



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

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May 15, 2007

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 2007 Financial Report of the Liquidator Pursuant to Order Dated July 1, 2004.

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

Thank you for your courtesies in filing the documents.

Very truly yours,

Amy L. Weber
Special Funds Counsel

ALW:mm
Enclosure

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

Plaintiff,

v.

Villanova Insurance Company,
Defendant.

No. 182 M.D. 2002

15 MAY 2007 13 36
COMMONWEALTH COURT
OF PENNSYLVANIA

**FIRST QUARTER 2007 FINANCIAL REPORT OF THE
LIQUIDATOR PURSUANT TO ORDER DATED JULY 1, 2004**

Randolph L. Rohrbaugh, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator (the "Liquidator") of Villanova Insurance Company ("Villanova"), through his undersigned counsel, hereby submits this First Quarter 2007 Financial Report ("Report") pursuant to this Court's Order of July 1, 2004.¹

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, 2007. 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

¹ On July 25, 2003, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, including her successors in office, was appointed by the Court as Statutory Liquidator of Legion. Commissioner Koken resigned as Insurance Commissioner on February 19, 2007, and Randolph L. Rohrbaugh was appointed Acting Insurance Commissioner and now serves as the Statutory Liquidator of Legion.

therein. The Statements reflect that, as of March 31, 2007, the Assets, Liabilities and Net Surplus (Deficit) of Legion and Villanova are as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net Surplus (Deficit)</u>
LEGION	\$2,779,700,000	\$3,393,900,000	(\$614,200,000)
VILLANOVA	\$277,300,000	\$473,000,000	(\$195,700,000)

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, 2007. As reflected in these Statements, as of March 31, 2007, Legion has a Net Deficit of \$614,200,000 and Villanova has a Net Deficit of \$195,700,000. 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, 2006 through March 31, 2007. The summaries also reflect an adjustment for marking the investments to market and other adjustments as of March 31, 2007. As reflected in these statements, the ending available cash and investments (net of payments) at market value as of March 31, 2007 for Legion and Villanova is \$630,700,000 and \$66,500,000, 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, 2007 through March 31, 2007 together with a comparison, by category of expense, between 2007 actual and 2007 budget and between 2006 and 2007 actuals. As reflected in the Statement, the total combined expenses through March 31, 2007 are \$11,723,000, which is 23.08% less than the 2007 budget and 9.57% less than 2006 actuals. There has been a minor unfavorable variance between the budgeted and actual accrued expenses relating to benefits. In addition, the schedule reflects \$0 of revenue, which is 100.00% less than budget, related to collection of large deductible recoveries as provided for by Pennsylvania statute Act 46. Lastly, the schedule lists unbudgeted revenue of \$754,000 related to expense reimbursement from a non-insurance affiliate.

E. Professional Services Paid and Incurred

Attached hereto as Exhibit "H" is a schedule reflecting the amounts which the Liquidator paid to or amounts which the Liquidator has incurred as a result of the performance of services by various professional vendors, including law firms, accounting and actuarial firms, consultants

on reinsurance and other matters, premium audit and collection services, and other litigation and support service providers, during the period January 1, 2007 through March 31, 2007. The schedule is broken down by month, with a year-to-date total through March 31, 2007 (before adjustments for changes in accrual and other non-cash transactions) of \$3,056,460.

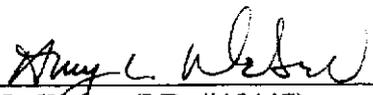
F. Administrative Expenses

Exhibit "G" Combined Expense Analysis, provides the accrued administrative expenses of the estate including salaries and employee benefits for the period January 1, 2007 through March 31, 2007 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, 2007 is submitted as Exhibits "I" and "J" respectively.

Respectfully submitted,



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

Counsel for Plaintiff Randolph L.
Rohrbaugh, Acting Insurance Commissioner
of the Commonwealth of Pennsylvania
acting in his official capacity as Statutory
Liquidator of Villanova Insurance Company

Dated: 5/15/07

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 2007
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 2007 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 2007.
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 10 th day of MAY, 2007.


