



COMMONWEALTH OF PENNSYLVANIA  
INSURANCE DEPARTMENT

Office of Chief Counsel

Capitol Associates Building  
901 North 7<sup>th</sup> Street  
Harrisburg, PA 17102

Governor's Office  
of General Counsel

Phone (717) 787-6009  
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May 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 First Quarter 2006 Financial Report of the Liquidator Pursuant to Order Dated July 1, 2004.

As directed by the Court's Order we are also enclosing copies of the documents on a computer disk.

Thank you for your courtesies in filing the documents.

Very truly yours,

A handwritten signature in cursive script that reads "Amy L. Weber".

Amy L. Weber  
Special Funds Counsel

ALW:mm  
Enclosure

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

Plaintiff,

v.

Villanova Insurance Company,  
Defendant.

No. 182 M.D. 2002

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

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

**REPORT**

**A. Special Purpose Statements of Assets and Liabilities**

Attached hereto as Exhibits "A" and "B" are Special Purpose Statements of Assets and Liabilities for Legion Insurance Company ("Legion") and Villanova, respectively, as of March 31, 2006. As reflected in the Note accompanying these Statements, they have been prepared on a unique financial reporting basis, subject to the several assumptions and qualifications stated therein. The Statements reflect that, as of March 31, 2006, the Assets, Liabilities and Net Surplus (Deficit) of Legion and Villanova are as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net Surplus (Deficit)</u>
LEGION	\$3,340,300,000	\$3,580,800,000	(\$240,500,000)
VILLANOVA	\$311,600,000	\$421,200,000	(\$109,600,000)

**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 March 31, 2006. As reflected in these Statements, as of March 31, 2006, Legion has a Net Deficit of \$240,500,000 and Villanova has a Net Deficit of \$109,600,000. 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 April 1, 2005 through March 31, 2006. As reflected in these statements, the ending available cash and investments (net of payments) as of March 31, 2006 for Legion and Villanova is \$477,300,000 and \$50,600,000, respectively.

**D. Combined Expense Analysis**

Prior to receivership, Legion, Villanova and Legion Indemnity Company ("Indemnity") operated with an expense sharing agreement pursuant to which Legion paid the common expenses for all three companies through July 2003. Under the expense sharing agreement, common expenses were allocated 80% to Legion, 10% to Villanova and 10% to Indemnity.

Following entry of the Court's Orders placing Legion and Villanova into liquidation in July, 2003, the expenses were allocated 90% to Legion and 10% to Villanova. The several schedules attached to this Report relating to expenses (Exhibits G and H) represent the expenses paid or incurred by Legion and Villanova on a consolidated basis, including all common expenses, before any allocation.

Exhibit "G" is a schedule reflecting the combined incurred expenses of Legion and Villanova from January 1, 2006 through March 31, 2006 together with a comparison, by category of expense, between 2006 actual and 2006 budget and between 2005 and 2006 actuals. As reflected in the Statement, the total combined expenses through March 31, 2006 are \$12,965,000, which is 15.86% less than the 2006 budget and 15.17% more than 2005 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, 2006 through March 31, 2006. The schedule is broken down by month, with a year-to-date total through March 31, 2006 (before adjustments for changes in accrual and other non-cash transactions) of \$3,152,316.

**F. Administrative Expenses**

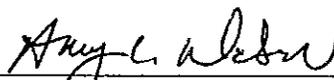
Exhibit "G" Combined Expense Analysis, provides the accrued administrative expenses of the estate including salaries and employee benefits for the period January 1, 2006 through March 31, 2006 except for certain guaranty association expenses that may qualify as

administrative expenses of the estate. Exhibit "H," Professional Services Paid and Incurred provides additional detail.

**G. Reinsurance Recoverables Due or Billable Net**

Detailed information relating to reinsurance recoverables of the estates due or billable net as of March 31, 2006 is submitted as Exhibits "I" and "J" respectively.

Respectfully submitted,



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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: May 15, 2006

**IN THE COMMONWEALTH COURT OF PENNSYLVANIA**

**M. Diane Koken  
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 FIRST QUARTER 2006  
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 First Quarter 2006 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 2006.
4. My certification is made in reasonable reliance on the work of qualified staff and the Estates’ internal procedures for financial operations.
6. 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 8 th day of MAY, 2006.

