

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

**QUARTERLY REPORT OF THE LIQUIDATOR
ON THE STATUS OF THE LIQUIDATION OF
VILLANOVA INSURANCE COMPANY AS OF SEPTEMBER 30, 2015**

I. INTRODUCTION

Teresa D. Miller, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator (the "Liquidator") of Villanova Insurance Company ("Villanova or Estate"), through her undersigned counsel, hereby submits this Quarterly Report on the status of the liquidation of Villanova for the period from January 1, 2015 through September 30, 2015 ("Report").

II. REPORT

A. Financial Statements.

Villanova has prepared the Special Purpose Statement of Assets and Liabilities, Statutory Capital and Surplus Account and Cash Flow Summary ("Statements"). The Statements include many estimates as noted below and may not fully reflect the effects of the liquidation.

Consequently, the ultimate distribution to creditors is unknown at this time. For this reason, third parties should not rely on the financial information contained herein as providing any certainty or clear indication as to the ultimate distribution that will be made from Villanova. The Notes to the Special Purpose Statement of Assets and Liabilities, attached as Exhibit D, describes the nature of the line items on the Statements and should be included in any review of Villanova's financial information.

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

1. Special Purpose Statement of Assets and Liabilities – Assets –
EXHIBIT A.

As of September 30, 2015, the attached Special Purpose Statement of Assets and Liabilities shows estimated total assets were \$294.4 million including \$40.5 million of cash and liquid investments.

Reinsurance recoverables and future reinsurance recoverables totaled \$.1 million. These amounts have declined significantly over time primarily because Villanova has actively pursued reinsurance commutations in an effort to collect reinsurance sooner. That effort is expected to be substantially completed during 2015. The Statements do not reflect any general provision for estimated unrealizable reinsurance recoverable assets.

Early access advances to Guaranty Associations ("GAs") totaled \$248.7 million.

a. Cash and Investments.

Villanova had a cash and investment portfolio of \$40.5 million as of September 30, 2015. Refer to the Cash Flow Summary (Exhibit C) for major components of change for the current year. Excess cash flows over and above the immediate operating needs of the Estate are

transferred to money market deposits. Of the \$40.5 million cash and investments available, \$1.3 million is being reserved as it may be potentially distributed for Early Access funds currently held. (See Paragraph II.A.1.c.)

b. Reinsurance Assets.

Villanova has largely completed the collection of its reinsurance assets through the billing of paid losses and commutation of future reinsurance obligations.

c. Early Access Advances.

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

On August 7, 2014, the Court approved the Liquidator's Ninth Proposal to Distribute Assets (\$20.0 million) to the State Guaranty Associations ("Liquidator's Ninth Proposal") bringing the total authorized by the Court to \$250.0 million for early access distributions. Villanova has distributed all of these funds via cash payments and reductions of statutory deposits, except for \$1.3 million which is currently being held.

State deposits and unapplied state deposits available for early access represent deposits retained by or still available to various state insurance departments. They are valued at market value plus accrued interest on a date based upon when a refunding agreement was signed, the date Villanova became aware that the applicable Insurance Department or guaranty association took control of the asset for states that have not signed a refunding agreement plus an imputed interest value or the market value as of September 30, 2015 for states that would not be entitled to the deposit via early access.

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

EXHIBIT A.

Total estimated liabilities at September 30, 2015, were \$514.4 million. The Statement includes an estimate of the liquidation expenses that have been incurred by the GAs in administering the Estate. They do not include an estimate of the cost that will be incurred by Villanova in administering the Estate over time. Villanova liquidation expenses are class (a) priority payments under the Insurance Department Act of 1921, 40 P.S. § 221.44 (“Act”), as are certain GA expenses, to the extent permitted by the Act. Both Liquidator and GA expenses will be paid before distributions for claims under policies for losses, class (b) priority, and other lower class creditors. As of September 30, 2015, there was \$1.6 million in reserves for unpaid liquidator and GA administrative expenses.

However, the most significant liability is the \$461.2 million assigned to class (b) POCs. This category includes direct insurance policy holder benefits reported by the GAs as paid (\$336.7 million) and reserves (\$123.5 million). The liability includes Villanova’s estimate of the value of POCs in excess of the GAs’ limits or uncovered by the GAs and for claims not yet reported or reported and not yet fully developed (“IBNR”) as well as proof of claims that Villanova is not yet able to evaluate. As of September 30, 2015, Villanova’s liability for non-guaranty fund accepted NODs was \$1.5 million. A reduction of \$.5 million is shown for distribution payments issued to class (b) claimants as of September 30, 2015.

On April 29, 2015, the Court entered an Order establishing a Claims Bar Date. The Order provides that all claims must have matured into a legal cause of action and a Proof of Claim filed with the Estate by July 28, 2015. The estate will continue to accept information on

losses reported to the GAs up through the Claims Bar Date. None of the POCs filed from the date of the Order through the Claims Bar Date are expected to have a material impact on reserves as stated on September 30, 2015.

a. Priority Class A.

Prior to receivership, Villanova, Legion Insurance Company (“Legion”) and Legion Indemnity Company (“Indemnity”) operated with an expense sharing agreement pursuant to which Legion paid the common expenses for all three companies through July 2003. Under the expense sharing agreement, common expenses were allocated 80% to Legion, 10% to Villanova and 10% to Indemnity. Following entry of the Court’s Orders placing Legion and Villanova into liquidation in July, 2003, the expenses were allocated 90% to Legion and 10% to Villanova. The several schedules attached to this Report relating to expenses (Exhibits E and F) represent the expenses paid or incurred by Legion and Villanova on a consolidated basis, including all common expenses, before any allocation. The Liquidator’s Petition for Approval of Administrative Expenses Paid for the Period January 1, 2015 Through June 30, 2015, was approved by the Court on October 16, 2015.

