



Governor's Office
of General Counsel

COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
Office of Chief Counsel
Capitol Associates Building
901 North 7th Street
Harrisburg, PA 17102

Phone (717) 787-6009
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November 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. Legion Insurance Company,
No. 183 M.D. 2002

Dear Mr. Schuckers:

Enclosed for filing please find the original and two hard copies of the Third 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,

Amy L. Weber
Special Funds Counsel

ALW:mm
Enclosure

RECEIVED
COMMONWEALTH COURT
OF PENNSYLVANIA
15 NOV 2006 13 14 48

	<u>Assets</u>	<u>Liabilities</u>	<u>Net Surplus (Deficit)</u>
LEGION	\$3,059,300,000	\$3,415,400,000	(\$356,100,000)
VILLANOVA	\$261,700,000	\$425,200,000	(\$163,500,000)

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 September 30, 2006. As reflected in these Statements, as of September 30, 2006, Legion has a Net Deficit of \$356,100,000 and Villanova has a Net Deficit of \$163,500,000. 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 October 1, 2005 through September 30, 2006. The summaries also reflect an adjustment for marking the investments to market and other adjustments as of September 30, 2006. As reflected in these statements, the ending available cash and investments (net of payments) at market value as of September 30, 2006 for Legion and Villanova is \$466,300,000 and \$50,500,000, 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, 2006 through September 30, 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 September 30, 2006 are \$38,149,000, which is 17.07% less than the 2006 budget and 6.63% more than 2005 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. In addition, the schedule reflects \$346,000 of revenue, which is 45.43% less than budget, related to collection of large deductible recoveries as provided for by Pennsylvania statute Act 46.

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 September 30, 2006. The schedule is broken down by month, with a year-to-date total through September 30, 2006 (before adjustments for changes in accrual and other non-cash transactions) of \$8,576,282.

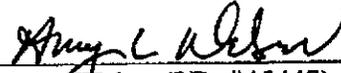
F. Administrative Expenses

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 September 30, 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 September 30, 2006 is submitted as Exhibits "I" and "J" respectively.

Respectfully submitted,



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

Attorney for Diane Koken, Insurance
Commissioner of the Commonwealth of
Pennsylvania in her official capacity as
Statutory Liquidator of Legion Insurance
Company

Dated: November 15, 2006

18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.



JOSEPH ZARANDONA

Sworn to and subscribed before me
this 9 th day of Nov, 2006.


NOTARY PUBLIC

Notarial Seal
Maureen Greenfield, Notary Public
City Of Philadelphia, Philadelphia County
My Commission Expires Dec. 23, 2006
Member, Pennsylvania Association Of Notaries

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. Diane Koken
Insurance Commissioner of the
Commonwealth of Pennsylvania

Plaintiff,

v.

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

Defendant.

Docket No. 183 M.D. 2002

**AFFIDAVIT OF MICHAEL I. QUIST
IN SUPPORT OF THE THIRD QUARTER 2006
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 Third Quarter 2006 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 September 30, 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 July 1, 2006 through September 30, 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 July 1, 2006 through September 30, 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 July 1, 2006 through September 30, 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 July 1, 2006 through September 30, 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 July 1, 2006 through September 30, 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 September 30, 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 Third 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

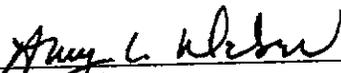
Sworn to and subscribed before me
this 9 th day of NOV, 2006.


NOTARY PUBLIC

exp. 3-22-09

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 M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator ("Liquidator") of Legion 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 Third Quarter 2006 Financial Report of the Liquidator and I certify that these legal fees and expenses are reasonable and necessary. I also have reviewed 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: 11/15/06

EXHIBIT

A

Legion Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
September 30, 2006 and December 31, 2005
(In Millions of Dollars)