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



and "B" to the Report are Special Purpose Statements of Assets and Liabilities for the Estates as of March 31, 2006. As reflected in the Note accompanying these Statements, they have been prepared on a unique financial reporting basis, subject to the several assumptions and qualifications stated therein.

B. Statements Reflecting Statutory Capital and Surplus Accounts:

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

C. Monthly Cash Flow Summaries: Exhibits "E" and "F" are cash flow summaries on a monthly basis for the Estates including investment transactions, respectively, for the period April 1, 2005 through March 31, 2006.

D. Combined Expense Analysis: Prior to receivership, Legion, Villanova and Legion Indemnity Company ("Indemnity") operated with an expense sharing agreement pursuant to which Legion paid the common expenses for all three companies through July 2003. Under the expense sharing agreement, common expenses were allocated 80% to Legion, 10% to Villanova and 10% to Indemnity. Following entry of the Court's Orders placing Legion and Villanova into liquidation in July, 2003, the expenses were allocated 90% to Legion and 10% to Villanova. The several schedules attached to the Report relating to expenses represent the expenses paid or incurred by the Estates on a consolidated basis, including

all common expenses, before any allocation. Exhibit "G" is a schedule reflecting the combined incurred expenses of the Estates from January 1, 2006 through March 31, 2006 together with a comparison, by category of expense, between 2006 actual and 2006 budget and between 2005 and 2006 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses.

F. Professional Services Paid and Incurred: Exhibit "H" is a schedule reflecting the amounts which the Liquidator paid to or amounts which the Liquidator has incurred as a result of the performance of services by various professional vendors, including accounting and actuarial firms, consultants on reinsurance and other matters, premium audit and collection services, and other support service providers, during the period January 1, 2006 through March 31, 2006. Legal vendors, including law firms and other litigation and support service providers, are broken out separately on Exhibit "H."

G. Administrative Expenses: Exhibit "G," Combined Expense Analysis, provides the accrued administrative expenses of the Estates including salaries and employee benefits for the period January 1, 2006 through March 31, 2006 except for certain guaranty association expenses that may qualify as administrative expenses of the estate. Exhibit "H" Professional Services Paid and Incurred provides additional detail.

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

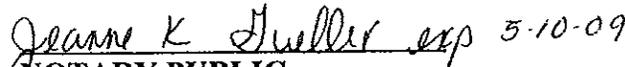
the Estates due or billable net as of March 31, 2006 is submitted as Exhibits "I" and "J" respectively.

4. Based on my knowledge, the financial information included in the Report fairly presents in all material respects the financial condition, results of operations and cash flows for the First Quarter of 2006.

5. I verify that the matters stated herein are true and correct to the best of my knowledge, information and belief, and make these statements subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

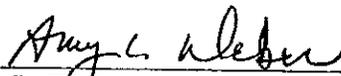
  
\_\_\_\_\_  
MICHAEL I. QUIST

Sworn to and subscribed before me  
this 5 th day of May, 2006.

  
\_\_\_\_\_  
NOTARY PUBLIC

**CERTIFICATION THAT LEGAL FEES  
ARE REASONABLE AND NECESSARY**

I, Amy L. Weber, Special Funds Counsel, of the Office of General Counsel, assigned to the Office of Liquidations, Rehabilitations and Special Funds, of the Pennsylvania Insurance Department, am duly authorized to make this Certification for and on behalf of M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator ("Liquidator") of Villanova Insurance Company. I have read the Exhibit H to the First Quarter 2006 Financial Report of the Liquidator and verify that the legal expenses stated paid therein are reasonable and necessary expenses to the best of my knowledge, information and belief. 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: May 15, 2006

