

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

**LIQUIDATOR’S PROPOSAL TO DISTRIBUTE ASSETS  
TO THE OREGON INSURANCE GUARANTY ASSOCIATION  
PURSUANT TO 40 P.S. §221.36**

Petitioner, Teresa D. Miller, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), in her official capacity as Statutory Liquidator (“Liquidator”) of Legion Insurance Company (“Legion”), hereby applies to the Court for approval of the Liquidator’s proposal to distribute a portion of the Legion liquidation estate’s assets to the Oregon Insurance Guaranty Association (“OIGA”) pursuant to 40 P.S. § 221.36. In support of this Petition, the Liquidator respectfully represents the following:

**BACKGROUND**

1. On March 28, 2002, the Commonwealth Court of Pennsylvania placed Legion into rehabilitation and appointed the Commissioner to serve as the Rehabilitator of the company effective April 1, 2002.

2. On July 25, 2003, the Court found that Legion was insolvent and appointed the Commissioner to serve as Liquidator of Legion effective July 28, 2003 (the “Liquidation Order”).

3. The Department Act § 221.36(a) provides in part that,

. . . the liquidator shall make application to the Commonwealth Court for approval of a proposal to disburse assets out of such company’s marshaled assets, from time to time as such assets become available, to any guaranty association in the Commonwealth or in any other state having substantially the same provision of law.

See 40 P.S. § 221.36(a).

4. The statute further provides that the proposal shall include (a) reserving amounts for the payment of administrative expenses and secured claims; (b) disbursement of assets marshaled to date and the prospect of future disbursements as assets become available; (c) equitable allocation of disbursements to each of the associations entitled thereto; (d) the securing by the Liquidator of an agreement from each SGA to return assets under certain circumstances to ensure *pro rata* distributions amongst members of the same class of creditors; and, (e) provides that the Liquidator may require reports to be made by the SGAs covering matters as the Liquidator determines. See 40 P.S. § 221.36(b)(1-5).

5. On November 9, 2005, after consultation with certain representatives of the SGAs, the Liquidator filed a Proposal to Distribute Assets to State Insurance Guaranty Associations and sought to make a first distribution totaling \$134.5 million from Legion to the SGAs based on an equitable allocation formula set forth in the Proposal.

6. As part of the proposal, each SGA was required to enter into a refunding agreement in which the GA agreed to conditions on the issuance of any early access distributions (the “Refunding Agreement”).

7. After a hearing on the Liquidator’s Proposal on February 8, 2006, this Court by Orders dated February 10, 2006 authorized the Liquidator to make a first distribution to the SGAs totaling \$134.5 million from Legion in accordance with the equitable allocation formula set forth in the Liquidator’s Proposal.

8. From 2007 to 2014, the Liquidator filed and the Court approved eight additional proposals to distribute assets to the SGAs totaling \$1.6155 billion from Legion, for a total approved distribution to SGAs of \$1.75 billion from Legion. The last proposal filed with the Court was the Ninth Proposal for Early Access Distributions, filed by the Statutory Liquidator on June 30, 2014, and approved by the Court by Order dated August 7, 2014.

#### **PROPOSAL FOR DISTRIBUTION TO OIGA**

9. On October 1, 2003, the Circuit Court of the State of Oregon, for the County of Marion (the “Oregon Court”), entered an Order appointing the Director of the Oregon

Department of Consumer and Business Services as the Ancillary Receiver for Legion Insurance Company.

10. The Ancillary Receiver held two deposits made by Legion under ORS 731.624 and 731.628. One was for surety insurance. The other was for workers' compensation insurance, which at the time of liquidation totaled approximately \$11 million, and with accrued interest totaled over \$13 million by 2016 (the "Workers' Compensation Deposit").

11. On July 12, 2005, the Oregon Court issued an order to disburse the surety deposit to the Statutory Liquidator.

12. Pursuant to the October 1, 2003 Order, the Ancillary Receiver disbursed \$7,350,000 from the Workers' Compensation Deposit to OIGA (the "Worker's Compensation Deposit Advance"), and appointed OIGA to pay workers' compensation and other claims against Legion.

13. OIGA was responsible to pay both workers' compensation and non-workers' compensation (property and casualty) claims arising under Legion policies. The Workers' Compensation Deposit Advance more than covered OIGA's potential liabilities for workers' compensation claims, but could not be used to cover non-workers' compensation claims.

14. OIGA did not enter into a Refunding Agreement with the Statutory Liquidator because the Refunding Agreement provided that the early access distribution calculation gave credit for the Workers' Compensation Deposit against all claims, including property casualty claims.

15. In 2006, OIGA filed a petition to intervene in the Legion estate in Commonwealth Court. The Court granted OIGA's intervention for the limited purpose of challenging the Liquidator's interpretation of the Refunding Agreement. The Liquidator's position was the wording of the Refunding agreement prevented a state guaranty association from receiving a preference by virtue of having access to a statutory deposit.

16. In an opinion and Order dated May 3, 2007, the Court denied OIGA's petition for relief, holding, "The OIGA has a choice to make. It can refuse to sign the Refunding

Agreement and continue to receive reimbursement from the State of Oregon for every workers' compensation payment it makes. Alternatively, it can sign the Refunding Agreement and obligate itself to remit to the Legion estate whatever is necessary to equalize distributions to guaranty associations and all creditors having the same priority class as the OIGA. Finally, the OIGA could abrogate its claim against the Oregon statutory deposit by, for example, assigning its interest in the statutory deposit to the Liquidator."

17. OIGA later contacted representatives of the Statutory Liquidator to request an early access distribution and a valuation of the omnibus proof of claim it filed with the Statutory Liquidator.

18. After discussions, the Statutory Liquidator, the Ancillary Receiver and OIGA entered into an agreement (the "Agreement"), in which the Ancillary Receiver agreed to release to the Statutory Liquidator the portion of the workers' compensation deposit still held by the Ancillary Receiver, OIGA agreed to sign the refunding agreement, and the Statutory Liquidator agreed to make an early access distribution and issue a notice of determination on OIGA's omnibus proof of claims for administrative expenses and both its worker's compensation and non-workers' compensation claims. A copy of the agreement is attached hereto as Exhibit "A".

19. On October 24, 2016, the Ancillary Receiver filed with the Oregon Court a Motion for Order Discharging Ancillary Receiver. On October 28, 2016 the Oregon Court entered an Order closing the Ancillary Receivership and authorizing the Ancillary Receiver to transfer the remaining workers' compensation deposit to the Statutory Liquidator. A copy of the court's order is attached as Exhibit "B".