	<u>9/30/2006</u>	<u>12/31/2005</u>
ASSETS		
Cash and short duration investments:		
Liquid securities	\$ 285.3	\$ 300.6
Illiquid securities	-	-
Money market deposits	181.0	97.5
Restricted deposits	0.6	0.6
Total invested assets	<u>466.9</u>	<u>398.7</u>
Premium balances	1.0	4.8
Estimated losses and loss adjustment expense reserves - ceded	1,728.7	2,059.9
Reinsurance recoverables due or billable, net	641.9	678.0
Early access advances	134.4	-
State deposits and unapplied state deposits available for early access	14.0	195.3
Post liquidation claims paid on behalf of guaranty associations	2.1	5.5
Amounts to be distributed per Act 46	14.5	-
Other assets	55.8	7.3
Total Assets	<u>\$ 3,059.3</u>	<u>\$ 3,349.5</u>
LIABILITIES		
Estimated losses and loss adjustment expense reserves - direct	\$ 1,912.7	\$ 2,245.4
Estimated losses and loss adjustment expense reserves - assumed	286.9	193.7
Post liquidation claims paid by guaranty associations, gross	923.1	732.9
Offset of stat deposit and unapplied state deposits	(13.3)	-
Due from insured - guaranty associations	19.9	20.9
Post liquidation claims paid by guaranty associations, net	<u>929.7</u>	<u>753.8</u>
Post liquidation claims paid by Ancillary Receivership, gross	26.5	-
Estimated losses and loss adjustment expense reserves of Ancillary- direct	51.4	-
Offset of unapplied liquidated statutory deposit controlled by Ancillary	(59.0)	-
Post liquidation claims of Ancillary Receivership, net	<u>18.9</u>	<u>-</u>
Funds held	17.5	19.6
Other liabilities	249.7	362.3
Total liabilities	<u>3,415.4</u>	<u>3,574.8</u>
Net surplus (deficit)	<u>(356.1)</u>	<u>(225.3)</u>
Total Liabilities and Surplus (Deficit)	<u>\$ 3,059.3</u>	<u>\$ 3,349.5</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 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 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 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 offset of statutory deposits and unapplied liquidated statutory deposits, additional effects of early access, offset of recoverables related to Act 46 and other items.

EXHIBIT
B

Villanova Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
September 30, 2006 and December 31, 2005
(In Millions of Dollars)

	<u>9/30/2006</u>	<u>12/31/2005</u>
ASSETS		
Cash and short duration investments:		
Liquid securities	\$ 24.9	\$ 31.0
Illiquid securities	-	-
Money market deposits	25.6	5.7
Restricted deposits	-	-
Total invested assets	<u>50.5</u>	<u>36.7</u>
Premium balances	0.8	0.7
Estimated losses and loss adjustment expense reserves - ceded	107.2	141.1
Reinsurance recoverables due or billable, net	75.2	84.8
Early access advances	15.5	-
State deposits and unapplied state deposits available for early access	1.5	38.1
Post liquidation claims paid on behalf of guaranty associations	0.2	0.5
Amounts to be distributed per Act 46	6.5	-
Other assets	4.3	4.0
Total Assets	<u>\$ 261.7</u>	<u>\$ 305.9</u>
LIABILITIES		
Estimated losses and loss adjustment expense reserves - direct	\$ 213.6	\$ 221.8
Estimated losses and loss adjustment expense reserves - assumed	18.6	21.6
Post liquidation claims paid by guaranty associations, gross	146.5	126.6
Offset of stat deposit and unapplied state deposits	(1.0)	-
Due from insured - guaranty associations	<u>9.5</u>	<u>7.4</u>
Post liquidation claims paid by guaranty associations, net	155.0	134.0
Post liquidation claims paid by Ancillary Receivership, gross	1.0	-
Estimated losses and loss adjustment expense reserves of Ancillary- direct	1.7	-
Offset of unapplied liquidated statutory deposit controlled by Ancillary	<u>(1.2)</u>	<u>-</u>
Post liquidation claims of Ancillary Receivership, net	1.5	-
Funds held	3.7	4.0
Other liabilities	<u>32.8</u>	<u>33.5</u>
Total liabilities	425.2	414.9
Net surplus (deficit)	<u>(163.5)</u>	<u>(109.0)</u>
Total Liabilities and Surplus (Deficit)	<u>\$ 261.7</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 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 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 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 offset of statutory deposits and unapplied liquidated statutory deposits, additional effects of early access, offset of recoverables related to Act 46 and other items.

