

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

ORDER

AND NOW, this ____ day of _____, 2013, upon consideration of
the Statutory Liquidator's Petition for Approval of Administrative Expenses Paid for the
Period January 1, 2013 through June 30, 2013, the Petition is hereby GRANTED.

BY THE COURT:

MARY HANNAH LEAVITT, J.

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

RECEIVED & FILED
COMMONWEALTH COURT
OF PENNSYLVANIA
2013 AUG 29 A 9:31

**LIQUIDATOR'S PETITION FOR APPROVAL OF ADMINISTRATIVE EXPENSES
PAID FOR THE PERIOD JANUARY 1, 2013 THROUGH JUNE 30, 2013**

Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner"), in his official capacity as Statutory Liquidator for Legion Insurance Company ("Legion"), by and through his counsel, respectfully submits his Petition for Approval of Administrative Expenses Paid for the Period January 1, 2013 through June 30, 2013.

PETITION 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.

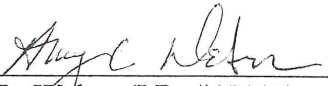
2. Pursuant to the Court's Order of January 8, 2004, the Liquidator previously filed petitions for approval of administrative expenses paid beginning on July 29, 2003, which administrative expenses paid have been approved by the Court. Most recently, the petition for approval of administrative expenses paid for the period July 1, 2012 through December 31, 2012 was approved by the Court on May 17, 2013.

3. With the current Petition, the Liquidator respectfully petitions the Court for approval of his administrative expenses paid for the period January 1, 2013 through June 30, 2013, 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, 2013 through June 30, 2013.

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,



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

Counsel for Michael F. Consedine,
Insurance Commissioner of the
Commonwealth of Pennsylvania in his
official capacity as Statutory Liquidator of
Legion Insurance Company (In Liquidation)

Dated: 8/29/13

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

**AFFIDAVIT OF ROBERT E. HABERLE IN SUPPORT
OF THE LIQUIDATOR'S PETITION FOR APPROVAL OF ADMINISTRATIVE
EXPENSES PAID FOR THE PERIOD JANUARY 1, 2013 THROUGH
JUNE 30, 2013**

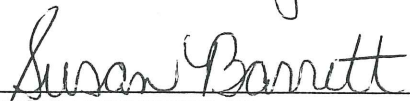
I, **ROBERT E. HABERLE**, hereby depose and state as follows:

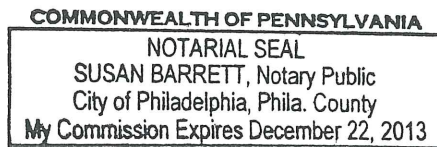
1. I am Chief Liquidation Officer of Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation)("the Estates"), and am responsible for overseeing their daily business operations.
2. I directed the preparation of and have reviewed the Liquidator's Petition for Approval of Administrative Expenses paid for the period January 1 through June 30, 2013.
3. Based on my knowledge, the Petition for Approval of Administrative Expenses paid for the period January 1, 2013 through June 30, 2013 fairly presents in all material respects the administrative expenses paid by the Estates for the period January 1, 2013 through June 30, 2013.
4. My certification is made in reasonable reliance on the work of qualified staff and the Estates' internal procedures for financial operations, planning and budgeting.

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 26th day of August, 2013.

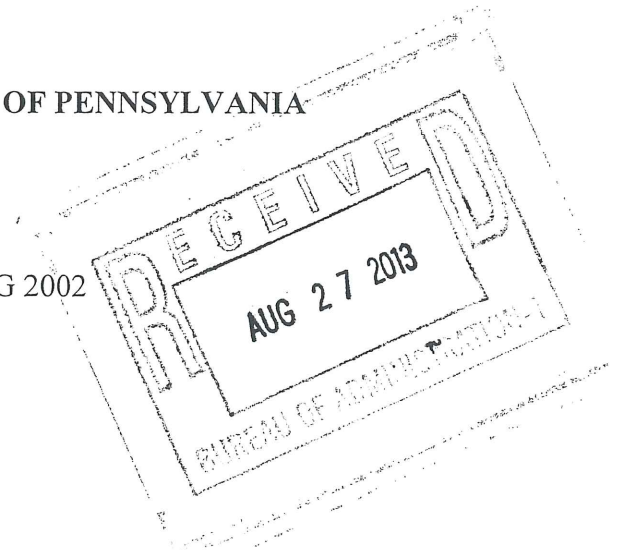

NOTARY PUBLIC



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 PETITION FOR APPROVAL OF ADMINISTRATIVE
EXPENSES PAID FOR THE PERIOD JANUARY 1, 2013 THROUGH
JUNE 30, 2013**

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 Petition for Approval of Administrative Expenses paid for the period January 1, 2013 through June 30, 2013 fairly presents in all material respects the Estates' paid administrative expenses for the period January 1, 2013 through June 30, 2013 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.

