

## IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Villanova Insurance Company, : No. 1 VIL 2002  
(In Liquidation) :

**QUARTERLY REPORT OF THE LIQUIDATOR  
ON THE STATUS OF THE LIQUIDATION OF  
VILLANOVA INSURANCE COMPANY AS OF MARCH 31, 2018**

**I. INTRODUCTION**

Jessica K. Altman, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator (the “Liquidator”) of Villanova Insurance Company (“Villanova or Estate”), through her undersigned counsel, hereby submits this Quarterly Report on the status of the liquidation of Villanova for the period from January 1, 2018 through March 31, 2018 (“Report”).

**II. REPORT**

**A. Financial Statements.**

Villanova has prepared the Special Purpose Statement of Assets and Liabilities, Statutory Capital and Surplus Account and Cash Flow Summary (“Statements”). The Statements include many estimates as noted below and may not fully reflect the effects of the liquidation. Consequently, the ultimate distribution to creditors is unknown at this time. For this reason, third parties should not rely on the financial information contained herein as providing any certainty or clear indication as to the ultimate distribution that will be made from Villanova. The Notes to the Special Purpose Statement of Assets and Liabilities, attached as Exhibit D, describes

the nature of the line items on the Statements and should be included in any review of Villanova's financial information.

The Statements are addressed in more detail in sections 1 through 4 below.

**1. Special Purpose Statement of Assets and Liabilities – Assets –**

**EXHIBIT A.**

As of March 31, 2018, the attached Special Purpose Statement of Assets and Liabilities shows estimated total assets were \$288.7 million including \$39.7 million of cash and liquid investments.

Early access advances to Guaranty Associations ("GAs") totaled \$248.9 million.

**a. Cash and Investments.**

Villanova had a cash and investment portfolio of \$39.7 million as of March 31, 2018. Refer to the Cash Flow Summary (Exhibit C) for major components of change for the current year. Excess cash flows over and above the immediate operating needs of the Estate are transferred to money market funds in the Estate's account with Morgan Stanley. Of the \$39.7 million cash and investments available, \$1.1 million is being reserved as it may be potentially distributed for Early Access funds currently held. (See section 1(b) below.)

**b. Early Access Advances.**

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

On August 7, 2014, the Court approved the Liquidator's Ninth Proposal to Distribute Assets (\$20.0 million) to the State Guaranty Associations ("Liquidator's Ninth Proposal") bringing the total authorized by the Court to \$250.0 million for early access distributions.

Villanova has distributed all of these funds via cash payments and reductions of statutory deposits, except for \$1.1 million which is currently being held.

**2. Special Purpose Statement of Assets and Liabilities – Liabilities –**

**EXHIBIT A.**

Total estimated liabilities at March 31, 2018, were \$431.2 million. The statement includes Villanova's liability for GA-accepted administrative expense NODs of \$42.4M. It does not include an estimate of the cost that will be incurred by Villanova in administering the Estate over time. Villanova liquidation expenses are class (a) priority payments under the Insurance Department Act of 1921, 40 P.S. § 221.44 ("Act"), as are certain GA expenses, to the extent permitted by the Act. Both Liquidator and GA expenses will be paid before distributions for claims under policies for losses, class (b) priority, and other lower-class creditors. As of March 31, 2018, there was \$.3 million in reserves for unpaid liquidator expenses.

However, the most significant liability is the \$381.5 million assigned to class (b) proofs of claim ("POCs"). This category includes Villanova's liability for GA-accepted NODs of \$380.4 million and for non-guaranty fund-accepted NODs of \$1.6 million. A reduction of \$.5 million is shown for distribution payments issued to class (b) claimants as of March 31, 2018.

On April 29, 2015, the Court entered an Order establishing a Claims Bar Date. The Order provides that all claims must have matured into a legal cause of action and a Proof of Claim filed with the Estate by July 28, 2015. Prior to issuance of NODs to GAs, the estate accepted information on losses reported to the GAs up through the Claims Bar Date.

**a. Priority Class A.**

Prior to receivership, Villanova, Legion Insurance Company ("Legion") and Legion Indemnity Company ("Indemnity") operated with an expense sharing agreement pursuant to

which Legion paid the common expenses for all three companies through July 2003. Under the expense sharing agreement, common expenses were allocated 80% to Legion, 10% to Villanova and 10% to Indemnity. Following entry of the Court's Orders placing Legion and Villanova into liquidation in July 2003, the expenses were allocated 90% to Legion and 10% to Villanova. The several schedules attached to this Report relating to expenses (Exhibits E and F) represent the expenses paid or incurred by Legion and Villanova on a consolidated basis, including all common expenses, before any allocation. The Liquidator's Petition for Approval of Administrative Expenses Paid for the Period July 1, 2017 through December 31, 2017, was approved by the Court on March 29, 2018.

The Combined Expense Detail attached as Exhibit E lists \$2.5 million of statutory liquidator administrative total operating expenses incurred by Legion and Villanova for the period January 1, 2018 through March 31, 2018.

