



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

Governor's Office  
of General Counsel

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October 26, 2006

Daniel Schuckers  
Prothonotary  
Commonwealth Court  
628 South Office Building  
Harrisburg, PA 17120-0001

RE: M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania v. Villanova Insurance Company,  
No. 182 M.D. 2002

Dear Mr. Schuckers:

Enclosed for filing please find the original and two hard copies of the Liquidator's Notice of Filing and Petition for Approval of Administrative Expenses.

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 of the  
Commonwealth of Pennsylvania

Plaintiff,

v.

Villanova Insurance Company

Defendant.

Docket No. 182 M.D. 2002

20 OCT 2006 13 14

ORDER

And Now, this \_\_\_\_\_ day of \_\_\_\_\_, 2006, upon consideration of the Statutory Liquidator's Petition For Approval of Administrative Expenses Paid for the Period January 1, 2006 through June 30, 2006, the Petition is hereby APPROVED.

BY THE COURT:

MARY HANNAH LEAVITT, Judge

IN THE COMMONWEALTH OF PENNSYLVANIA

M. DIANE KOKEN  
Insurance Commissioner of the  
Commonwealth of Pennsylvania

Plaintiff,

v.

Villanova Insurance Company

Defendant.

No 182 M.D. 2002

LIQUIDATOR'S PETITION FOR APPROVAL OF ADMINISTRATIVE EXPENSES  
PAID FOR THE PERIOD JANUARY 1, 2006 THROUGH JUNE 30, 2006

The Honorable M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner"), in her official capacity as Statutory Liquidator ("Liquidator") for Villanova Insurance Company ("Villanova"), by and through her counsel, respectfully submits her Petition for Approval of Administrative Expenses paid for the period January 1, 2006 through June 30, 2006.

PETITION FOR APPROVAL OF ADMINISTRATIVE EXPENSES PAID

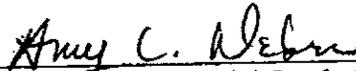
1. The Liquidator previously filed a petition for approval of administrative expenses paid for the period July 29, 2003 through December 31, 2004 which was approved by the Court on June 30, 2005; and, filed a petition for approval of administrative expenses paid for the period January 1, 2005 through June 30, 2005, which was approved by the Court on September 16, 2005; and filed a petition for approval of administrative expenses paid for the period July 1, 2005 through December 31, 2005, which was approved by the Court on October 20, 2006.

4. The Liquidator respectfully petitions the Court for approval of her administrative expenses paid for the period January 1, 2006 through June 30, 2006, as set forth on the attached

Exhibit A, Combined Expense Analysis – Cash Basis, which were reasonable and necessary expenses for the administration of the Legion liquidation.

5. The Affidavits of the Chief Liquidation Officer and the Senior Vice President of Financial Operations in support of the Liquidator's Petition for Approval of Administrative Expenses Paid and the Certification of Special Funds Counsel related to legal expenses paid are attached to this Petition.

Respectfully submitted,



Amy L. Weber, Special Funds Counsel  
I.D. No. 45447

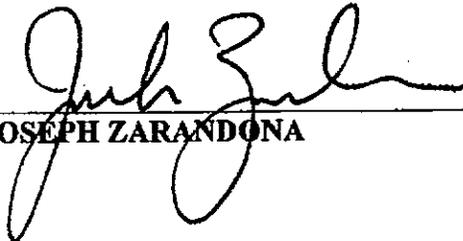
Office of Liquidations,  
Rehabilitations and Special Funds  
901 North 7<sup>th</sup> Street  
Harrisburg, Pennsylvania 17102  
(717) 787-6009

Attorney for M. Diane Koken, Insurance  
Commissioner of the Commonwealth of  
Pennsylvania, in her official capacity  
As Statutory Liquidator for Villanova  
Insurance Company (In Liquidation)

DATED: 10/25/06



7. 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 24 th day of October, 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



paid administrative expenses for the period January 1-June 30, 2006 for the following areas of expenditure:

A. Salaries: "Salaries" includes expenses for salary and overtime compensation for all the Estates' employees, the cost of temporary help and contractor services, the performance compensation program, and a compensation program for displaced employees of the Estates.

B. Benefits: "Benefits" includes expenses for employee group health, life and disability programs, 401(k) contributions, employee training, workers' compensation insurance, FICA and federal and state unemployment taxes.

C. Occupancy: "Occupancy" includes expenditures for lease expenses in Philadelphia and Milwaukee, utility and office maintenance expenses for leased premises, records retention, furniture repair and maintenance expenses and rental costs for postage and copier/fax equipment.

