



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) 787-8009
Fax (717) 772-4543

February 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 Fourth Quarter 2005 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

RECEIVED
COMMONWEALTH COURT
OF PENNSYLVANIA
15 FEB 2006 12 10

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 FEB 2006 12 10

**FOURTH QUARTER 2005 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 Fourth Quarter 2005 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 December 31, 2005. 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 December 31, 2005, 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	\$3,349,400,000	\$3,574,800,000	(\$225,400,000)
VILLANOVA	\$305,900,000	\$414,900,000	(\$109,000,000)

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 December 31, 2005. As reflected in these Statements, as of December 31, 2005, Legion has a Net Deficit of \$225,400,000 and Villanova has a Net Deficit of \$109,000,000. 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 excluding investment transactions, respectively, for the period January 1, 2005 through December 31, 2005. As reflected in these statements, the ending available cash and investments (net of payments) as of December 31, 2005 for Legion and Villanova is \$402,200,000 and \$37,300,000, 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, 2005 through December 31, 2005 together with a comparison, by category of expense, between 2005 actual and 2005 budget and between 2004 and 2005 actuals. As reflected in the Statement, the total combined expenses through December 31, 2005 are \$47,788,000, which is 21.01% less than the 2005 budget and 5.63% less than 2004 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses.

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, 2005 through December 31, 2005. The schedule is broken down by month, with a year-to-date total through December 31, 2005 (before adjustments for changes in accrual and other non-cash transactions) of \$9,358,204.

F. Administrative Expenses

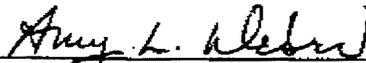
Exhibit "G" Combined Expense Analysis, provides the accrued administrative expenses of the estate including salaries and employee benefits for the period January 1, 2005 through December 31, 2005 except for certain guaranty association expenses that may qualify as

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 December 31, 2005 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: February 14, 2006

VERIFICATION

I, Joseph DiMemmo, Deputy Insurance Commissioner, of the Office of Liquidations, Rehabilitations and Special Funds, of the Pennsylvania Insurance Department, am duly authorized to make this Verification 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 have read the Fourth Quarter 2005 Financial Report of the Liquidator and verify that the matters stated therein are true and correct to the best of my knowledge, information and belief. I understand that this Verification is made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

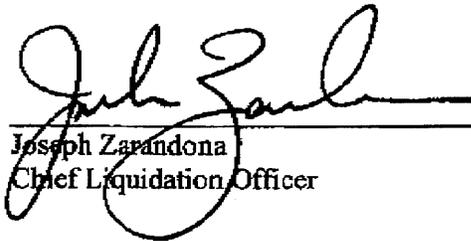


Joseph DiMemmo
Deputy Insurance Commissioner

Dated: February 14, 2006

VERIFICATION

I, Joseph Zarandona, Chief Liquidation Officer, have been retained by M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, and am responsible for the on-site insurance and financial operations of Villanova Insurance Company (In Liquidation). I have read the Fourth Quarter 2005 Financial Report of the Liquidator and verify that the matters stated therein are true and correct to the best of my knowledge, information and belief. I understand that this Verification is made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.



Joseph Zarandona
Chief Liquidation Officer

Dated: February 14, 2006

EXHIBIT
A

Legion Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
December 31, 2005 and December 31, 2004
(In Millions of Dollars)

	<u>12/31/2005</u>	<u>12/31/2004</u>
ASSETS		
Cash and short duration investments:		
Liquid securities	\$ 300.6	\$ 178.0
Illiquid securities	-	-
Overnight deposits	98.1	31.1
Statutory deposits	<u>16.8</u>	<u>16.8</u>
Total invested assets	415.5	225.9
Premium balances	4.8	20.8
Estimated losses and loss adjustment expense reserves - ceded	2,059.9	2,472.3
Reinsurance recoverables due or billable, net	578.0	460.3
Unapplied liquidated statutory deposit proceeds	178.5	178.8
Post liquidation claims paid on behalf of guaranty associations	5.5	5.5
Other assets	<u>7.2</u>	<u>16.3</u>
Total Assets	<u>\$ 3,349.4</u>	<u>\$ 3,379.8</u>
LIABILITIES		
Estimated losses and loss adjustment expense reserves - direct	\$ 2,245.4	\$ 2,722.7
Estimated losses and loss adjustment expense reserves - assumed	193.7	285.7
Post liquidation claims paid by guaranty associations	753.8	75.5
Funds held	19.6	40.8
Other liabilities	<u>362.3</u>	<u>370.2</u>
Total liabilities	3,574.8	3,497.7
Net surplus (deficit)	<u>(225.4)</u>	<u>(117.8)</u>
Total Liabilities and Surplus (Deficit)	<u>\$ 3,349.4</u>	<u>\$ 3,379.8</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*
December 31, 2005 and December 31, 2004
(In Millions of Dollars)

