

association, further review of the Proof of Claim will stop until the state guaranty association has made its final determination and has returned the closed claim file to the Liquidator.

(c) Within 180 days of determining that information sufficient to adjudicate a proof of claim has been provided, the Liquidator will issue a written notice of determination on the claim (Notice of Determination).

(d) The Liquidator shall provide the Notice of Determination to the Claimant or to the Claimant's designated representative by first-class mail, at the address shown in the Proof of Claim, unless subsequent to the filing a Proof of Claim notice of a change of address is given to the Liquidator.

(e) If a Claimant disputes the Notice of Determination, in whole or in part, the Claimant, shall, within sixty (60) days from the mailing date shown on the Notice of Determination, file an objection (Objection) with the Liquidator at P.O. Box 58185, Philadelphia, PA 19102-8185. The Objection shall: state the factual and legal basis for the objection; attach relevant supporting documentation; and attach the Notice of Determination. The Claimant shall not file a courtesy copy of the Objection with the Commonwealth Court or send one to the judge's chambers.

(f) IF A CLAIMANT DOES NOT FILE AN OBJECTION WITH THE LIQUIDATOR WITHIN THE TIME REQUIRED, THE AMOUNT OF THE CLAIM SET FORTH IN THE NOTICE OF DETERMINATION SHALL BECOME FINAL.

II. SETTLEMENT OF OBJECTIONS

2. Upon receipt of an Objection, the Liquidator shall promptly contact the Claimant or his designated representative and attempt to resolve the Objection.

III. LIQUIDATOR'S REPORT OF RECOMMENDATIONS

3. At least annually, the Liquidator shall prepare and submit to the Court a report of the Liquidator's recommendations with respect to each Proof of Claim (Report). The Report shall include the following: the Claimant's name, address, class, and the particulars of the claim, including whether the value of the claim was determined without Objection or after settlement of an Objection.

4. The recommendations in the Report with respect to each Proof of Claim will be reviewed and, if acceptable, approved by the Court.

5. Upon approval of the Liquidator's recommendations in the Report, the Claimant becomes eligible to receive a *pro rata* distribution of assets from the estate of Legion Insurance Company (In Liquidation) in the event that a distribution is made to Claimant's class of creditors.

IV. ADJUDICATION OF OBJECTIONS

6. If an Objection cannot be resolved within a reasonable period of time, the Liquidator shall, as soon as practicable, petition the Court for the appointment of a Referee to adjudicate the Objection. The petition shall be served only on the Claimant and not on persons on the Master Service List.

7. The Court will appoint Referees to conduct hearings on claim disputes who shall have authority to:

- (a) set hearing dates on Objections to the Liquidator's Notice of Determination;
- (b) give notice of the hearing to the Liquidator and to the Claimant;
- (c) establish procedures for expediting the presentation of evidence relating to disputed claims;
- (d) set discovery schedules should discovery be necessary;
- (e) conduct hearings; and
- (f) make recommended findings of fact and conclusions of law for review by the Court.

8. The Referee shall take steps to conduct hearings in a cost-effective and efficient manner by, *inter alia*, using stipulations, witness depositions and conducting hearings by teleconference. Either party, at its own cost, may request to have the hearing recorded, with advance notice to all participants. A party may request a copy of the transcript at its own cost. If a party requests that the hearing be transcribed, that party, at its own cost, shall provide a copy of the transcript to the Referee.

9. The Referee shall, after hearing, file a Proposed Adjudication with the Court that includes proposed findings of fact, conclusions of law and a proposed order, and serve copies of it upon the Claimant and the Liquidator.

10. Exceptions to the Referee's Proposed Adjudication shall be filed with the Commonwealth Court within thirty (30) days of service. The Exceptions shall identify with specificity the errors in the Proposed Adjudication and shall have attached to it copies of the following: Notice of the Determination,

Claimant's Objection, the Liquidator's Response to Objection, and the Proposed Adjudication.

11. The Court will review the Exceptions and may, if appropriate, direct briefs and oral argument on the Exceptions. Upon completion of the review, the Court will enter a final Order granting or rejecting the Exceptions, in part or in whole.

12. With or without the filing of Exceptions, the Court shall review the Referee's Proposed Adjudication and enter a final Order accepting, rejecting or modifying the Proposed Adjudication, which will make the adjudication of the Proof of Claim final.

13. If a Claimant fails to appear for a hearing on an Objection before a Referee, without satisfactory excuse, the Referee's Proposed Adjudication may recommend that the Court dismiss the Objection. If the objection is dismissed by the Court order, this will make the adjudication of the Proof of Claim final, and the amount of the claim shall be that in the Notice of Determination.

14. The Court will appoint an Administrative Referee, who shall be responsible for assigning disputes to Referees for hearing, sorting and grouping similar claims for possible consolidation and assignment to a single Referee for resolution.

15. The compensation of a Referee and the Administrative Referee shall be set by the Court; fees of the Referee and the Administrative Referee shall be submitted to the Court, with a copy to the Liquidator, for review and approval before payment.

16. Each party shall bear its own costs associated with hearings before the Referee (other than compensation for the Referee), unless the Court otherwise directs.

V. SERVICE

17. Service of all filings relating to a Proof of Claim, including disposition of Objections, shall be made only on the Liquidator and the Claimant.

18. All Orders of the Court with respect to a Referee's Proposed Adjudication will be posted in Adobe PDF format on the Legion website at www.legioninsurance.com.

19. The Liquidator's Report filed pursuant to ¶3 of this Order will be posted in Adobe PDF format on the Legion website at www.legioninsurance.com. Within twenty (20) days of the Report's filing with the Court, the Liquidator shall notify each Claimant included in the Report that the Report has been filed and is available on line.

20. Unless specifically ordered by the Court, filings relating to Proofs of Claim will not be served to those on the Master Service List.

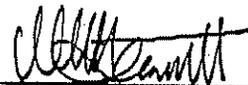
VI. DISTRIBUTION

21. Claims approved by the Court, after review of the Liquidator's recommendations in her Report or after litigation before a Referee, shall be paid *pro rata* in accordance with each class of claims as set forth in Section 544 of Article V, 40 P.S. §221.44, at a time and manner approved by the Court.

VII. MISCELLANEOUS

22. A copy of this Order shall be posted on the following websites: www.ins.state.pa.us and www.legioninsurance.com and shall be served on all persons on the Master Service List.

23. This Court continues to maintain sole and exclusive jurisdiction, to the exclusion of all other courts or tribunals, over all assets of Legion Insurance Company (In Liquidation) of whatsoever kind or nature and wherever or however owned or held, whether directly or indirectly. No judgment or order against Legion Insurance Company (In Liquidation) entered after the date of the filing of the petition for rehabilitation, and subsequent filing of the petition for liquidation, and no judgment against Legion Insurance Company (In Liquidation) entered at any time by default or collusion need be considered as evidence of liability or of quantum of damages. The Order of Liquidation of July 25, 2003, and all subsequent orders continue in full force and effect, including the provisions thereof prohibiting the institution and prosecution of any action at law or in equity against Legion Insurance Company (In Liquidation) or against the Liquidator except as provided in Section 526 of Article V, 40 P.S. §221.26.



MARY HANNAH LEAVITT, Judge