EXHIBIT  
A

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

	3/31/2006	12/31/2005
<b>ASSETS</b>		
Cash and short duration investments:		
Liquid securities	\$ 262.9	\$ 300.6
Illiquid securities	-	-
Overnight deposits	211.4	97.5
Restricted deposits	17.1	0.6
Statutory deposits	16.9	16.8
Total invested assets	508.3	415.5
Premium balances	3.9	4.8
Estimated losses and loss adjustment expense reserves - ceded	1,968.0	2,059.9
Reinsurance recoverables due or billable, net	636.9	678.0
Unapplied liquidated statutory deposit proceeds	178.5	178.5
Post liquidation claims paid on behalf of guaranty associations	5.5	5.5
Other assets	39.2	7.2
Total Assets	\$ 3,340.3	\$ 3,349.4
<b>LIABILITIES</b>		
Estimated losses and loss adjustment expense reserves - direct	\$ 2,123.7	\$ 2,245.4
Estimated losses and loss adjustment expense reserves - assumed	226.1	193.7
Post liquidation claims paid by guaranty associations	881.6	753.8
Funds held	18.7	19.6
Other liabilities	330.7	362.3
Total liabilities	3,580.8	3,574.8
Net surplus (deficit)	(240.5)	(225.4)
Total Liabilities and Surplus (Deficit)	\$ 3,340.3	\$ 3,349.4

\* 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 restricted deposits primarily 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 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\***  
**March 31, 2006 and December 31, 2005**  
(In Millions of Dollars)

	<u>3/31/2006</u>	<u>12/31/2005</u>
<b>ASSETS</b>		
Cash and short duration investments:		
Liquid securities	\$ 23.7	\$ 31.0
Overnight deposits	26.5	5.7
Restricted deposits	7.4	-
Statutory deposits	1.0	1.0
Total invested assets	<u>58.6</u>	<u>37.7</u>
Premium balances	0.5	0.7
Estimated losses and loss adjustment expense reserves - ceded	133.6	141.1
Reinsurance recoverables due or billable, net	80.7	84.8
Unapplied liquidated statutory deposit proceeds	37.1	37.1
Post liquidation claims paid on behalf of guaranty associations	0.5	0.5
Other assets	0.6	4.0
Total Assets	<u>\$ 311.6</u>	<u>\$ 305.9</u>
<b>LIABILITIES</b>		
Estimated losses and loss adjustment expense reserves - direct	\$ 206.9	\$ 221.8
Estimated losses and loss adjustment expense reserves - assumed	21.4	21.6
Post liquidation claims paid by guaranty associations	152.9	134.0
Funds held	3.9	4.0
Other liabilities	36.1	33.5
Total liabilities	<u>421.2</u>	<u>414.9</u>
Net surplus (deficit)	<u>(109.6)</u>	<u>(109.0)</u>
Total Liabilities and Surplus (Deficit)	<u>\$ 311.6</u>	<u>\$ 305.9</u>

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

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

The special-purpose statements of assets and liabilities of Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) are prepared on a unique financial reporting basis in that the statements do not reflect the effect of the companies' liquidation. The liquidation process will result in the realization of amounts on transfer or disposition of assets and in the satisfaction of liabilities at amounts that may be substantially different than those reflected in the accompanying statements of assets and liabilities. The statements do not include any adjustments that might result from outcomes of the uncertainties related to the future effects of the liquidation and various potential exposures, recoveries or benefits. Specifically, the following facts should be noted in reviewing the accompanying special-purpose statements of assets and liabilities:

- The restricted deposits primarily 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 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 March 31, 2006**  
**(In Millions of Dollars)**

<b>Surplus as Regards Policyholders, Beginning Balance</b>	<b>\$ 298.3</b>
<b>Net Loss:</b>	
Underwriting Loss, Net	(598.8)
Investment Income, Net	32.4
Other Expense, Net	(22.7)
Loss Before Income Taxes *	(589.1)
Federal & Foreign Income Taxes	(22.4)
Net Loss	(566.7)
<b>Net Unrealized Capital Losses</b>	<b>(22.7)</b>
Change in Net Deferred Income Tax	(42.3)
Change in Non Admitted Assets	70.2
Change in Provision for Reinsurance	22.7
Chg in Surplus as Regards Policyholders for the Period	(538.8)
	-
<b>Surplus as Regards Policyholders, Ending Balance</b>	<b>\$ (240.5)</b>

\* 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 March 31, 2006**  
**(In Millions of Dollars)**

