

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Legion Insurance Company, : No. 1 LEG 2002
(In Liquidation) :

**LIQUIDATOR’S APPLICATION
FOR APPROVAL OF ADMINISTRATIVE EXPENSES PAID
FOR THE PERIOD JANUARY 1, 2016 THROUGH JUNE 30, 2016**

Teresa D. Miller, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), in her official capacity as Statutory Liquidator for Legion Insurance Company (“Legion”), by and through her counsel, respectfully submits her Application for Approval of Administrative Expenses Paid for the Period January 1, 2016 through June 30, 2016.

APPLICATION FOR APPROVAL OF ADMINISTRATIVE EXPENSES PAID

1. Prior to receivership, Legion, Villanova Insurance Company (“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 Petition represent the expenses paid by Legion and Villanova on a consolidated basis, including all common expenses, before any allocation.

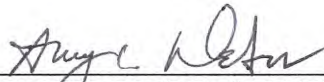
2. Pursuant to the Court’s Order of January 8, 2004, the Liquidator previously filed petitions for approval of administrative expenses paid beginning on July 29, 2003, which administrative expenses paid have been approved by the Court. Most recently, the petition for approval of administrative expenses paid for the period July 1, 2015 through December 31, 2015, was approved by the Court on April 5, 2016.

3. With the current Petition, the Liquidator respectfully petitions the Court for approval of her administrative expenses paid for the period January 1, 2016 through June 30, 2016, as set forth on the attached Exhibit A, Combined Cash Basis Analysis, which were reasonable and necessary expenses for the administration of the Legion liquidation. An illustration of the expenditures as a percentage of the total expenditures paid is attached as Exhibit B, including Combined Cash Basis Analysis, Professional Fees & Expenses for the period January 1, 2016 through June 30, 2016.

4. The Affidavits of the Chief Liquidation Officer and the Vice President and Chief Financial Officer in support of the Liquidator's submission of the Petition for Approval of Administrative Expenses Paid, and the Certification of Department Counsel related to legal expenses paid are attached to this Petition.

WHEREFORE, the Liquidator requests that the Court enter the Order attached hereto approving the administrative expenses paid.

Respectfully submitted,

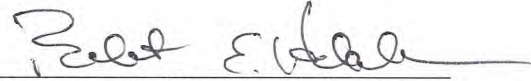


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Counsel for Teresa D. Miller, Insurance
Commissioner of the Commonwealth of
Pennsylvania, in her official capacity as Statutory
Liquidator of Legion Insurance Company (In
Liquidation)

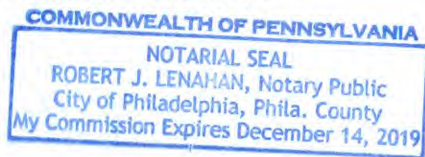
DATED: 8/30/16

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 24 th day of August, 2016.


NOTARY PUBLIC

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Legion Insurance Company :
(In Liquidation) : No. 1 LEG 2002

**AFFIDAVIT OF GERALD V. BEHR IN SUPPORT OF THE
LIQUIDATOR'S APPLICATION FOR APPROVAL OF ADMINISTRATIVE
EXPENSES PAID FOR THE PERIOD JANUARY 1, 2016 THROUGH
JUNE 30, 2016**

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

1. I am Vice President and Chief Financial Officer for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) (“the Estates”), am currently licensed as Certified Public Accountant, and am responsible for overseeing all aspects of the Estates’ financial operations.

2. I certify that the Application for Approval of Administrative Expenses paid for the period January 1, 2016 through June 30, 2016 fairly presents in all material respects the Estates’ paid administrative expenses for the period January 1, 2016 through June 30, 2016 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, policyholder 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 Application for Approval of Administrative Expenses paid for the period January 1, 2016 through June 30, 2016 fairly presents in all material respects the administrative expenses paid by the Estates for the period January 1, 2016 through June 30, 2016.

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.