20. On November 29, 2016, OIGA and the Statutory Liquidator entered into a Refunding Agreement.

21. On December 27, 2016 and February 16, 2017, the Ancillary Receiver transferred cash totaling \$2,265,779 and securities with a par value of \$3,584,000 to the Statutory Liquidator representing the return of the remaining workers' compensation deposit held by the Ancillary Receiver.

22. The Liquidator proposes to make an Early Access Distribution to OIGA in accordance of the terms of the Agreement on the same terms as the Court's Order approving the Ninth Proposal for Early Access Distributions.

**PROPOSED DISTRIBUTION FROM THE LEGION ESTATE**

23. Pursuant to the terms of the Agreement, the workers' compensation deposit totaling \$7.35 million distributed to OIGA by the Ancillary Receiver shall be treated as an early access funds advance, along with \$17,750 of workers' compensation claims paid by Legion on behalf of OIGA in August 2003, and will be applied against any Early Access Distribution and the final distribution.

24. The Statutory Liquidator has calculated the Early Access Distribution amount due to OIGA under the terms of the Ninth Early Access Distribution Proposal, which totals \$6,388,754 and given the early access funds advance described in paragraph 23, above, no further funds will be currently owed to OIGA by the Statutory Liquidator. The Workers' Compensation deposit advances held by OIGA in excess of this Early Access Distribution amount shall be held by OIGA and shall be applied to later Early Access Distributions, if any, or the final distribution, in accordance with the terms of the Refunding Agreement.

**NOTICE**

25. Pursuant to 40 P.S. § 221.36 (d), not less than thirty (30) days prior to the filing of the proposal for the distribution to OIGA, the Liquidator gave notice by certified mail to the various SGAs and to the insurance departments of the states in which Legion was licensed to do insurance business, setting forth the proposed Early Access Distribution to OIGA, and the approximate date on which the filing of the petition for distribution was to be made. No objection or other response was received.

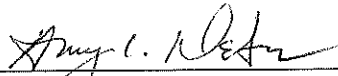
WHEREFORE, the Liquidator prays that this Proposal be heard and granted, and that this Court issue an Order as follows:

1. Approving the foregoing Proposal for an Early Access Distribution of \$6,388,754 to the OIGA from the Legion estate based on the same equitable allocation formula

approved in the Liquidator's initial Proposal to Distribute Assets to State Insurance Guaranty Associations;

2. Authorizing the Liquidator to take any and all actions necessary to accomplish the purposes of the Order prayed for herein and to carry out the Early Access Distribution to OIGA.

Respectfully submitted,



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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: 3/10/17

# **EXHIBIT A**

## AGREEMENT

This agreement (the "Agreement") is made and entered into as of this ~~26~~<sup>th</sup> day of September, 2016, by and among Teresa D. Miller, Pennsylvania Insurance Commissioner, in her capacity as Statutory Liquidator (the "Liquidator") of Legion Insurance Company (In Liquidation) ("Legion"), Laura Cali, Commissioner of the Department of Consumer and Business Services, Division of Insurance of the State of Oregon, in her capacity as Ancillary Receiver of Legion (the "Ancillary Receiver"), and the Oregon Insurance Guaranty Association (the "OIGA") (individually a "Party" or collectively the "Parties").

### Recitals

- A. On July 25, 2003, the Commonwealth Court of Pennsylvania (the "Pennsylvania Court") entered orders of liquidation for Legion directing that Legion be liquidated effective July 28, 2003. The Pennsylvania Court also appointed M. Diane Koken, the then Pennsylvania Insurance Commissioner, and her successors in office, as statutory liquidator of Legion.
- B. On October 1, 2003, the Circuit Court of the State of Oregon for the County of Marion ("Oregon Court") appointed the Oregon Commissioner of Insurance as Ancillary Receiver to conserve the assets of Legion in Oregon, to liquidate Legion's special deposit in Oregon (the "Oregon Deposit") and to pay those claims that are approved in the Oregon ancillary proceedings pursuant to ORS §734.200.
- C. On October 1, 2003, the Ancillary Receiver took control of Legion's Oregon Deposit.
- D. The OIGA has paid claims arising under workers' compensation policies and other policies issued by Legion, allocated expenses incurred in handling such claims, and administrative expenses, and expects to continue to pay such claims and expenses.
- E. The OIGA has received distributions totaling \$7,350,000 from the Oregon Deposit of Legion held by the Ancillary Receiver, as an advance for the OIGA's payments on claims arising under workers' compensation policies issued by Legion and allocated expenses incurred in handling such claims.
- F. The Ancillary Receiver has retained the balance of the Oregon Deposit, which consists of securities with a par value of \$5,795,000 plus accumulated interest (the "Remaining OR Deposit").
- G. The OIGA has not received any distributions other than the distributions from the Legion Oregon Deposit.



- H. The OIGA has not received any distributions from the Legion Oregon Deposit on account of the OIGA's administrative expenses.
- I. The OIGA has not received any early access distributions from the Liquidator of Legion.
- J. As part of this Agreement, Legion shall issue two Notices of Determination ("NOD") to OIGA on its omnibus proof of claim #1332085-1-1. Legion shall issue one NOD for OIGA's administrative expense claim with a classification of (a)-administrative expense with a valuation of \$553,569.53, and one NOD for loss and allocated loss adjustment expense with a classification of (b)-policy loss with a valuation of \$8,229,669.84.
- K. The OIGA, the Liquidator and the Ancillary Receiver desire to enter into this Agreement to provide for early access distributions to the OIGA by the Liquidator, including an advance by the Liquidator of the OIGA's administrative expenses, interim (if any) and final distributions to the OIGA by the Liquidator, and the closure of the Oregon ancillary estate of Legion.

#### Agreement

The OIGA, the Liquidator and the Ancillary Receiver, in consideration of the mutual benefits and promises received by the Parties hereto and the mutual covenants and agreements contained herein, and intending to be legally bound, agree that the recitals set forth above are hereby adopted and made a part of this Agreement and further agree to the following terms and conditions:

- 1. Promptly after the Closure Date (as defined in Section 6 below), the OIGA and the Liquidator will execute a Refunding Agreement substantially in the form of Exhibit A hereto. The Liquidator will make applications to the Pennsylvania Court for approval to make an initial early access distribution to the OIGA on the same basis as the 9th early access distributions were made to other guaranty associations who have executed early access refunding agreements (the "Other Guaranty Associations") on a date promptly after the Conditions are satisfied. The initial early access distribution to the OIGA shall consist of amounts equal to (a) 100% of the OIGA's reported administrative expenses pursuant to 40 P.S. § 221.44(a) with respect to Legion incurred through June 30, 2014; and (b) a percentage of the loss adjustment expenses and claims payments incurred by the OIGA on account of Legion policies through December 31, 2013 subject to a cap equal to the amount of loss adjustment expenses and claims payments made through such date. The calculation of the early access distribution shall be made using the administrative expenses and paid losses as submitted by OIGA and the reserves as mutually agreed by Legion and OIGA. Early access distributions shall represent payments made on account.