D. Equipment: "Equipment" includes depreciation expenses for EDP equipment, operating and applications systems software, office furniture and fixtures and leasehold improvements, and expenditures for purchases and repairs of all other equipment used by the Estates.

E. Legal Fees and Expenses: "Legal Fees and Expenses" includes expenditures to outside law firms for matters related to reinsurance litigation, policyholders collections, managing general agent and third party administrators, the Estates' defendant issues and liquidation issues.

F. Professional Services: "Professional Services" includes expenditures for outsourced reinsurance services, audit and tax consulting fees of

independent CPA firms, actuarial consulting services, management consulting services, fees for collection of overdue premium and other fees and fees to outside firms for technology support and outsourcing.

G. Other: "Other" includes expenditures for telephone, postage, express mail, printing and freight expenses, letterhead, envelopes and other office supplies; transportation, meals, lodging and other costs of employees while traveling; costs of the Pennsylvania Insurance Department for the oversight of the Estates; and insurance for fidelity and surety bonds on employees, general liability insurance, Directors and Officers and omissions coverage for directors and personal property coverage.

4. Based on my knowledge, the Petition for Approval of Administrative Expenses paid for the period January 1-June 30, 2006 fairly presents in all material respects the administrative expenses paid by the Estates for the period January 1-June 30, 2006.

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.

  
MICHAEL I. QUIST

Sworn to and subscribed before me  
this 23 th day of October, 2006.

  
NOTARY PUBLIC

**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 period January 1, 2006 to June 30, 2006 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: 10/25/06

**EXHIBIT**  
**A**

Legion Insurance Company (In Liquidation)  
 Villanova Insurance Company (In Liquidation)  
**COMBINED EXPENSE ANALYSIS - CASH BASIS**  
 January 1, 2006 to June 30, 2006  
 (\$ In Thousands)

<u>Staffing - Average</u>	246	
Full Time	1	
Part Time	26	
Contractor Help	272	
<b>Total Staffing - Average</b>	<b>272</b>	
	<u>Cash</u>	<u>% of Total</u>
	<u>Basis</u>	<u>Operating</u>
<b>G &amp; A Expenses</b>		
<b>Salaries</b>	\$ 13,993	51.61%
<i>Salary and overtime compensation for all Legion employees and the cost of temporary help and contractor services utilized. Also includes the performance compensation program and compensation program for displaced Legion employees.</i>		
<b>Benefits</b>	2,372	8.73%
<i>Expenses incurred for employee group health, life and disability programs, 401(k) contributions, employee training, workers' compensation insurance and FICA and Federal and state unemployment taxes.</i>		
<b>Occupancy</b>	1,939	7.14%
<i>Lease expenses for both Milwaukee and Philadelphia locations, utility and office maintenance expenses for leased premises, records retention, furniture repair and maintenance expenses and rental costs for postage and copier/fax equipment.</i>		
<b>Equipment</b>	1,358	5.00%
<i>Depreciation expense for EDP equipment, operating and applications systems software and depreciation of office furniture and fixtures and leasehold improvements. Also includes purchases and repairs for all other equipment used by Legion.</i>		
<b>Legal Fees and Expenses</b>	2,648	9.75%
<i>Legal retainers and fees to outside law firms for matters related to reinsurance litigation, policyholders collections, managing general agent and third party administrators, Legion defendant issues and liquidation issues.</i>		
<b>Professional Services*</b>	3,264	11.98%
<i>Fees for outsourced reinsurance services, audit and tax consulting fees of independent CPA firms, fees to outside firms for actuarial consulting services, management consulting services, fees for collection of overdue premium and other fees and fees to outside firms for technology support and outsourcing.</i>		
<b>Other</b>	1,603	6.00%
<i>Telephone, postage, express mail, printing and freight expenses. Also includes cost of letterhead, envelopes and other office supplies, transportation, meals, lodging and other costs of employees while traveling, costs of the PA Insurance Department for the oversight of the Legion and Villanova estates and insurance expense for fidelity and surety bonds on employees, general liability insurance, Directors and Officers and omissions coverage for directors and personal property coverage.</i>		
<b>Total Expenses</b>	<b>27,187</b>	<b>100.00%</b>
<b>Capital Expenditures</b>	170	
<i>Purchases of personal computer equipment, operation software and other data processing equipment</i>		
<b>Investment Expenses</b>	227	
<i>Banking, management and custodial fees</i>		
<b>Total</b>	<b>\$ 27,584</b>	

This exhibit reflects the cash activity of the operating expenses and does not include the change in asset and liability account balances on a cash basis.

\* Professional fees include collection expense for which the premium had been received not for the period 1/1/2006-6/30/2006.