The Combined Expense Detail attached as Exhibit E lists \$10.9 million of statutory liquidator administrative operating expenses incurred before federal income taxes by Legion and Villanova for the period January 1, 2015 through September 30, 2015.

The GAs report their administrative expenses to Villanova via financial reports generally received quarterly from most GAs. Attached as Exhibit H is the Guaranty Fund Claim Overview Report showing by GA the total \$44.5 million in the administrative expenses reported to Villanova as paid by GAs as of September 30, 2015. Villanova conducts periodic desk reviews, has conducted onsite reviews of GA administrative expenses and reconciles data reported by

GAs on an ongoing basis. Villanova makes adjustments for inaccuracies or material expenses as appropriate. Villanova provides the GAs with early access monies to help fund the administrative and policyholder benefit payments made by the GAs on Villanova's behalf. All such expenses will be settled through the formal NOD process.

b. Priority Class B.

The amounts set forth on this Statement for losses, loss adjustment expenses and IBNR for September 30, 2015, are estimates based primarily upon guaranty association paid claims, POCs and NODs issued, known case reserves and actuarial estimates of expected losses on an undiscounted basis. Actual liability figures will not be known until the claims fully develop or, if the claims are contingent upon the resolution of underlying litigation, that litigation is resolved. The actuarial department prepares the analysis of losses and allocated loss adjustment expense ("ALAE") reserves on direct and assumed business. The actuarial department also estimates losses and loss adjustment expense reserves – ceded based on the direct business. Due to the inherent complexity of the loss reserving process, the potential variability of the assumptions used and the variability resulting from the effect of the liquidation process, the actual emergence of losses may be significantly different from the estimate of loss and ALAE reserves included in the Statements.

The amount of direct IBNR included in priority class (b) as of September 30, 2015, was \$2.0 million. It is anticipated that the amount of IBNR will decline as a result of the Claims Bar Date Order, which provides that claims that first mature into a legal cause of action after the Claims Bar Date of July 28, 2015 will not be allowed as claims against the Estate.

c. Priority Classes Below Class B.

Also included in total liabilities are estimated liabilities for POCs assigned to priority classifications below class (b), which aggregate to \$7.1 million. See the accompanying notes for a brief description of each line item. Villanova had entered into a pooling arrangement with affiliates related to loss experience. In the fourth quarter 2008, the contract was accounted for as being terminated effective as of the rehabilitation date of April 1, 2002.

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

On April 29, 2015, the Court entered an Order establishing a Claims Bar Date. The Order provides that all claims must have matured into a legal cause of action and a Proof of Claim filed with the Estate by July 28, 2015. During the third quarter, Villanova wrote-off all outstanding estimated liabilities below Class B for which no POC was filed or a Class Only NOD was issued. This amounted to \$30.5 million.

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

Attached to this report is a special purpose Statement of Statutory Capital and Surplus Account for the period from December 31, 2001 to September 30, 2015. The estimated net deficit at September 30, 2015 was \$220.0 million. The largest component of the YTD surplus change of \$36.8 million is the write-down of estimated liabilities below Class B, as discussed above.

4. Statement of Cash Flow Summary – EXHIBIT C.

Attached to this report is a Statement of Cash Flow Summary (“Cash Flow Summary”) for the period January 1, 2015 through September 30, 2015. Net sources and uses of cash and investments for the period was \$(1.0) million.

a. Reinsurance Collections.

Although Reinsurance recoverables have been a significant asset of Villanova, at September 30, 2015, the reinsurance recoverable balance was \$.1 million or <.1% of total assets. Villanova claims and accounting staff continue to provide the remaining reinsurers with required claims documentation to support reinsurance billings, respond to inquiries, resolve disputes and verify proper offsets.

Villanova does not record an estimated allowance for uncollectible reinsurance, as noted earlier. During the period January 1, 2015 through September 30, 2015, \$.4 million of reinsurance was collected. In addition to standard billing and collection efforts, Villanova has used commutations as a way to accelerate collections. In a commutation, Villanova receives a lump sum payment from a reinsurer representing an estimate of the net present value of all known and future unknown losses. The reinsurance commutation effort is expected to be substantially completed during 2015.

b. Deductible Recoveries/Amounts to be distributed per Act 46.

Villanova collects funds under large deductible policies. These funds will be paid, as outlined in Pennsylvania Statute Act 46, to those entities that funded the claim payments. Until the appropriate allocation can be determined, the funds are transferred to a separate restricted cash account. In addition to standard billing and collection efforts, Villanova is also using commutations as a way to accelerate collections. In a commutation, Villanova receives a lump sum payment from a large deductible insured representing an estimate of the net present value of all known and future unknown losses. The collection of deductible recoveries is expected to be substantially completed in 2015.

c. Operating Expenses.

Refer to Exhibit E, Combined Expense Detail, for line item detail of major components of operating expenses incurred by Legion for the period January 1, 2015 through September 30, 2015. Operating expenses paid per the Cash Flow Summary and Administrative Expenses Incurred per the Combined Expense Detail differs somewhat because of accruals. For most operating expenses, Legion pays the invoice and is reimbursed from Villanova for its share through an intercompany transfer. (Please refer to the explanation of expense allocation included under Section 2a.)

d. Guaranty Association Transactions.