<b>Surplus as Regards Policyholders, Beginning Balance</b>	<b>\$ 27.6</b>
<b>Net Loss:</b>	
Underwriting Loss, Net	(27.0)
Investment Income, Net	6.4
Other Expense, Net	(5.3)
Loss Before Income Taxes	(25.9)
Federal & Foreign Income Taxes	7.5
Net Loss	(33.4)
Net Unrealized Capital Gains	(0.3)
Change in Net Deferred Income Tax	(8.6)
Change in Non Admitted Assets	(96.6)
Change in Provision for Reinsurance	1.7
Chg in Surplus as Regards Policyholders for the Period	(137.2)
<b>Surplus as Regards Policyholders, Ending Balance</b>	<b>\$ (109.6)</b>

EXHIBIT  
E

Legion Insurance Company (In Liquidation)  
 Cash Flow Summary  
 Liquidation Basis  
 YTD March 31, 2006  
 (In millions)

	2005												2006		
	April	May	June	July	August	September	October	November	December	January	February	March	March	March	
<b>Beginning Available Cash and Investments*</b>	\$ 241.9	\$ 275.3	\$ 284.5	\$ 295.1	\$ 301.4	\$ 306.4	\$ 308.5	\$ 312.8	\$ 343.4	\$ 402.2	\$ 414.4	\$ 438.6			
Premium collections (net of expenses)	0.6	3.7	0.5	0.8	0.3	0.4	0.8	0.2	0.3	0.2	0.1	0.3			
Reinsurance collections:															
Mutual Reinsurer Companies	-	1.5	-	-	0.5	-	0.4	1.4	2.0	1.0	1.0	1.6	-	-	
All Other Reinsurers	34.2	7.0	3.6	5.8	3.9	2.8	3.6	28.1	49.4	12.9	33.9	58.8			
Reinsurance commutations/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	-	1.2	4.0			
All Other Reinsurers	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	
Portfolio sales/maturities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investment income (net of expenses)	0.6	0.6	0.7	0.7	1.2	0.9	1.0	1.0	2.2	1.3	1.4	1.9			
<b>Total Sources of Cash</b>	<b>36.3</b>	<b>22.9</b>	<b>6.5</b>	<b>9.2</b>	<b>8.6</b>	<b>5.5</b>	<b>6.8</b>	<b>33.4</b>	<b>60.1</b>	<b>15.4</b>	<b>36.3</b>	<b>65.0</b>			
Loss & loss adjustment expense payments	(0.1)	(0.8)	0.0	(0.6)	0.0	(0.1)	-	-	-	-	-	(0.1)			
Paid expenses	(2.0)	(2.1)	(2.6)	(1.6)	(2.2)	(2.7)	(1.6)	(1.7)	(3.1)	(2.2)	(2.3)	(3.2)			
Payroll	(1.2)	(1.2)	(4.2)	(1.2)	(1.7)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)	(1.3)	(2.0)			
Intercompany transfers	-	-	-	-	-	-	-	-	-	-	-	(6.0)			
Guaranty Association transactions	-	-	-	-	-	0.2	-	-	(0.1)	-	-	-			
Other cash inflows (outflows)	0.4	0.4	0.9	0.7	0.3	0.6	0.5	0.3	3.3	0.4	0.4	(16.0)			
<b>Total Uses of Cash</b>	<b>(2.9)</b>	<b>(3.7)</b>	<b>(5.9)</b>	<b>(2.9)</b>	<b>(3.6)</b>	<b>(3.4)</b>	<b>(2.5)</b>	<b>(2.8)</b>	<b>(1.3)</b>	<b>(3.2)</b>	<b>(13.1)</b>	<b>(27.3)</b>			
<b>Ending Available Cash and Investments</b>	<b>\$ 275.3</b>	<b>\$ 294.5</b>	<b>\$ 295.1</b>	<b>\$ 301.4</b>	<b>\$ 306.4</b>	<b>\$ 308.5</b>	<b>\$ 312.8</b>	<b>\$ 343.4</b>	<b>\$ 402.2</b>	<b>\$ 414.4</b>	<b>\$ 438.6</b>	<b>\$ 477.3</b>			