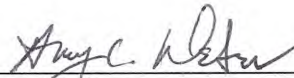

GERALD V. BEHR

Sworn to and subscribed before me
this 24 th day of August, 2016.



NOTARY PUBLIC
COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
ROBERT J. LENAHAN, Notary Public
City of Philadelphia, Phila. County
My Commission Expires December 14, 2019

CERTIFICATION

I, Amy L. Weber, 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, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator ("Liquidator") of Legion Insurance Company. I have read the Combined Cash Basis Analysis for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) and certify that the Legal Fees and Expenses stated therein for the period January 1, 2016 through June 30, 2016, are reasonable and necessary expenses to the best of my knowledge, information and belief. 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: 8/30/16

EXHIBIT A

Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
COMBINED CASH BASIS ANALYSIS
January 1, 2016 to June 30, 2016

Total Staffing - End of Period	26.5	
	For the Period	% of Total Operating
<u>G & A Expenses</u>		
Labor	\$ 3,548,365	54.0%
<i>Salary and overtime compensation for all Legion employees and the cost of temporary help, contractor services and outsourced services utilized. Also includes the performance compensation program and compensation program for displaced Legion employees.</i>		
Benefits	681,891	11.0%
<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>		
Occupancy	714,850	11.0%
<i>Lease expenses for facilities, 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>		
Equipment	284,250	4.0%
<i>Expenses for operating and applications systems software and purchases and repairs for all other equipment used by Legion.</i>		
Legal Fees and Expenses	126,770	2.0%
<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>		
Professional Services	381,153	6.0%
<i>Fees for 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, fees to outside firms for technology support, and other fees.</i>		
Other	800,518	12.0%
<i>Telephone, postage, express mail, printing and freight expenses. Also includes cost of 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 expenses for fidelity and surety bonds on employees, general liability insurance, Directors and Officers, errors and omissions and personal property coverage.</i>		
Total Operating Expenses	6,537,797	100.0%
Reinsurance Collection Expense	17,667	
<i>Collection Commissions</i>		
Investment Expenses	151,908	
<i>Banking, management and custodial fees</i>		
Federal Income Tax	3,400,000	
<i>Estimated Alternative Minimum Tax</i>		
Total Expenses	\$ 10,107,372	