	<u>12/31/2005</u>	<u>12/31/2004</u>
ASSETS		
Cash and short duration investments:		
Liquid securities	\$ 31.0	\$ 23.8
Overnight deposits	5.7	3.6
Statutory deposits	<u>1.0</u>	<u>1.1</u>
Total invested assets	37.7	28.5
Premium balances	0.7	3.5
Estimated losses and loss adjustment expense reserves - ceded	141.1	201.2
Reinsurance recoverables due or billable, net	84.8	35.5
Unapplied liquidated statutory deposit proceeds	37.1	37.3
Post liquidation claims paid on behalf of guaranty associations	0.5	0.5
Other assets	<u>4.0</u>	<u>(6.5)</u>
Total Assets	<u>\$ 305.9</u>	<u>\$ 300.0</u>
LIABILITIES		
Estimated losses and loss adjustment expense reserves - direct	\$ 221.8	\$ 319.8
Estimated losses and loss adjustment expense reserves - assumed	21.6	21.7
Post liquidation claims paid by guaranty associations	134.0	4.1
Funds held	4.0	7.1
Other liabilities	<u>33.5</u>	<u>81.3</u>
Total liabilities	414.9	414.0
Net surplus (deficit)	<u>(109.0)</u>	<u>(114.0)</u>
Total Liabilities and Surplus (Deficit)	<u>\$ 305.9</u>	<u>\$ 300.0</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 December 31, 2005
(In Millions of Dollars)

Surplus as Regards Policyholders, Beginning Balance	\$ 298.3
Net Loss:	
Underwriting Loss, Net	(581.9)
Investment Income, Net	27.3
Other Expense, Net	<u>(22.5)</u>
Loss Before Income Taxes *	(577.1)
Federal & Foreign Income Taxes	<u>(22.4)</u>
Net Loss	(554.7)
Net Unrealized Capital Losses	(22.6)
Change in Net Deferred Income Tax	(42.3)
Change in Non Admitted Assets	73.4
Change in Provision for Reinsurance	<u>22.7</u>
Chg in Surplus as Regards Policyholders for the Period	(523.7)
	-
Surplus as Regards Policyholders, Ending Balance	\$ <u>(225.4)</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 December 31, 2005
(In Millions of Dollars)

Surplus as Regards Policyholders, Beginning Balance	\$ 27.6
Net Loss:	
Underwriting Loss, Net	(25.9)
Investment Income, Net	6.4
Other Expense, Net	(5.2)
Loss Before Income Taxes	(24.7)
Federal & Foreign Income Taxes	7.5
Net Loss	(32.2)
Net Unrealized Capital Gains	(0.3)
Change in Net Deferred Income Tax	(8.6)
Change in Non Admitted Assets	(97.2)
Change in Provision for Reinsurance	1.7
Chg in Surplus as Regards Policyholders for the Period	(136.6)
Surplus as Regards Policyholders, Ending Balance	\$ (109.0)

EXHIBIT

E

Legion Insurance Company (In Liquidation)
 Cash Flow Summary
 Liquidation Basis
 YTD December 31, 2008
 (in millions)