2. The percentages used to determine the distribution by Legion to the OIGA pursuant to Section 1(b) will be such percentages as will result in the OIGA receiving from Legion the same total percentage of incurred claims and loss adjustment expenses as Other Guaranty Associations have received at the time early access distributions are required to be made to the OIGA pursuant to Section 1. In determining the amounts to be distributed by the Liquidator to the OIGA pursuant to Section 1, two items will be treated as prior early access distributions: a) the amounts which the OIGA has received from the Oregon Deposit and b) the amount of \$17,750, which is the amount of workers' compensation claims paid by Legion on behalf of OIGA during August, 2003. If the amount which the OIGA has received from the Oregon Deposit exceeds the amounts to be distributed by the Liquidator pursuant to Section 1, above, then the excess funds shall be held by OIGA and shall be applied to further early access distributions or final distributions, subject to the Refunding Agreement. After the initial early access distribution to the OIGA pursuant to Section 1, above, the OIGA shall be entitled to participate in further early access distributions on the same basis as Other Guaranty Associations.
3. Promptly after the Closure Date, Legion shall issue two Notices of Determination to OIGA on its omnibus proof of claim #1332085-1-1 (the "OIGA NODs"). Legion shall issue one NOD for OIGA's administrative expense claim with a classification of (a)- administrative expense with a valuation of \$553,569.53, and one NOD for loss and allocated loss adjustment expense with a classification of (b)-policy loss with a valuation of \$8,229,669.84. The NOD for loss and allocated loss adjustment expenses shall include the \$17,750 of loss paid by Legion on behalf of OIGA in August, 2003, as described in Paragraph 2, above. OIGA agrees and warrants that it will not file an objection to the OIGA NODs pursuant to PA R.A.P. 3781(c)(1).
4. The OIGA shall be entitled to receive interim (if any) and final distributions pursuant to 40 P.S. § 221.44 (a) and (b) on the same basis as Other Guaranty Associations once the OIGA NODs have been approved by the Pennsylvania Court. Such distributions pursuant to 40 P.S. section 44 (b) will be calculated based on the same distribution percentage of the OIGA's payments and reserves on claims and loss adjustment expenses as is used for calculating distributions for Other Guaranty Associations on account of payments and reserves on claims and loss adjustment expenses. Early access distributions to the OIGA, including the amounts received by the OIGA from the Oregon Deposit and early access distributions pursuant to this Agreement, will be credited against distributions pursuant to 40 P.S. § 221.44 (a) and (b) respectively.
5. The Ancillary Receiver agrees to file in the Oregon Court papers seeking approval of her entry into this Agreement and the closing of the Legion ancillary estate substantially in the form of Exhibit B hereto promptly after the execution of this Agreement.

6. The following are conditions to the obligations of the OIGA and the Liquidator under Sections 1, 2 and 3 hereof: (a) receipt of a final non-appealable order of the Oregon Court closing the Legion ancillary estate and approving the Ancillary Receiver's entry into this Agreement; and (b) the receipt by the Liquidator of Legion of funds received by the Ancillary Receiver from the sale of the Remaining OR Deposit, plus accumulated interest held by the Ancillary Receiver as of the date such an order becomes final (the "Closure Date") (collectively, the "Conditions"). The Parties shall cooperate and make good faith efforts to accomplish expeditiously the satisfaction of the Conditions.

7. Releases.

- a. Subject to the terms and obligations of this Agreement, on the Closure Date, the Liquidator hereby irrevocably and unconditionally releases and forever discharges the OIGA and the Ancillary Receiver, and their respective predecessors, successors, assigns, officers, directors, receivers liquidators, administrators, employees, members, representatives and attorneys from any and all present and future actions, causes of action, suits, debts, liens, contracts, rights, agreements, obligations, promises, liabilities, claims, demands, damages, controversies, losses, costs and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, by either or both Parties, fixed or contingent, which the Liquidator now has, owns or holds or claims to have, own, or hold or at any time heretofore had, owned, or held or claimed to have had, owned, or held, or may hereafter have, own, or hold or claim to have, own, or hold, arising out of conduct or matters occurring prior to or subsequent to the Closure Date, against the OIGA and the Ancillary Receiver arising from, based upon or in any way related to the liquidation of Legion; provided, however, that any rights derived herein by any person other than the OIGA and the Ancillary Receiver shall be derivative of the rights of the OIGA and the Ancillary Receiver, and the release herein is not intended to apply to the independent rights of any other party.
- b. Subject to the terms and obligations of this Agreement, on the Closure Date, the OIGA hereby irrevocably and unconditionally releases and forever discharges the Ancillary Receiver and the Liquidator and Legion and their respective predecessors, successors, assigns, officers, receivers, liquidators, administrators, employees, representatives and attorneys from any and all present and future actions, causes of action, suits, debts, liens, contracts, rights, agreements, obligations, promises, liabilities, claims, demands, damages, controversies, losses, costs and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, by either or both Parties, fixed or contingent, which the OIGA now has, owns or holds or claims to have, own, or hold, or at any time heretofore had, owned, or held or claimed to have had, owned, or held, or may hereafter have, own, or hold or claim to have, own, or hold, arising out of conduct or matters occurring prior to or subsequent to the Closure Date, against the Ancillary Receiver, the Liquidator and

Legion, arising from, based upon or in any way related to the liquidation of Legion; provided, however, that any rights derived herein by any person other than the Ancillary Receiver and the Liquidator and Legion shall be derivative of the rights of the Ancillary Receiver and the Liquidator and Legion, and the release herein is not intended to apply to the independent rights of any other party.

- c. Subject to the terms and obligations of this Agreement, on the Closure Date, the Ancillary Receiver hereby irrevocably and unconditionally releases and forever discharges the OIGA and the Liquidator and Legion and their respective predecessors, successors, assigns, officers, directors, receivers, liquidators, administrators, employees, members, representatives and attorneys from any and all present and future actions, causes of action, suits, debts, liens, contracts, rights, agreements, obligations, promises, liabilities, claims, demands, damages, controversies, losses, costs and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, by either or both Parties, fixed or contingent, which the Ancillary Receiver now has, owns or holds or claims to have, own, or hold, or at any time heretofore had, owned, or held or claimed to have had, owned, or held, or may hereafter have, own, or hold or claim to have, own, or hold, arising out of conduct or matters occurring prior to or subsequent to the Closure Date, against the OIGA and the Liquidator and Legion, arising from, based upon or in any way related to the liquidation of Legion; provided, however, that any rights derived herein by any person other than the OIGA and the Liquidator and Legion shall be derivative of the rights of the OIGA and the Liquidator and Legion, and the release herein is not intended to apply to the independent rights of any other party.