EXHIBIT
C

Legion Insurance Company (In Liquidation)
Statutory Capital and Surplus Account
For the Period December 31, 2001 Thru September 30, 2006
(In Millions of Dollars)

Surplus as Regards Policyholders, Beginning Balance	\$ 298.3
Net Loss:	
Underwriting Loss, Net	(743.3)
Investment Income, Net	45.0
Other Expense, Net	<u>(22.6)</u>
Loss Before Income Taxes *	<u>(720.8)</u>
Federal & Foreign Income Taxes	<u>(22.4)</u>
Net Loss	(698.4)
Net Unrealized Capital Losses	(20.7)
Change in Net Deferred Income Tax	(42.3)
Change in Non Admitted Assets	84.3
Change in Provision for Reinsurance	<u>22.7</u>
Chg in Surplus as Regards Policyholders for the Period	(655.2)
Surplus as Regards Policyholders, Ending Balance	<u><u>\$(356.1)</u></u>

* Includes income of \$21.5M related to an arbitration settlement in 2004.

**EXHIBIT
D**

Villanova Insurance Company (In Liquidation)
Statutory Capital and Surplus Account
For the Period December 31, 2001 Thru September 30, 2006
(In Millions of Dollars)

Surplus as Regards Policyholders, Beginning Balance	\$ 27.6
Net Loss:	
Underwriting Loss, Net	(82.4)
Investment Income, Net	8.2
Other Expense, Net	<u>(5.2)</u>
Loss Before Income Taxes	(79.4)
Federal & Foreign Income Taxes	<u>7.5</u>
Net Loss	(86.9)
Net Unrealized Capital Gains	(0.1)
Change in Net Deferred Income Tax	(8.6)
Change in Non Admitted Assets	(97.2)
Change in Provision for Reinsurance	<u>1.7</u>
Chg in Surplus as Regards Policyholders for the Period	(191.1)
Surplus as Regards Policyholders, Ending Balance	<u>\$ (163.5)</u>

EXHIBIT

E

Lagoin Insurance Company (In Liquidation)
 Cash Flow Summary
 Liquidation Basis
 YTD September 30, 2008
 (In millions)

	2008											
	October	November	December	January	February	March	April	May	June	July	August	September
Beginning Available Cash and Investments*	\$ 308.5	\$ 312.8	\$ 343.4	\$ 402.2	\$ 414.4	\$ 439.6	\$ 477.3	\$ 617.0	\$ 650.7	\$ 423.3	\$ 446.4	\$ 488.4
Premium collections (net of expenses)	0.8	0.2	0.3	0.2	0.1	0.3	0.3	1.5	0.2	0.2	1.0	0.1
Reinsurance collections:												
Reinsurance recoverables:												
Mutual Companies	0.4	1.4	2.0	1.0	1.6	-	-	-	-	-	2.6	-
All Other Reinsurers	3.6	28.1	48.4	12.9	33.8	58.8	38.1	23.8	21.2	20.6	12.3	10.2
Reinsurance commissions/fees/other:	-	-	-	-	-	-	-	-	-	-	-	-
Mutual Companies	-	-	-	-	-	-	-	-	-	-	-	-
All Other Reinsurers	-	-	-	-	-	-	-	-	-	-	-	-
Deductible Recoveries:												
Mutual Companies	1.0	2.7	6.2	-	1.2	4.0	2.4	2.1	-	2.1	0.9	-
All Other Reinsurers	-	-	-	-	0.1	-	-	-	-	-	-	-
Portfolio realizations	-	-	-	-	-	-	-	-	-	-	-	-
Investment Income (net of expenses)	1.0	1.0	2.2	1.3	1.4	1.8	2.2	1.4	1.3	0.7	3.0	1.8
Total Sources of Cash	6.8	33.4	80.1	15.4	38.3	65.0	43.0	28.5	22.7	23.8	19.8	12.1
Loss & loss adjustment expense payments	-	-	-	-	-	(0.1)	-	-	0.0	(0.1)	(0.1)	-
Paid expenses	(1.6)	(1.7)	(3.1)	(2.2)	(2.3)	(3.2)	(2.5)	(2.3)	(2.5)	(2.1)	(2.8)	(2.5)
Payroll	(1.4)	(1.4)	(1.4)	(1.4)	(1.3)	(2.0)	(1.3)	(1.3)	(4.7)	(1.3)	(1.9)	(1.3)
Intercompany transfers	-	-	-	-	(8.8)	(6.0)	-	(7.8)	(2.0)	(1.7)	-	1.9
Guaranty Association transactions	-	-	(0.1)	-	-	-	-	-	(114.5)	-	(2.2)	-
Other cash inflows (outflows)	0.5	0.3	3.3	0.4	0.4	(16.0)	0.5	(3.7)	(0.4)	(1.3)	7.2	(5.9)
Total Uses of Cash	(2.5)	(2.8)	(1.3)	(3.2)	(13.1)	(27.3)	(3.3)	(15.1)	(124.1)	(6.5)	0.2	(7.8)
Ending Available Cash and Investments	\$ 312.8	\$ 343.4	\$ 402.2	\$ 414.4	\$ 439.6	\$ 477.3	\$ 617.0	\$ 650.7	\$ 423.3	\$ 446.4	\$ 488.4	\$ 476.7
Mark to Market and other adjustments	(4.2)	(4.2)	(4.2)	(4.2)	(4.2)	(4.2)	(4.2)	(4.2)	(4.2)	(4.2)	(4.2)	(4.2)
Adjusted Balance	\$ 308.6	\$ 339.2	\$ 398.0	\$ 410.2	\$ 435.4	\$ 473.1	\$ 612.8	\$ 646.5	\$ 419.1	\$ 442.2	\$ 484.2	\$ 472.5