Subsequent to the Claims Bar Date, Villanova began issuing NODs for GA administrative expense POCs based on Villanova's continuing review of each GA's reported expenses. As of March 31, 2018, Villanova's liability for GA administrative expense as reflected in NODs issued by Villanova and accepted by GAs was \$42.4 million.

**b. Priority Class B.**

Subsequent to the Claims Bar Date, Villanova began issuing NODs for GA losses and loss adjustment expenses for claims incurred as of the Claims Bar Date. As of March 31, 2018, Villanova's liability for GA policyholder benefit claims as reflected in NODs issued by Villanova and accepted by GAs was \$380.4 million. NODs have also been issued for non-GA policyholder claims aggregating \$1.6 million, which were determined through the POC evaluation process.

**c. Priority Classes Below Class B.**

Also included in total liabilities are estimated liabilities for POCs assigned to priority classifications below class (b), which aggregate to \$7.0 million. (See the accompanying notes for a brief description of each line item.)

Throughout the liquidation period it has been anticipated that Villanova would not make distributions to claimants whose claims were classified (c) or below. In order to maximize the Estates' resources and assets, Villanova decided to issue "Class Only" NODs for class (e), (f) and (g) levels. These NODs acknowledged the legitimacy of a claim but assigned no dollar value to the claim. In the event it was determined that Villanova would be able to make distributions to claimants in levels below class (b), the Class Only NODs for those classes where distributions might be made would be valued and issued an amended NOD. When the Court amended its rules for the summary and formal proceedings against insurers effective July 30, 2012, all class (e), (f) and (g) claims valued after that date were assigned a dollar value. While it is still not anticipated that Villanova will pay out below a class (b) claim, as a result of the issuance of Class Only NODs, total liabilities in those classes may be substantially understated.

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

Attached to this report is a special purpose Statement of Statutory Capital and Surplus Account for the period from December 31, 2001 to March 31, 2018. The estimated net deficit at March 31, 2018, was \$142.5 million.

**4. Statement of Cash Flow Summary – EXHIBIT C.**

Attached to this report is a Statement of Cash Flow Summary ("Cash Flow Summary") for the period January 1, 2018 through March 31, 2018. Net sources and uses of cash and investments for the period was \$(.1) million.

**a. Operating Expenses.**

Refer to Exhibit E, Combined Expense Detail, for line item detail of major components of operating expenses incurred by Legion and Villanova for the period January 1, 2018 through March 31, 2018. Operating expenses paid per the Cash Flow Summary and Administrative Expenses Incurred per the Combined Expense Detail differs somewhat because of accruals. For most operating expenses, Legion pays the invoice and is reimbursed from Villanova for its share through an intercompany transfer. (Please refer to the explanation of expense allocation included under Section 2a.)

**b. Guaranty Association Transactions.**

As of March 31, 2018, the Court has authorized \$250.0 million in total for early access distributions. Villanova has previously distributed via cash payments and reductions of statutory deposits all of these funds, except for \$1.1 million which is currently being held.

**c. Interim Distribution.**

On February 27, 2012, the Court approved the Liquidator's Amended Petition for First Interim Distribution allowing a 30% distribution to all class (b) claimants whose NOD is approved by the Court. As of March 31, 2018, Villanova has made distribution payments of \$.5 million. No payments were made in 2018.

**5. Combined Expense Detail – EXHIBIT E.**

Exhibit E is a schedule reflecting the combined incurred expenses of Legion and Villanova from January 1, 2018 through March 31, 2018, together with a comparison, by category of expense, between 2018 YTD actual and 2018 YTD budget and between 2018 YTD actual and 2017 YTD actual. As reflected in the Statement, the total operating expenses through March 31, 2018, are \$2.5 million, which is 4.9% lower than the 2018 budget and is 6.8% less

than the 2017 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. (Please refer to Section 2a for an explanation of the expense allocation.)

**a. Labor, Benefits and Payroll Taxes.**

As of March 31, 2018, Legion had a total of 25 employees. In addition, Legion utilizes temporary/contractor workers when needed. Current plans dictate that this mix will fluctuate as Legion implements a more flexible staffing model designed to ensure continuity of specialized and institutional knowledge critical to the Estate.

**b. Occupancy.**

Legion currently leases office space in Philadelphia. The lease term expires on June 30, 2018, with monthly base lease payments of \$24,750. through June 30, 2018. Legion has executed a lease agreement through September 30, 2019, on new office space in Philadelphia with monthly base lease payments of \$20,750 effective June 15, 2018.

**c. Legal Fees and Expenses.**

Attached as Exhibit F is a schedule containing the legal expense paid detail by firm for the period January 1, 2018 through March 31, 2018, by month. Legal expenses generally pertained to NOD objections and liquidation matters.

**d. Professional Services.**

Attached as Exhibit F is a schedule containing the professional service expense paid detail by vendor name for the period January 1, 2018 through March 31, 2018, by month. The individual professionals and firms listed in the schedule include auditing services, tax services and consulting fees.

**e. Federal Income Taxes.**

Villanova expects no tax liabilities or refunds in future years.

