

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

**LIQUIDATOR’S SUBMISSION OF 2017 BUDGET
AND APPLICATION FOR APPROVAL OF ADMINISTRATIVE EXPENSES
PAID FOR THE PERIOD JULY 1 – DECEMBER 31, 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 July 1, 2016 through December 31, 2016.

SUBMISSION OF 2017 BUDGET

1. On January 8, 2004, the Court entered an Order requiring the Liquidator, inter alia, to provide the budget for the cost of professional services including expense reimbursements and necessary administrative expenses for Legion.

2. The Liquidator respectfully attaches as Exhibit A to this submission the Combined Operating Expenses (Budget) for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation), which includes the Liquidator’s budgeted items for the cost of professional services, including Legal Fees, IT Services, and Professional and Other Services, as well as the necessary administrative services for Legion, which include, among other items, salaries, benefits and rent (collectively the “2017 Budget”).

APPLICATION FOR APPROVAL OF ADMINISTRATIVE EXPENSES PAID

3. 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 Application represent the expenses paid by Legion and Villanova on a consolidated basis, including all common expenses, before any allocation.

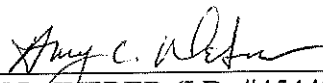
4. Pursuant to the Court’s Order of January 8, 2004, the Liquidator previously filed Petitions for approval of administrative expenses paid beginning on July 29, 2003, which administrative expenses paid have been approved by the Court. Most recently, the Petition for Approval of Administrative Expenses Paid for the Period January 1, 2016 through July 31, 2016, was approved by the Court on October 12, 2016.

5. With the current Application, the Liquidator respectfully submits this Application to the Court for approval of her administrative expenses paid for the period July 1, 2016 through December 31, 2016, as set forth on the attached Exhibit B, 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 C, including Combined Cash Basis Analysis, Professional Fees & Expenses for the period July 1, 2016 through December 31, 2016.

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

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, 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 Legion Insurance Company (In
Liquidation)

DATED: 2/23/17

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 APPLICATION FOR APPROVAL OF
ADMINISTRATIVE EXPENSES PAID
FOR THE PERIOD JULY 1-DECEMBER 31, 2016**

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 2017 Budget for the Estates (the “Budget”) and Application for Approval of Administrative Expenses paid for the period July1-December 31, 2016.

3. Based on my review of the Budget, my personal knowledge and business experience, and having considered information that I believe necessary to assess the Estates’ projected expenses for 2017, including significant business developments and trends, cash flow expectations, capital build projects, and fixed overhead costs such as compensation and rent, I certify that the Budget is appropriate and fairly presents in all material respects the Estates’ expected expenses for 2017.

4. I know of no significant expenses or outlays for 2017 that are not included in the Budget.


5. Based on my knowledge, the Application for Approval of Administrative Expenses paid for the period July 1- December 31, 2016 fairly presents in all material respects the administrative expenses paid by the Estates for the period July 1 - December 31, 2016.

6. My certification is made in reasonable reliance on the work of qualified staff and the Estates' internal procedures for financial operations, planning and budgeting.

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.


ROBERT E. HABERLE

Sworn to and subscribed before me
this 21 th day of FEB., 2017.


NOTARY PUBLIC
COMMONWEALTH OF PENNSYLVANIA

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

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 JULY 1-DECEMBER 31, 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 assisted in and directed the preparation of the Liquidator’s 2017 Budget for the Estates (the “Budget”), and make this certification in reliance on the assistance and support of qualified staff and the Estates’ internal procedures for financial operations, planning and budgeting.

3. I certify that the Budget is appropriate and fairly presents in all materials respects the Estates’ anticipated expenses for 2017 for the following areas of expected 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, 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. I know of no significant expenses or outlays for 2017 that are not included in the Budget.

5. I certify that the Application for Approval of Administrative Expenses paid for the period July 1-December 31, 2016 fairly presents in all material respects the Estates’ paid administrative expenses for the period July 1-December 31, 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, 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.

6. Based on my knowledge, the Application for Approval of Administrative Expenses paid for the period July 1-December 31, 2016 fairly presents in all material

respects the administrative expenses paid by the Estates for the period July 1-December 31, 2016.

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.