NOTARY PUBLIC

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Maureen Greenfield, Notary Public
City Of Philadelphia, Philadelphia County
My Commission Expires Dec. 23, 2010
Member, Pennsylvania Association of Notaries

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 MICHAEL I. QUIST
IN SUPPORT OF THE FIRST QUARTER 2007
FINANCIAL REPORT OF THE LIQUIDATOR**

I, **MICHAEL I. QUIST**, hereby depose and state as follows:

1. I am Senior Vice President of Financial Operations for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) (“the Estates”), am a currently licensed Certified Public Accountant, and serve as Chief Financial Officer responsible for overseeing all aspects of the Estates’ financial operations.
2. I assisted in the direction of the preparation of the First Quarter 2007 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 Statements of Assets and Liabilities: Exhibits "A" and "B" to the Report are Special Purpose Statements of Assets and Liabilities for the Estates as of March 31, 2007. 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, 2007.

C. Monthly Cash Flow Summaries: Exhibits "E" and "F" are cash flow summaries on a monthly basis for the Estates including investment transactions for the period April 1, 2006 through March 31, 2007.

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, 2007 through March 31, 2007 together with a comparison, by category of expense, between 2007 actual and 2007 budget and between 2006 and 2007 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, 2007 through March 31, 2007. 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, 2007 through March 31, 2007 except for certain guaranty association expenses that may qualify as administrative expenses of the estate. Exhibit "H" Professional Services Paid and Incurred provides additional detail.

H. Reinsurance Recoverables Due or Billable Net: Detailed information relating to reinsurance recoverables of the Estates due or

billable net as of March 31, 2007 is submitted as Exhibits "I" and "J" respectively.

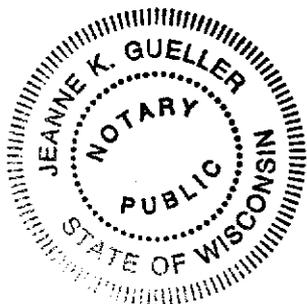
4. Based on my knowledge, the financial information included in the Report fairly presents in all material respects the financial condition, results of operations and cash flows for the First Quarter of 2007.

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

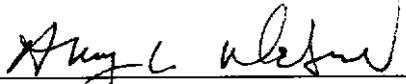
Sworn to and subscribed before me
this 10 th day of May, 2007.


NOTARY PUBLIC exp 5-10-09



CERTIFICATION

I, Amy L. Weber, Special Funds Counsel, of the Office of General Counsel, assigned to the Office of Liquidations, Rehabilitations and Special Funds, of the Pennsylvania Insurance Department, am duly authorized to make this Certification for and on behalf of Randolph L. Rohrbaugh, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator ("Liquidator") of Villanova Insurance Company. I am responsible for reviewing the invoices and documents received from outside counsel supporting the legal fees and expenses for the Exhibit H to the First Quarter 2007 Financial Report of the Liquidator and I certify that these legal fees and expenses are reasonable and necessary. I also have reviewed Exhibit G, the Combined Expense Analysis for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) and certify that the legal fees and expenses stated therein have been reflected accurately. I understand that this Certification is made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.



Amy L. Weber
Special Funds Counsel

Dated: 5/15/07

EXHIBIT

A

Legion Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
March 31, 2007 and December 31, 2006
(In Millions of Dollars)

	3/31/2007	12/31/2006
ASSETS		
Cash and short duration investments:		
Liquid securities	\$ 289.9	\$ 281.3
Illiquid securities	-	-
Money market deposits	340.8	286.4
Restricted deposits	0.6	0.6
Total invested assets	631.3	568.3
Premium balances	0.6	0.5
Estimated losses and loss adjustment expense reserves - ceded	1,347.6	1,437.4
Reinsurance recoverables due or billable, net	558.6	575.1
Early access advances	134.4	134.4
State deposits and unapplied state deposits available for early access	29.2	29.0
Post liquidation claims paid on behalf of guaranty associations	1.8	1.8
Amounts to be distributed per Act 46	12.1	11.2
Other assets	64.1	61.6
Total Assets	\$ 2,779.7	\$ 2,819.3
LIABILITIES		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses	\$ 20.8	\$ 11.2
Guaranty associations paid ULAE reported	87.9	85.1
Guaranty associations' reserves ULAE	23.5	26.3
Total	\$ 132.2	\$ 122.6
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	1,056.8	997.6
Liquidator valued NODs accepted by claimants	3.4	2.9
Reserves	1,763.9	1,818.2
Total	2,824.1	2,818.7
C - Federal government claims	-	-
D - Certain employee claims	-	-
E - General creditor claims	366.4	420.6
F - State and local government claims	59.3	59.5
G - Late filed claims	-	-
Ancillary Receivership:		
Post liquidation claims paid, gross	30.1	28.3
Estimated losses and loss adjustment expense reserves - direct	40.7	42.5
Offset of unapplied liquidated statutory deposit	(58.9)	(58.9)
Post liquidation claims, net	11.9	11.9
Total liabilities	3,393.9	3,433.3
Net surplus (deficit)	(614.2)	(614.0)
Total Liabilities and Surplus (Deficit)	\$ 2,779.7	\$ 2,819.3