8. No Admissions. OIGA and the Liquidator agree that the valuations set forth in the OIGA NODs represent compromises of disputed issues, and that the issuance of the OIGA NODs is not, and may not be construed as, an admission by either Party as to the validity of the other Party's position with respect to the legal positions taken by that Party, and the compromises made herein shall not be binding on either Party in future dealings with each other.
9. Any notice required or permitted under this Agreement shall be deemed given if (i) actually received by the intended recipient by any means of manual delivery or electronic transmission, (ii) if posted by prepaid United States certified first class mail, return receipt requested, or (iii) if consigned to and received by a commercial delivery service and addressed as follows:

If to the Liquidator, addressed as follows:

Robert Haberle  
Chief Liquidation Officer  
Legion Insurance Company (In Liquidation)  
Three Parkway, Suite 400  
Philadelphia, PA 19102

With a copy to:

Amy L. Weber  
Department Counsel  
Pennsylvania Insurance Department  
Office of Chief Counsel  
Capitol Associates Building  
901 North 7th Street  
Harrisburg, PA 17102

and

Andrew S. Walsh  
Senior Vice President and General Counsel  
Legion Insurance Company (In Liquidation)  
Three Parkway, Suite 400  
Philadelphia, PA 19102

If to the Ancillary Receiver, addressed as follows:

Laura Cali, Ancillary Receiver of Legion Insurance Company  
c/o Tyler E. Anderson Assistant Attorney General  
Business Activities Section  
General Counsel Division  
Oregon Department of Justice  
1162 Court St. NE  
Salem, OR 97301-4096

If to the OIGA, addressed as follows:

Oregon Insurance Guaranty Association  
Suite 426  
10700 Southwest Beaverton Highway  
Beaverton, OR 97005-3019  
Attn: David C. Johnson, Administrator

With a copy to:

Stephen Yoshida, Esquire  
MB Law Group LLP  
117 SW Taylor Street, Suite 200  
Portland, Oregon 97204

Or to such other individual or address as a Party hereto may designate for itself by notice given as herein provided.

10. With respect to the subject matter hereof, this Agreement merges all prior offers and agreements of every kind and expresses the full intent of the Parties with respect to the subject matter hereof. This Agreement may not be modified except by an instrument in writing executed by the authorized representative of each of the Parties hereto. Each of the signatories hereto represents that he or she is authorized to enter into this Agreement, and that subject to satisfaction of the Conditions herein (which may not be waived without the consent of the Parties), this Agreement represents the binding obligation of the Parties and no further authorizations or consents are required for the effectiveness of this Agreement.
11. This Agreement may be executed in one or more counterparts, each of which shall be considered an original, but all of which together shall be deemed to constitute a single agreement, notwithstanding that the signatures of the Parties do not appear on the same page. Signatures by facsimile and scanned signatures shall be binding, but the Parties shall promptly exchange original signatures on this Agreement. Subject to the satisfaction of the Conditions herein (which may not be waived without the consent of the Parties), this Agreement will be effective and binding on the Parties when signed by the OIGA, the Liquidator and the Ancillary Receiver.

WHEREFORE, this Agreement is executed by the Parties' duly authorized representatives effective as of the day first above written.

Teresa D. Miller  
Pennsylvania Insurance Commissioner  
In her capacity as Statutory Liquidator of  
Legion Insurance Company (In Liquidation)

By: Bruce M. Daley  
Bruce M. Daley  
Chief Takeover Management Division

Andrew Walsh  
Witness

Dated: 9/26/16



Laura Call



Witness

Administrator of the Department  
of Consumer and Business Services,  
Division of Financial Regulation of the State of Oregon,  
in her capacity as permanent ancillary receiver of Legion

Dated: 9/20/16

Oregon Insurance Guaranty Association

By: 

David C. Johnson  
Administrator

Witness

Dated: 9/23/16

**EXHIBIT A**  
**REFUNDING AGREEMENT**



**EXHIBIT A**

**REFUNDING AGREEMENT**

This Refunding Agreement ("Agreement") is entered into this \_\_\_\_\_ day of \_\_\_\_\_ 2015, by and between Teresa D. Miller, Pennsylvania Insurance Commissioner, in her official capacity as Statutory Liquidator (the "Liquidator") of Legion Insurance Company ("Legion") and the state insurance guaranty associations that join this Agreement by signature to a counterpart of this Agreement (hereinafter called ("SGAs")).

Recitals

A. The SGAs, subject to state-by-state conditions and limitations on coverage and applicability, may be authorized or required to fulfill the obligations of Legion under its policies, *i.e.*, to pay covered claims and related adjusted expenses ("SGA Obligations"), because Legion has been declared insolvent and ordered to be liquidated.

B. On July 25, 2003, the Pennsylvania Commonwealth Court (the "Court") entered an order of liquidation for Legion directing that Legion be liquidated, with an effective liquidation date of July 28, 2003. The Court also appointed the M. Diane Koken, the then-Pennsylvania Insurance Commissioner, and her successors in office, as Statutory Liquidator of Legion.

C. On November 9, 2005, the Liquidator filed with the Court her Proposal to Distribute Assets, which contained the Liquidator's request for authorization to make early distributions to various SGAs from assets of the Legion estate and recommendations as to certain liquidation procedures and notices.

D. The Liquidator believes the following agreements are statutorily required and necessary to confirm the SGA Obligations, to reconcile the differences in the servicing and

payment of obligations by or on behalf of various SGAs that have covered claims, to avoid potential preferences among or within classes of claimants, and to assure equality in the treatment of the claims of SGAs for reimbursement from the assets of Legion.

#### Agreements

The Liquidator and the SGAs, severally and each on their own behalf, in consideration of the mutual benefits and promises received by the parties hereto and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, agree that the recitals set forth above are hereby adopted and made a part of this agreement and further agree to the following terms and conditions:

1. Any payments made by the Liquidator from Legion's general assets pursuant to the Proposal to Distribute Assets that relate to SGA Obligations will be treated as early access distributions to the applicable SGA in accordance with 40 P.S. §221.36.
2. Each SGA that joins this Agreement by signature agrees to provide the Liquidator with such information as the Liquidator requests including, but not limited to, the reporting of the payment of administrative expenses, loss adjustment expenses, and policyholder claims and the use of special/statutory deposits prior to and following the entry of the liquidation order effective July 28, 2003, when assets received have been disbursed or the SGA's Obligations have been fulfilled, accounting for all assets so disbursed, all disbursements made therefrom, and any interest earned by the SGAs on such assets.
3. Each SGA that joins this Agreement by signature to a counterpart of this Agreement will be entitled to receive, in accordance with 40 P.S. §221.36, any early access distributions from Legion made by the Liquidator in the same manner to the same extent as may be provided to insurance guaranty associations of other states. Such early access distributions

include funds received from liquidated special/statutory deposits of any state insurance department or from any ancillary receiver, actual distributions, whether direct or indirect, from the Liquidator classified as early access distributions, and funds received under expense reimbursement agreements; provided, however, that nothing in this Agreement shall be construed to indicate that a subrogation collection or deductible reimbursement amount related to a covered claim of an SGA is an early access distribution.