EXHIBIT B

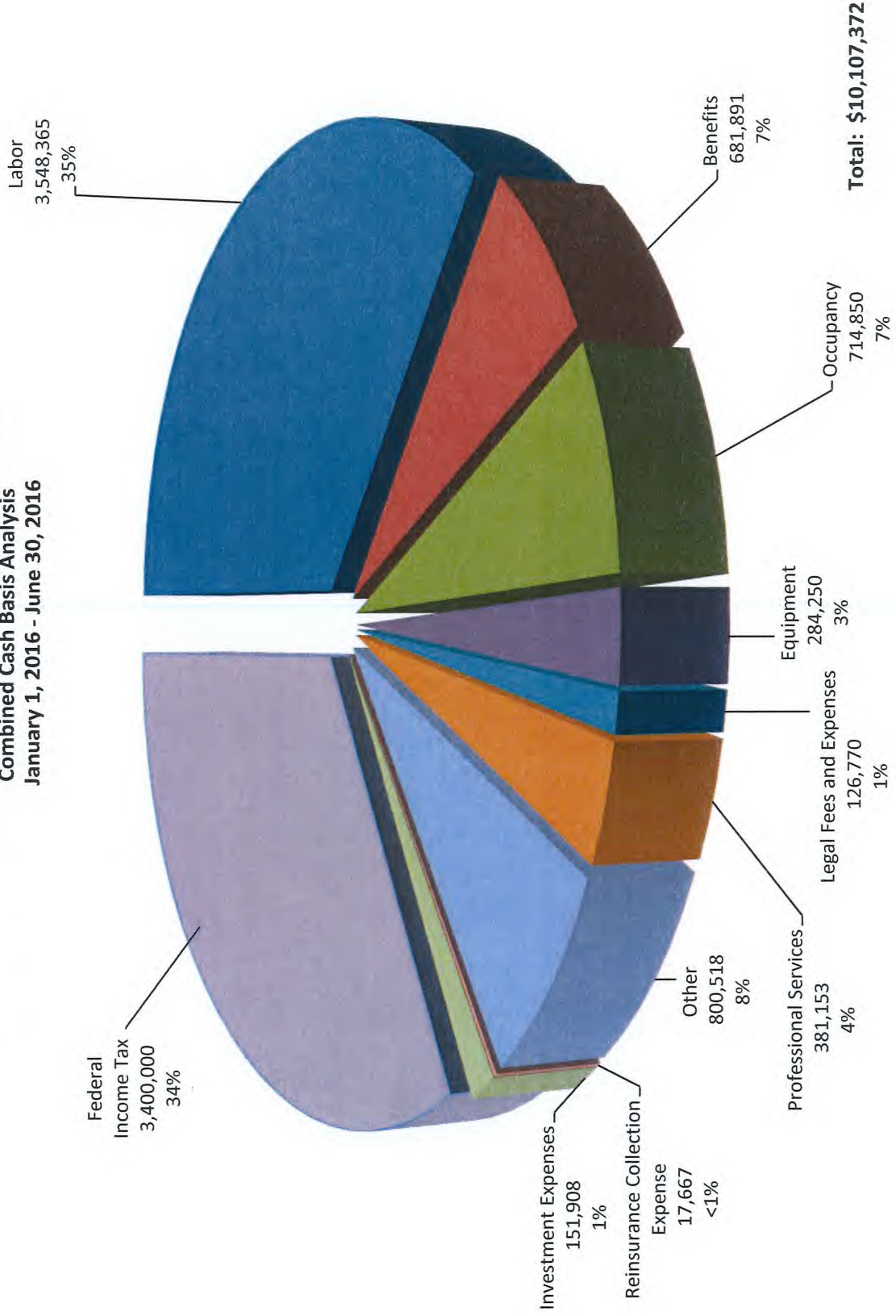
Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Fees and Expenses and Professional Services Paid
 January 1, 2016 - June 30, 2016

Classification	VENDOR NAME	Services Provided	2016 Total
Legal Fees and Expenses	DJANE MORRIS LLP	General Collection Litigation	72,355
	LEXISNEXIS	Legal Research Fees	1,747
	PRICEWATERHOUSE COOPERS LLP	Actuarial Litigation Support	30,000
	DANIEL STERN, REFEREE	Referee Fees	6,290
	WEST PUBLISHING CORPORATION	Legal Research Fees	16,378
Total Legal Fees and Expenses Paid			126,770
Change in Legal Fees and Expenses accrual and other non-cash transactions			(14,420)
Total Legal Fees and Expenses Incurred			112,350
Professional Services	ASHDAR PARTNERS, INC.	IT Consulting	124,250
	CITADEL RISK SERVICES UK LIMITED	London Reinsurance Collection Intermediary	8,569
	COMPUTER SCIENCES CORPORATION	Data Processing	205,703
	ERNST & YOUNG LLP	Tax Consulting	32,831
	INTERNAL REVENUE SERVICE	Tax Consulting	9,800
Total Professional Services Paid			381,153
Change in Professional Services accrual and other non-cash transactions			9,922
Total Professional Services Incurred			391,075
Total Legal Fees and Expenses and Professional Services Incurred			503,425