* See Note to Special Purpose Statement of Assets and Liabilities

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

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

- Estimated priority class of claims from the insurers' estates is set forth in detail in Article V of the Commonwealth of Pennsylvania Insurance Department Act of 1921 at 40 P.S. 22144. The classes are:
 - A Administrative expenses
 - B Claims for policy benefits
 - C Federal government claims
 - D Certain employee claims
 - E General creditor claims
 - F State and local government claims
 - G Late filed claims

Note: Administrative expenses include both the guaranty associations' expenses related to administering the claims of the companies in liquidation and the Liquidator's expenses.

- The amounts to be distributed per Act 46 represent funds collected under large deductible policies. These funds will be paid, as outlined in Act 46, to those entities that funded the claim payments.
- The recorded priority class B reflected on the special-purpose statements of assets and liabilities are based primarily on guaranty association paid claims and actuarial estimates of expected losses calculated prior to the companies entering rehabilitation. Sufficient credible data is not yet available to update the aggregate actuarial estimates of reserves after the rehabilitation effective date due to the significant changes in claim settlement and reserving processes triggered by the rehabilitation and liquidation actions;
- The statements do not reflect any general provision for estimated unrealizable reinsurance recoverable assets. The statements do reflect provisions for specific reinsurance insolvencies or other industry known facts which will likely result in compromised collections;
- There is an estimated provision for current guaranty association costs that have been incurred by the estates;
- There is no provision for future internal operating costs to execute the activities and responsibilities of the estates in the liquidation process through the date of the final liquidation of the estates.

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

**EXHIBIT
B**

Villanova Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
March 31, 2007 and December 31, 2006
(In Millions of Dollars)

	3/31/2007	12/31/2006
ASSETS		
Cash and short duration investments:		
Liquid securities	\$ 25.8	\$ 24.8
Illiquid securities	-	-
Money market deposits	40.7	39.3
Restricted deposits	-	-
Total invested assets	66.5	64.1
Premium balances	0.7	0.8
Estimated losses and loss adjustment expense reserves - ceded	103.9	55.4
Reinsurance recoverables due or billable, net	81.7	85.6
Early access advances	15.5	15.5
State deposits and unapplied state deposits available for early access	0.3	0.3
Post liquidation claims paid on behalf of guaranty associations	0.1	0.1
Amounts to be distributed per Act 46	2.6	2.3
Other assets	6.0	4.6
Total Assets	\$ 277.3	\$ 228.7
LIABILITIES		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses	\$ 1.7	\$ 1.1
Guaranty associations paid ULAE reported	15.3	14.9
Guaranty associations' reserves ULAE	5.5	6.0
Total	\$ 22.5	\$ 22.0
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	177.3	161.3
Liquidator valued NODs accepted by claimants	-	-
Reserves	232.1	246.2
Total	409.4	407.5
C - Federal government claims	-	-
D - Certain employee claims	-	-
E - General creditor claims	35.0	31.7
F - State and local government claims	4.5	4.5
G - Late filed claims	-	-
Ancillary Receivership:		
Post liquidation claims paid, gross	1.0	1.0
Estimated losses and loss adjustment expense reserves - direct	1.8	1.8
Offset of unapplied liquidated statutory deposit	(1.2)	(1.2)
Post liquidation claims, net	1.6	1.6
Total liabilities	473.0	467.3
Net surplus (deficit)	(195.7)	(238.6)
Total Liabilities and Surplus (Deficit)	\$ 277.3	\$ 228.7

* See Note to Special Purpose Statement of Assets and Liabilities

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

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

- Estimated priority class of claims from the insurers' estates is set forth in detail in Article V of the Commonwealth of Pennsylvania Insurance Department Act of 1921 at 40 P.S. 22144. The classes are:
 - A Administrative expenses
 - B Claims for policy benefits
 - C Federal government claims
 - D Certain employee claims
 - E General creditor claims
 - F State and local government claims
 - G Late filed claims

Note: Administrative expenses include both the guaranty associations' expenses related to administering the claims of the companies in liquidation and the Liquidator's expenses.