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

The GAs have been an essential part of the liquidation safety net, providing significant coverage to certain policyholders and paying covered claims as defined and required by their respective statutes. Villanova has worked with the National Conference of Insurance Guaranty Funds (“NCIGF”) to assure the smooth interaction between the Estate and the state guaranty funds. The NCIGF’s members include almost all of the state property and casualty insurance GAs in the United States. All aspects of cooperation between the Estate and GAs were discussed with the NCIGF. Discussions and correspondence included matters such as Villanova claim file distribution, claim handling procedures, communication protocols, GA data reporting and Uniform Data Standards protocol, Villanova product and policy information, and deductible and policy aggregate tracking. Villanova personnel have worked with specific NCIGF groups and committees on specific areas, such as large deductible recoveries.

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

A unit within Villanova coordinated with the GAs and their vendors in managing the data reporting process and the quality of data reported by GAs. As of the Claims Bar Date, 21 GAs reported paid and outstanding loss information via electronic UDS files, either sent directly to Villanova or submitted to the NCIGF secure FTP website. The electronic files received from GAs were interfaced to a processing application at Villanova. The data was then interfaced to Villanova’s policy/claim system to support Estate functions. As NODs have been issued to individual GAs, those GAs have ceased reporting UDS data. As of March 31, 2018, all GAs have been issued NODs and have ceased reporting UDS files to Villanova.



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

The Guaranty Fund NODs Accepted Report (“NAR”) summarizes by state the policyholder benefit claims and administrative expenses for those GAs where NODs have been issued. As of March 31, 2018, all GAs have been issued NODs.

Subsequent to the Claims Bar Date, Villanova began issuing NODs for GA administrative expense and for GA loss and loss adjustment expense POCs based on Villanova’s continuing review of each GA’s reported amounts. As of March 31, 2018, NODs for \$42.4 million of GA administrative expense and \$380.4 million of loss and loss adjustment expense have been issued and accepted by 56 GAs. The NAR data summarizes by state the valuations of the class (a) administrative expense and class (b) policyholder benefit claims as reflected on the NODs issued to those GAs. A Petition for Approval of Report and Recommendations on Villanova Insurance Company’s Undisputed Guaranty Associations’ Claims was filed with the Court on March 26, 2018.

**7. Claims Process.**

The deadline for filing POCs was June 30, 2005. As of March 31, 2018, Legion and Villanova combined had received a total of 46,154 POC claims. Of those, 2,766 were received after the claim filing deadline. On April 29, 2015, the Court entered an Order establishing a Claims Bar Date. The Order provides that all claims must have matured into a legal cause of action and a Proof of Claim filed with the Estate by July 28, 2015. POCs filed prior to the Claims Bar Date have been evaluated consistent with the Order and the late filing provisions of the Act.

**a. Proofs of Claim Statistics – EXHIBIT I (Inception-to-Date).**

As of March 31, 2018, Villanova had issued NODs for all of the 4,668 POC claims assigned to it for a total amount of \$431.4 million. All but 2 of the NODs have been accepted by the claimants. The Court has approved 4,547 of these NODs as of March 31, 2018, for a total allowed amount of \$8.2 million. Exhibit I breaks down this information by priority class.

**b. Proofs of Claim Statistics – EXHIBIT J (Quarter-to-Date).**

During the quarter ended March 31, 2018, Villanova completed reclassifications and/or set-up new suffixes for multiple claims on individual POCs received prior to the Claims Bar Date which resulted in a net increase of 3 POC suffixes for the quarter. An additional 9 NODs were issued during the period and 9 were accepted.

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

As of March 31, 2018, the Liquidator had received 98 objections on the 4,668 NODs issued. As of March 31, 2018, Villanova had resolved 96 objections. As of March 31, 2018, the 2 unresolved objections had received reports and recommendations from the assigned referee, and were awaiting rulings from the Commonwealth Court. Exhibit K indicates the status of all objections received through March 31, 2018, breaks down this information by priority class and includes the Allowed Amounts for objections in each priority class.

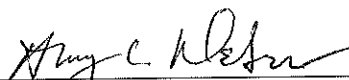
**d. Status of Distribution.**

Since February 2008, on a semi-annual basis the Liquidator has filed a Petition for Approval of Report and Recommendations on Villanova Insurance Company Claims Undisputed and Resolved (“Report of Claims”). The Report of Claims lists the allowed amounts of non-GA claimant NODs that had been accepted or assumed accepted in the prior six-month period. On February 4, 2016, the Liquidator filed the most recent Report of Claims for the period July 1,

2015 to December 31, 2015. The Court granted the petition on March 18, 2016. The allowed amounts on NODs approved for distribution are listed by priority class on Exhibit I.

On December 2, 2011, the Liquidator filed an Amended Petition for First Interim Distribution Pursuant to 40 P.S. §221.46 for a 30% distribution of NOD allowed amounts to all class (b) claimants whose NOD is approved by the Court, including the aggregate policies. The petition sought an Order allowing the Liquidator to hold back from interim distributions to claimants which have made claims against the Estate under policies having aggregate limits of liability, and have received approved notices of determination a "safety factor percentage" of 50% of the aggregate limits to address any future developments with Unevaluated POCs." The Petition was granted by Court Order dated February 27, 2012. Villanova has determined that no non-GA POC claims have exceeded the aggregate limits of any affected policies and accordingly all Court approved non-GA class (b) claimants have received a 30% distribution.

