		
	SMART BUSINESS ADVISORY & CONSULTING, LLC	Reinsurance Technical Support & Contract Reinsurance Services	83,152		144,099	505,382
	TRANSNET CORPORATION	Data Management Consultant	(219)	37	4,404	4,950
	PREMIUM RECEIVED NET OF COLLECTION FEES	Collection Support Services	(3,363)	(362)		(6,566)
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Professional Fees	360,600	327,892	375,749	2,405,183
Total Professional Services Paid			2,044	104,563	25,447	(127,919)
Change in Professional Services Accrual and other non-cash transactions			352,844	432,455	401,396	2,277,264
Total Professional Services Incurred			622,882	581,450	1,225,941	5,030,283
Total Legal Expenses and Fees and Professional Services Incurred						

* All expenses above are gross before any allocation among Legion Insurance Company (In Liquidation), Villanova Insurance Company (In Liquidation) and PRMSLIC, Inc.
 Credit amounts may represent adjustments to accruals, negative expenses and classification adjustments.

**EXHIBIT
I**

Legion Insurance Company (in Liquidation)
Reinsurance Recoverables Due or Billable, Net
June 30, 2008

Reinsurer	Amount
MIDWEST EMPLOYERS CASUALTY COMPANY	\$ 43,845,718
HANNOVER RUCKVERSICHERUNGS AG	31,999,628
FIRST EXCESS REINSURANCE CORPORATION	24,783,499
AMERICAN SAFETY CASUALTY INSURANCE COMPANY	12,994,218
ODYSSEY REINSURANCE CORPORATION	11,382,037
AMERICAN REINSURANCE COMPANY	8,814,466
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	8,214,084
FOLKSAMERICA REINSURANCE COMPANY	7,337,031
SCOR REINSURANCE COMPANY	8,824,415
TRANSATLANTIC REINSURANCE COMPANY	6,144,010
FEDERAL INSURANCE COMPANY	8,067,090
ALBA EUROPE LIMITED	6,957,159
MUTUAL INDEMNITY (BERMUDA), LTD.	6,312,741
XL REINSURANCE AMERICA LTD	5,275,225
CONNECTICUT GENERAL LIFE REINSURANCE COMPANY	4,738,417
LLOYDS SYNDICATE # 435	4,814,614
PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY	4,235,437
CORE INSURANCE COMPANY	3,600,728
EMPLOYERS REINSURANCE CORPORATION	3,330,449
CHUBB ATLANTIC INDEMNITY LIMITED	3,318,727
WESTCHESTER FIRE INSURANCE COMPANY	3,304,233
LLOYDS SYNDICATE # 63	3,038,055
LINCOLN NATIONAL LIFE INSURANCE COMPANY	2,733,955
AMERICAN NATIONAL INSURANCE COMPANY	2,626,609
ODYSSEY AMERICA REINSURANCE CORPORATION	2,435,618
JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY	2,398,473
CHA INTERNATIONAL REINSURANCE COMPANY	2,378,687
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	2,371,487
WESTPORT INSURANCE CORPORATION	2,293,635
LINCOLN NATIONAL HEALTH & CASUALTY INSURANCE COMPA	2,181,168
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	2,159,813
ACE INSURANCE SA-IV	2,169,063
LIFE REASSURANCE CORPORATION OF AMERICA	2,148,827
LLOYDS SYNDICATE # 183	2,097,113
MANULIFE REINSURANCE CORPORATION (USA)	2,001,133
TRUSTMARK INSURANCE COMPANY	1,816,428
UNDERWRITERS REINSURANCE COMPANY	1,802,783
LLOYDS SYNDICATE # 1245	1,724,395
UTAH WORKERS COMPENSATION FUND	1,440,302
UNITAMERICA INSURANCE COMPANY LTD	1,381,663
TRENAMCO AMERICA REINSURANCE CORPORATION	1,330,100
LLOYDS SYNDICATE # 670	1,314,437
LLOYDS SYNDICATE # 378	1,281,532
HARTFORD FIRE INSURANCE COMPANY	1,240,651
LLOYDS SYNDICATE # 1173	1,227,837
GIO (UK) LTD	1,188,274
CHARTWELL REINSURANCE COMPANY	1,095,403
LLOYDS SYNDICATE # 382	1,054,373
All Other Reinsurers (1418 Other \$1M ORN LIC)	25,407,059
Pending Claims	133,243,413
Total Reinsurance Recoverables Due or Billable, net	\$ 423,849,557

EXHIBIT
J

Exhibit J

Villanova Insurance Company (In Liquidation)
 Reinsurance Recoverables Due or Billable, Net
 June 30, 2008