GERALD V. BEHR

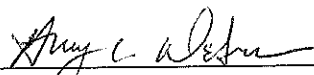
Sworn to and subscribed before me
this 21th day of February, 2017.


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 July 1, 2016 through December 31, 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: 2/23/17

EXHIBIT A

Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
COMBINED OPERATING EXPENSES (BUDGET)
(\$ In Thousands)

| | 2016 | | 2017 | |
|---|-----------------------------|-------------------------|-----------------------------|-------------------------|
| | 15 | | 19 | |
| <u>Total Staffing - Ending</u> | Year to Date 2016 Budget | % of Total Operating | Year to Date 2017 Budget | % of Total Operating |
| <u>G & A Expenses</u> | | | | |
| Labor <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> | \$ 5,985 | 53.0% | \$ 5,201 | 54.3% |
| Benefits <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> | 1,102 | 9.8% | 893 | 9.3% |
| Occupancy <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> | 1,214 | 10.7% | 707 | 7.4% |
| Equipment <i>Expenses for operating and applications systems software and purchases and repairs for all other equipment used by Legion.</i> | 629 | 5.6% | 555 | 5.8% |
| Legal Fees and Expenses <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> | 465 | 4.1% | 465 | 4.9% |
| Professional Services <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> | 735 | 6.5% | 621 | 6.5% |
| Other <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> | 1,170 | 10.3% | 1,129 | 11.8% |
| Net Budget | \$ 11,300 | 100.0% | \$ 9,571 | 100.0% |

EXHIBIT B

Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
COMBINED CASH BASIS ANALYSIS
July 1, 2016 to December 31, 2016

| Total Staffing - End of Period | 25.5 | |
|---|-----------------------|-----------------------------|
| | For the Period | % of Total Operating |
| G & A Expenses | | |
| Labor <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> | \$ 2,064,402 | 47.6% |
| Benefits <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> | 315,627 | 7.3% |
| Occupancy <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> | 347,254 | 8.0% |
| Equipment <i>Expenses for operating and applications systems software and purchases and repairs for all other equipment used by Legion.</i> | 754,614 | 17.4% |
| Legal Fees and Expenses <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> | 105,227 | 2.4% |
| Professional Services <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> | 438,210 | 10.1% |
| Other <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> | 309,356 | 7.2% |
| Total Operating Expenses | 4,334,690 | 100.0% |
| Reinsurance Collection Expense <i>Collection Commissions</i> | 690 | |
| Investment Expenses <i>Banking, management and custodial fees</i> | 152,377 | |
| Federal Income Tax <i>Refund</i> | (3,953,342) | |
| Total Expenses, Net | \$ 534,415 | |