- The amounts to be distributed per Act 46 represent funds collected under large deductible policies. These funds will be paid, as outlined in Act 46, to those entities that funded the claim payments.
- The recorded priority class B reflected on the special-purpose statements of assets and liabilities are based primarily on guaranty association paid claims and actuarial estimates of expected losses calculated prior to the companies entering rehabilitation. Sufficient credible data is not yet available to update the aggregate actuarial estimates of reserves after the rehabilitation effective date due to the significant changes in claim settlement and reserving processes triggered by the rehabilitation and liquidation actions;
- The statements do not reflect any general provision for estimated unrealizable reinsurance recoverable assets. The statements do reflect provisions for specific reinsurance insolvencies or other industry known facts which will likely result in compromised collections;
- There is an estimated provision for current guaranty association costs that have been incurred by the estates;
- There is no provision for future internal operating costs to execute the activities and responsibilities of the estates in the liquidation process through the date of the final liquidation of the estates.

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

EXHIBIT
C

Legion Insurance Company (In Liquidation)
Statutory Capital and Surplus Account
For the Period December 31, 2001 Thru March 31, 2007
(In Millions of Dollars)

Surplus as Regards Policyholders, Beginning Balance	\$ 298.3
Net Loss:	
Underwriting Loss, Net	(1,038.0)
Investment Income, Net	84.0
Other Expense, Net	(17.0)
Loss Before Income Taxes *	(971.0)
Federal & Foreign Income Taxes	(22.4)
Net Loss	(948.6)
Net Unrealized Capital Losses	(20.3)
Change in Net Deferred Income Tax	(42.3)
Change in Non Admitted Assets	76.0
Change in Provision for Reinsurance	22.7
Change in Surplus as Regards Policyholders for the Period	(912.5)
Surplus as Regards Policyholders, Ending Balance	\$ (614.2)

Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) combined have booked an estimated net adjustment of \$275M in the 4th quarter 2006 related to additional losses in excess of reinsurance coverage prior to pooling.

**EXHIBIT
D**

Villanova Insurance Company (In Liquidation)
Statutory Capital and Surplus Account
For the Period December 31, 2001 Thru March 31, 2007
(In Millions of Dollars)

Surplus as Regards Policyholders, Beginning Balance	\$ 27.6
Net Loss:	
Underwriting Loss, Net	(60.4)
Investment Income, Net	9.9
Other Expense, Net	(5.5)
Loss Before Income Taxes	(56.0)
Federal & Foreign Income Taxes	7.5
Net Loss	(63.5)
Net Unrealized Capital Gains	-
Change in Net Deferred Income Tax	(8.6)
Change in Non Admitted Assets	(152.9)
Change in Provision for Reinsurance	1.7
Change in Surplus as Regards Policyholders for the Period	(223.3)
Surplus as Regards Policyholders, Ending Balance	\$ (195.7)

Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) combined have booked an estimated net adjustment of \$275M in the 4th quarter 2006 related to additional losses in excess of reinsurance coverage prior to pooling.

**EXHIBIT
E**

Legion Insurance Company (in Liquidation)
 Cash Flow Summary
 Liquidation Basis
 YTD March 31, 2007
 (in millions)