As of September 30, 2015, the Court has authorized \$250.0 million in total for early access distributions. Villanova has distributed via cash payments and reductions of statutory deposits all of these funds, except for \$1.3 million which is currently being held.

e. Interim Distribution.

On February 27, 2012, the Court approved the Liquidator's Amended Petition for First Interim Distribution allowing a 30% distribution to all class (b) claimants whose NOD is approved by the Court. As of September 30, 2015, Villanova has made distribution payments of \$.5 million.

5. Combined Expense Detail – EXHIBIT E.

The operating expenses of Villanova relate to efforts by the Liquidator to marshal and maximize the assets of the Estate for the benefit of all Villanova policyholders and claimants, as well as to review and determine the ultimate liabilities of the Estate, to fulfill the public policies and purposes of the Act and the liquidation process, and to investigate and hold accountable those third parties alleged to contribute to the insolvency of Villanova.

Exhibit E is a schedule reflecting the combined incurred expenses of Legion and Villanova from January 1, 2015 through September 30, 2015, together with a comparison, by category of expense, between 2015 YTD actual and 2015 YTD budget and between 2015 YTD actual and 2014 YTD actual. As reflected in the Statement, the total operating expenses before federal income taxes through September 30, 2015, are \$10.9 million, which is 12.3% lower than the 2015 budget and 29.9% less than the 2014 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. The GAs also incurred operating expenses, which are reported cumulatively on Exhibit H. Please refer to Section 2a for an explanation of the expense allocation.

a. Labor, Benefits and Payroll Taxes.

As of September 30, 2015, Legion had a total of 43.5 employees. In addition, Legion utilizes temporary/contractor workers when needed, which currently totals 1. Current plans

dictate that this mix will fluctuate as Legion implements a more flexible staffing model designed to ensure continuity of specialized and institutional knowledge critical to the Estate.

b. Occupancy.

Legion currently leases office space in Philadelphia. Legion executed a lease agreement on new office space in Philadelphia in 2012. Legion is committed to the new lease through June 30, 2016, with monthly base lease payments of \$49,307 effective July 1, 2015. Legion has the option to extend the lease in one year increments through June 30, 2018.

c. Legal Fees and Expenses.

Attached as Exhibit F is a schedule containing the legal expense paid detail by firm for the period January 1, 2015 through September 30, 2015, by month. Legal expenses generally pertained to reinsurance matters, policyholder and other collections, NOD objections, direct actions and liquidation matters.

d. Professional Services.

Attached as Exhibit F is a schedule containing the professional service expense paid detail by vendor name for the period January 1, 2015 through September 30, 2015, by month. The individual professionals and firms listed in the schedule include auditing services, actuarial services, collection services and consulting fees.

e. Federal Income Taxes.

As of September 30, 2015, Villanova paid \$.2 million as an estimate of alternative minimum tax due on its parent's 2014 consolidated federal tax return related to Villanova's reduction in IBNR. Villanova does not record an estimated allowance for potential future tax liabilities, if any.

6. Guaranty Fund Claims and Expense Information.

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

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

A department within Villanova coordinates with the GAs and their vendors in managing the data reporting process and the quality of data reported by GAs. As of September 30, 2015, there were 22 GAs reporting paid and outstanding loss information via electronic UDS files, either sent directly to Villanova or submitted to the NCIGF secure FTP website. 22 of the GAs report monthly and no GAs report quarterly. Data from all GAs was current through September 30, 2015. The electronic files received from GAs are interfaced to a processing application at Villanova, where the data is parsed and edited. Resolution of data errors is coordinated with the respective GA. The data is then interfaced to Villanova’s policy/claim system to support Estate functions, including reinsurance billing and financial reporting.

Data quality is additionally monitored through various reports and procedures, which specifically address aspects of the UDS data, such as Net Worth recoveries and large deductible recoveries.

b. Guaranty Fund Claim Overview – EXHIBIT H.

The Guaranty Fund Claim Overview Report (“COR”) as of September 30, 2015, summarized by state the policyholder benefit claims and administrative expenses received and applied by Villanova through September 30, 2015. The COR data represented the last reported UDS claims paid inception-to-date and claim reserve information prior to September 30, 2015 for the National Organization of Life and Health Guaranty Associations and the 54 property and casualty GAs (excludes Oregon and New Mexico which have formed ancillaries to administer the Villanova workers compensation claimants from those states and have not signed a refunding agreement). Administrative expenses were updated from the quarterly Financial Information Questionnaires, which generally lag behind the automated UDS transmissions. Villanova adjusted the COR for states which triggered the estate’s liquidation prior to July 28, 2003, post liquidation claim payments made on behalf of GAs, questionable settlements and deductible recoveries. Villanova also adjusted for disallowed administrative expenses.

The COR is a summary of the GAs’ preliminary documentation supporting their proofs of claim against the Estate. Based on the documentation provided, Legion provides the GAs with early access monies to help fund the administrative and policyholder benefit payments made by the GAs on Legion’s behalf. All such expenses ultimately will be settled through the formal NOD process, which may include objections to adjustments made by Legion.