EXHIBIT

F

**EXHIBIT
G**

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
COMBINED EXPENSE ANALYSIS BY ACCOUNT
 September 30, 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
<u>Staffing - Current Month</u>								
Full Time	232		268	258	36	13.43%	26	10.08%
Part Time	1		1	3	-	0.00%	2	66.67%
Contractor Help	23		34	27	11	32.35%	4	14.81%
Total Staffing - Current	256		303	288	47	15.51%	32	11.11%
<u>Staffing - Average</u>								
Full Time	246		264	255	18	6.83%	9	3.54%
Part Time	1		1	3	-	0.00%	2	66.67%
Contractor Help*	26		32	25	6	17.46%	(1)	-4.00%
Total Staffing - Average	273		296	283	24	7.94%	10	3.54%
<u>General & Administrative Expenses *</u>								
Salaries	\$ 18,282	47.9%	\$ 20,521	\$ 16,938	\$ 2,239	10.91%	\$ (1,344)	-7.94%
Benefits	3,342	8.8%	3,525	3,295	184	5.21%	(47)	-1.42%
Occupancy	2,584	6.8%	2,688	2,771	104	3.89%	187	6.75%
Equipment	2,844	7.5%	3,298	1,937	454	13.75%	(907)	-46.85%
Legal Fees and Expenses	3,716	9.7%	3,958	1,979	242	6.12%	(1,737)	-87.77%
Professional Services	5,325	14.0%	9,528	6,764	4,203	44.11%	1,439	21.27%
Other	2,056	5.4%	2,485	2,099	429	17.25%	37	1.77%
Total Expenses	\$ 38,149	100.0%	\$ 46,003	\$ 35,776	\$ 7,855	17.07%	\$ (2,373)	-6.63%
Revenue for collecting large deductible recoveries as provided by PA statute Act 46					(288)	-45.43%	346	n/a
Large Deductible Collection Revenue								
Net Expenses	\$ 37,803		\$ 45,369	\$ 35,776	\$ 7,567	16.68%	\$ (2,027)	-5.66%