Respectfully submitted,



AMY L. WEBER (I.D. #45447)  
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901 North 7th Street  
Harrisburg, PA 17102  
(717) 787-6009

Counsel for Jessica K. Altman, Insurance  
Commissioner of the Commonwealth of  
Pennsylvania, in her official capacity as Statutory  
Liquidator of Villanova Insurance Company (In  
Liquidation)

DATED: 5/10/18

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Villanova Insurance Company : No. 1 VIL 2002  
(In Liquidation) :

**AFFIDAVIT OF ROBERT E. HABERLE  
IN SUPPORT OF THE FIRST QUARTER 2018  
FINANCIAL REPORT OF THE LIQUIDATOR**

I, **ROBERT E. HABERLE**, 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 First Quarter 2018 Financial Report of the Liquidator (“the Report”).

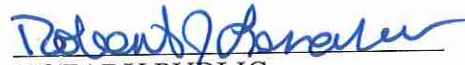
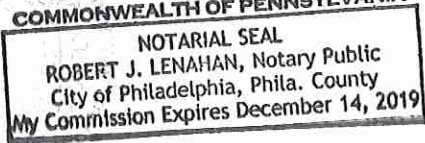
3. Based on my knowledge, the financial information included in the Report fairly presents in all material respects the financial condition, results of operations and cash flows for the first quarter of 2018.

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.

  
ROBERT E. HABERLE

Sworn to and subscribed before me  
this 7 th day of May, 2018.

  
NOTARY PUBLIC  
COMMONWEALTH OF PENNSYLVANIA  
  
NOTARIAL SEAL  
ROBERT J. LENAHAN, Notary Public  
City of Philadelphia, Phila. County  
My Commission Expires December 14, 2019

**IN THE COMMONWEALTH COURT OF PENNSYLVANIA**

In Re: Villanova Insurance Company : No. 1 VIL 2002  
(In Liquidation) :

**AFFIDAVIT OF GERALD V. BEHR  
IN SUPPORT OF THE FIRST QUARTER 2018  
FINANCIAL REPORT OF THE LIQUIDATOR**

**I, GERALD V. BEHR**, hereby depose and state as follows:

1. I am Vice President and Chief Financial Officer of Legion Insurance Company (in Liquidation) (“Legion”) and Villanova Insurance Company (in Liquidation)(“Villanova”) (collectively, “the Estates”), am a currently licensed Certified Public Accountant, and am responsible for overseeing all aspects of the Estates’ financial operations.
2. I assisted in the direction of the preparation of the First Quarter 2018 Financial Report of the Liquidator (“the Report”), and make this certification in reliance on the assistance and support of qualified staff and the Estates’ internal procedures for financial operations.
3. I certify that the Exhibits attached to the Report fairly present the following:
  - A. Special Purpose Statement of Assets and Liabilities: Exhibit “A” to the Report is the Special Purpose Statement of Assets and Liabilities for the

Estates as of March 31, 2018. As reflected in the Note accompanying these Statements, it has been prepared on a unique financial reporting basis, subject to the several assumptions and qualifications stated therein.

- B. Statement Reflecting Statutory Capital and Surplus Account: Exhibit “B” to the Report is the Statement reflecting the Statutory Capital and Surplus Account for the Estates for the period December 31, 2001 through March 31, 2018.
- C. Monthly Cash Flow Summary: Exhibit “C” is the cash flow summary on a monthly basis for the Estates including investment transactions for the period January 1, 2018 through March 31, 2018.
- D. Notes to Special Purpose Statement of Assets and Liabilities: Exhibit “D” contains information explaining the unique financial reporting basis used to prepare the Special Purpose Statement.
- E. Combined Expense Analysis: Prior to receivership, Legion, Villanova 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 schedules attached to the Report relating to expenses represent the expenses paid or incurred by the Estates on a consolidated basis, including all common expenses, before any allocation.

Exhibit "E" is a schedule reflecting the combined incurred expenses of the Estates from January 1, 2018 through March 31, 2018 together with a comparison, by category of expense, between 2018 and the 2018 budget and between 2017 and 2018 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. Exhibit E provides the accrued administrative expenses of the Estates including salaries and employee benefits for the period of January 1, 2018 through March 31, 2018 except for certain guaranty association expenses that may qualify as administrative expenses of the Estates.

F. Professional Services Paid and Incurred: Exhibit "F" is a schedule reflecting the amounts which the Liquidator paid to or amounts which the Liquidator has incurred as a result of the performance of services by various professional vendors, including accounting and actuarial firms, consultants on reinsurance and other matters, premium audit and collection services, and other support service providers, during the period January 1, 2018 through March 31, 2018. Legal vendors, including law firms and other litigation and support service providers, are broken out separately on Exhibit "F."