	2006												2007		
	April	May	June	July	August	September	October	November	December	January	February	March	March	March	
Beginning Available Cash and Investments*	\$ 477.3	\$ 617.0	\$ 530.7	\$ 429.3	\$ 448.4	\$ 466.4	\$ 470.7	\$ 520.3	\$ 540.0	\$ 569.5	\$ 581.2	\$ 588.1			
Premium collections (net of expenses)	0.3	1.5	0.2	0.2	1.0	0.1	0.3	1.0	0.4	0.4	0.3	0.1			
Reinsurance collections:															
Reinsurance recoverables:															
Mutual Companies	-	-	-	-	2.6	-	-	-	-	-	1.0	-			
All Other Reinsurers	38.1	23.8	21.2	20.6	12.3	10.2	58.7	15.4	23.8	10.6	6.7	15.1			
Reinsurance commutations/settlements:															
Mutual Companies	-	-	-	-	-	-	-	-	-	-	-	-			
All Other Reinsurers	-	-	-	-	-	-	-	-	-	-	-	-			
Deductible Recoveries:															
Mutual Companies	2.4	2.1	-	2.1	0.9	-	-	1.0	-	0.6	-	1.8			
All Other Reinsurers	-	-	-	-	-	-	-	-	1.8	-	0.1	-			
Portfolio sales/maturities	-	-	-	-	-	-	-	-	-	-	-	-			
Investment income (net of expenses)	2.2	1.4	1.3	0.7	3.0	1.8	1.4	3.5	1.9	2.3	2.4	2.4			
Dividends from affiliate	-	-	-	-	-	-	-	2.5	-	-	-	19.7			
Total Sources of Cash	43.0	28.8	22.7	23.6	19.8	12.1	60.4	23.4	27.8	14.9	9.6	39.1			
Loss & loss adjustment expense payments	-	-	0.0	(0.1)	(0.1)	0.0	(0.1)	-	(0.1)	-	-	(4.8)			
Paid expenses	(2.5)	(2.3)	(2.5)	(2.1)	(2.8)	(2.5)	(2.4)	(2.6)	(2.9)	(1.9)	(2.1)	-			
Payroll	(1.3)	(1.3)	(4.7)	(1.3)	(1.9)	(1.3)	(1.2)	(1.4)	(1.3)	(1.4)	(1.2)	(1.8)			
Intercompany transfers	-	(7.8)	(2.0)	(1.7)	-	1.9	(7.7)	-	0.5	-	0.6	-			
Guaranty Association transactions	-	-	(114.5)	-	(2.2)	-	-	-	-	-	-	-			
Other cash inflows (outflows)	0.5	(3.7)	(0.4)	(1.3)	7.2	(5.9)	0.6	0.3	5.4	0.1	0.1	0.2			
Total Uses of Cash	(3.3)	(16.1)	(124.1)	(6.6)	0.2	(7.8)	(10.8)	(3.7)	1.6	(3.2)	(2.6)	(6.4)			
Ending Available Cash and Investments	\$ 517.0	\$ 530.7	\$ 429.3	\$ 446.4	\$ 466.4	\$ 470.7	\$ 520.3	\$ 540.0	\$ 569.5	\$ 581.2	\$ 588.1	\$ 620.8			
Mark to Market and other adjustments			(3.3)			(4.4)			(1.9)			9.9			
Adjusted Balance			\$ 426.0			\$ 466.3			\$ 667.6			\$ 630.7			

EXHIBIT
F

Villanova Insurance Company (In Liquidation)
 Cash Flow Summary
 Liquidation Basis
 YTD March 31, 2007
 (in millions)

	2006												2007		
	April	May	June	July	August	September	October	November	December	January	February	March			
Beginning Available Cash and Investments*	\$ 50.6	\$ 51.3	\$ 59.8	\$ 60.2	\$ 62.4	\$ 53.3	\$ 51.3	\$ 58.6	\$ 62.3	\$ 64.8	\$ 65.6	\$ 65.4			
Premium collections (net of expenses)	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-
Reinsurance collections:															
Reinsurance recoverables:															
Mutual Companies	-	-	-	-	0.6	-	-	-	-	0.4	-	-	0.2	-	-
All Other Reinsurers	-	1.1	1.2	0.8	0.1	0.1	0.3	2.3	2.2	0.3	0.2	-	-	-	-
Reinsurance commutations/settlements:															
Mutual Companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
All Other Reinsurers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deductible Recoveries:															
Mutual Companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
All Other Reinsurers	0.5	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Portfolio sales/maturities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income (net of expenses)	0.2	0.1	0.1	0.1	0.4	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total Sources of Cash	0.7	1.2	1.3	0.9	1.1	0.3	0.6	2.7	2.7	1.0	0.5	0.5			
Loss & loss adjustment expense payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid expenses	-	-	-	-	-	-	-	-	(0.2)	-	-	-	-	-	-
Payroll	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany transfers	-	7.8	2.0	1.7	-	(1.8)	7.7	-	(0.5)	-	(0.6)	-	-	-	-
Guaranty Association transactions	-	-	(12.9)	-	-	-	-	-	-	-	-	-	-	-	-
Other cash inflows (outflows)	-	(0.5)	-	(0.4)	(0.2)	(0.4)	-	-	0.5	(0.3)	-	-	-	-	-
Total Uses of Cash	-	7.3	(10.9)	1.3	(0.2)	(2.3)	7.7	-	(0.2)	(0.3)	(0.6)	-			
Ending Available Cash and Investments	\$ 51.3	\$ 59.8	\$ 60.2	\$ 62.4	\$ 53.3	\$ 51.3	\$ 59.6	\$ 62.3	\$ 64.8	\$ 65.6	\$ 65.4	\$ 65.9			
Mark to Market and other adjustments			(1.0)		(0.8)		(0.7)					0.6			
			\$ 49.2		\$ 50.6		\$ 64.1					\$ 66.5			