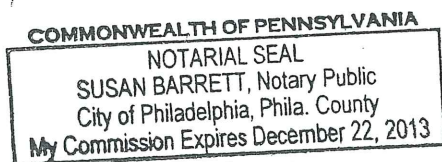
4. Based on my knowledge, the Petition for Approval of Administrative Expenses paid for the period January 1, 2013 through June 30, 2013 fairly presents in all material respects the administrative expenses paid by the Estates for the period January 1, 2013 through June 30, 2013.

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

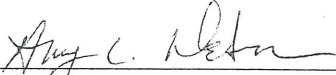
Sworn to and subscribed before me
this 26 th day of August, 2013.


NOTARY PUBLIC



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 Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, in his 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, 2013 through June 30, 2013, 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: 8/29/13

EXHIBIT A

Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
COMBINED CASH BASIS ANALYSIS
January 1, 2013 to June 30, 2013

| | | |
|--|--------------|--|
| <u>Staffing - End of Period</u> | | |
| Full Time | 89 | |
| BPO | 6.5 | |
| Contractor Help | 7 | |
| Total Staffing - Ending | 102.5 | |

| | For the Period | % of Total Operating |
|---|-----------------------|---------------------------------|
| <u>G & A Expenses</u> | | |
| Labor | 7,500,594 | 53.2% |
| <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 | 1,466,214 | 10.4% |
| <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 | 559,366 | 4.0% |
| <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 | 809,471 | 5.7% |
| <i>Expenses for operating and applications systems software and purchases and repairs for all other equipment used by Legion.</i> | | |
| Legal Fees and Expenses | 343,065 | 2.4% |
| <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 | 1,763,172 | 12.5% |
| <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 | 1,660,482 | 11.8% |
| <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 Expenses | 14,102,364 | 100.0% |
| Investment Expenses | 188,208 | |
| <i>Banking, management and custodial fees</i> | | |
| TPA Payments | 4,603 | |
| <i>Payments made to external TPA for services rendered during rehabilitation period.</i> | | |
| Total | 14,295,175 | |

Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Legal Fees and Expenses and Professional Services Paid
January 1, 2013 - June 30, 2013

| Classification | VENDOR NAME | Services Provided | Total |
|---|--|---|----------|
| Legal Fees and Expenses | ANTHONY VIDOVICH | Reinsurance Arbitrator | 5,598 |
| | DANIEL STERN, REFEREE | Referee Fees | 5,828 |
| | DAVID THIRKILL | Reinsurance Arbitrator | 9,800 |
| | DELOITTE CONSULTING LLP | Reinsurance Reserve Evaluator | 57,250 |
| | DUANE MORRIS LLP | General Collection Litigation | 81,313 |
| | HALL ARBITRATIONS | Reinsurance Arbitrator | 2,025 |
| | JAMES C. KILDUFF | Reinsurance Witness | 2,000 |
| | KEVIN C. MCALLISTER | Reinsurance Reserve Evaluator | 4,050 |
| | LANDMARK LEGAL SOLUTIONS | Copy and Scanning Services | 37,662 |
| | LEXISNEXIS | Legal Research Fees | 1,831 |
| | MAGNA LEGAL SERVICES | Court Reporting Services | 1,024 |
| | MARTSON, DEARDORFF, WILLIAMS, OTTO, GILROY & FALLER | Referee Fees | 2,479 |
| | PEPPER HAMILTON LLP | Reinsurance Arbitration Advice | 100,441 |
| | PIETRAGALLO GORDON ALFANO BOSICK & RASPANTI, LLP | General Litigation and Liquidation Advice | 3,302 |
| | PIROZZI & HILLMAN, INC | Court Reporting Services | 3,573 |
| | SCHOENBERG CONSULTING, LLC | Reinsurance Arbitrator | 5,920 |
| | WEST PUBLISHING CORPORATION | Legal Research Fees | 19,124 |
| | Aggregate Amount for Total Vendor Payments Under \$1,000 | General Legal Support Costs | (155) |
| Total Legal Fees and Expenses Paid | | | 343,065 |
| Change in Legal Fees and Expenses accrual and other non-cash transactions | | | (35,882) |
| Total Legal Fees and Expenses Incurred | | | 307,183 |