G. Reinsurance Recoverables due or Billable Net: Detailed information relating to reinsurance recoverables of the Estates due or billable net as of March 31, 2018 is submitted as Exhibit "G."

H. Guaranty Fund Claim Overview Report: Summary information for liquidation class ("Class") A and B claims at a state guaranty association level is provided in Exhibit "H." As of March 31, 2018, notices of determination

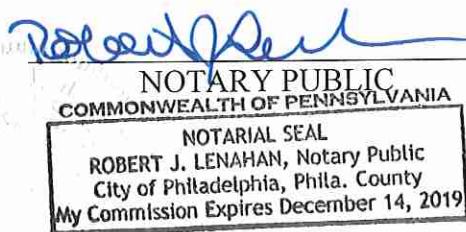


have been issued to all state guaranty associations. This information excludes any state guaranty associations which have formed an ancillary to administer their claims.

- I. Proof of Claim Statistics Inception to Date: Exhibit "I" provides inception to date summary information at a Class level of various proof of claims statistics.
  - J. Proof of Claim Statistics Quarter to Date: Exhibit "J" provides quarter to date summary information at a Class level of various proofs of claims statistics.
  - K. Notice of Determination Objection Statistics: Summary information at a class level of Notice of Determination Objections received, resolved and unresolved is provided in Exhibit "K". Additional summary information is also provided related to unresolved objections.
4. Based on my knowledge, the financial information included in the Report fairly presents in all material respects the financial condition, results of operations and cash flows for the first quarter of 2018.
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.

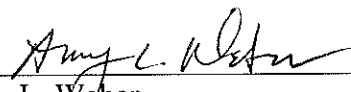
  
GERALD V. BEHR

Sworn to and subscribed before me  
This 7 th day of May, 2018.



### **CERTIFICATION**

I, Amy L. Weber, Governor's Office of General Counsel, assigned to the Office of Liquidations, Rehabilitations and Special Funds of the Pennsylvania Insurance Department, am duly authorized to make this Certification for and on behalf of Jessica K. Altman, 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 Exhibit F to the Quarterly Report of the Liquidator on the Status of the Liquidation of Villanova Insurance Company as of March 31, 2018, and I certify that these legal fees and expenses are reasonable and necessary. I also have reviewed Exhibit E, the Combined Expense Analysis for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) and certify that the legal fees and expenses stated therein have been reflected accurately. I understand that this Certification is made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.

  
\_\_\_\_\_  
Amy L. Weber  
Insurance Department Counsel

Dated: 5/10/18

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Villanova Insurance Company,	:	No. 1 VIL 2002
(In Liquidation)	:	

**EXHIBITS A - K  
QUARTERLY REPORT OF THE LIQUIDATOR  
ON THE STATUS OF THE LIQUIDATION  
OF LEGION INSURANCE COMPANY  
AS OF MARCH 31, 2018**

# **EXHIBIT**

## **A**

**Villanova Insurance Company (In Liquidation)**  
**Special Purpose Statement of Assets and Liabilities\***  
**March 31, 2018 and December 31, 2017**  
(In Millions of Dollars)

	<u>3/31/2018</u>	<u>12/31/2017</u>
<b>ASSETS</b>		
Cash investments, money market deposits	\$ 39.7	\$ 39.8
Early access advances	248.9	248.9
State deposits and unapplied state deposits available for early access	0.1	0.1
Total Assets	<u>\$ 288.7</u>	<u>\$ 288.8</u>
<b>LIABILITIES</b>		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses incurred since liquidation	\$ 50.8	\$ 50.3
Liquidator expenses paid since liquidation	<u>(50.5)</u>	<u>(50.1)</u>
Liquidator expenses	0.3	0.2
Guaranty associations paid ULAE reported	-	36.9
Guaranty associations NODs accepted	<u>42.4</u>	<u>7.4</u>
Total	\$ 42.7	\$ 44.5
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	-	265.9
Guaranty associations NODs accepted	380.4	94.6
Liquidator valued NODs accepted	1.6	1.6
Asset distribution payments, net	(0.5)	(0.5)
Estimated reserves - guaranty associations	<u>-</u>	<u>29.1</u>
Total	381.5	390.7
C - Federal government claims	-	-
D - Certain employee claims	-	-
E - General creditor claims:		
Liquidator valued NODs accepted	2.5	2.5
F - State and local government claims:		
Liquidator valued NODs accepted	2.9	2.9
G - Late filed/subrogation claims:		
Guaranty associations NODs accepted	0.4	-
Liquidator valued NODs accepted	<u>1.2</u>	<u>1.2</u>
Total	1.6	1.2
Total liabilities	431.2	440.6
Net surplus (deficit)	<u>(142.5)</u>	<u>(153.0)</u>
Total Liabilities and Surplus (Deficit)	<u>\$ 288.7</u>	<u>\$ 287.6</u>

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

# **EXHIBIT B**

**Villanova Insurance Company (In Liquidation)**  
**Statutory Capital and Surplus Account**  
**For the various periods**  
**(in millions of Dollars)**