*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 2008 - September 2008

Classification	Vendor Name	Services Provided	January	February	March	April	May	June	July	August	September	2008 Total
Professional Services	ALLIANCE CONSULTING	Data Management Consultant	60,000		60,000					125,600	250,000	649,725
	AMPER POLITZNER & MATTHEWS P.C.	Audit Services				12,020	4,060	2,210	9,613			28,903
	BONNIE KUMEGA & ASSOC	Collections Agency Counsel		4,136				6,767				11,503
	CLAIMS MANAGEMENT GROUP LIMITED	London Claims Accounting Services	75,487	62,432		87,511	87,665		59,810	115,530	113,685	699,656
	CSC/FIDELITY CORP	Data Processing and Outsourcing	152	600	120	2,097	213			212		4,195
	GLASSBERG & POLLAK	Collections Agency Counsel		10,814		1,120						12,934
	SOLOMAN & WARSHAW	Collections Agency Counsel	1,040	4,200	1,764	75						7,079
	SRT CONSULTING,LLC	Claims Processing Support				4,052	1,356					5,408
	ROZ LLP	Office Planning								5,400		5,400
	SHAMBERMAN & MULLIGREN, P.C.	Collections Agency Counsel										3,400
	HELIX UK LIMITED	London Reinsurance Collateral	60,600	102,450	102,450	102,450	102,450			265,300	174,040	869,440
	HEWITT ASSOCIATES LLC	Intermediary				12,266	12,269	12,269	12,266			49,076
	HINMAN, HOWARD & KATTELL	Human Resources & Technical Consulting			1,800							1,800
	EMPLOYEE	Collections Agency Counsel										1,290
	JAY APPLEBAUM	Payroll Processing Implementation Service	2,650	702	(227)	2,284		1,110	1,234	3,303	(630)	10,388
	JEFFERSON WELLS INTERNATIONAL INC.	Collections Agency Counsel										1,230
	SUPPORT	Audit Services & Contractor Financial		28,146	21,950							49,796
	JOHN DOHERTY	Support			1,328							1,328
	KARL HOWE & ASSOCIATES	Collections Agency Counsel			812			6,285	2,515			9,612
	KAZLOW & KAZLOW	Collections Agency Counsel						5,435				5,435
	LAMONT, MANLEY & ASSOC., INC.	Collections Agency Counsel					1,345					1,345
	MARLBORO PARK CONSULTING, INC.	Communications Consultant						2,006				2,006
	MICKAY, SIMPSON & LAWLER	Collections Agency Counsel							23,052		7,877	30,728
	MIDY INC.	Software Vendor			110							110
	MICHAEL TRUBKOL	Collections Agency Counsel				3,998						3,998
	OVERLAND SOLUTIONS, INC.	Premium Audit Services	349					403		1,171	1,028	3,000
	PHILIP MASN	Human Resources Consulting	50,000		12,250							62,250
	PHILIP SMITH	Broker for Sale of PRIMS	49,828		60,540	10,101		73,200		75,690	131,700	380,728
	REINSURANCE SOLUTIONS INT'L	Reinsurance Technical Support	32,478						34,656			67,134
	RELIANCE INS CO (IN LIQUIDATION)	Shared Resources for Monitoring				33,376			6,000			39,376
	RIGHT MANAGEMENT CONSULTANTS	Human Resources Consulting		853								853
	SCHLESINGER & SCHLESINGER	Collections Agency Counsel		342,505	214,483	27,774		318,701	190,288		516,207	1,540,027
	SMART & ASSOCIATES,LLP	Reinsurance Technical Support & Contract Reinsurance Services			1,273		2,758					4,031
	TROUT & ASSOCIATES, L.T.D.	Reinsurance Services	87,286	70,703	15,246	10,748	53,000	30,100	26,736		(53,000)	248,031
	VERIS CONSULTING	Collections Agency									30,000	30,000
	VIVIBIANO, INC.	Audit Services	4,103	5,889	(359)	443				200		9,628
	WILLIAMS & BREDO	Software Vendor										6,391
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Professional Fees	278	1,707	821	677	608	1,200	350	816	(600)	6,391
Professional Services Total			410,345	634,372	655,864	299,135	436,368	827,582	383,845	533,043	973,474	4,740,990
Total Legal Expenses and Fees and Professional Services Paid			790,040	738,435	1,852,331	483,374	1,103,226	744,594	714,204	1,207,595	1,160,863	8,578,282
Change in accrual and other non-cash transactions			46,944	244,010	(584,048)	(5,750)	(30,723)	581	160,330	(50,222)	684,232	464,988
Total Legal Expenses and Fees and Professional Services Incurred			837,984	982,445	1,268,283	477,624	1,072,503	745,175	874,534	1,157,373	1,845,095	9,043,270

* 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 expenses and classification adjustments.