4. If an SGA that joins this Agreement by signature to a counterpart of this Agreement is in a state whose Insurance Departments hold special/statutory deposits ("Deposits") with respect to Legion, the Liquidator may, in her discretion, assign to the SGAs all of the Liquidator's right, title, and interest in and to the Deposits held by the respective state insurance departments; provided, however, that the amount of Deposits so assigned shall not exceed the amount of each respective SGA's statutory obligations and that the SGA is able to receive the deposit. The amount of assets of Legion to be distributed to SGAs in states where insurance departments hold Deposits will be reduced by the amount of Deposits held by the respective state insurance departments.

5. Each SGA will return to the Liquidator, within 30 days after receipt of a written request from the Liquidator, or within 90 days after receipt of such notice if it is necessary for the SGA to make an assessment, any early access distributions including any special/statutory deposits assigned, with any investment income earned on assets reimbursed, the SGA has received (a) in excess of the amount determined by the Liquidator to be due the SGA, (b) if that repayment later becomes necessary to pay claims of secured creditors or claims of a higher priority under 40 P.S. §221.36 (b) (1) or other relevant law, or (c) if that repayment later becomes necessary to fund any shortfall in the amounts reasonably required by the Liquidator to

pay her administrative expenses for Legion. No SGA shall be required to return any early access distributions that constitute reimbursement for its administrative expenses, provided that each SGA provides an accounting to the Liquidator within 30 days after receipt of the written request from the Liquidator demonstrating the portion of its early access distributions that have been attributed its administrative expenses. Any amounts which are not paid within the timetable as specified above in this paragraph 5 will accrue interest at the one-week LIBOR rate plus two percentage points as of the date such amounts were due. Such interest will accrue from the first date the payment is overdue until the date the unpaid and overdue amount is received by the Liquidator.

6. Each SGA will be permitted to file with the Liquidator an omnibus proof of claim, as supplemented from time to time and in a form mutually agreed to by the Liquidator and the SGA, for all SGA Obligations paid or otherwise discharged.

7. The Liquidator and each SGA shall cooperate in making arrangements for the final disposition of the information, files and documents received by the SGA from Legion or the Liquidator.

8. This Agreement shall be governed by and construed in accordance with Pennsylvania law, but without regard to its choice of law rules. The SGAs agreed to submit to the exclusive jurisdiction of the Commonwealth Court of Pennsylvania solely with respect to the enforcement of this Agreement, or any issue or dispute arising out of or relating to this Agreement.

9. Any notices and all other matters of communication from the Liquidator to the SGAs about this Agreement shall be sent by first class United States mail, postage prepaid, by overnight delivery service or facsimile transmission to any affected SGA that joins this

Agreement by signature to a counterpart of this Agreement.

10. Any notices and all other matters of communication from any SGA to the Liquidator about this Agreement shall be sent by first class United States mail, postage prepaid, by overnight delivery service or facsimile transmission to the Statutory Liquidator of Legion Insurance Company, c/o Deputy Insurance Commissioner Joseph DiMemmo, Office of Liquidations, Rehabilitations and Special Funds at 901 North 7<sup>th</sup> Street, 2<sup>nd</sup> Floor, Harrisburg, PA 17102 (telecopy number: (717) 772-4543).

11. Each party shall pay all of its own costs, fees, and expenses incurred or to be incurred in negotiating and preparing this Agreement and in closing and carrying out the transactions contemplated by this Agreement; provided, however, that the expenses of the SGAs shall be treated by the Liquidator as administrative expenses as found under 40 P.S. §221.44 (a).

12. Notwithstanding the above, the Statutory Liquidator reserves the right at any time to review and to disallow a claim the Liquidator deems to be erroneous or unreasonable. Should the Liquidator disallow any such claim reported by SGAs, the SGAs reserve their rights to object accordingly.

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WHEREFORE, this Refunding Agreement is executed by the parties' duly authorized representatives as of the day first written above as follows:

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

By: \_\_\_\_\_  
LAURA SLAYMAKER  
Deputy Insurance Commissioner

Oregon Insurance Guaranty Association

By: \_\_\_\_\_  
Name:

\_\_\_\_\_  
Title

# **EXHIBIT B**

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IN THE CIRCUIT COURT OF THE STATE OF OREGON  
FOR THE COUNTY OF MARION

STATE OF OREGON ex rel LAURA N.  
CALI, Insurance Commissioner,

Petitioner,  
v.

LEGION INSURANCE COMPANY, a  
Pennsylvania company,

Respondent.

Case No. 03C17213

**MOTION FOR ORDER DISCHARGING  
ANCILLARY RECEIVER**

Pursuant to ORCP 80G and ORS Chapter 734, Petitioner, State of Oregon, *ex rel*  
Laura N. Cali, Insurance Commissioner, by and through counsel, moves the Court for an Order  
and General Judgment as set forth below.

**POINTS AND AUTHORITIES**

1.

Pursuant to Petitioner's Petition for Appointment of Ancillary Receiver, this court  
entered a Default Order Appointing Ancillary Receiver (Default Order) on October 1, 2003. The  
Default Order appointed the Oregon Insurance Commissioner as Ancillary Receiver of  
Respondent Legion Insurance Company (hereafter "Respondent") in Oregon, pursuant to ORS  
734.200(2), and charged her and her successors in office with taking possession of the assets of  
Respondent deposited with Petitioner for surety insurance obligations in Oregon, pursuant to  
ORS 731.624, and to liquidate the same pursuant to further direction from this court.

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From October 1, 2003 to present, the Ancillary Receiver and the Ancillary Receiver's  
deputies, employees, and assistants have collected Respondent's known remaining assets in  
Oregon.

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3.

Pursuant to the court's Order Allowing Motion to Disburse Assets to Liquidator for  
Payment of (Surety) Special Deposit Claims and Administrative Costs of Ancillary Receiver  
dated July 9, 2014, (hereafter "Order for Disbursement"), the Oregon Insurance Guarantee  
Association (the "OIGA") has received distributions totaling \$7,350,000 from the Oregon  
Deposit of Legion held by the Ancillary Receiver, as an advance for the OIGA's payments on  
claims arising under workers' compensation policies issued by Legion and allocated expenses  
incurred in handling such claims. The Ancillary Receiver has retained the balance of the Oregon  
Deposit, which consists of securities with a par value of \$5,795,000 plus accumulated interest  
(the "Remaining OR Deposit").