EXHIBIT
G

**LEGION INSURANCE COMPANY (IN LIQUIDATION)
VILLANOVA INSURANCE COMPANY (IN LIQUIDATION)
COMBINED EXPENSE ANALYSIS BY ACCOUNT
March 31, 2007 ACTUALS vs BUDGET
(\$ In Thousands)**

	Year to Date				2007 Actual vs 2007 Budget		2007 Actual vs 2008 Actual	
	2007 Actual	% of Total Operating	2007 Budget	2006 Actual	Dollar Variance	Percent Variance	Dollar Variance	Percent Variance
Staffing - Current Month								
Full Time	210		227	253	17	7.49%	43	17.00%
Part Time	1		1	1	-	0.00%	-	0.00%
Contractor Help	26		39	30	13	33.33%	4	13.33%
Total Staffing - Current	237		267	284	30	11.24%	47	16.55%
Staffing - Average								
Full Time	211		226	256	15	6.65%	46	17.77%
Part Time	1		1	1	-	0.00%	-	0.00%
Contractor Help	24		31	30	7	21.31%	6	18.64%
Total Staffing - Average	236		257	287	22	8.37%	51	17.80%
General & Administrative Expenses *								
Salaries	\$ 5,393	46.0%	\$ 6,341	\$ 5,886	\$ 948	14.96%	\$ 494	8.39%
Benefits	1,231	10.5%	1,208	1,159	(23)	-1.88%	(71)	-6.16%
Occupancy	722	6.2%	861	905	139	16.19%	183	20.27%
Equipment	940	8.0%	1,135	1,014	195	17.22%	74	7.31%
Legal Fees and Expenses	729	6.2%	1,530	1,183	801	52.35%	454	38.36%
Professional Services	1,432	12.2%	2,663	1,675	1,231	46.22%	243	14.51%
Other	1,278	10.9%	1,504	1,142	226	15.02%	(135)	-11.85%
Total Expenses	11,723	100.0%	15,241	12,965	3,518	23.08%	1,241	9.57%
Revenue for Collecting Large Deductible Recoveries as Provided by PA Statute Act 46								
Act 46 Collection	0		91	-	(91)	-100.00%	-	n/a
Expense Reimbursement								
Non-Insurance Affiliate	754		-	-	754	n/a	754	n/a
Total Revenue	754		91	-	663	728.57%	754	n/a
Net Budget	\$ 10,969		\$ 15,150	\$ 12,965	\$ 4,181	27.60%	\$ 1,995	15.39%