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

Classification	Vendor Name	January	February	March	April	May	June	July	August	September	2008 Total
Professional Services	ALLIANCE CONSULTING	80,000	80,500	12,020	125,000	250,000	8,813				830,725
	AMPER POLITZNER & MATTS, P.C.						6,787				29,103
	BONNIE KUMIEGA & ASSOC		4,158								4,158
	CLARUS MANAGEMENT GROUP LIMITED	75,487	82,432	87,311	118,330	113,005	539,430				1,053,000
	CSZP/CG-MYND CORP.	182	839	2,609	212						4,000
	GLASSBERG & POLLAK	10,014	1,320	11,334							22,668
	GOLDMAN & WARSZAW	1,055	4,200	1,754	75						7,078
	GR CONSULTING LLC			4,052							4,052
	HALLERMAN & KULTIGREN, P.C.								8,400		8,400
	HELOX UK LIMITED	80,500	102,850	102,850	102,850	102,850			205,300	174,040	830,440
	HERWITT ASSOCIATES LLC										49,078
	HINMAN, HOWARD & KATTELL			12,289	1,000	12,289					25,578
	EMPLOYEE										1,000
	JAY APPLEBAUM	2,650	702	2,227			1,280	1,204	3,355	(830)	10,608
	JEFFERSON WELLS INTERNATIONAL, INC.		20,145				1,110	1,204			22,559
	JOHN DONHERTY										49,785
	KARL HOWE & ASSOCIATES			1,158							1,158
	KAZLOW & KAZLOW		612				5,285	2,515			8,412
	LAMONT, HANLEY & ASSOC, INC.					1,345					1,345
	MARLBORO PARK CONSULTING, INC.										2,350
	MCKAY, SIMPSON & LAVALER						2,008	23,052		7,077	30,729
	MIDY, INC.										4,106
	MICHAEL TRUBKOL			110	3,088		483		1,171	1,820	3,009
	OVERLAND SOLUTIONS, INC.	348									348
	PHILIP MASH	50,000	12,280		10,101		75,290		75,880	131,700	380,101
	REINSURANCE SOLUTIONS INTL	49,078									49,078
	REUNION INS CO (IN LIQUIDATION)	32,476			35,978			34,848			103,302
	RIGHT MANAGEMENT CONSULTANTS										30,000
	SCHLESINGER & SCHLESINGER										4,031
	SMART & ASSOCIATES, LLP										30,000
	TROULT & ASSOCIATES, LTD.	81,280	70,703	15,258	16,749	53,000	34,100	28,758		63,000	307,148
	VERIS CONSULTING	4,305	3,889	(133)	(43)				200		9,826
	VIVISIMO, INC.										5,391
	WILLIAMS & SHREDO	410,240	64,972	154,864	208,135	439,088	527,582	305,845	533,045	973,474	4,740,990
	Aggregate Amount for Total Vendor Payments Under \$1,000	780,540	230,458	1,025,531	483,374	1,103,225	744,504	714,204	1,207,505	1,180,883	8,576,282
Professional Services Total		46,284	244,019	(855,049)	(5,758)	60,721	861	160,330	(50,227)	684,232	464,598
Total Legal Expenses and Fees and Professional Services Paid		836,750	869,458	1,040,233	487,616	1,963,504	745,135	874,534	1,187,283	1,855,986	9,040,885

* 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 expenses and classification adjustments.

EXHIBIT
I

Legion Insurance Company (in Liquidation)
 Reinsurance Recoverables Due or Billable, Net
 September 30, 2006