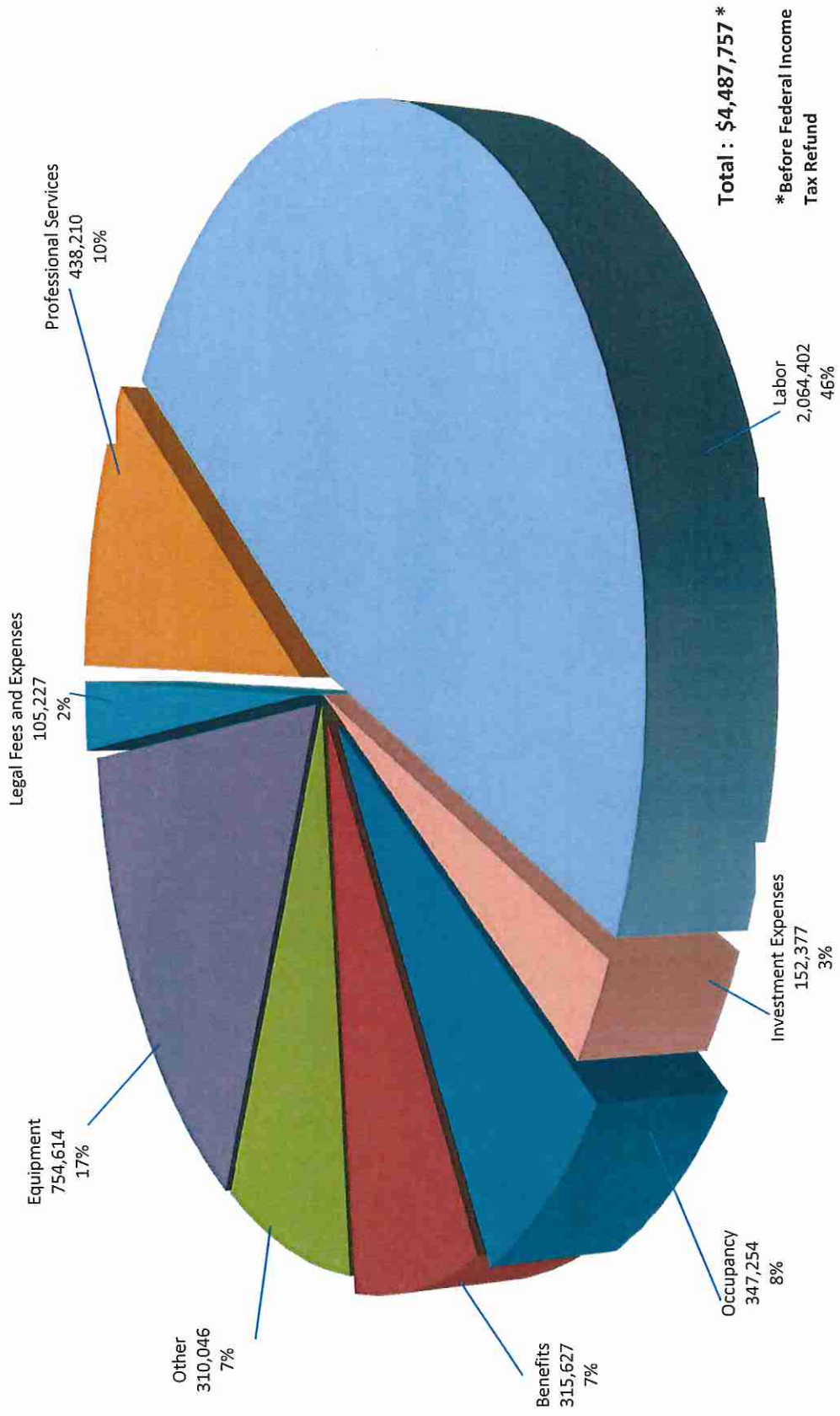
Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Fees and Expenses and Professional Services Paid
 July 1, 2016 - December 31, 2016

| Classification | VENDOR NAME | Services Provided | 2016 Total |
|--|--|---------------------------------|----------------|
| Legal Fees and Expenses | DUANE MORRIS LLP | General Litigation | 76,941 |
| | LEXISNEXIS | Legal Research Fees | 1,800 |
| | DANIEL STERN REFEREE | Referee Fees | 3,034 |
| | SCRIBNER HALL & THOMPSON LLP | Legal Fees - Federal Tax advice | 3,878 |
| | SESSIONS, FISHMAN, NATHAN & ISRAEL, LLC | General Collection Litigation | 3,450 |
| | WEST PUBLISHING CORPORATION | Legal Research Fees | 15,938 |
| | Aggregate Amount for Total Vendor Payments Under \$1,000 | General Legal Support Costs | 186 |
| Total Legal Fees and Expenses Paid | | | 105,227 |
| Change in Legal Fees and Expenses accrual and other non-cash transactions | | | (300) |
| Total Legal Fees and Expenses Incurred | | | 104,927 |
| Professional Services | ASHDAR PARTNERS, INC. | IT Consulting | 126,250 |
| | COMPUTER SCIENCES CORPORATION | Data Processing | 176,320 |
| | ERNST & YOUNG LLP | Tax Consulting | 93,354 |
| | JOHNSON LAMBERT & COMPANY LLP | Audit Services | 42,286 |
| Total Professional Services Paid | | | 438,210 |
| Change in Professional Services accrual and other non-cash transactions | | | (8,666) |
| Total Professional Services Incurred | | | 429,544 |
| Total Legal Fees and Expenses and Professional Services Incurred | | | 534,471 |