	2008											
	January	February	March	April	May	June	July	August	September	October	November	December
Beginning Available Cash and Investments*	\$ 286.8	\$ 228.8	\$ 249.8	\$ 241.9	\$ 278.2	\$ 294.5	\$ 288.1	\$ 301.4	\$ 306.4	\$ 308.5	\$ 312.8	\$ 343.4
Premium collections	0.7	0.5	1.2	0.6	0.7	0.5	0.8	0.3	0.4	0.6	0.2	0.3
Reinsurance collections:												
Reinsurance recoverables:												
Mutual Reinsurer Companies	-	-	-	-	1.5	-	-	0.5	-	0.4	1.4	2.0
All Other Reinsurers	19.3	19.9	8.5	34.2	7.0	3.6	5.8	3.9	2.8	3.6	28.1	46.4
Reinsurance commissions/settlements:												
Mutual Reinsurer Companies	-	-	-	-	-	-	-	-	-	-	-	-
All Other Reinsurers	-	-	-	-	10.1	-	-	-	-	-	-	-
Deductible Recoveries:												
Mutual Reinsurer Companies	-	-	-	0.9	-	1.7	1.9	2.7	1.4	1.0	2.7	6.2
All Other Reinsurers	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio sales/maturities	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	0.7	0.4	0.5	0.6	0.6	0.7	0.7	1.2	0.9	1.0	1.0	2.2
Total Sources of Cash	30.7	20.8	7.2	36.3	22.9	6.5	9.2	8.8	8.8	6.8	22.4	60.1
Loss & loss adjustment expense payments	-	(0.1)	(0.9)	(0.1)	(0.8)	-	(0.8)	-	(0.1)	-	-	-
Paid expenses	(1.9)	(1.9)	(2.5)	(2.0)	(2.1)	(2.6)	(1.6)	(2.2)	(2.7)	(1.8)	(1.7)	(3.1)
Payroll	(1.4)	(1.8)	(1.6)	(1.2)	(1.2)	(4.2)	(1.2)	(1.7)	(1.4)	(1.4)	(1.4)	(1.4)
Intercompany transfers	-	-	(4.7)	-	-	-	-	-	-	-	-	-
Guaranty Association transactions	-	-	-	-	-	-	-	-	0.2	-	-	(0.1)
Other cash inflows (outflows)	1.6	0.7	0.8	0.4	0.4	0.9	0.7	0.3	0.6	0.6	0.3	3.3
Total Uses of Cash	(1.7)	(2.8)	(8.1)	(2.6)	(3.7)	(6.0)	(2.8)	(3.8)	(3.4)	(2.6)	(2.8)	(1.3)
Ending Available Cash and Investments	\$ 288.9	\$ 249.8	\$ 241.9	\$ 278.2	\$ 294.8	\$ 295.1	\$ 301.4	\$ 306.4	\$ 308.8	\$ 312.8	\$ 343.4	\$ 402.2

EXHIBIT

F

Villanova Insurance Company (in Liquidation)
 Cash Flow Summary
 Liquidation Basis
 YTD December 31, 2005
 (in millions)

	2005											
	January	February	March	April	May	June	July	August	September	October	November	December
Beginning Available Cash and Investments ¹	\$ 27.5	\$ 27.8	\$ 28.0	\$ 32.9	\$ 33.1	\$ 33.9	\$ 34.1	\$ 35.9	\$ 35.5	\$ 36.9	\$ 36.3	\$ 36.6
Premium collections	0.1	0.3	0.1	0.1	-	-	-	0.1	0.2	-	0.1	-
Reinsurance collections:												
Reinsurance recoverables:												
Mutual Reinsurer Companies	-	-	-	-	0.3	0.1	-	-	-	0.1	-	0.5
All Other Reinsurers	-	-	-	-	-	-	0.3	0.4	0.1	-	-	0.2
Reinsurance contributions/settlements:												
Mutual Reinsurer Companies	-	-	-	-	0.4	-	-	-	-	-	-	-
All Other Reinsurers	-	-	-	-	-	-	-	-	-	-	-	-
Deductible Recoveries:												
Mutual Reinsurer Companies	-	-	-	-	-	-	-	0.5	-	-	-	-
All Other Reinsurers	-	-	-	-	-	-	-	-	-	-	-	-
Portfolio sales/maturities	-	-	-	-	-	-	-	-	-	-	-	-
Investment Income	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Sources of Cash	0.2	0.4	0.2	0.2	0.5	0.2	0.9	0.8	0.4	0.2	0.2	0.8
Loss & loss adjustment expense payments	-	-	-	-	-	-	-	-	-	-	-	-
Paid expenses	(0.1)	-	-	-	-	-	-	-	(0.1)	(0.1)	-	-
Payroll	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany transfers	-	-	4.7	-	-	-	-	-	-	-	-	-
Guaranty Association transactions	-	-	-	-	-	-	-	-	-	0.5	-	-
Other cash inflows (outflows)	-	-	-	-	-	-	-	-	-	-	-	-
Total Uses of Cash	(0.1)	-	4.7	-	-	-	-	-	(0.1)	0.2	-	-
Ending Available Cash and Investments	\$ 27.6	\$ 28.0	\$ 32.9	\$ 33.1	\$ 33.6	\$ 34.1	\$ 35.0	\$ 35.8	\$ 36.3	\$ 36.6	\$ 37.3	