7. Claims Process.

Villanova wrote a variety of long tail lines of business, including workers' compensation, directors and officers, medical malpractice, and professional liability. For reasons unrelated to the Villanova receivership, but based rather on the nature of the insurance coverage written by Villanova and the claims under those policies, it may be many years before some of these long tail claims will be resolved.

The deadline for filing POCs was June 30, 2005. As of September 30, 2015, Legion and Villanova combined had received a total of 46,134 POC claims. Of those, 2,760 were received after the claim filing deadline. On April 29, 2015, the Court entered an Order establishing a Claims Bar Date. The Order provides that all claims must have matured into a legal cause of action and a Proof of Claim filed with the Estate by July 28, 2015. POCs filed prior to the Claims Bar Date will be evaluated consistent with the Order and the late filing provisions of the Act.

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

As of September 30, 2015, Villanova had issued and accepted NODs for 4,539 of the 4,662 POC claims assigned to it for a total allowed amount of \$8.1 million. Accepted NODs accounted for approximately 97% of the POC claims filed with the Estate. The Court has approved 4,535 of these NODs, as of September 30, 2015, for a total allowed amount of \$8.1 million. Exhibit I breaks down this information by priority class. NODs will be issued for all POCs received (see note below).

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

During the quarter ended September 30, 2015, Villanova received additional POC claims and completed reclassifications resulting in a net increase of 5 POC claims for the quarter. An additional 13 NODs were issued during the period and 4 were accepted.

c. Notice of Determination Objection Statistics – EXHIBIT K.

As of September 30, 2015, the Liquidator had received 98 objections on the 4,551 NODs issued. As of September 30, 2015, Villanova resolved 96 objections. The 2 unresolved objections were assigned to a referee as of September 30, 2015. Exhibit K indicates the status of all objections received through September 30, 2015, breaks down this information by priority class and includes the Allowed Amounts for objections in each priority class.

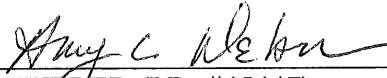
d. Status of Distribution.

Since February 2008, on a semi-annual basis the Liquidator has filed a Petition for Approval of Report and Recommendations on Villanova Insurance Company Claims Undisputed and Resolved (“Report of Claims”). The Report of Claims lists the allowed amounts of claimant NODs that had been accepted or assumed accepted in the prior six month period. Villanova had no accepted NODs for the prior period of January 1, 2015 to June 30, 2015. The last report was filed on February 2, 2015 and the Court granted the petition on March 2, 2015. The allowed amounts on NODs approved for distribution are listed by priority class on Exhibit I.

On December 2, 2011, the Liquidator filed an Amended Petition for First Interim Distribution for a 30% distribution of NOD allowed amounts to all Class (b) claimants whose NOD is approved by the Court, including the aggregate policies. The Court granted the petition on February 27, 2012. Other than workers’ compensation policies, many policies written by

Villanova were subject to aggregate limits. The NOD allowed amounts on a few policies may exceed the aggregate limits; therefore, when all POC claims have been evaluated for these affected policies, the final NOD allowed amounts will be an allocation of the policy aggregate limits. The aggregate limit will be allocated pro rata, based on the relative value of each NOD gross allowed value to the total gross allowed values of all NODs assigned to the particular policy.

Respectfully submitted,



AMY L. WEBER (I.D. #45447)
Insurance Department Counsel
Office of Liquidations, Rehabilitations and
Special Funds
Capitol Associates Building
901 North 7th Street
Harrisburg, PA 17102
(717) 787-6009

Counsel for Teresa D. Miller, Insurance
Commissioner of the Commonwealth of
Pennsylvania, in her official capacity as Statutory
Liquidator of Villanova Insurance Company (In
Liquidation)

DATED: 11/23/15

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

**AFFIDAVIT OF ROBERT E. HABERLE
IN SUPPORT OF THE THIRD QUARTER 2015
FINANCIAL REPORT OF THE LIQUIDATOR**

I, **ROBERT E. HABERLE**, hereby depose and state as follows:


1. I am Chief Liquidation Officer of Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) (“the Estates”), and am responsible for overseeing their daily business operations.
2. I directed the preparation of and have reviewed the Third Quarter 2015 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 Third Quarter of 2015.
4. My certification is made in reasonable reliance on the work of qualified staff and the Estates’ internal procedures for financial operations.

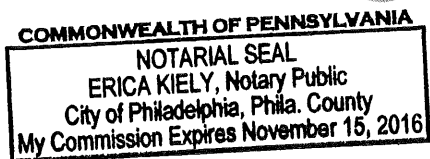
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5. I verify that the matters stated therein are true and correct to the best of my knowledge, information and belief, and make these statements subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.


ROBERT E. HABERLE

Sworn to and subscribed before me
this 20th day of November, 2015.


NOTARY PUBLIC



IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

**AFFIDAVIT OF GERALD V. BEHR
IN SUPPORT OF THE THIRD QUARTER 2015
FINANCIAL REPORT OF THE LIQUIDATOR**

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

1. I am Vice President and Chief Financial Officer of Legion Insurance Company (in Liquidation) (“Legion”) and Villanova Insurance Company (in Liquidation) (“Villanova”) (collectively, “the Estates”), am a currently licensed Certified Public Accountant, and am responsible for overseeing all aspects of the Estates’ financial operations.
2. I assisted in the direction of the preparation of the Third Quarter 2015 Financial Report of the Liquidator (“the Report”), and make this certification in reliance on the assistance and support of qualified staff and the Estates’ internal procedures for financial operations.
3. I certify that the Exhibits attached to the Report fairly present the following:
 - A. Special Purpose Statement of Assets and Liabilities: Exhibit “A” to the Report is the Special Purpose Statement of Assets and Liabilities for the Estates as of September 30, 2015. As reflected in the Note accompanying

these Statements, it has been prepared on a unique financial reporting basis, subject to the several assumptions and qualifications stated therein.