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

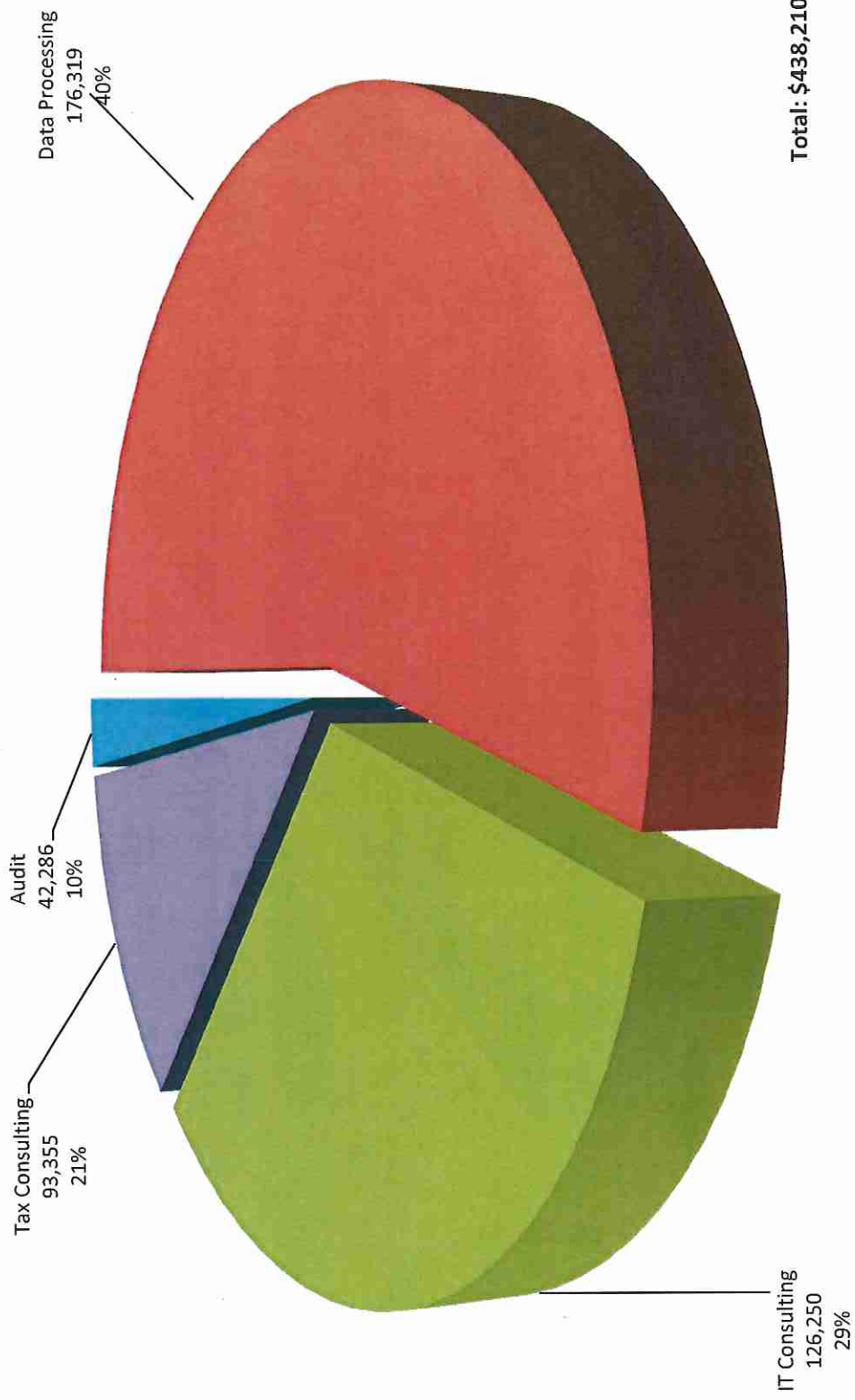
EXHIBIT C

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Combined Cash Basis Analysis
 July 1, 2016 - December 31, 2016