EXHIBIT  
F

Vilanova Insurance Company (In Liquidation)  
 Cash Flow Summary  
 Liquidation Basis  
 YTD March 31, 2006  
 (in millions)

	2005												2006		
	April	May	June	July	August	September	October	November	December	January	February	March			
<b>Beginning Available Cash and Investments*</b>	\$ 32.9	\$ 33.1	\$ 33.9	\$ 34.1	\$ 35.0	\$ 35.6	\$ 35.9	\$ 36.3	\$ 36.5	\$ 37.3	\$ 40.0	\$ 50.0			
Premium collections (net of expenses)	0.1	-	-	-	0.1	0.2	-	0.1	-	-	-	0.1			
Reinsurance collections:															
Reinsurance recoverables:															
<i>Mutual Reinsurer Companies</i>	-	0.3	0.1	-	-	-	0.1	-	0.5	0.3	-	-			
<i>All Other Reinsurers</i>	-	-	-	0.3	0.4	0.1	-	-	0.2	2.3	-	-			1.6
Reinsurance commutations/settlements:															
<i>Mutual Reinsurer Companies</i>	-	-	-	-	-	-	-	-	-	-	-	-			-
<i>All Other Reinsurers</i>	-	0.4	-	-	-	-	-	-	-	-	-	-			-
Deductible Recoveries:															
<i>Mutual Reinsurer Companies</i>	-	-	-	-	-	-	-	-	-	-	-	-			-
<i>All Other Reinsurers</i>	-	-	-	0.5	-	-	-	-	-	-	-	-			-
Portfolio sales/maturities	-	-	-	-	-	-	-	-	-	-	-	-			-
Investment income (net of expenses)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1			0.3
<b>Total Sources of Cash</b>	<b>0.2</b>	<b>0.5</b>	<b>0.2</b>	<b>0.9</b>	<b>0.6</b>	<b>0.4</b>	<b>0.2</b>	<b>0.2</b>	<b>0.8</b>	<b>2.7</b>	<b>0.1</b>	<b>0.1</b>			<b>2.0</b>
Loss & loss adjustment expense payments	-	-	-	-	-	-	-	-	-	-	-	-			-
Paid expenses	-	-	-	-	-	(0.1)	(0.1)	-	-	-	-	-			-
Payroll	-	-	-	-	-	-	-	-	-	-	-	-			-
Intercompany transfers	-	-	-	-	-	-	-	-	-	-	-	-			6.0
Guaranty Association transactions	-	-	-	-	-	-	0.3	-	-	-	-	-			-
Other cash inflows (outflows)	-	-	-	-	-	-	-	-	-	-	-	(7.4)			-
<b>Total Uses of Cash</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.1)</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9.9</b>	<b>(1.4)</b>			<b>(1.4)</b>
<b>Ending Available Cash and Investments</b>	<b>\$ 33.1</b>	<b>\$ 33.9</b>	<b>\$ 34.1</b>	<b>\$ 35.0</b>	<b>\$ 35.6</b>	<b>\$ 35.9</b>	<b>\$ 36.3</b>	<b>\$ 36.5</b>	<b>\$ 37.3</b>	<b>\$ 40.0</b>	<b>\$ 50.0</b>	<b>\$ 50.0</b>			<b>\$ 50.0</b>

EXHIBIT  
G

Legion Insurance Company (In Liquidation)  
 Villanova Insurance Company (In Liquidation)  
 COMBINED EXPENSE ANALYSIS BY ACCOUNT  
 March 31, 2006 ACTUALS vs BUDGET  
 (\$ In Thousands)