Reinsurer	Amount
FIRST EXCESS AND REINSURANCE CORPORATION	\$ 49,531,332
GE REINS CORP	43,237,958
MIDWEST EMPLOYERS CASUALTY COMPANY	35,316,887
HANNOVER RUCKVERSICHERUNGS AG	24,734,274
SCOR REINSURANCE COMPANY	22,638,618
SWISS RE LIFE & HEALTH AMERICA INC	21,645,229
AMERICAN RE-INSURANCE COMPANY	20,026,693
EMPLOYERS REINSURANCE CORPORATION	17,488,856
TRANSATLANTIC REINSURANCE COMPANY	14,098,500
LLOYDS SYNDICATE # 053	11,791,014
SWISS REINSURANCE AMERICA CORP	11,315,660
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	8,345,305
ODYSSEY REINS CORPORATION	8,809,092
LINCOLN NATIONAL LIFE INSURANCE COMPANY	8,683,298
FEDERAL INSURANCE COMPANY	8,612,718
JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY	6,512,841
CONTINENTAL CASUALTY COMPANY	6,205,950
XL REINSURANCE AMERICA LTD	6,538,264
HARTFORD FIRE INSURANCE COMPANY	6,376,167
BERKLEY INSURANCE COMPANY	6,283,299
LLOYDS SYNDICATE # 435	6,214,427
PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY	5,860,210
EVEREST REINSURANCE COMPANY	5,671,425
UNDERWRITERS REINSURANCE COMPANY	5,405,170
AMERICAN NATIONAL INSURANCE COMPANY	4,184,744
FOLKSAMERICA REINSURANCE COMPANY	4,073,149
CORE INSURANCE COMPANY	4,057,570
EMPLOYERS EQUITY INSURANCE COMPANY	3,752,770
CONSTITUTION INS CO	3,003,670
XL MID OCEAN REINSURANCE COMPANY LTD	2,991,028
RELASTAR LIFE INSURANCE COMPANY	2,975,409
CNA REINSURANCE CO. LTD.	2,892,598
LLOYDS SYNDICATE # 376	2,848,258
WESTCHESTER FIRE INS CO	2,676,671
AUTO-OWNERS INS CO	2,528,676
GIO (UK) LTD	2,482,552
LINCOLN NATIONAL HEALTH & CASUALTY INSURANCE COMPANY	2,400,371
LLOYDS SYNDICATE # 1245	2,285,001
ODYSSEY AMER REINS CO	2,211,834
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	2,206,586
ALEA EUROPE LIMITED	2,143,879
LIFE REASSURANCE CORPORATION OF AMERICA	2,109,095
TRENWICK AMERICA REINSURANCE CORP	2,033,373
ZURICH REINSURANCE CENTRE INC	1,667,061
ODYSSEY RE (LONDON) LIMITED	1,644,682
LLOYDS SYNDICATE # 271	1,639,655
UNIONAMERICA INSURANCE COMPANY, LTD	1,631,512
TRUSTMARK INSURANCE CO	1,645,831
ACE INSURANCE SA-NV	1,524,797
MANULIFE REINSURANCE CORP, USA	1,480,802
LLOYDS SYNDICATE # 1141	1,433,479
GENERAL REINSURANCE CORPORATION	1,417,034
LLOYDS SYNDICATE # 205	1,310,866
LLOYDS SYNDICATE # 362	1,290,671
LLOYDS SYNDICATE # 991	1,266,663
LLOYDS SYNDICATE # 570	1,214,116
MLA LIMITED	1,206,720
LLOYDS SYNDICATE # 183	1,197,430
ST PAUL REINSURANCE COMPANY LTD	1,182,185
INSURANCE COMPANY OF NORTH AMERICA	1,078,052
LLOYDS SYNDICATE # 1218	1,073,828
ALEA (BERMUDA) LTD	1,012,914
All Other Reinsurers (Less than \$1M due LIC)	28,909,139
Pending Cessions	167,355,712
Total Reinsurance recoverables due or billable, net	\$ 641,868,090

EXHIBIT
J

**Villanova Insurance Company (In Liquidation)
Reinsurance Recoverables Due or Billable, Net
September 30, 2006**

Reinsurer	Amount
SWISS REINSURANCE AMERICA CORP	\$ 5,598,723
LLOYDS SYNDICATE # 053	3,672,194
MOTORS INSURANCE CORPORATION	2,979,459
MIDWEST EMPLOYERS CASUALTY COMPANY	2,814,191
ODYSSEY REINS CORPORATION	2,681,629
ODYSSEY AMER REINS CO	2,458,124
HANNOVER RUCKVERSICHERUNGS AG	2,172,737
CHARTWELL REINSURANCE COMPANY	1,551,206
ALEA EUROPE LIMITED	1,300,020
AMERICAN NATIONAL INSURANCE COMPANY	1,175,129
FIRST EXCESS AND REINSURANCE CORPORATION	1,153,735
GE REINS CORP	1,136,165
All Other Reinsurers (Less than \$1M due VIC)	8,628,926
Pending Cessions	37,798,850
Total Reinsurance recoverables due or billable, net	<u>\$ 75,221,086</u>