<b>Surplus as regards to policyholders, as of December 31, 2001</b>	<b>\$ 27.6</b>
Net loss:	
Underwriting loss, net	13.1
Investment income, net	0.5
Other income (expenses), net	-
Loss before income taxes	13.6
Federal & foreign income taxes	-
Net loss	13.6
Change in net unrealized capital gains (losses)	-
Change in net deferred income tax	(8.6)
Change in non-admitted assets	8.9
Change in provision for reinsurance	-
Change in surplus for the period	13.9
<b>Surplus as regards to policyholders, as of March 31, 2002</b>	<b>41.5</b>

**Surplus activity during Rehabilitation Period:**

Net loss:	
Underwriting loss, net	(23.0)
Investment income, net	3.9
Other income (expenses), net	(12.2)
Net loss	(31.3)
Change in net unrealized capital gains (losses)	0.1
Change in net deferred income tax	-
Change in non-admitted assets	(98.7)
Change in provision for reinsurance	1.7
Change in surplus for the period	(128.2)
<b>Surplus as regards to policyholders, as of July 28, 2003</b>	<b>(86.7)</b>

**Surplus activity during Liquidation:**

Net loss:	
Underwriting loss, net	(56.7)
Class A - Administrative expenses	(92.4)
Class A - Investment expense	(0.8)
Investment income	12.7
Other income (expenses), net	5.0
Net loss	(132.2)
Change in net unrealized capital gains (losses)	(0.1)
Change in non-admitted assets	76.5
Change in surplus for the period	(55.8)
<b>Surplus as regards to policyholders, as of March 31, 2018</b>	<b><u><u>\$ (142.5)</u></u></b>

# **EXHIBIT**

## **C**



**Villanova Insurance Company (In Liquidation)**  
**Cash Flow Summary - Monthly Summaries**  
**Liquidation Basis**  
**YTD January 1, 2018 - March 31, 2018**  
*(in millions)*

	January	February	March	YTD 2018
<b>Beginning Available Cash and Investments</b>	<b>\$ 39.8</b>	<b>\$ 39.8</b>	<b>\$ 39.7</b>	<b>\$ 39.8</b>
Investment income	-	0.1	-	0.1
<b>Total Sources of Cash</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>0.1</b>
Paid expenses	-	-	-	-
Payroll	-	-	-	-
Intercompany transfers	-	(0.2)	-	(0.2)
Guaranty Association transactions	-	-	-	-
Distributions to Court approved NODs	-	-	-	-
Other cash inflows (outflows)	-	-	-	-
<b>Total Uses of Cash</b>	<b>-</b>	<b>(0.2)</b>	<b>-</b>	<b>(0.2)</b>
<b>Ending Available Cash and Investments</b>	<b>\$ 39.8</b>	<b>\$ 39.7</b>	<b>\$ 39.7</b>	<b>\$ 39.7</b>

# **EXHIBIT D**

**Villanova Insurance Company (In Liquidation)**  
**Notes to Special Purpose Statement of Assets and Liabilities**

The Special Purpose Statement of Assets and Liabilities of Villanova Insurance Company (In Liquidation) is prepared on a unique financial reporting basis in that the statement does 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 statement of assets and liabilities. The statement does 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 Statement 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. § 221.44. 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 recorded priority class B reflected on the Special Purpose Statement of Assets and Liabilities is based on NODs issued in 2018, and primarily on guaranty association paid claims, POCs and NODs issued, any known case reserves and actuarial estimates of expected losses on an undiscounted basis in 2017;
- There is an estimated provision in 2017 for current guaranty association costs that have been incurred by the estates and for the open claim runoff as of the Claims Bar Date;
- 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;
- There is no provision for potential federal income tax liabilities in future years, if any;
- For classes below (b), liabilities are carried at NOD accepted value, except for NODs issued on a "Class Only" basis, which are carried at \$0.

The Special Purpose Statement of Assets and Liabilities is not intended to be in conformity with and may vary significantly from generally accepted accounting principles and statutory accounting practices for a property and casualty insurance company as prescribed by the National Association of Insurance Commissioners. Certain presentation reclassifications have been made to reflect the estimated priority classes.

# **EXHIBIT E**

LEGION INSURANCE COMPANY (IN LIQUIDATION)  
VILLANOVA INSURANCE COMPANY (IN LIQUIDATION)  
COMBINED EXPENSE ANALYSIS BY ACCOUNT  
March 31, 2018 ACTUAL vs BUDGET  
(\$ In Thousands)