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Respondent, the OIGA, and the Ancillary Receiver have entered into an Agreement "the  
"Agreement") in which Respondent shall issue two Notices of Determination ("NOD") to OIGA  
on its omnibus proof of claim #1332085-1-1. Legion shall issue one NOD for OIGA's  
administrative expense claim with a classification of (a)-administrative expense with a valuation  
of \$553,569.53, and one NOD for loss and allocated loss adjustment expense with a  
classification of (b)-policy loss with a valuation of \$8,229,669.84. The OIGA, the Liquidator and  
the Ancillary Receiver desire to enter into this Agreement to provide for early access  
distributions to the OIGA by the Liquidator, including an advance by the Liquidator of the  
OIGA's administrative expenses, interim (if any) and final distributions to the OIGA by the  
Liquidator, return of the remaining proceeds of the Remaining Oregon Deposit to Legion's  
domiciliary liquidator and the closure of the Oregon ancillary estate of Legion.

1 ///

2 5.

3 The Insurance Commissioner has executed all of the duties of the office as Ancillary  
4 Receiver to the fullest extent, and no part of the trust vested in the Insurance Commissioner as  
5 Ancillary Receiver remains to be performed.

6 6.

7 To the best of her knowledge, no actions or proceedings related to these matters are now  
8 pending against the Insurance Commissioner as Ancillary Receiver.

9 **CONCLUSION**

10 Based on the above, the Court should issue an Order Discharging Ancillary Receiver in  
11 the form submitted herewith that:

- 12 1. Approves and ratifies the Agreement entered into by the Ancillary Receiver, the  
13 domiciliary liquidator of Legion and OIGA.
- 14 2. Approves and authorizes the transfer of the Remaining OR Deposit to the  
15 domiciliary liquidator of Legion.
- 16 3. Approves and ratifies the Ancillary Receiver's accounting and disbursements  
17 submitted herein.
- 18 4. Allows and approves payment of the Ancillary Receiver's remaining expenses of  
19 administration in accordance with the Order for Disbursement and the Agreement to Handle  
20 Claims of Oregon Residents approved therein.
- 21 5. Authorizes the Insurance Commissioner to destroy the files and records of  
22 Respondent that are no longer necessary to the Ancillary Receivership.
- 23 6. Closes this ancillary receivership, discharges the Insurance Commissioner as  
24 Ancillary Receiver, and fully and forever releases the present and former Insurance

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6 Commissioner and her deputies, employees, and assistants, from any and all liability that may be  
7 incurred or arise at any time related to this ancillary receivership, including subsequent to  
8 discharge and release.

9 DATED this 22nd day of April, 2016.

10 Respectfully submitted,  
11 ELLEN F. ROSENBLUM  
12 Attorney General

13  
14 Tyler E. Anderson, OSB 090810  
15 Assistant Attorney General  
16 1162 Court Street NE  
17 Salem OR 97301-4096  
18 Phone: (503) 947-4520  
19 Fax: (503) 378-3784  
20 tyler.e.anderson@doj.state.or.us  
21 Of Attorneys for Petitioner  
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CERTIFICATE OF SERVICE

I hereby certify that on the 22<sup>nd</sup> day of April, 2015, I served the within Motion for Order and General Judgment Discharging Ancillary Receiver upon Amy Weber, Pennsylvania counsel for the Liquidator, by having deposited in the United States Post Office in Salem, Oregon, a full, true and correct copy thereof with postage prepaid and addressed to:

Ms. Amy L. Weber  
Department Counsel  
Pennsylvania Insurance Department P.O. Box 12548  
Office of Chief Counsel  
Capitol Associates Building  
901 North 7th Street  
Harrisburg, PA 17102

Tyler E. Anderson, OSB 090810  
Assistant Attorney General  
1162 Court Street NE  
Salem OR 97301-4096  
Phone: (503) 947-4520  
Fax: (503) 378-3784  
tyler.e.anderson@doj.state.or.us  
Of Attorneys for Petitioner

1  
2  
3 IN THE CIRCUIT COURT OF THE STATE OF OREGON  
4 FOR THE COUNTY OF MARION

5 STATE OF OREGON ex rel LAURA N.  
6 CALI, Insurance Commissioner,

7 Petitioner,

8 v.

9 LEGION INSURANCE COMPANY, a  
10 Pennsylvania company,

11 Respondent.

Case No. 03C17213

**ORDER DISCHARGING ANCILLARY  
RECEIVER**

12 THIS MATTER came before the court upon Petitioner's Motion for Order Discharging  
13 Ancillary Receiver. The court, being fully advised,

14 IT IS HEREBY ORDERED AND ADJUDGED that the accounting and disbursements to  
15 date of the Insurance Commissioner as Ancillary Receiver for Respondent Legion Insurance  
16 Company (Respondent) be and hereby are ratified and approved.

17 IT IS HEREBY ORDERED AND ADJUDGED that the Agreement entered into by the  
18 Ancillary Receiver, the domiciliary liquidator of Respondent and the Oregon Insurance Guaranty  
19 Association is hereby ratified and approved.

20 IT IS HEREBY ORDERED AND ADJUDGED that the Ancillary Receiver is authorized  
21 to transfer the Remaining Oregon Deposit to the domiciliary liquidator of Legion.

22 IT IS FURTHER ORDERED AND ADJUDGED that any remaining expenses of  
23 administration of the Ancillary Receiver related to this ancillary receivership are allowed and  
24 approved.

25 IT IS FURTHER ORDERED AND ADJUDGED that the Insurance Commissioner or  
26 ancillary receiver may destroy the files and records of Respondent that are no longer necessary to  
this ancillary receivership.

1 IT IS FURTHER ORDERED AND ADJUDGED that the ancillary receivership of  
2 Respondent is closed, that the Insurance Commissioner is discharged as the ancillary receiver of  
3 Respondent, and that the present and former Insurance Commissioner, and the deputies,  
4 employees, and assistants thereof, are hereby fully and forever released from any and all  
5 liabilities that may be incurred or arise at any time related this ancillary receivership, including  
6 subsequent to this discharge and release.  
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13 Submitted by:  
14 Tyler E. Anderson, OSB 090810  
15 Assistant Attorney General  
16 1162 Court Street NE  
17 Salem, Oregon 97301-4096  
18 Phone: (503) 947-4520  
19 Fax: (503) 378-3784  
20 tyler.e.anderson@doj.state.or.us  
21 Of Attorneys for Petitioner  
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IN THE CIRCUIT COURT OF THE STATE OF OREGON  
FOR THE COUNTY OF MARION

STATE OF OREGON ex rel LAURA N.  
CALL, Insurance Commissioner,  
  
Petitioner,  
  
v.  
  