- B. Statement Reflecting Statutory Capital and Surplus Account: Exhibit “B” to the Report is the Statement reflecting the Statutory Capital and Surplus Account for the Estates for the period December 31, 2001 through September 30, 2015.
- C. Monthly Cash Flow Summary: Exhibit “C” is the cash flow summary on a monthly basis for the Estates including investment transactions for the period January 1, 2015 through September 30, 2015.
- D. Notes to Special Purpose Statement of Assets and Liabilities: Exhibit “D” contains information explaining the unique financial reporting basis used to prepare the Special Purpose Statement.
- E. Combined Expense Analysis: Prior to receivership, Legion, Villanova and Legion Indemnity Company (“Indemnity”) operated with an expense sharing agreement pursuant to which Legion paid the common expenses for all three companies through July 2003. Under the expense sharing agreement, common expenses were allocated 80% to Legion, 10% to Villanova and 10% to Indemnity. Following entry of the Court’s Orders placing Legion and Villanova into liquidation in July, 2003, the expenses were allocated 90% to Legion and 10% to Villanova. The schedules attached to the Report relating to expenses represent the expenses paid or incurred by the Estates on a consolidated basis, including all common expenses, before any allocation. Exhibit “E” is a schedule reflecting the combined incurred expenses of the

Estates from January 1, 2015 through September 30, 2015 together with a comparison, by category of expense, between 2015 and the 2015 budget and between 2014 and 2015 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses. Exhibit E provides the accrued administrative expenses of the Estates including salaries and employee benefits for the period of January 1, 2015 through September 30, 2015 except for certain guaranty association expenses that may qualify as administrative expenses of the Estates.

F. Professional Services Paid and Incurred: Exhibit "F" is a schedule reflecting the amounts which the Liquidator paid to or amounts which the Liquidator has incurred as a result of the performance of services by various professional vendors, including accounting and actuarial firms, consultants on reinsurance and other matters, premium audit and collection services, and other support service providers, during the period January 1, 2015 through September 30, 2015. Legal vendors, including law firms and other litigation and support service providers, are broken out separately on Exhibit "F."

G. Reinsurance Recoverables due or Billable Net: Detailed information relating to reinsurance recoverables of the Estates due or billable net as of September 30, 2015 is submitted as Exhibit "G."

H. Guaranty Fund Claim Overview Report: Summary information for liquidation class ("Class") A and B claims at a state guaranty association level is provided in Exhibit "H." This information may include adjustments for inaccuracies in GA data reporting or material expenses, as appropriate. This

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

- I. Proof of Claim Statistics Inception to Date: Exhibit “I” provides inception to date summary information at a Class level of various proof of claims statistics.
 - J. Proof of Claim Statistics Quarter to Date: Exhibit “J” provides quarter to date summary information at a Class level of various proofs of claims statistics.
 - K. Notice of Determination Objection Statistics: Summary information at a class level of Notice of Determination Objections received, resolved and unresolved is provided in Exhibit “K”. Additional summary information is also provided related to unresolved objections.
4. Based on my knowledge, the financial information included in the Report fairly presents in all material respects the financial condition, results of operations and cash flows for the Third Quarter of 2015.

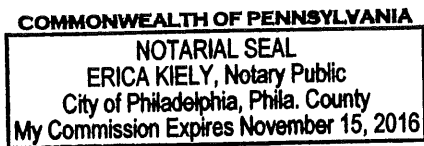
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5. I verify that the matters stated herein are true and correct to the best of my knowledge, information and belief, and make these statements subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.


GERALD V. BEHR

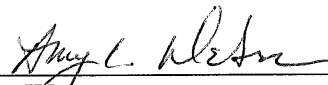
Sworn to and subscribed before me
This 20 th day of November, 2015.


NOTARY PUBLIC



CERTIFICATION

I, Amy L. Weber, Governor's Office of General Counsel, assigned to the Office of Liquidations, Rehabilitations and Special Funds of the Pennsylvania Insurance Department, am duly authorized to make this Certification for and on behalf of Teresa D. Miller, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator ("Liquidator") of Villanova Insurance Company. I am responsible for reviewing the invoices and documents received from outside counsel supporting the legal fees and expenses for Exhibit F to the Quarterly Report of the Liquidator on the Status of the Liquidation of Villanova Insurance Company as of September 30, 2015, and I certify that these legal fees and expenses are reasonable and necessary. I also have reviewed Exhibit E, the Combined Expense Analysis for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) and certify that the legal fees and expenses stated therein have been reflected accurately. I understand that this Certification is made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.