	Year to Date						2006 Actual vs 2006 Budget		2006 Actual vs 2005 Actual	
	2006 Actual	% of Total Operating	2006 Budget	2005 Actual	Dollar Variance	Percent Variance	Dollar Variance	Percent Variance	Dollar Variance	Percent Variance
<u>Staffing - Current Month</u>										
Full Time	253		268	247	15	5.60%	(6)	-2.43%		
Part Time	1		1	3	-	0.00%	2	66.67%		
Contractor Help	30		40	24	10	25.00%	(6)	-25.00%		
<b>Total Staffing - Current</b>	<b>284</b>		<b>309</b>	<b>274</b>	<b>25</b>	<b>8.09%</b>	<b>(10)</b>	<b>-3.65%</b>		
<u>Staffing - Average</u>										
Full Time	256		264	249	8	2.85%	(7)	-2.81%		
Part Time	1		1	3	-	0.00%	2	66.67%		
Contractor Help*	30		35	24	5	14.49%	(6)	-25.53%		
<b>Total Staffing - Average</b>	<b>287</b>		<b>299</b>	<b>276</b>	<b>13</b>	<b>4.18%</b>	<b>(11)</b>	<b>-3.99%</b>		
<u>General &amp; Administrative Expenses*</u>										
Salaries	\$ 5,886	45.4%	\$ 6,737	\$ 5,451	\$ 851	12.63%	\$ (435)	-7.98%		
Benefits	1,159	8.9%	1,218	1,138	58	4.79%	(22)	-1.91%		
Occupancy	905	7.0%	933	997	28	3.02%	92	9.23%		
Equipment	1,014	7.8%	1,026	536	12	1.17%	(478)	-89.22%		
Legal Fees and Expenses	1,183	9.1%	1,475	573	292	19.80%	(609)	-106.24%		
Professional Services	1,675	12.9%	2,759	1,466	1,084	39.28%	(209)	-14.27%		
Other	1,142	8.8%	1,261	1,096	118	9.38%	(46)	-4.24%		
<b>Total Expenses</b>	<b>12,965</b>	<b>100.0%</b>	<b>15,408</b>	<b>11,257</b>	<b>2,443</b>	<b>15.86%</b>	<b>(1,708)</b>	<b>-15.17%</b>		
Revenue for collecting large deductible recoveries as provided by PA statute Act 46										
Post Act 46 Collection	-		-	-	-	n/a	-	n/a		
Act 46 Collection	-		-	-	-	n/a	-	n/a		
<b>Net Budget</b>	<b>\$ 12,965</b>		<b>\$ 15,408</b>	<b>\$ 11,257</b>	<b>\$ 2,443</b>	<b>15.86%</b>	<b>\$ (1,708)</b>	<b>-15.17%</b>		

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

EXHIBIT  
H

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

Sum of CONVERTED_AMOUNT	VENDOR_NAME	YEAR			2006 Total
		MONTH			
		2006	1	2	
Classification					
Legal Fees and Expenses	ANDREW WALSH			4,883	4,883
	ARBITRATION & MEDIATION	17,193			17,193
	BAGEHOT & COMPANY	1,500			1,500
	BRAVERMAN, DANIELS & KASKEY, LTD.			1,827	1,827
	BROWN,BROWN & KLASS	82		1,685	1,768
	CONYERS,DILL & PEARMAN			2,420	2,420
	DASHIELL LAW OFFICES, LLC	399		3,748	4,147
	DEUTSCH, KERRIGAN, & STILES, L.L.P.	16,051		6,678	22,729
	DIANE NERGAARD			5,722	5,722
	DOBY PROFESSIONAL REPORTING, INC.			1,507	1,507
	ESQUIRE DEPOSITION SERVICE			11,108	11,108
	FIFTH THIRD BANK	1,807			1,807
	GLENN R. PARTRIDGE	650		6,060	6,710
	JACKSON LEWIS, LLP	2,887		936	3,822
	JAMES DECRESCENZO REPORTING,LLC	3,489			3,489
	JAMS,INC.			2,750	2,750
	JEFFREY D. MILLER, FSA	300		600	1,200
	KAPLAN,LEAMAN & WOLF COURT REPORTS	2,398		300	2,398
	LEXISNEXIS			9,507	9,507
	MARTIN D. HABER	630		44,717	45,347
	MILLER ALFANO & RASPANTI PC	67,063		1,049	140,391
	MORGENSTEIN & JUBELIRER LLP	5,996		1,366	7,362
	ON-SITE SOURCING, INC.	280		8,004	8,284
	PEPPER HAMILTON LLP	42,086		740,259	782,345
	PETER CRICKMERE			10,711	10,711
	ROYAL COURT REPORTING	490		1,087	1,576
	SCHWARTZ SEMERDJIAN HAILE BALLARD & CAULEY LLP	8,042		6,352	14,395
	SMART & ASSOCIATES,LLP			24,920	24,920
	STITES & HARBISON	1,701		441	2,142
	STRADLEY RONON STEVENS & YOUNG	7,524		5,466	64,329