Reinsurer	Amount
SWISS REINSURANCE AMERICA CORPORATION	\$ 5,237,921
GE REINSURANCE CORPORATION	4,080,940
HANNOVER RUCKVERSICHERUNGS AG	3,897,088
ALEA EUROPE LIMITED	2,695,288
MIDWEST EMPLOYERS CASUALTY COMPANY	2,290,884
WESTPORT INSURANCE CORPORATION	1,923,380
FIRST EXCESS REINSURANCE CORPORATION	1,809,133
CHARTWELL REINSURANCE COMPANY	1,685,909
ODYSSEY REINSURANCE CORPORATION	1,492,598
SWISS RE LIFE COMPANY OF AMERICA	1,093,678
CHUBB ATLANTIC INDEMNITY LIMITED	1,007,658
All Other Reinsurers (Less than \$1M due VIC)	8,923,276
Pending Cessions	<u>30,385,211</u>
Total Reinsurance recoverables due or billable, net	<u>\$ 69,682,844</u>

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel S. Ario,
Insurance Commissioner of the
Commonwealth of Pennsylvania

Plaintiff,

v.

Villanova Insurance Company
One Logan Square, Suite 1400
Philadelphia, PA 19103

Defendant.

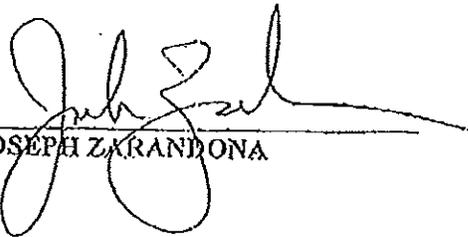
Docket No. 182 M.D. 2002

**AFFIDAVIT OF JOSEPH ZARANDONA
IN SUPPORT OF THE SECOND QUARTER 2008
FINANCIAL REPORT OF THE LIQUIDATOR**

I, JOSEPH ZARANDONA, hereby depose and state as follows:

1. I am Chief Liquidation Officer of Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) ("the Estates"), and am responsible for overseeing their daily business operations.
2. I directed the preparation of and have reviewed the Second Quarter 2008 Financial Report of the Liquidator ("the Report").
3. 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 2008.
4. My certification is made in reasonable reliance on the work of qualified staff and the Estates' internal procedures for financial operations.
5. I verify that the matters stated therein are true and correct to the best of my

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


JOSEPH ZARANDONA

Sworn to and subscribed before me
this 12 th day of August, 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

3. I certify that the Exhibits attached to the Report fairly present the following:

A. Special Purpose Statements of Assets and Liabilities: Exhibits "A" and "B" to the Report are Special Purpose Statements of Assets and Liabilities for the Estates as of June 30, 2008. 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, 2008.

C. Monthly Cash Flow Summaries: Exhibits "E" and "F" are cash flow summaries on a monthly basis for the Estates including investment transactions for the period July 1, 2007 through June 30, 2008.

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 January 1, 2008 through June 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.

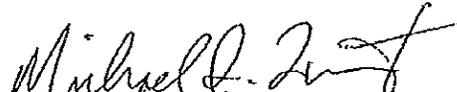
F. Professional Services Paid and Incurred: Exhibit "H" is a schedule reflecting the amounts which the Liquidator paid to or amounts which the Liquidator has incurred as a result of the performance of services by various professional vendors, including accounting and actuarial firms, consultants on reinsurance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

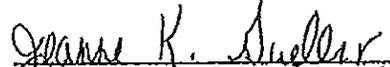
H. Reinsurance Recoverables Due or Billable Net: Detailed information relating to reinsurance recoverables of the Estates due or billable net as of June 30, 2008 is submitted as Exhibits "I" and "J" respectively.

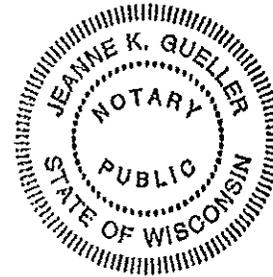
4. Based on my knowledge, the financial information included in the Report fairly presents in all material respects the financial condition, results of operations and cash flows for the Second Quarter of 2008.

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

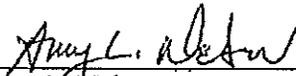
Sworn to and subscribed before me
this 11 th day of Aug., 2008.


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 Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, in his 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 Exhibit H to the Second Quarter 2008 Financial Report of the Liquidator and I certify that these legal fees and expenses are reasonable and necessary. I also have reviewed Exhibit G, 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: 8/13/08