EXHIBIT
G

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 COMBINED EXPENSE ANALYSIS BY ACCOUNT
 December 31, 2005 ACTUALS vs BUDGET
 (\$ In Thousands)

	Year to Date			2005 Actuals vs 2005 Budget		2005 Actuals vs 2004 Actual		
	2005 Actual	% of Total Operating	2005 Budget	2004 Actual	Dollar Variance	Percent Variance	Dollar Variance	Percent Variance
Staffing - Current Month								
Full Time	259		289	247	30	10.36%	(12)	-4.86%
Part Time	1		3	3	2	66.67%	2	66.67%
Contractor/Temp Help	29		23	22	(6)		(7)	-31.82%
Total Staffing - Current	289		315	272	26	8.25%	(17)	-6.25%
Staffing - Average								
Full Time	255		270	248	16	5.56%	(6)	-2.41%
Part Time	2		3	3	1	33.33%	1	33.33%
Contractor/Temp Help	26		23	20	(3)	-13.04%	(6)	-30.00%
Total Staffing - Average	283		296	272	13	4.39%	(11)	-4.04%
General & Administrative Expenses *								
Salaries	\$ 18,828	42.3%	\$ 21,771	\$ 17,612	\$ 1,845	8.93%	\$ (2,214)	-12.57%
Performance-Retention Incentive	3,358	7.2%	4,021	3,428	663	16.49%	71	2.06%
Severance	209	0.4%	486	782	477	99.62%	573	73.27%
Employee Benefits	2,881	6.7%	3,159	2,688	469	14.84%	9	0.32%
Payroll Taxes	1,393	3.0%	1,617	1,313	224	13.87%	(78)	-6.03%
Rent	2,851	6.4%	2,459	2,272	(411)	-16.77%	(589)	-25.94%
Occupancy Related Costs	835	1.8%	1,523	840	688	45.20%	105	11.22%
Equipment	3,228	8.9%	3,935	3,089	708	18.01%	(138)	-4.45%
Postage, Telephone & Supplies	939	2.0%	1,103	908	164	14.86%	(31)	-3.42%
Travel	283	0.6%	331	218	68	20.55%	(45)	-20.51%
Legal Fees	2,872	6.4%	5,949	6,987	3,096	51.87%	4,096	58.77%
Insurance	621	1.3%	722	758	101	13.90%	137	18.06%
OUTSIDE SERVICES								
Professional and Other Services	4,990	10.8%	5,287	6,680	277	5.26%	1,980	29.30%
IT Services	2,824	6.0%	6,866	1,821	4,042	58.87%	(1,002)	-55.06%
Total General & Admin. Expenses	48,807	100.0%	89,418	49,488	12,612	21.06%	2,581	5.22%
PA Insurance Dept. Expenses	881		1,080	1,149	199	18.42%	268	23.35%
Total Expenses	\$ 47,788		\$ 89,498	\$ 50,637	\$ 12,711	21.01%	\$ 2,850	5.63%

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

EXHIBIT

H

Lagard Insurance Company (In Liquidation)
 Villavest Insurance Company (In Liquidation)
 Professional Services Paid
 January 2004 - December 2006