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

Sum of CONVERTED_AMOUNT	VENDOR NAME	YEAR MONTH			2006 Total
		2006			
		1	2	3	
Legal Fees and Expenses	SUMMIT DOCUMENT SVCS,BIRMINGHAM	23,301			23,301
	SYLVIA KAMINSKY	1,105			1,105
	TATE, LAZARINI & BEALL		(210)	2,206	1,996
	THE GASS COMPANY, INC.			30,882	30,882
	THE HUSTEAD LAW FIRM				5,794
	TIMMIS & INMAN PLLC	5,794		251	3,253
	W. MAX HOLLMANN	3,002			
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	15,576	4,489		20,064
	Aggregate Amount for Total Vendor Payments Under \$1,000	159,055		111,906	270,961
Legal Fees and Expenses Total		2,990	62	1,624	4,677
Professional Services	ALLIANCE CONSULTING	374,198	101,767	1,094,356	1,570,321
	CLAIMS MANAGEMENT GROUP LIMITED	60,000		96,500	156,500
	CSC/FSG-MYND CORP.	73,487	4,158		4,158
	GOLDMAN & WARSHAW		62,432		135,919
	GR CONSULTING,LLC		10,014		10,014
	HELIX UK LIMITED	1,050	4,200	1,754	7,004
	JAY APPLEBAUM	60,500	102,650	102,650	265,800
	JEFFERSON WELLS INTERNATIONAL INC.	2,850	702	(227)	3,325
	JOHN DOHERTY		28,145	21,650	49,795
	PHILIP MASIN			1,126	1,126
	PHILO SMITH			12,250	12,250
	REINSURANCE SOLUTIONS INT'L	50,000			50,000
	RELIANCE INS CO (IN LIQUIDATION)	49,620		60,540	110,160
	RIGHT MANAGEMENT CONSULTANTS	32,476			32,476
	SMART & ASSOCIATES,LLP		342,505	26,000	26,000
	TROUT & ASSOCIATES, LTD.			190,574	533,079
	VERIS CONSULTING	81,286	70,703	1,273	1,273
	WILLIAMS & SHEDD	4,303	5,889	(135)	167,246
	Aggregate Amount for Total Vendor Payments Under \$1,000	777	3,273	1,763	10,057
Professional Services Total		416,348	634,672	530,975	1,581,995

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

Sum of CONVERTED_AMOUNT	YEAR		MONTH		2006 Total
	2006				
Classification	1	2	3		
Grand Total	790,546	736,439	1,625,331		3,152,316
Change in accrual and other non-cash transactions	46,204	244,019	(585,046)		(294,823)
Incurring Legal Expenses and Fees and Professional Services	836,750	980,458	1,040,285		2,857,493