LEGION INSURANCE COMPANY, a  
Pennsylvania company,  
  
Respondent.

Case No. 03C17213

**ORDER DISCHARGING ANCILLARY  
RECEIVER**

THIS MATTER came before the court upon Petitioner's Motion for Order Discharging Ancillary Receiver. The court, being fully advised,

IT IS HEREBY ORDERED AND ADJUDGED that the accounting and disbursements to date of the Insurance Commissioner as Ancillary Receiver for Respondent Legion Insurance Company (Respondent) be and hereby are ratified and approved.

IT IS HEREBY ORDERED AND ADJUDGED that the Agreement entered into by the Ancillary Receiver, the domiciliary liquidator of Respondent and the Oregon Insurance Guaranty Association is hereby ratified and approved.

IT IS HEREBY ORDERED AND ADJUDGED that the Ancillary Receiver is authorized to transfer the Remaining Oregon Deposit to the domiciliary liquidator of Legion.

IT IS FURTHER ORDERED AND ADJUDGED that any remaining expenses of administration of the Ancillary Receiver related to this ancillary receivership are allowed and approved.

///

///

1 IT IS FURTHER ORDERED AND ADJUDGED that the Insurance Commissioner or  
2 ancillary receiver may destroy the files and records of Respondent that are no longer necessary to  
3 this ancillary receivership.

4 IT IS FURTHER ORDERED AND ADJUDGED that the ancillary receivership of  
5 Respondent is closed, that the Insurance Commissioner is discharged as the ancillary receiver of  
6 Respondent, and that the present and former Insurance Commissioner, and the deputies,  
7 employees, and assistants thereof, are hereby fully and forever released from any and all  
8 liabilities that may be incurred or arise at any time related this ancillary receivership, including  
9 subsequent to this discharge and release.

10  
11 Signed: 10/28/2016 09:13 AM

12  
13 

14 **Circuit Court Judge Courtland Geyer**

15  
16 Submitted by:  
17 Tyler E. Anderson, OSB 090810  
18 Assistant Attorney General  
19 1162 Court Street NE  
20 Salem, Oregon 97301-4096  
21 Phone: (503) 947-4520  
22 Fax: (503) 378-3784  
23 tyler.e.anderson@doj.state.or.us  
24 Of Attorneys for Petitioner  
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IN THE CIRCUIT COURT OF THE STATE OF OREGON  
FOR THE COUNTY OF MARION

STATE OF OREGON ex rel LAURA N.  
CALI, Insurance Commissioner,  
  
Petitioner,  
  
v.  
  
LEGION INSURANCE COMPANY, a  
Pennsylvania company,  
  
Respondent.

Case No. 03C17213

**CERTIFICATE OF READINESS FOR  
ORDER DISCHARGING ANCILLARY  
RECEIVER**

This proposed order or judgment is ready for judicial signature because:

- 1.  Each opposing party affected by this order or judgment has stipulated to the order or judgment, as shown by each opposing party's signature on the document being submitted.
- 2.  Each opposing party affected by this order or judgment has approved the order or judgment, as shown by signature on the document being submitted or by written confirmation of approval sent to me.
- 3.  I have served a copy of this order or judgment on all parties entitled to service and:
  - a.  No objection has been served on me.
  - b.  I received objections that I could not resolve with the opposing party despite reasonable efforts to do so. I have filed a copy of the objections I received and indicated which objections remain unresolved.
  - c.  After conferring about objections, none of the parties involved will file any remaining objection.
- 4.  The relief sought is against an opposing party who has been found in default.
- 5.  An order of default is being requested with this proposed judgment.
- 6.  Service is not required pursuant to subsection (3) of this rule, or by statute, rule, or otherwise.


///

1 7. [ ] This is a proposed judgment that includes an award of punitive damages and notice has  
2 been served on the Director of the Crime Victims

3 DATED this 24<sup>th</sup> day of October 2016.

4 Respectfully submitted,

5 ELLEN F. ROSENBLUM  
6 Attorney General

7   
8 Tyler E. Anderson, #090810  
9 Assistant Attorney General  
10 1162 Court Street NE  
11 Salem, Oregon 97301-4096  
12 Phone: (503) 947-4250  
13 Fax: (503) 378-3784  
14 [Tyler.E.Anderson@doj.state.or.us](mailto:Tyler.E.Anderson@doj.state.or.us)  
15 Of Attorneys for Oregon Division of Financial  
16 Regulation, State of Oregon, Petitioner  
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IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

**AFFIDAVIT OF LAURA LYON SLAYMAKER  
IN SUPPORT OF THE LIQUIDATOR'S PROPOSAL  
TO DISTRIBUTE ASSETS TO THE OREGON INSURANCE  
GUARANTY ASSOCIATION PURSUANT TO 40 P.S. § 221.36**

I, LAURA LYON SLAYMAKER, hereby depose and state as follows:

1. I am Deputy Insurance Commissioner for the Pennsylvania Insurance Department, Office of Liquidations, Rehabilitations and Special Funds, and have general oversight responsibility on behalf of the Department for the direction and policy for Legion Insurance Company (In Liquidation) ("Legion"), and for all of the estates in rehabilitation and liquidation in Pennsylvania.

2. I make this certification in support of the Liquidator's Proposal to Distribute Assets to Oregon Insurance Guaranty Association (the "OIGA") pursuant to 40 P.S. § 221.36, which proposes to make an early access distribution to OIGA as an advance against its estimated administrative expenses, loss adjustment expenses and claims payments based on the same equitable allocation formula approved in the Liquidator's Ninth Proposal to Distribute Assets to State Insurance Guaranty Associations.

3. The Statutory Liquidator and OIGA, with the Oregon Ancillary Receiver of the Legion Estate have entered into an agreement (the "Agreement") in which the Oregon Ancillary Receiver agreed to release to the Statutory Liquidator the portion of the workers' compensation deposit it still held, OIGA agreed to sign a refunding agreement, and the Statutory Liquidator agreed to make an early access distribution and issue a notice of determination on OIGA's omnibus proof of claims.

4. The purpose of this proposal is to provide OIGA with early access to the available funds of Legion and Villanova as an advance in payment of the Associations estimated administrative expenses, loss adjustment expenses and claims payments.

5. OIGA has executed a refunding agreement, thereby agreeing to reimburse the Liquidator any funds including interest the association received in excess of its share of the assets of the liquidated company.