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

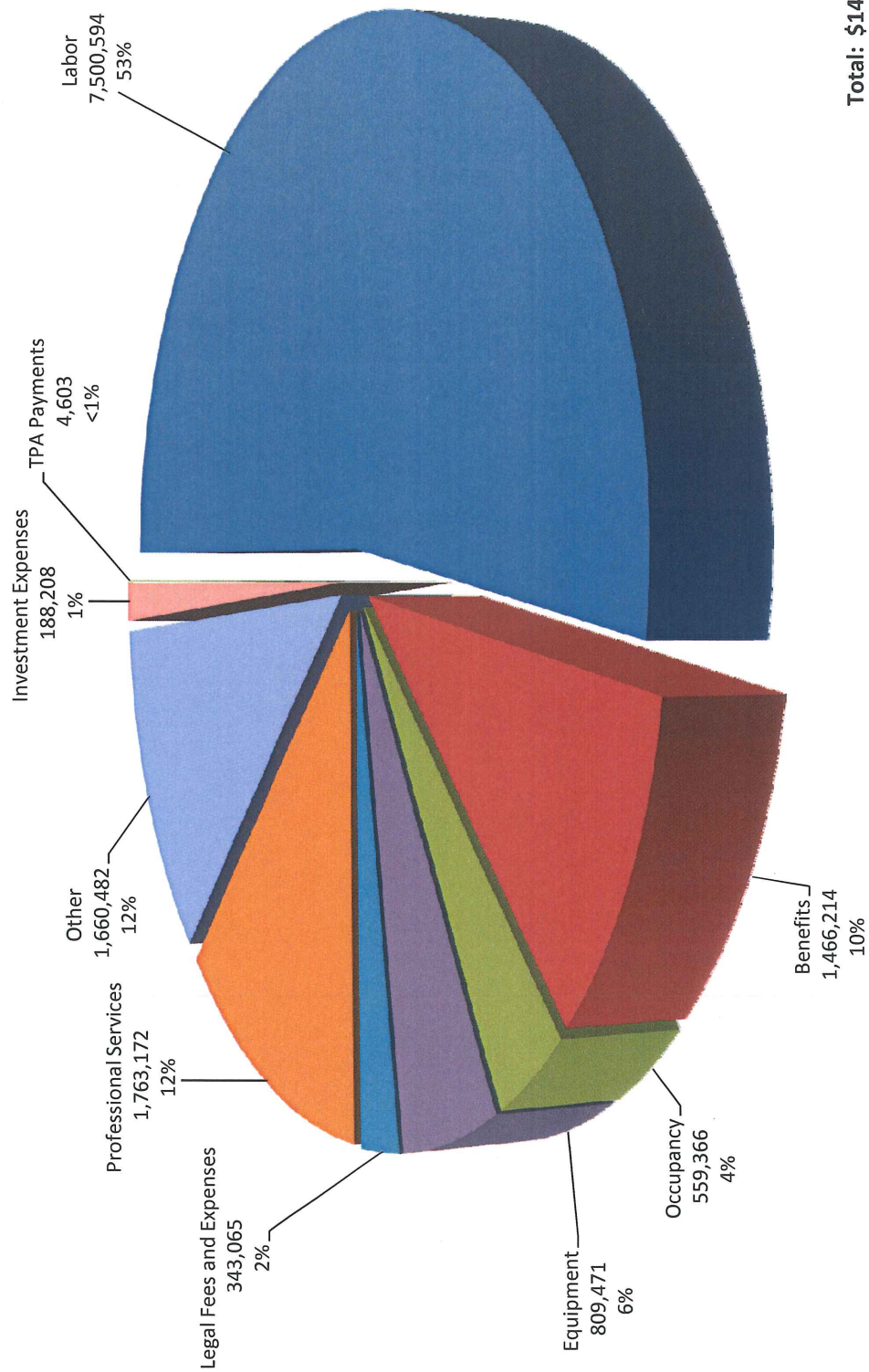
Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Fees and Expenses and Professional Services Paid
 January 1, 2013 - June 30, 2013

| Classification | VENDOR NAME | Services Provided | Total |
|---|--|--|------------------|
| Professional Services | CITADEL RISK SERVICES UK LIMITED | London Reinsurance Collection Intermediary | 458,808 |
| | COMPUTER SCIENCES CORPORATION | Data Processing | 184,895 |
| | ERNST & YOUNG LLP | Tax Consulting | 22,437 |
| | HODGES ACTUARIAL CONSULTING LLC | Actuarial Services | 40,970 |
| | MAGIC HAT CONSULTING | IT Consulting | 7,520 |
| | MARCUM LLP | Human Resources Consulting | 2,500 |
| | PRICEWATERHOUSE COOPERS LLP | Actuarial Services | 150,509 |
| | R&Q SOLUTIONS LLC | Reinsurance Technical Support | 127,188 |
| | RCG GLOBAL SERVICES, INC. | Data Management Consultant | 767,230 |
| | Aggregate Amount for Total Vendor Payments Under \$1,000 | General Professional Fees | 1,115 |
| | Total Professional Services Paid | | 1,763,172 |
| | Change in Professional Services accrual and other non-cash transactions | | (182,572) |
| | Total Professional Services Incurred | | 1,580,600 |
| Total Legal Expenses and Fees and Professional Services Incurred | | | 1,887,783 |