*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 2007 - March 2007

Classification	VENDOR NAME	Services Provided	January	February	March	2007 Total
Legal Fees and Expenses	ARBITRATION & MEDIATION	Reinsurance Arbitrator	27,370			27,370
	BROWN BROWN & KLASS	Reinsurance Collection Litigation	564	1,887		2,551
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation	7,205	6,161	2,599	15,964
	DEUTSCH, KERRIGAN, & STILES, L.L.P.	General Collection Litigation	6,110	1,803	1,390	9,303
	DIANE NERGAARD	Reinsurance Arbitrator		30,556		30,556
	JAMS, INC.	Mediation Services		4,775	(4,750)	1,180
	LEXISNEXIS	Legal Research Fees	590	590		1,180
	MARY ELLEN BURNS, ESQUIRE	Reinsurance Arbitrator	5,000			5,000
	MAYER BROWN ROWE & MAW LLP	London Reinsurance Counsel	1,484			1,484
	MILLER ALFANO & RASPANTI PC	General Litigation and Liquidation Advice	11,067	21,082		32,149
	MORGENSTEIN & JUBELIRER LLP	Premium Collection Litigation	1,080			1,080
	ON-SITE SOURCING, INC.	Scanning and Copying Services	8,117	24,725	10,639	43,482
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice		78,128	52,826	130,954
	SCHWARTZ SEMERDJIAN HAILE BALLARD & CAULEY LLP	Premium Collection Litigation		854	7,947	8,801
	STRADLEY RONON	Premium Collection Litigation	18,893	335	33,495	52,723
	THOMSON WEST	Legal Research Fees	5,250		5,549	10,799
	TRIAL TECHNOLOGIES, INC.	Legal Research Fees		11,648		11,648
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	Premium Collection Litigation, Asset Sale Advice, Labor Advice, Preference Litigation	86,557	11,468	69,312	167,338
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Legal Support Costs	100	80	144	323
Total Legal Fees and Expenses Paid			179,400	144,728	233,364	557,491
Change in Legal Fees and Expenses accrual and other non-cash transactions			134,508	32,775	4,126	171,410
Total Legal Fees and Expenses Incurred			313,908	177,503	237,490	728,901
Professional Services						
	ALAN GRAY INSURANCE SERVICES, INC.	Contract Reinsurance Services	153,750		3,008	156,758
	ALLIANCE CONSULTING	Data Management Consultant		1,562		1,562
	APPLE & APPLE	Collections Support Services			11,282	11,282
	BONNIE KUMIEGA & ASSOC.	Collections Support Services			7,729	7,729
	CLAIMS MANAGEMENT GROUP LTD.	London Claims Accounting Services			57,085	57,085
	CSC/FSG-MYND CORP.	Data Processing and Outsourcing	54,542	55,601		110,143
	GLASSBERG & POLLAK	Collections Support Services	5,050			5,050
	HELIX UK LIMITED	London Reinsurance Collection Intermediary	1,000	174,040	87,020	262,060
	HEWITT ASSOCIATES LLC	Human Resources & Technical Consulting			3,604	3,604
	JOHNSON LAMBERT & CO	Audit Services		3,031		3,031
	KARL HOWE & ASSOCIATES	Collections Support Services	1,700	300		2,000
	KPMG LLP	Audit Services			97	97
	MARLBORO PARK CONSULTING, INC.	Telecommunications Consultant		2,000	76,155	78,155
	MDY INC.	Software Vendor	2,657		5,395	8,052
	NEWMAN, MATHIS, BRADY	Collections Support Services			175,171	175,171
	PHILIP MASIN	Human Resources Consulting		6,000		6,000
	PHILO SMITH	Broker For Sale of FRMS			473,305	473,305
	R.F. O'ROURKE & ASSOCIATES, LTD.	Strategic Consultant	4,537			4,537
	REINSURANCE SOLUTIONS INT'L	Reinsurance Technical Support	232,110		148,130	380,240
	RELIANCE INS CO (IN LIQUIDATION)	Shared Resource for Monitoring Reinsurers Solvency	17,913			17,913
	RESOURCE BRIDGE	eLearning Technology Development		51,349		51,349
	SMART & ASSOCIATES	Reinsurance Technical Support & Contract				

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Expenses and Fees and Professional Services Paid
 January 2007 - March 2007

Classification	VENDOR NAME	January	February	March	2007 Total
	SMART BUSINESS ADVISORY & CONSULTING, LLC	252,112		213,629	465,741
	VIVISIMO, INC.	993		64,752	65,745
	WILLIAMS & SHEDD			10,132	10,132
	Aggregate Amount for Total Vendor Payments Under \$1,000	(72)	(802)	3,348	2,375
	Reinsurance Technical Support & Contract	726,291	292,981	1,479,697	2,498,969
	Reinsurance Services	(288,503)	(214,269)	(564,212)	(1,066,984)
	Software Vendor	437,788	78,712	915,485	1,431,985
	Collections Support Services				
	General Professional Fees	751,696	256,215	1,152,975	2,160,886
Total Professional Services Paid					
Change In Professional Services accrual and other non-cash transactions					
Total Professional Services Incurred					
Total Legal Expenses and Fees and Professional Services Incurred					

* All expenses above are gross before any allocation among Legion Insurance Company (In Liquidation), Villanova Insurance Company (In Liquidation) and PRMSLIC, Inc.

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

**EXHIBIT
I**

Legion Insurance Company (In Liquidation)
Reinsurance Recoverables Due or Billable, Net
March 31, 2007