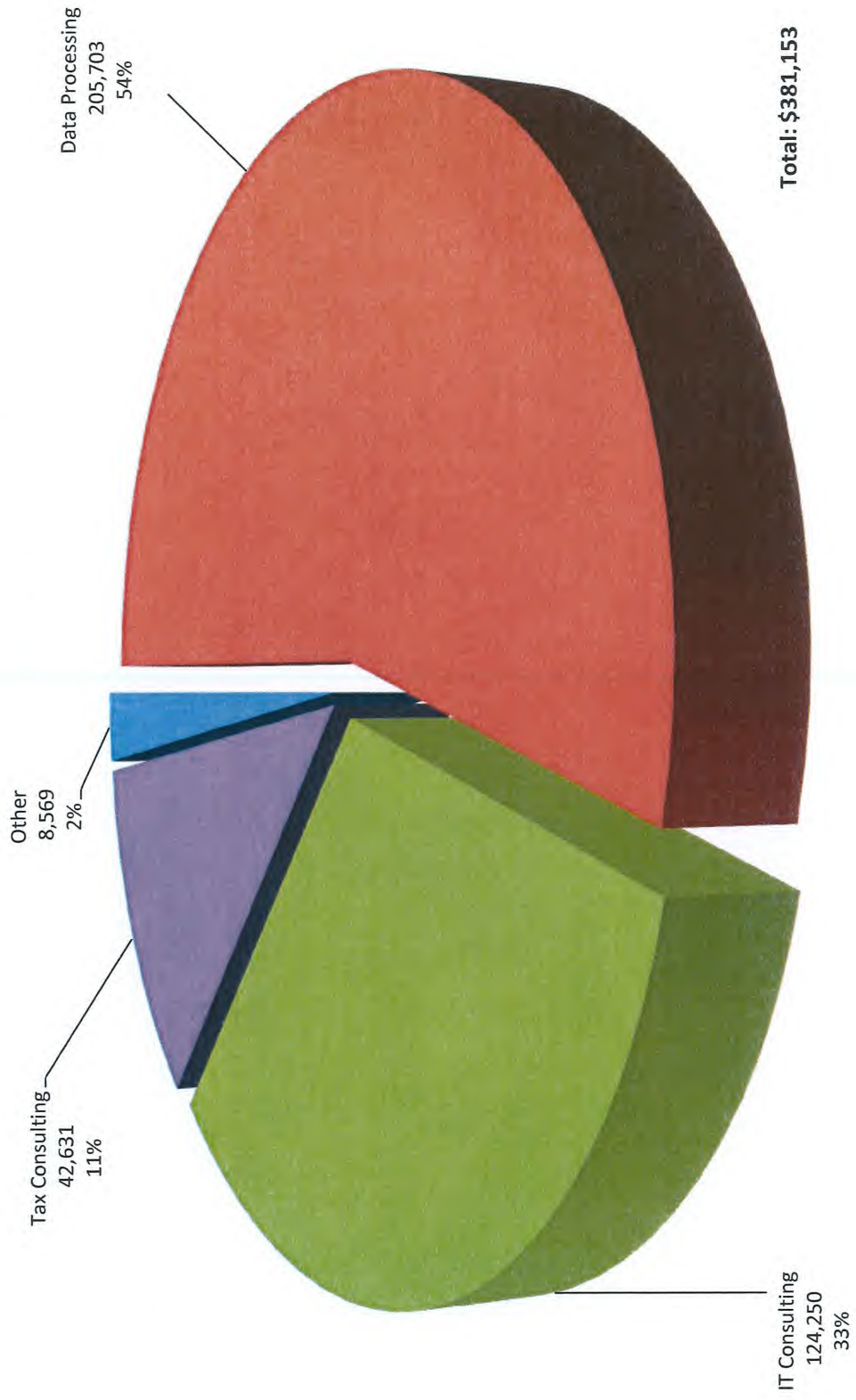
* All expenses above are gross before any allocation among Legion Insurance Company (In Liquidation), Villanova Insurance Company (In Liquidation)