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

EXHIBIT B

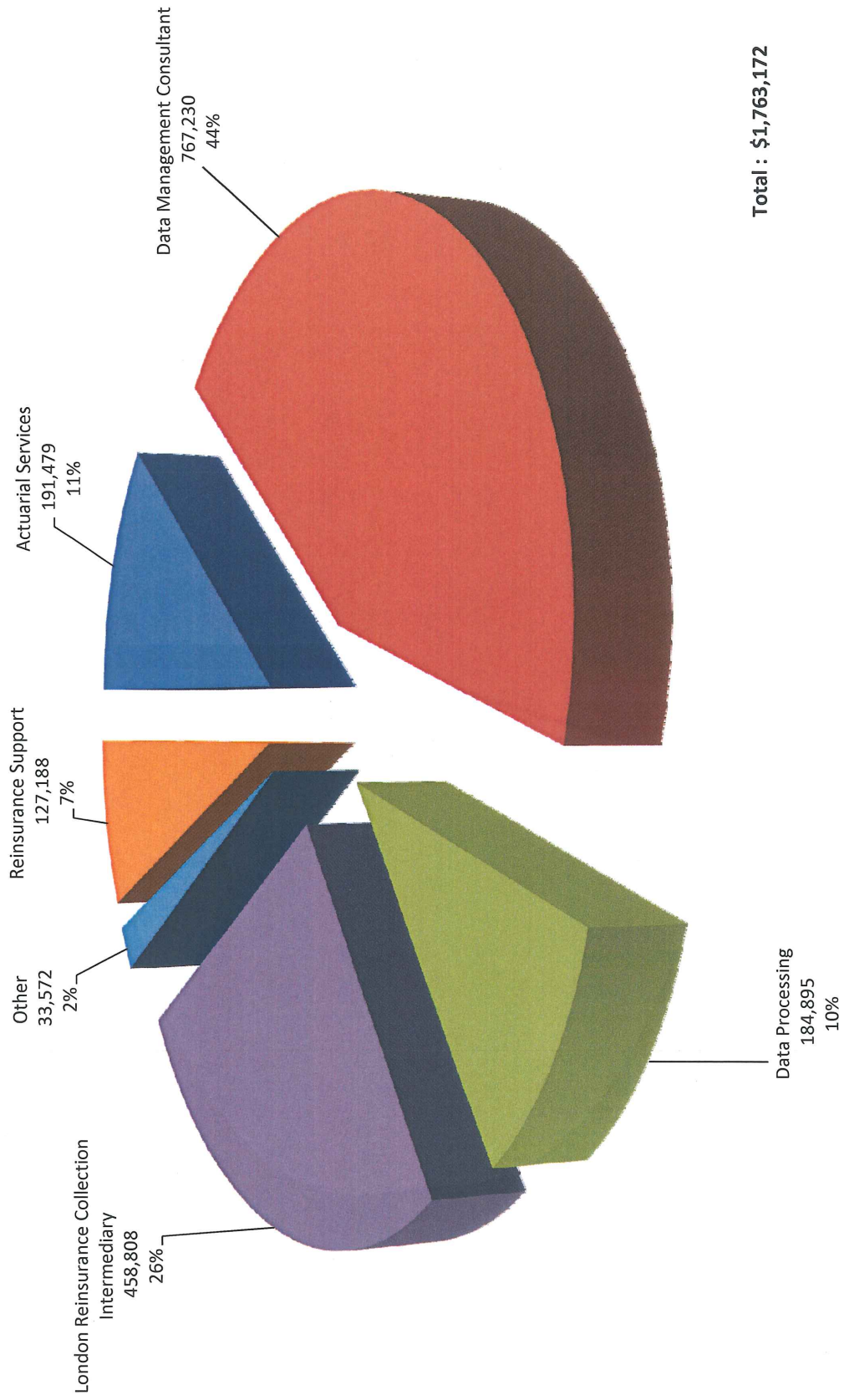
Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Combined Cash Basis Analysis
 January 1, 2013 - June 30, 2013



Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)

Professional Services

January 1, 2013 - June 30, 2013



Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)

Legal Fees & Expenses

January 1, 2013 - June 30, 2013