Reinsurer	Amount
FIRST EXCESS REINSURANCE CORPORATION	\$ 52,479,883
MIDWEST EMPLOYERS CASUALTY COMPANY	44,396,553
AMERICAN RE-INSURANCE COMPANY	31,688,916
SCOR REINSURANCE COMPANY	26,302,824
HANNOVER RUCKVERSICHERUNGS AG	24,353,279
SWISS RE LIFE COMPANY OF AMERICA	23,161,597
GE REINSURANCE CORPORATION	19,682,209
SWISS REINSURANCE AMERICA CORPORATION	13,371,267
LLOYDS SYNDICATE # 53	12,590,659
CONTINENTAL CASUALTY COMPANY	11,213,351
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	10,014,808
LLOYDS SYNDICATE # 435	9,896,370
ODYSSEY REINSURANCE CORPORATION	9,884,545
LINCOLN NATIONAL LIFE INSURANCE COMPANY	8,706,273
EMPLOYERS REINSURANCE CORPORATION	7,718,547
TRANSATLANTIC REINSURANCE COMPANY	7,482,965
CHUBB ATLANTIC INDEMNITY LIMITED	7,150,756
FEDERAL INSURANCE COMPANY	7,024,835
BERKLEY INSURANCE COMPANY	6,793,025
FOLKSAMERICA REINSURANCE COMPANY	6,540,902
UNDERWRITERS REINSURANCE COMPANY	6,366,808
XL MID OCEAN REINSURANCE COMPANY LTD	6,295,368
HARTFORD FIRE INSURANCE COMPANY	6,175,253
PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY	5,944,649
XL REINSURANCE AMERICA LTD	5,193,315
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	4,635,219
EMPLOYERS EQUITY INSURANCE COMPANY	4,146,817
EVEREST REINSURANCE COMPANY	3,568,489
JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY	3,510,765
AMERICAN NATIONAL INSURANCE COMPANY	3,330,297
AUTO-OWNERS INSURANCE COMPANY	2,995,202
ALEA EUROPE LIMITED	2,928,725
CNA INTERNATIONAL REINSURANCE COMPANY	2,816,373
CORE INSURANCE COMPANY	2,806,282
LLOYDS SYNDICATE # 183	2,720,540
WESTCHESTER FIRE INSURANCE COMPANY	2,676,927
LLOYDS SYNDICATE # 376	2,508,404
GIO (UK) LTD	2,482,887
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	2,333,813
LIFE REASSURANCE CORPORATION OF AMERICA	2,125,093
ACE INSURANCE SA-NV	1,912,054
ZURICH REINSURANCE CENTRE INC	1,817,035
LINCOLN NATIONAL HEALTH & CASUALTY INSURANCE COMPA	1,736,882
TRUSTMARK INSURANCE COMPANY	1,705,274
ODYSSEY AMERICA REINSURANCE CORPORATION	1,662,044
ODYSSEY RE (LONDON) LIMITED	1,643,502
LLOYDS SYNDICATE # 271	1,640,762
MANULIFE REINSURANCE CORPORATION (USA)	1,636,664
LLOYDS SYNDICATE # 1245	1,548,054
AMERICAN UNITED LIFE INSURANCE COMPANY	1,364,453
CHARTWELL REINSURANCE COMPANY	1,333,905
ST PAUL REINSURANCE COMPANY LTD	1,321,740
MLA INSURANCE COMPANY	1,207,547
LLOYDS SYNDICATE # 362	1,161,915
UNIONAMERICA INSURANCE COMPANY LTD	1,152,631
OBE REINSURANCE CORPORATION	1,115,543
GENERAL REINSURANCE CORPORATION	1,107,471
RELIASTAR LIFE INSURANCE COMPANY	1,103,132
LLOYDS SYNDICATE # 205	1,012,969
All Other Reinsurers (Less than \$1M due LIC)	30,281,643
Pending Cessions	85,179,997
Total Reinsurance recoverables due or billable, net	<u>\$ 558,659,209</u>

EXHIBIT
J

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

Reinsurer	Amount
SWISS REINSURANCE AMERICA CORPORATION	\$ 18,796,164
LLOYDS SYNDICATE # 53	3,918,576
ODYSSEY AMERICA REINSURANCE CORPORATION	3,890,410
ODYSSEY REINSURANCE CORPORATION	3,667,337
HANNOVER RUCKVERSICHERUNGS AG	3,104,196
GE REINSURANCE CORPORATION	2,834,120
MIDWEST EMPLOYERS CASUALTY COMPANY	2,207,500
CHARTWELL REINSURANCE COMPANY	2,001,310
ALEA EUROPE LIMITED	1,439,257
FIRST EXCESS REINSURANCE CORPORATION	1,430,678
AMERICAN NATIONAL INSURANCE COMPANY	1,354,719
WESTPORT INSURANCE CORPORATION	1,313,704
XL MID OCEAN REINSURANCE COMPANY LTD	1,158,499
All Other Reinsurers (Less than \$1M due VIC)	10,990,126
Pending Cessions	23,560,296
Total Reinsurance recoverables due or billable, net	\$ 81,666,891