Sum of CONVERTED_AMOUNT	YEAR MONTH												YTD 2006
	2006												
VENDOR NAME	1	2	3	4	5	6	7	8	9	10	11	12	
ACCESS RECEIVABLES MGMT.			461										461
ACCURINT-EXISNEXIS				42		81		162		207	139	4	655
AGILYSYS INC.	37,920		3,131										41,051
ALAN CARPEL	300	300		300			800			3,000			4,700
ALLIANCE CONSULTING												3,060	3,060
ANDREW WALSH		5,385	1,033										6,385
AOON CONSULTING			570										3,065
APPLE & APPLE							1,444	864	1,325	513	1,200	210	3,860
ARNOLD MATHEWY & EAGAN, P.A.												440	225
ASSOCIATION OF CORPORATE COUNSEL													2,727
BLACK & GERNGROSS			4,099	877									7,602
BLANK ROME, LLP					207								14,855
BOND, SCHOENECK & KING, PLLC					174							54	1,855
BONDI, SCHOENECK & KING, PLLC	10,772	4,816		19,076		2,105	251	1,097	123			3,032	42,716
BRAVERMAN, DANIELS & KASKEY, LTD.												33	33
BREGMAN LAW FIRM	1,083	703		0		259	3,354					5,051	16,391
BROWN BROWN & KLASS						250	939						1,189
BUFFALO & ASSOCIATES						1,537	5,781						36,365
BUSINESS RESOURCE SOLUTIONS LLC	5,837	8,199	9,783	3,000	2,427								10,000
CALEB L. FOWLER, ESQ., C.P.C.U.			5,000										5,000
CARIN CONSULTING, LLC						1,049							1,049
CHARLES E. HOCK ASSOCIATES INC								2,061					2,061
CHARLES NILES, JR.													577
CHARLSTON REV. CHAMBERLIN		387	190										250
CHESAOLE & SCHNUPP PLLC					480	40	250					40	2,386
CHOICE POINT PUBLIC RECORDS, INC.	150		1,179		780			680			80	144	2,050
CHRISTOPHER J. SMALL	10			860									86
CICONTE, ROSEMAN & WASSERMAN					28,736								28,736
CLAIMS MANAGEMENT GROUP LIMITED					4								4
CLERK OF MADISON CO. CHANCERY COURT													320
COMMONWEALTH COURT OF PENNSYLVANIA								20,000					20,000
CONYERS, DILL & PEARMAN												9,219	9,219
COPY SECURE, INC.													1,401
COZEN & O'CONNOR	7,766			1,845		25,890							41,703
CSC FINANCIAL SERVICES GROUP	145,184		162,197		63,437	150,049	85,853	73,790		140,177		109,056	946,643
DASHIELL LAW OFFICES, LLC						4,265	2,796						31,980
DEUTSCH, KERRIGAN, & STILES, L.L.P.			2,784	352		7,213	8,543	2,366	1,097		10,928		20,364
DEVITO CONSULTING, INC.						25,287							26,287
DIANE NEUBARD										5,000			5,000
DOCUMENT TECHNOLOGIES, INC.												3,308	3,308
DOUGELL LAWRENCE FINNEY LLP			84		3,499				75				3,615
DORAN & NOWALIS										240			240
DUANE MORRIS													5,432
EAB ASSOCIATES	31,323	11,875	8,965	16,235	7,168	6,992	1,925	2,974					87,448
ERNST & YOUNG													21,297
ESQUIRE DEPOSITION SERVICES					1,331	1,124						1,025	3,480
FINKELSTEIN, KERN, STEINBERG & CUNNINGHAM			250	250					0				500
FRATERRIGO, BERANEK, FEJERSIEL & KASBOHM													255
GALTON & HELM LLP					1,508	3,480	23	810					5,840
GLASSBERG & POLLAK	325	6,351	2,310	5,234	2,408	3,105	13,466	2,958	858	1,460			40,107
GLENN R. PARTIDGE	616												616
GOLDMAN & WATSHAW		650		100		787	778	(711)					1,636
GR CONSULTING, LLC								3,971	2,493	3,787	3,764	2,850	16,646

Legion Insurance Company (In Liquidation)
 Veterans Insurance Company (In Liquidation)
 Professional Services Paid
 January 2006 - December 2005