Amy L. Weber
Insurance Department Counsel

Dated: 11/23/15

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

EXHIBITS A - K
QUARTERLY REPORT OF THE LIQUIDATOR
ON THE STATUS OF THE LIQUIDATION
OF LEGION INSURANCE COMPANY
AS OF SEPTEMBER 30, 2015

EXHIBIT
A

Villanova Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
September 30, 2015 and December 31, 2014
(In Millions of Dollars)

	9/30/2015	12/31/2014
ASSETS		
Cash investments:		
Money market deposits	\$ 40.5	\$ 41.5
Total cash and invested assets	40.5	41.5
Estimated losses and loss adjustment expense reserves - ceded	0.1	0.3
Reinsurance recoverables due or billable, net	-	0.3
Early access advances	248.7	248.7
State deposits and unapplied state deposits available for early access	0.1	0.1
Amounts to be distributed per Act 46, net	4.9	5.2
Other assets	0.1	-
Total Assets	<u>\$ 294.4</u>	<u>\$ 296.1</u>
LIABILITIES		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses incurred since liquidation	\$ 48.8	\$ 47.1
Liquidator expenses paid since liquidation	(48.0)	(46.4)
Liquidator expenses	0.8	0.7
Guaranty associations paid ULAE reported	44.5	43.3
Guaranty associations' reserves ULAE	0.8	0.9
Total	\$ 46.1	\$ 44.9
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	336.7	331.1
Liquidator valued NODs accepted	1.5	1.5
Asset distribution payments, net	(0.5)	(0.5)
Estimated reserves - guaranty associations	74.5	79.1
Estimated reserves - other	49.0	76.6
Total	461.2	487.8
C - Federal government claims	-	-
D - Certain employee claims	-	-
E - General creditor claims:		
Guaranty associations paid (including large deductible)	-	6.0
Liquidator valued NODs accepted	2.5	2.5
Estimated value	-	5.6
Total	2.5	14.1
F - State and local government claims:		
Liquidator valued NODs accepted	2.9	2.9
Estimated value	-	1.5
Total	2.9	4.4
G - Late filed claims:		
Liquidator valued NODs accepted	1.2	1.2
Ancillary Receiverships:		
Post liquidation claims and administrative expenses paid, gross	1.1	1.0
Estimated losses and loss adjustment expense reserves - direct	0.5	0.6
Offset of unapplied liquidated statutory deposit	(1.1)	(1.1)
Post liquidation claims, net	0.5	0.5
Total liabilities	514.4	552.9
Net surplus (deficit)	(220.0)	(256.8)
Total Liabilities and Surplus (Deficit)	<u>\$ 294.4</u>	<u>\$ 296.1</u>

* See Note to Special Purpose Statement of Assets and Liabilities

**EXHIBIT
B**

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

Surplus as regards to policyholders, as of December 31, 2001	\$ 27.6
Net loss:	
Underwriting loss, net	13.1
Investment income, net	0.5
Other income (expenses), net	-
Loss before income taxes	13.6
Federal & foreign income taxes	-
Net loss	13.6
Change in net unrealized capital gains (losses)	-
Change in net deferred income tax	(8.6)
Change in non-admitted assets	8.9
Change in provision for reinsurance	-
Change in surplus for the period	13.9
Surplus as regards to policyholders, as of March 31, 2002	41.5
<u>Surplus activity during Rehabilitation Period:</u>	
Net loss:	
Underwriting loss, net	(23.0)
Investment income, net	3.9
Other income (expenses), net	(12.2)
Net loss	(31.3)
Change in net unrealized capital gains (losses)	0.1
Change in net deferred income tax	-
Change in non-admitted assets	(98.7)
Change in provision for reinsurance	1.7
Change in surplus for the period	(128.2)
Surplus as regards to policyholders, as of July 28, 2003	(86.7)
<u>Surplus activity during Liquidation:</u>	
Net loss:	
Underwriting loss, net	(121.3)
Class A - Administrative expenses	(94.1)
Class A - Federal income taxes	(0.2)
Investment income, net	10.9
Other income (expenses), net	(5.0)
Net loss	(209.7)
Change in net unrealized capital gains (losses)	(0.1)
Change in net deferred income tax	-
Change in non-admitted assets	76.5
Change in provision for reinsurance	-
Change in surplus for the period	(133.3)
Surplus as regards to policyholders, as of September 30, 2015	<u><u>\$ (220.0)</u></u>

EXHIBIT

C

Villanova Insurance Company (In Liquidation)
Cash Flow Summary - Monthly Summaries
Liquidation Basis
YTD January 1, 2015 - September 30, 2015
(in millions)

	January	February	March	April	May	June	July	August	September	YTD 2015
Beginning Available Cash and Investments	\$ 41.5	\$ 41.2	\$ 41.2	\$ 41.1	\$ 40.9	\$ 40.5	\$ 40.5	\$ 40.2	\$ 40.5	\$ 41.5
Premium collections	-	-	-	-	-	-	-	-	-	-
Reinsurance collections:										
Reinsurance recoverables	-	-	-	-	-	-	-	-	-	-
Reinsurance commutations/settlements	-	0.1	-	-	-	-	-	-	-	0.1
Less: Collection Expense	-	-	-	-	-	-	-	-	-	-
Deductible Recoveries:										
Mutual Companies	-	-	-	-	-	-	-	-	-	-
All Other	-	-	-	-	-	0.3	-	-	-	0.3
Investment income	-	-	-	-	-	-	-	-	-	-
Total Sources of Cash	-	0.1	-	-	-	0.3	-	-	-	0.4
Loss & loss adjustment expense payments	-	-	-	-	-	-	-	-	-	-
Paid expenses	-	-	-	-	-	-	-	-	-	-
Federal income taxes	-	-	(0.2)	-	-	-	-	-	-	(0.2)
Payroll	-	-	-	-	-	-	-	-	-	-
Intercompany transfers	(0.2)	(0.1)	(0.1)	(0.3)	(0.1)	(0.2)	(0.1)	0.3	-	(0.8)
Guaranty Association transactions	-	-	-	-	-	-	-	-	-	-
Distributions to Court approved NODs	-	-	-	-	-	-	-	-	-	-
Amounts to be distributed per Act 46	(0.1)	-	-	0.1	-	(0.1)	(0.2)	-	-	(0.3)
Other cash inflows (outflows)	-	-	0.2	-	(0.3)	-	-	-	-	(0.1)
Total Uses of Cash	(0.3)	(0.1)	(0.1)	(0.2)	(0.4)	(0.3)	(0.3)	0.3	-	(1.4)
Ending Available Cash and Investments	\$ 41.2	\$ 41.2	\$ 41.1	\$ 40.9	\$ 40.5	\$ 40.5	\$ 40.2	\$ 40.5	\$ 40.5	\$ 40.5