EXHIBIT C

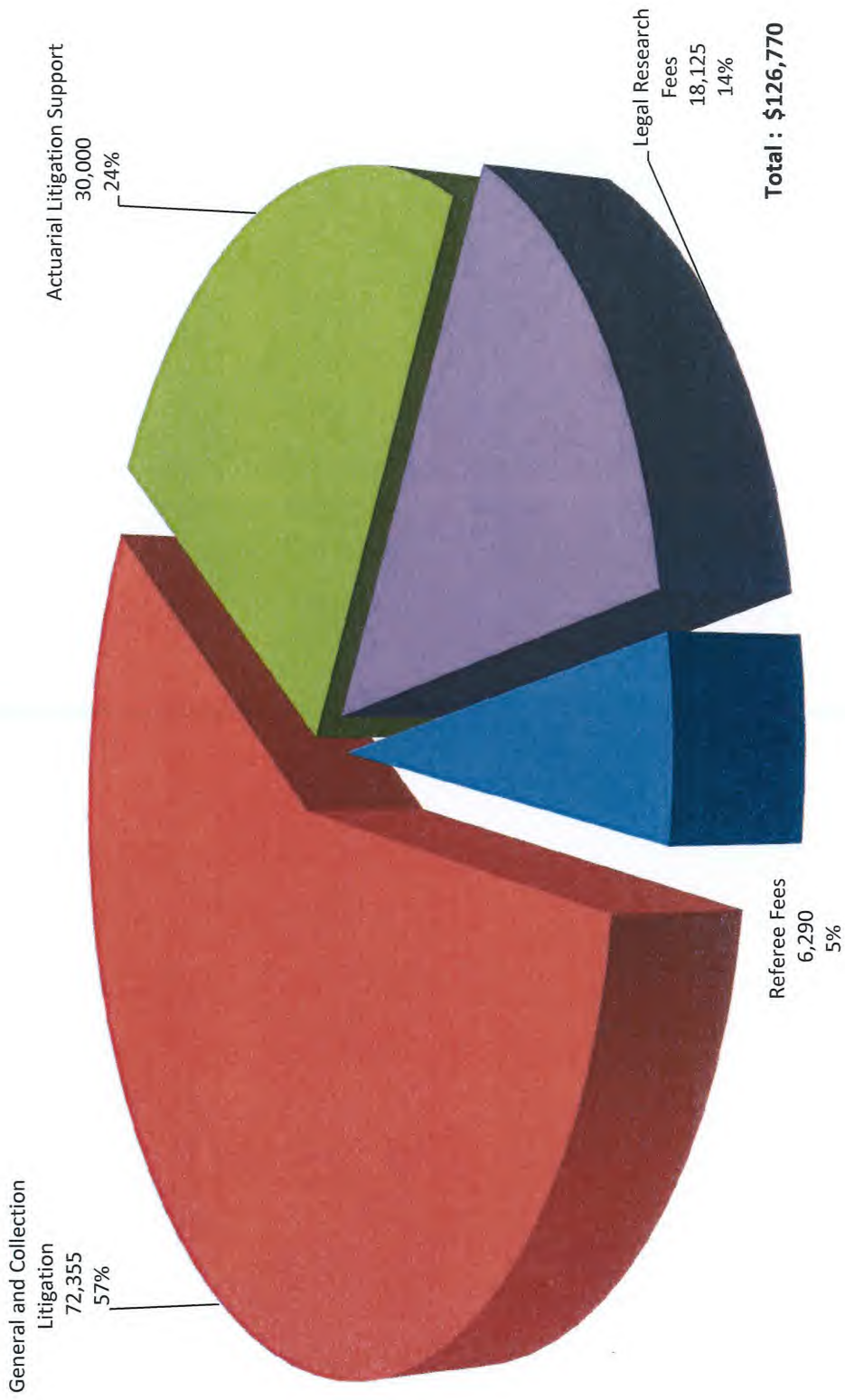
Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Combined Cash Basis Analysis
 January 1, 2016 - June 30, 2016



Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Professional Services
January 1, 2016 - June 30, 2016



Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Legal Fees & Expenses
January 1, 2016 - June 30, 2016



IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Legion Insurance Company, : No. 1 LEG 2002
(In Liquidation) :

ORDER

AND NOW, this _____ day of _____, 2016, upon consideration of the Statutory Liquidator's Application for Approval of Administrative Expenses Paid for the Period January 1, 2016 through June 30, 2016, the Application is hereby GRANTED.

BY THE COURT:

MARY HANNAH LEAVITT, J.