EXHIBIT 2 of 3

SUM OF CONVERTED AMOUNT	YEAR MONTH												YTD 2005
	2006												
VENDOR NAME	1	2	3	4	5	6	7	8	9	10	11	12	
GRP LLC				13								2,784	2,784
QUEST & ASSOCIATES			350										13
HMF HUDSON & FELZER, P.C.			206										350
HAMMERMAN & HULTGREN, P.C.						84	1,400						1,809
HARD COPY												621	621
HAYS, MCCONN, RICE & PICKERING	11,409												11,409
HELIX UK LIMITED	121,000	80,500	60,500	60,500	60,500	60,500		121,000	80,500	60,500	60,500	60,500	705,500
HISHAW & CULBERTSON		106						1,090		1,231		1,242	3,659
HUDSON & FELZER			525					1,216					1,741
INS CONSULTANTS, INC								74,634					74,634
ITAE CORPORATION	5,425												5,425
JACKSON LEWIS, LLP	7,764	739										443	15,617
JAMES DECRESCENZO REPORTING, LLC				5,422	1,056				393				635
JAY APPLEBAUM	6,048	8,366	10,855	14,027	7,196	4,132	11,399	3,450	10,096	4,278	4,304	906	84,636
JEFFERSON WELLS INTERNATIONAL INC.	35,117	10,397											45,485
JOAN C. FOLVAG	8,623												8,623
KAREN PORTER										81	1,268		1,769
KAREN RIDDER												466	466
KARL HOWE & ASSOCIATES	1,110	876	570		670	780	1,333			430		1,836	7,603
KARLA COONEY		1,199	432										2,840
KAZLOW & KAZLOW		160	350										5,918
KEN BOSNOSHI			1,000										0
KIND & DASHOFF				300									2,570
KINGSTON, MARTINEZ & HOGAN	900	150	1,400										2,430
LAKESHORE EQUITIES					33,333								33,333
LAMONT, HANLEY & ASSOCS., INC			1,363										1,363
LEXISNEXIS	10,267		2,209	4,482		2,370	2,657	2,657	3,133		10,826		38,601
LIGHTFOOT, FRANKLIN & WHITE, LLC													10,721
LITTLEMINER & PETERSON				8,417								119	8,536
LLOYD & MCDANIEL								2,600					2,600
MACKAY, CASWELL & CALLAHAN													2,226
MANGAN, LANGHENRY, GILLEN & LUNDQUIST						3,438							3,438
MARK BRUEGGEMANN	66												66
MARSDEN, BOTSARIS & SELEDEE					7,478	7,110		1,239	(1,069)	4,108			18,696
MARTIN D. HABER													626
MENDELSON LAW FIRM	750			626									3,990
MICHAEL TRUSKOL				2,860									2,860
MILLER ALFANO & RASPANTI PC		18,496		31,393	47,326	19,040	38,064	41,269	74,693	34,109	36,826	97,385	436,990
NOTES, SHAW, BEARG, STURGES, WILLIAMS, P.A.	147	604	1,695	3,668	420	66,603							62,127
MULLIN MANAGEMENT CONSULTANTS, LLC	7,920												7,920
MYRON M. CHERRY & ASSOCIATES						10,960			4,791				15,741
NATIONAL CONFERENCE	7,404		2,247						1,179				10,919
NAVIGANT CONSULTING, INC.				8,232									8,232
ON-SITE SOURCING, INC.	0			1,515						14,296		8,071	23,872
OSI COLLECTION SERVICES, INC.										2,017			2,017
OVERLAND SOLUTIONS, INC.		4,180	999	40			814		498		660		8,514
PAPER SERVICE CENTER						113			189			75	378
PEPPER HAMILTON LLP	3,790	11,369	895	45,272	187	134,853	7,328	140,541		3,534	201,099	206,013	754,867
PETER CRICKMERE													6,100
PHAIR GLOBAL RESOLUTIONS			438			175							613
PHILIP MASIN				3,326									10,875
PITNEY BOWES MGMT. SERVICES				519				350					519

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Professional Services Paid
 January 2005 - December 2008