**EXHIBIT
D**

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

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

- Estimated priority class of claims from the insurers' estates is set forth in detail in Article V of the Commonwealth of Pennsylvania Insurance Department Act of 1921 at 40 P.S. § 221.44. The classes are:
 - A Administrative expenses
 - B Claims for policy benefits
 - C Federal government claims
 - D Certain employee claims
 - E General creditor claims
 - F State and local government claims
 - G Late filed claims

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

- The 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 Statement of Assets and Liabilities is based primarily on guaranty association paid claims, POCs and NODs issued, any known case reserves and actuarial estimates of expected losses on an undiscounted basis;
- The statement does not reflect any general provision for estimated unrealizable reinsurance recoverable assets. The statement does 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;
- There is no provision for potential future federal income tax liability, if any.
- For classes below (b), liabilities are carried at NOD accepted value, except for NODs issued on a "Class Only" basis, which are carried at \$0.

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

EXHIBIT E

EXHIBIT
F

Classification	VENDOR NAME	Services Provided	2015 Total
Legal Fees and Expenses	DANIEL STERN, REFEREE	Referee Fees	4,218
	DUANE MORRIS LLP	General Collection Litigation	96,511
	LEXISNEXIS	Legal Research Fees	3,155
	PIETRAGALLO GORDON ALFANO BOSICK & RASPANTI, LLP	General Litigation and Liquidation Advice	5,962
	PRICEWATERHOUSE COOPERS LLP	Actual Arbitration Support	20,290
	WEST PUBLISHING CORPORATION	Legal Research Fees	25,852
	WILLIAM J. MANSFIELD, INC.	Legal Advertising Services	16,094
	Total Legal Fees and Expenses Paid		172,081
	Change in Legal Fees and Expenses accrual and other non-cash transactions		28,027
	Total Legal Fees and Expenses Incurred		200,108

Classification	VENDOR NAME	Services Provided	2015 Total
Professional Services	ASHDAR PARTNERS, INC.	IT Consulting	186,875
	CITADEL RISK SERVICES UK LIMITED	London Reinsurance Collection Intermediary	4,321
	COMPUTER SCIENCES CORPORATION	Data Processing	267,610
	ERNST & YOUNG LLP	Tax Consulting	53,858
	HODGES ACTUARIAL CONSULTING LLC	Actuarial Services	8,895
	JOHNSON LAMBERT & COMPANY LLP	Audit Services	45,379
	MARCUM LLP	Human Resources Consulting	12,360
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Professional Fees	7
	Total Professional Services Paid		579,301
	Change in Professional Services accrual and other non-cash transactions		(62,174)
Total Professional Services Incurred			517,127
Total Legal Fees and Expenses and Professional Services Incurred			717,235

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

EXHIBIT
G

**Villanova Insurance Company (In Liquidation)
Reinsurance Recoverables Due or Billable, Net
September 30, 2015**

Reinsurer

Amount

NONE

EXHIBIT H

Villanova Insurance Company (in Liquidation)
Guaranty Fund Claim Overview Report
As of September 30, 2015