	Year to Date				2018 Actual vs 2018 Budget			2018 Actual vs 2017 Actual		
	2018	% of Total	2018	2017	Variance	Percent Variance	Variance	Percent Variance		
	Actual	Operating	Budget	Actual						
Full time Employee Equivalents	25		23	26	(2)	-8.7%	1	3.8%		
<u>General &amp; Administrative Expenses</u>										
Labor, Benefits, & Payroll Taxes:										
Labor - Internal & External	\$ 1,215		\$	1,210			\$ (5)	-0.4%		
Benefits & Payroll Taxes	321			376			55	14.7%		
Total Labor, Benefits, and Payroll Taxes	1,536	60.8%	\$ 1,633	1,586	\$ 97	5.9%	50	3.2%		
Occupancy	157	6.1%	157	182	-	0.0%	25	13.6%		
Equipment	149	5.9%	143	165	(6)	-4.3%	16	9.5%		
Legal Fees and Expenses	9	0.4%	50	34	41	82.1%	25	73.8%		
Professional Services										
Other	-	0.0%	-	6	-	n/a	6	100.0%		
IT Services	33	1.3%	32	119	(1)	-2.9%	86	72.7%		
Liquidator Costs	145	5.8%	114	104	(31)	-27.5%	(41)	-39.5%		
Other	492	19.5%	522	509	30	5.8%	17	3.4%		
Total Operating Expenses	\$ 2,521	100.0%	\$ 2,651	\$ 2,705	\$ 130	4.9%	\$ 184	6.8%		

# **EXHIBIT**

## **F**

Legion Insurance Company (In Liquidation)  
 Villanova Insurance Company (In Liquidation)  
 Legal Fees and Expenses and Professional Services Paid  
 January 1, 2018 - March 31, 2018

Classification	VENDOR NAME	Services Provided	2018 Total
Legal Fees and Expenses	LEXISNEXIS	Legal Research Fees	952
	WEST PUBLISHING CORPORATION	Legal Research Fees	7,878
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Legal Support Costs	118
			8,948
Total Legal Fees and Expenses Paid			-
Change in Legal Fees and Expenses accrual and other non-cash transactions			-
Total Legal Fees and Expenses Incurred			8,948
Professional Services	ASHDAR PARTNERS, INC.	IT Consulting	28,870
	COMPUTER SCIENCES CORPORATION	Data Processing	32,347
			61,217
Total Professional Services Paid			(27,794)
Change in Professional Services accrual and other non-cash transactions			-
Total Professional Services Incurred			33,423
Total Legal Fees and Expenses and Professional Services Incurred			42,371

\* All expenses above are gross before any allocation among Legion Insurance Company (In Liquidation), Villanova Insurance Company (In Liquidation)

# **EXHIBIT G**



**Villanova Insurance Company (In Liquidation)**  
**Reinsurance Recoverables Due or Billable, Net**  
**March 31, 2018**

**Reinsurer**

**Amount**

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**NONE**

# **EXHIBIT H**

**Villanova Insurance Company (in Liquidation)**  
**Guaranty Fund NODs Accepted**  
**As of March 31, 2018**

State	GA	Number Files Assigned	A- Level Paid Admin Exp	B - Level Paid Losses and Known Case Reserves, and Loss Adj Expenses
AK	354	1	\$ -	\$ 854
AL	301	4	23,300	777,193
AR	303	43	14,249	177,603
AZ - PC	402	4	1,042	26,018
AZ - SFIC	302	57	139,622	930,035
CA	360	14,377	22,552,972	173,349,820
GA	310	24	34,741	912,614
NY	331/431	1,636	12,348,856	111,561,868
AZ - WC	402	3	10,892	744,614
CO	305	6	8,394	33,148
CT	306	228	392,438	4,486,965
DC	308	-	169	0
DE	307	4	23,300	328,435
FL	409	60	118,275	918,710
FL	309	28	32,597	277,449
HI	352	42	124,355	543,478
IA	314	2	10,000	369,364
ID	311	-	0	0
IL	312	265	370,110	3,154,984
IN	313	32	34,881	214,148
KS	315	16	26,596	475,821
KY	316	17	21,819	259,244
LA	317	9	36,475	421,993
MA	320	118	323,651	2,917,788
MD	319	9	15,658	66,373
ME	318	-	4,597	-
MI	321	-	-	-
MN	322	17	13,195	137,625
MO	324	83	109,892	2,624,540
MS	323	72	123,092	1,981,294
MT	325	-	15,386	0
NC	332	213	787,684	9,172,514
ND	333	-	0	0
NE	326	1	306	3,874
NH	328	-	158	-
NJ	329	192	341,623	11,345,960
NJ	429	3	4,967	16,391
NOLHGA	370	-	252,214	0
NV	327	102	363,105	1,671,684
OH	334	4	20,000	34,139
OK	335	318	623,081	6,569,975
PA	337	436	987,894	26,379,229
PA	437	39	51,442	379,230
PR	358	-	0	0
RI	338	9	31,072	196,926
SC	339	82	143,207	2,301,674
SD	340	2	7,340	51,169
TN	341	208	1,032,202	10,065,094
TX	342	248	500,725	3,668,170
UT	343	-	0	0
VA	345	32	54,219	206,465
VT	344	45	44,641	270,418
WA	346	2	1,386	14,070
WI	348	38	189,100	378,929
WV	347	-	10,125	0
WY	349	-	0	0
GA NODs accepted			\$ 42,377,025	\$ 380,417,889