Sum of CONVERTED AMOUNT	YEAR MONTH												YTD 2008
	2008												
VENDOR NAME	1	2	3	4	5	6	7	8	9	10	11	12	
PROFORMA CORP.				13,332									13,332
QUALITY COPY INC.				4,285									4,285
REINSURANCE SOLUTIONS INTL		1,720	1,725			1,355			31,591		3,111	14,102	53,069
RELIABLE COPY SERVICES	281		2,854	2,570			299		61,820		52,380	100,680	218,360
RELIANCE INS CO (IN LIQUIDATION)		19,210		35,088			18,030		832		82	959	7,677
RELIANCE INS CO (IN LIQUIDATION)							500			28,570			101,708
RELIANCE INS CO (IN LIQUIDATION)													500
RELIANCE INS CO (IN LIQUIDATION)													3,558
RELIANCE INS CO (IN LIQUIDATION)													300
RELIANCE INS CO (IN LIQUIDATION)													2,826
RELIANCE INS CO (IN LIQUIDATION)													1,108
RELIANCE INS CO (IN LIQUIDATION)													1,108
RELIANCE INS CO (IN LIQUIDATION)													5,531
RELIANCE INS CO (IN LIQUIDATION)													35,883
RELIANCE INS CO (IN LIQUIDATION)													13,600
RELIANCE INS CO (IN LIQUIDATION)													5,844
RELIANCE INS CO (IN LIQUIDATION)													24,010
RELIANCE INS CO (IN LIQUIDATION)													1,650
RELIANCE INS CO (IN LIQUIDATION)													3,591,155
RELIANCE INS CO (IN LIQUIDATION)													100
RELIANCE INS CO (IN LIQUIDATION)													4,829
RELIANCE INS CO (IN LIQUIDATION)													58
RELIANCE INS CO (IN LIQUIDATION)													41,829
RELIANCE INS CO (IN LIQUIDATION)													25,079
RELIANCE INS CO (IN LIQUIDATION)													39,782
RELIANCE INS CO (IN LIQUIDATION)													2,500
RELIANCE INS CO (IN LIQUIDATION)													9,913
RELIANCE INS CO (IN LIQUIDATION)													17,025
RELIANCE INS CO (IN LIQUIDATION)													8,658
RELIANCE INS CO (IN LIQUIDATION)													850
RELIANCE INS CO (IN LIQUIDATION)													87,703
RELIANCE INS CO (IN LIQUIDATION)													182,998
RELIANCE INS CO (IN LIQUIDATION)													84,123
RELIANCE INS CO (IN LIQUIDATION)													3,290
RELIANCE INS CO (IN LIQUIDATION)													260,808
RELIANCE INS CO (IN LIQUIDATION)													15,750
RELIANCE INS CO (IN LIQUIDATION)													1,082
RELIANCE INS CO (IN LIQUIDATION)													1,408
RELIANCE INS CO (IN LIQUIDATION)													2,855
RELIANCE INS CO (IN LIQUIDATION)													1,142
RELIANCE INS CO (IN LIQUIDATION)													3,500
RELIANCE INS CO (IN LIQUIDATION)													200
RELIANCE INS CO (IN LIQUIDATION)													2,741
RELIANCE INS CO (IN LIQUIDATION)													525,827
RELIANCE INS CO (IN LIQUIDATION)													1,050
RELIANCE INS CO (IN LIQUIDATION)													1,310
RELIANCE INS CO (IN LIQUIDATION)													125
RELIANCE INS CO (IN LIQUIDATION)													9,358,204
YTD 2008	823,767	448,456	488,101	856,418	404,907	881,485	822,280	881,202	1,362,532	382,704	787,782	1,412,552	9,358,204

Change in accrual and other non-cash transactions	(321,788)	(39,076)	865,077	283,832	195,848	848,849	1,188,958	175,177	910,861	(348,310)	48,214	(322,301)	1,327,854
Incurred Legal, Audit and Consulting	501,998	407,381	1,129,777	840,350	890,743	1,940,334	1,791,238	1,136,379	2,273,390	37,304	815,098	1,090,281	10,586,058

* 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 expense and classification adjustments.