\* 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**  
**March 31, 2006**

Reinsurer	Amount
FIRST EXCESS AND REINSURANCE CORPORATION	\$ 46,712,437
GE REINS CORP	37,752,310
MIDWEST EMPLOYERS CASUALTY COMPANY	34,820,934
HANNOVER RUCKVERSICHERUNGS AG	21,158,433
HARTFORD FIRE INSURANCE COMPANY	18,792,824
AMERICAN RE-INSURANCE COMPANY	17,304,318
SWISS RE LIFE & HEALTH AMERICA INC	16,352,536
SCOR REINSURANCE COMPANY	15,776,028
EMPLOYERS REINSURANCE CORPORATION	12,653,934
SWISS REINSURANCE AMERICA CORP	12,115,348
TRANSATLANTIC REINSURANCE COMPANY	12,080,954
RELIASTAR LIFE INSURANCE COMPANY	10,670,828
LLOYDS SYNDICATE # 053	10,538,699
ODYSSEY REINS CORPORATION	9,010,074
LINCOLN NATIONAL HEALTH & CASUALTY INSURANCE COMPANY	8,891,142
FEDERAL INSURANCE COMPANY	8,566,951
CONTINENTAL CASUALTY COMPANY	7,409,485
JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY	7,206,901
LLOYDS SYNDICATE # 435	6,750,677
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	5,497,370
CHUBB ATLANTIC INDEMNITY LIMITED	5,029,301
AMERICAN NATIONAL INSURANCE COMPANY	4,532,171
BERKLEY INSURANCE COMPANY	4,411,927
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	4,159,401
TRUSTMARK INSURANCE CO	3,948,091
EVEREST REINSURANCE COMPANY	3,930,057
UNDERWRITERS REINSURANCE COMPANY	3,892,235
FOLKSAMERICA REINSURANCE COMPANY	3,803,182
PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY	3,458,230
ACE INSURANCE SA-NV	3,438,065
EMPLOYERS EQUITY INSURANCE COMPANY	3,305,368
AUTO-OWNERS INS CO	3,109,879
CORE INSURANCE COMPANY	3,100,597
LUMBERMENS MUTUAL CASUALTY CO	2,582,263
GIO (UK) LTD	2,481,828
CONSTITUTION INS CO	2,428,687
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	2,368,983
LLOYDS SYNDICATE # 378	2,359,899
XL MID OCEAN REINSURANCE COMPANY LTD	2,242,243
LLOYDS SYNDICATE # 1245	2,190,359
XL REINSURANCE AMERICA LTD	2,037,048
WESTCHESTER FIRE INS CO	1,827,348
CHA REINSURANCE CO. LTD.	1,820,906
ODYSSEY AMER REINS CO	1,723,872
LLOYDS SYNDICATE # 1141	1,679,887
LLOYDS SYNDICATE # 271	1,590,691
HURST-HOLME INS COMPANY, LTD	1,589,551
ST PAUL REINSURANCE COMPANY LTD	1,581,985
MANULIFE REINSURANCE CORP, USA	1,552,451
UNIONAMERICA INSURANCE COMPANY, LTD	1,333,023
LLOYDS SYNDICATE # 991	1,296,297
GENERAL REINSURANCE CORPORATION	1,260,173
MLA LIMITED	1,208,720
TRENWICK AMERICA REINSURANCE CORP	1,198,485
LLOYDS SYNDICATE # 1173	1,193,541
LLOYDS SYNDICATE # 205	1,172,643
LLOYDS SYNDICATE # 382	1,189,241
LLOYDS SYNDICATE # 314	1,141,532
LLOYDS SYNDICATE # 570	1,116,597
CHARTWELL REINSURANCE COMPANY	1,044,646
INSURANCE COMPANY OF NORTH AMERICA	1,039,723
All Other Reinsurers (Less than \$1M due LIC)	32,705,816
Pending Cessions	189,119,083
Total Reinsurance recoverables due or billable, net	<u>\$ 636,887,748</u>

**EXHIBIT**

**J**

**Villanova Insurance Company (In Liquidation)**  
**Reinsurance Recoverables Due or Billable, Net**  
**March 31, 2006**

Reinsurer	Amount
SWISS REINSURANCE AMERICA CORP	\$ 5,574,641
HANNOVER RUCKVERSICHERUNGS AG	3,563,974
LLOYDS SYNDICATE # 053	3,390,800
MIDWEST EMPLOYERS CASUALTY COMPANY	2,999,883
MOTORS INSURANCE CORPORATION	2,972,914
ODYSSEY AMER REINS CO	2,455,545
ODYSSEY REINS CORPORATION	2,262,874
RELIASTAR LIFE INSURANCE COMPANY	1,782,451
CHARTWELL REINSURANCE COMPANY	1,541,729
AMERICAN NATIONAL INSURANCE COMPANY	1,174,207
HARTFORD FIRE INSURANCE COMPANY	1,078,265
FIRST EXCESS AND REINSURANCE CORPORATION	1,054,892
All Other Reinsurers (Less than \$1M due VIC)	12,699,974
Pending Cessions	38,127,250
Total Reinsurance recoverables due or billable, net	<u>\$ 80,677,399</u>