# **EXHIBIT I**

**Villanova Insurance Company (In Liquidation)**  
**Proofs of Claim Statistics**  
**Inception to Date March 31, 2018**

Class Descriptions	Total # of POC Claims Received *	# of POC Claims Received After 6/30/05	# of NODs Issued	# of NODs Accepted	Allowed Amounts on Accepted NODs	# of NODs Approved for Distribution	Allowed Amounts on NODs Approved for Distribution
A - Administrative Expenses - non GA	219	5	219	218	\$	218	\$
A - Administrative Expenses - GA	56	-	56	56	42,377,025	-	-
B - Policyholder Claims - non GA	1,311	166	1,311	1,311	1,595,208	1,311	1,595,208
B - Policyholder Claims - GA	56	-	56	56	380,417,889	-	-
C - Federal Government	1	1	1	1	0	-	-
D - Employees	-	-	-	-	-	-	-
E - General Credit/UEP	2,597	27	2,597	2,596	2,547,565	2,596	2,547,565
F - State/Local Government	49	2	49	49	2,901,139	49	2,901,139
G - Late Filed/Subrogation - non GA	373	49	373	373	1,151,099	373	1,151,099
G - Subrogation/Ancillary - GA	6	-	6	6	402,413	-	-
H - Surplus, Prem. Refunds	-	-	-	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-	-	-	-
No Class	-	-	-	-	-	-	-
<b>TOTALS</b>	<b>4,668</b>	<b>250</b>	<b>4,668</b>	<b>4,666</b>	<b>\$ 431,392,338</b>	<b>4,547</b>	<b>\$ 8,195,011</b>

\* Includes new suffixes set-up on POCs received prior to the Claims Bar Date of 7/28/2015. A POC may have more than one suffix to address multiple claims presented in a single POC. A NOD is issued for each valid suffix.

# **EXHIBIT J**

Villanova Insurance Company (In Liquidation)  
Proofs of Claim Statistics  
Quarter to Date March 31, 2018

Class Descriptions	Total # of POC Claims Received *	# of NODs Issued	# of NODs Accepted	Allowed Amounts on Accepted NODs	# of NODs Approved for Distribution	Allowed Amounts on NODs Approved for Distribution
A - Administrative Expenses - non GA	-	-	-	\$ 0	-	\$ 0
A - Administrative Expenses - GA	-	3	3	34,936,569	-	-
B - PolicyHolder Claims - non GA	-	-	-	-	-	-
B - PolicyHolder Claims - GA	-	3	3	285,824,302	-	-
C - Federal Government	1	1	1	0	-	-
D- Employees	-	-	-	-	-	-
E - General Credit/UEP	-	-	-	-	-	-
F- State/Local Government	-	-	-	-	-	-
G- Late Filed/Subrogation - non GA	-	-	-	-	-	-
G - Subrogation/Ancillary - GA	2	2	2	402,413	-	-
H - Surplus, Prem. Refunds	-	-	-	-	-	-
I- Shareholders/Other Owners	-	-	-	-	-	-
No Class	-	-	-	-	-	-
<b>TOTALS</b>	<b>3</b>	<b>9</b>	<b>9</b>	<b>\$ 321,163,284</b>	<b>-</b>	<b>\$ 0</b>

\* Includes new suffixes set-up on POCs received prior to the Claims Bar Date of 7/28/2015. A POC may have more than one suffix to address multiple claims presented in a single POC. A NOD is issued for each valid suffix.

# **EXHIBIT K**



Villanova Insurance Company (In Liquidation)  
 Notice of Determination Objection Statistics  
 Inception to Date March 31, 2018

Class Descriptions	Total # NOD Objections Received	Allowed Amounts on Objections	# of Objections Resolved	Allowed Amounts on Objections Resolved
A - Administrative Expenses	2	\$	1	\$
B - Policy/Holder Claims	25	38,419	25	38,419
C - Federal Government	-	-	-	-
D - Employees	-	-	-	-
E - General Credit/UEP	66	69,534	65	69,534
F - State/Local Government	-	-	-	-
G - Late Filed/Subrogation	5	0	5	0
H - Surplus, Prem. Refunds	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-
<b>TOTALS</b>	<b>98</b>	<b>\$ 107,953</b>	<b>96</b>	<b>\$ 107,953</b>

Class Descriptions	Total Objections Unresolved	Allowed Amounts on Objections Unresolved	# of Objections Assigned to Referees	Allowed Amounts on Objections Unresolved Assigned to Referees	# of Objections Unresolved Not Assigned to Referees	Allowed Amounts on Objections Unresolved Not Assigned to Referees
A - Administrative Expenses	1	\$	0	\$	1	\$
B - Policy/Holder Claims	-	-	-	-	-	-
C - Federal Government	-	-	-	-	-	-
D - Employees	-	-	-	-	-	-
E - General Credit/UEP	1	0	1	0	-	-
F - State/Local Government	-	-	-	-	-	-
G - Late Filed/Subrogation	-	-	-	-	-	-
H - Surplus, Prem. Refunds	-	-	-	-	-	-
I - Shareholders/Other Owners	-	-	-	-	-	-
<b>TOTALS</b>	<b>2</b>	<b>\$ 0</b>	<b>2</b>	<b>\$ 0</b>	<b>0</b>	<b>\$ 0</b>