State	GA	Number Files Assigned	Number files Complete	Number files outstanding	A- Level Paid Admin Exp	B - Level Paid Losses and Loss Adj Expenses	B- Level Known Case Reserves
AK	354	1	1	-	\$ -	\$ 854	\$ -
AL	301	4	3	1	70,152	367,101	410,092
AR	303	37	37	-	14,249	177,603	-
AZ	402	4	4	-	1,042	26,019	-
AZ	302	53	50	3	139,621	945,953	771,429
CA	360	15,160	14,714	446	22,533,230	149,723,232	45,011,252
CO	305	6	6	-	8,394	33,139	-
CT	306	228	224	4	371,925	2,290,469	2,570,884
DC	308	-	-	-	169	-	-
DE	307	4	3	1	82,030	291,481	36,954
FL	409	90	85	5	120,841	1,017,650	11
FL	309	29	29	-	33,204	235,751	-
GA	310	23	23	-	34,741	912,614	-
HI	352	39	39	-	124,355	543,478	-
IA	314	2	2	-	65,822	370,705	-
ID	311	-	-	-	-	-	-
IL	312	261	260	1	363,348	3,014,478	156,930
IN	313	17	17	-	34,881	214,230	-
KS	315	15	15	-	26,596	475,821	-
KY	316	16	15	1	18,517	175,472	85,264
LA	317	9	9	-	36,173	473,205	-
MA	320	106	99	7	505,852	1,968,976	1,209,642
MD	319	8	8	-	15,931	66,374	-
ME	318	-	-	-	4,597	-	-
MI	321	1	1	-	-	-	-
MN	322	15	15	-	13,164	137,625	-
MO	324	72	71	1	103,393	1,775,235	850,559
MS	323	71	70	1	119,342	1,673,069	308,226
MT	325	-	-	-	15,386	-	-
NC	332	212	210	2	784,749	9,032,160	185,897
ND	333	-	-	-	-	-	-
NE	326	1	1	-	306	3,874	-
NH	328	-	-	-	158	-	-
NJ	429	4	4	-	4,966	16,391	-
NJ	329	195	182	13	295,557	7,289,777	6,450,630
NV	327	97	97	-	555,720	1,671,683	-
NY	431	1,628	1,608	20	-	105,044,745	3,767,987
NY	331	189	176	13	14,114,797	3,015,647	3,551,963
OH	334	4	4	-	52,349	34,139	-
OK	335	301	296	5	604,807	5,306,161	1,274,634
PA	437	38	38	-	51,442	423,429	-
PA	337	436	425	11	949,143	24,023,422	2,652,898
RI	338	8	8	-	32,970	196,926	-
SC	339	70	66	4	132,265	1,669,588	658,162
SD	340	2	2	-	7,091	51,169	-
TN	341	204	160	44	965,770	7,791,538	3,664,047
TX	342	247	242	5	484,722	3,368,317	806,399
UT	343	-	-	-	-	-	-
VA	345	30	29	1	51,494	206,483	60,831
VT	344	41	41	-	44,931	270,418	-
WA	346	1	1	-	1,363	14,068	-
WI	348	38	38	-	269,973	378,929	-
WV	347	-	-	-	10,125	-	-
WY	349	-	-	-	-	-	-
NOLHGA	370	-	-	-	252,214	-	-
		20,017	19,428	589	\$ 44,523,868	\$ 336,719,395	\$ 74,484,691

EXHIBIT
I

Villanova Insurance Company (In Liquidation)
Proofs of Claim Statistics
Inception to Date September 30, 2015

Class Descriptions	Total # of POC Claims Received *	# of POC Claims Received After 6/30/05	# of NODs Issued	# of NODs Accepted	Allowed Amounts on Accepted NODs	# of NODs Approved for Distribution	Allowed Amounts on NODs Approved for Distribution
A - Administrative Expenses	276	5	220	218	\$ 0	218	\$ 0
B - PolicyHolder Claims	1,367	166	1,312	1,303	1,540,928	1,300	1,540,928
C - Federal Government	-	-	-	-	-	-	-
D- Employees	-	-	-	-	-	-	-
E - General Credit/UEP	2,597	27	2,597	2,596	2,547,565	2,596	2,547,565
F- State/Local Government	49	2	49	49	2,901,139	49	2,901,139
G- Late Filed/Subrogation	373	49	373	373	1,151,099	372	1,149,574
H - Surplus, Prem. Refunds	-	-	-	-	-	-	-
I- Shareholders/Other Owners	-	-	-	-	-	-	-
No Class	-	-	-	-	-	-	-
TOTALS	4,662	249	4,551	4,539	\$ 8,140,731	4,535	\$ 8,139,206

* Includes new suffixes set-up on POCs received. A POC may have more than one suffix to address multiple claims presented in a single POC. A NOD is issued for each valid suffix.

EXHIBIT J

Villanova Insurance Company (In Liquidation)
Proofs of Claim Statistics
Quarter to Date September 30, 2015

Class Descriptions	Total # of POC Claims Received *	# of NODs Issued	# of NODs Accepted	Allowed Amounts on Accepted NODs	# of NODs Approved for Distribution	Allowed Amounts on NODs Approved for Distribution
A - Administrative Expenses	-	1	-	\$ 0	-	\$ 0
B - PolicyHolder Claims	5	12	3	-	-	-
C - Federal Government	-	-	-	-	-	-
D- Employees	-	-	-	-	-	-
E - General Credit/UEP	-	-	-	-	-	-
F- State/Local Government	-	-	-	-	-	-
G- Late Filed/Subrogation	-	-	1	1,525	-	-
H - Surplus, Prem. Refunds	-	-	-	-	-	-
I- Shareholders/Other Owners	-	-	-	-	-	-
No Class	-	-	-	-	-	-
TOTALS	5	13	4	\$ 1,525	-	\$ 0

* Includes new suffixes set-up on POCs received. A POC may have more than one suffix to address multiple claims presented in a single POC. A NOD is issued for each valid suffix.

EXHIBIT
K

Villanova Insurance Company (In Liquidation)
 Notice of Determination Objection Statistics
 Inception to Date September 30, 2015

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

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



GOVERNOR'S OFFICE OF GENERAL COUNSEL

November 23, 2015

Michael F. Krimmel, Chief Clerk
Commonwealth Court of Pennsylvania
601 Commonwealth Avenue, Suite 2100
P.O. Box 69185
Harrisburg, PA 17120-9185

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

Dear Mr. Krimmel:

Enclosed for filing please find a copy of the Quarterly Report of the Liquidator on the Status of the Liquidation of Villanova Insurance Company as of September 30, 2015, together with the Liquidator's Notice of Filing, with regard to the above-referenced matter.

Thank you for your assistance in this matter.

Very truly yours,

Amy L. Weber
Insurance Department Counsel

ALW:drh

Enclosures