6. In addition, the Statutory Liquidator and OIGA have agreed on a valuation of its omnibus proof of claim class (a) administrative expense and class (b) loss payment and expense claims, and the Statutory Liquidator has issued a notice of determination setting forth the accepted valuation.

7. Pursuant to the terms of the Agreement, the workers' compensation deposit totaling \$7.35 million distributed to OIGA by the Ancillary Receiver shall be treated as an early access funds advance, along with \$17,750 of workers' compensation claims paid by Legion on behalf of OIGA in August 2003, and will be applied against any Early Access Distribution and the final distribution.

8. The Statutory Liquidator has calculated the Early Access Distribution amount due to OIGA under the terms of the Ninth Early Access Distribution Proposal, which totals \$6,388,754. Given the early access funds advance described in paragraph 7, above, no further funds will be currently owed to OIGA by the Statutory Liquidator. The Workers' Compensation deposit advances held by OIGA in excess of this Early Access Distribution amount shall be held by OIGA and shall be applied to later Early Access Distributions, if any, or the final distribution, in accordance with the terms of the Refunding Agreement.


9. Pursuant to 40 P.S. § 221.36 (d), notice of this proposal was given on January 6, 2017 to all State Guaranty Associations, NOLHGA and to the State Insurance Departments of the states and territories in which Legion was licensed.

10. No objections have been received from any of the State Guaranty Associations or State Insurance Departments or other jurisdictions that received notice of this proposal as referenced in Paragraph 8 above.

11. In my opinion as Deputy Insurance Commissioner, because the amount calculated to be due OIGA under the proposed early access distribution is less than the amount of the early access funds advance received by OIGA, this proposed early access distribution will not impact the Estate's reserves held to cover anticipated administrative expenses, secured creditor claims and claims having a higher priority than policyholders and other items included in the Department Act §221.36(b)(1).

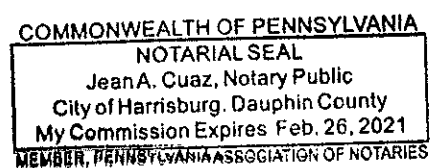
12. My certification is made in reasonable reliance on the work of qualified staff and the Estates' internal procedures for financial operations.

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.

  
LAURA LYON SLAYMAKER  
Deputy Insurance Commissioner

Sworn to and subscribed before me  
this the 8th day of March, 2017.

  
NOTARY PUBLIC



IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

**AFFIDAVIT OF ROBERT E. HABERLE IN SUPPORT OF THE LIQUIDATOR'S  
PROPOSAL TO DISTRIBUTE ASSETS TO THE OREGON INSURANCE  
GUARANTY ASSOCIATION PURSUANT TO 40 P.S. §221.36**

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

1. I am Chief Liquidation Officer of Legion Insurance Company (In Liquidation) (“Legion”), and am responsible for overseeing its daily business operations.
2. I make this certification in support of the Liquidator’s Proposal to Distribute Assets to Oregon Insurance Guaranty Association (the “OIGA”) pursuant to 40 P.S. §221.36, which proposes to make an early access distribution to OIGA as an advance against its estimated administrative expenses, loss adjustment expenses and claims payments based on the same equitable allocation formula approved in the Liquidator’s Ninth Proposal to Distribute Assets to State Insurance Guaranty Associations.
3. The Statutory Liquidator and OIGA, with the Oregon Ancillary Receiver of the Legion Estate have entered into an agreement (the “Agreement”) in which the Oregon Ancillary Receiver agreed to release to the Statutory Liquidator the portion of the workers’ compensation deposit it still held, OIGA agreed to sign a refunding agreement, and the Statutory Liquidator agreed to make an early access distribution and issue a notice of determination on OIGA’s omnibus proof of claims.

4. The purpose of this proposal is to provide OIGA with early access to the available funds of Legion and Villanova as an advance in payment of the Associations estimated administrative expenses, loss adjustment expenses and claims payments.

5. OIGA has executed a refunding agreement, thereby agreeing to reimburse the Liquidator any funds including interest the association received in excess of its share of the assets of the liquidated company.

6. In addition, the Statutory Liquidator and OIGA have agreed on a valuation of its omnibus proof of claim class (a) administrative expense and class (b) loss payment and expense claims, and the Statutory Liquidator has issued a notice of determination setting forth the accepted valuation.

7. Pursuant to the terms of the Agreement, the workers' compensation deposit totaling \$7.35 million distributed to OIGA by the Ancillary Receiver shall be treated as an early access funds advance, along with \$17,750 of workers' compensation claims paid by Legion on behalf of OIGA in August 2003, and will be applied against any Early Access Distribution and the final distribution.

8. The Statutory Liquidator has calculated the Early Access Distribution amount due to OIGA under the terms of the Ninth Early Access Distribution Proposal, which totals \$6,388,754. Given the early access funds advance described in paragraph 7, above, no further funds will be currently owed to OIGA by the Statutory Liquidator. The Workers' Compensation deposit advances held by OIGA in excess of this Early Access Distribution amount shall be held by OIGA and shall be applied to later Early Access Distributions, if any, or the final distribution, in accordance with the terms of the Refunding Agreement.


9. In my opinion as Chief Liquidation Officer of Legion, because the amount calculated to be due OIGA under the proposed early access distribution is less than the amount of early access funds advances received by OIGA, this proposed early access distribution will not impact the Estate's reserves held to cover anticipated administrative expenses, secured creditor claims and claims having a higher priority than policyholders and other items included in the Department Act §221.36(b)(1).

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

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 9 th day of March, 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,                   :            No. 1 LEG 2002  
(In Liquidation)                                        :

**ORDER**

AND NOW, this \_\_\_\_ day of \_\_\_\_\_, 2017, upon consideration of the Statutory Liquidator's Petition to Approve the Liquidator's Proposal to Distribute Assets to the Oregon Insurance Guaranty Association pursuant to Section 536 of the Insurance Department Act of 1921, Act of May 17, 1921, P.L. 789, added by the Act of December 14, 1977, P.L. 280, 40 P.S. § 221.36, and the record in support thereof, it is hereby ORDERED as follows:

1.     The Liquidator's Proposal is approved, and the Statutory Liquidator is hereby authorized to make an Early Access Distribution of \$6,388,754 to the Oregon Insurance Guaranty Association in accordance with the terms of the Liquidator's Proposal, as partial payment of claims for administrative expenses, loss adjustment expenses and claims payments incurred by the Oregon Insurance Guaranty Association as a result of the liquidation of Legion Insurance Company (in Liquidation).

2.     The Statutory Liquidator shall make no other Early Access Distributions without further written approval of the Court.

---

MARY HANNAH LEAVITT, J.