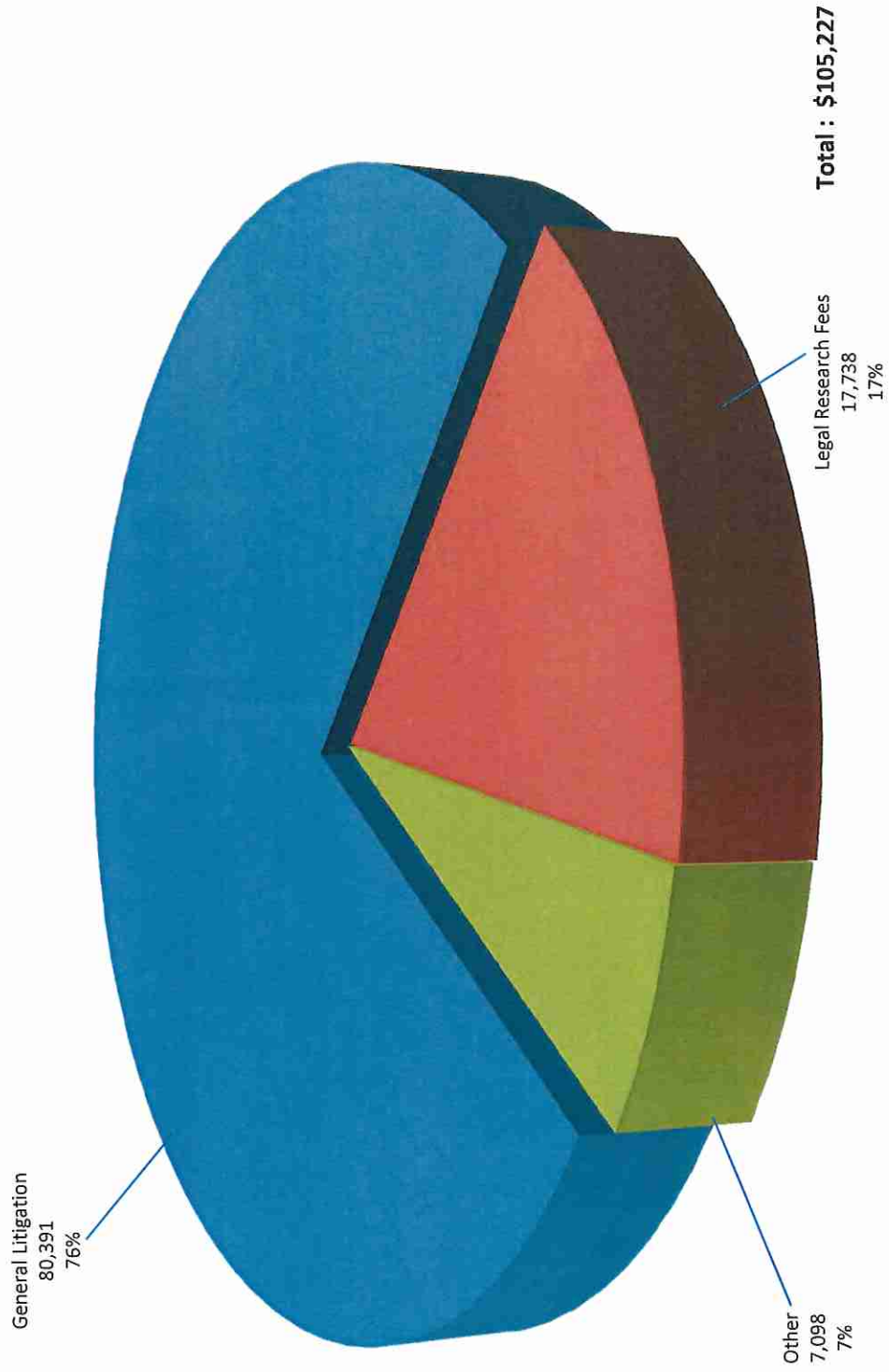


* Before Federal Income Tax Refund

Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Professional Services
July 1, 2016 - December 31, 2016



Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Legal Fees & Expenses
July 1, 2016 - December 31, 2016



IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

ORDER

AND NOW, this ____ day of _____, 2017, upon consideration of the Statutory Liquidator's 2017 Budget and Application for Approval of Administrative Expenses Paid for the Period July 1, 2016 through December 31, 2016, the Application is hereby GRANTED.

BY THE COURT:

MARY HANNAH LEAVITT, J.