EXHIBIT

I

Legion Insurance Company (In Liquidation)
Reinsurance Recoverables Due or Billable, Net
December 31, 2005

Reinsurer	Amount
FIRST EXCESS AND REINSURANCE CORPORATION	\$ 42,941,783
BERKLEY INSURANCE COMPANY	38,541,208
MIDWEST EMPLOYERS CASUALTY COMPANY	33,703,425
GE REINS CORP	29,808,522
RELIASTAR LIFE INSURANCE COMPANY	19,509,733
HARTFORD FIRE INSURANCE COMPANY	17,412,525
AMERICAN RE-INSURANCE COMPANY	18,079,001
HANNOVER RUCKVERSICHERUNGS AG	12,187,240
TRANSATLANTIC REINSURANCE COMPANY	12,064,006
UTAH WORKERS COMPENSATION FUND	9,983,723
SCOR REINSURANCE COMPANY	9,184,038
SWISS RE LIFE & HEALTH AMERICA INC	9,152,200
LINCOLN NATIONAL HEALTH & CASUALTY INSURANCE COMPANY	9,038,358
SWISS REINSURANCE AMERICA CORP	8,866,012
XL REINSURANCE AMERICA LTD	8,440,834
LLOYDS SYNDICATE # 053	7,580,017
LLOYDS SYNDICATE # 435	5,879,218
FEDERAL INSURANCE COMPANY	5,253,892
ODYSSEY REINS CORPORATION	6,062,290
TRUSTMARK INSURANCE CO	5,848,091
CONTINENTAL CASUALTY COMPANY	5,030,909
AMERICAN NATIONAL INSURANCE COMPANY	4,477,130
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	4,462,181
PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY	3,458,235
ACE INSURANCE SA-NV	3,438,065
ODYSSEY RE (LONDON) LIMITED	3,390,287
EMPLOYERS EQUITY INSURANCE COMPANY	3,071,842
EVEREST REINSURANCE COMPANY	2,840,594
UNDERWRITERS REINSURANCE COMPANY	2,868,945
JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY	2,634,942
GIO (UK) LTD	2,479,881
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	2,367,805
CORE INSURANCE COMPANY	2,044,749
CONSTITUTION INS CO	2,025,955
MANULIFE REINSURANCE CORP. USA	2,004,297
MERIDIAN INSURANCE COMPANY	1,901,063
LLOYDS SYNDICATE # 376	1,780,471
LLOYDS SYNDICATE # 271	1,580,891
WESTCHESTER FIRE INS CO	1,408,521
INSURANCE COMPANY OF NORTH AMERICA	1,305,917
CHUBB ATLANTIC INDEMNITY LIMITED	1,282,398
TRENNICK AMERICA REINSURANCE CORP	1,258,396
NLA LIMITED	1,206,720
LUMBERMENS MUTUAL CASUALTY CO	1,192,830
ST PAUL REINSURANCE COMPANY LTD	1,138,259
CNA REINSURANCE CO. LTD.	1,133,819
LLOYDS SYNDICATE # 1173	1,082,526
LLOYDS SYNDICATE # 991	1,050,313
FOLKSAMERICA REINSURANCE COMPANY	1,028,596
LLOYDS SYNDICATE # 1141	1,009,071
All Other Reinsurers (Less than \$1M due LIC)	31,746,371
Pending Cessions	270,034,586
Total Reinsurance recoverables due or billable, net	\$ 678,029,481

EXHIBIT
J

Vihanova Insurance Company (In Liquidation)
Reinsurance Recoverables Due or Billable, Net
December 31, 2005

Reinsurer	Amount
HANNOVER RUCKVERSICHERUNGS AG	\$ 6,534,353
RELIASTAR LIFE INSURANCE COMPANY	6,620,208
SWISS REINSURANCE AMERICA CORP	6,249,519
MIDWEST EMPLOYERS CASUALTY COMPANY	2,914,880
HOUSTON CASUALTY COMPANY	2,368,472
LLOYDS SYNDICATE # 053	2,308,352
ODYSSEY REINS CORPORATION	2,138,342
ODYSSEY AMER REINS CO	2,129,330
CHARTWELL REINSURANCE COMPANY	1,911,068
MOTORS INSURANCE CORPORATION	1,757,628
FIRST EXCESS AND REINSURANCE CORPORATION	1,062,624
HARTFORD FIRE INSURANCE COMPANY	1,076,237
MERIDIAN INSURANCE COMPANY	1,037,883
All Other Reinsurers (Less than \$1M due VIC)	8,133,606
Pending Cessions	39,395,350
Total Reinsurance recoverables due or billable, net	\$ 84,757,850