



COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
Office of Chief Counsel

Capitol Associates Building
901 North 7th Street
Harrisburg, PA 17102

Governor's Office
of General Counsel

Phone (717) 787-6009
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May 5, 2008

Michael F. Krimmel
Chief Clerk
Commonwealth Court
628 South Office Building
Harrisburg, PA 17120-0001

RE: Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania v. Legion Insurance Company,
No. 183 M.D. 2002

Dear Mr. Krimmel:

Enclosed for filing please find the original and two hard copies of the Liquidator's Submission of 2008 Budget and Petition for Approval of Administrative Expenses Paid for the Period July 1, 2006 through December 31, 2007.

As directed by the Court's Order we are also enclosing copies of the documents on a computer disk.

Thank you for your courtesies in filing the documents.

Very truly yours,

A handwritten signature in cursive script that reads "Amy L. Weber".

Amy L. Weber
Special Funds Counsel

ALW:mm
Enclosure

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel S. Ario,
Acting Insurance Commissioner of the
Commonwealth of Pennsylvania

Plaintiff,

v.

Legion Insurance Company

Defendant.

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:
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Docket No. 183 M.D. 2002

ORDER

And Now, this _____ day of _____, 2008, upon consideration of the Statutory
Liquidator's 2008 Budget and Petition For Approval of Administrative Expenses Paid for the
Period July 1, 2006 through December 31, 2007, the Petition is hereby Granted.

BY THE COURT:

MARY HANNAH LEAVITT, J.

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel S. Ario, Acting Insurance
Commissioner of the Commonwealth
of Pennsylvania :
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Plaintiff, :
:
:
:
v. :
:
Legion Insurance Company :
:
:
Defendant. :

No. 183 M.D. 2002

RECEIVED
COMMONWEALTH COURT
OF PENNSYLVANIA
-5 MAY 2008 13 11

**LIQUIDATOR’S SUBMISSION OF 2008 BUDGET AND PETITION FOR
APPROVAL OF ADMINISTRATIVE EXPENSES PAID FOR
THE PERIOD JULY 1, 2006 THROUGH DECEMBER 31, 2007**

Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), in his official capacity as Statutory Liquidator (“Liquidator”) for Legion Insurance Company (“Legion”), by and through his counsel, respectfully submits his 2008 Budget pursuant to this Court’s Order dated January 8, 2004 and his Petition for Approval of Administrative Expenses Paid for the Period July 1, 2006 through December 31, 2007.

SUBMISSION OF 2008 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 2008 Budget for Legion, 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 expenses for Legion, which include, among other items, salaries, benefits and rent (collectively “the 2008 Budget”).

PETITION FOR APPROVAL OF ADMINISTRATIVE EXPENSES PAID


3. Pursuant to the Order of January 8, 2004, the Liquidator previously filed a petition for approval of administrative expenses paid for the period July 29, 2003 through December 31, 2004 which was approved by the Court on June 30, 2005; a petition for approval of administrative expenses paid for the period January 1, 2005 through June 30, 2005, which was approved by the Court on September 16, 2005; a petition for approval of administrative expenses paid for the period July 1, 2005 through December 31, 2005, which was approved by the Court on October 20, 2006; and, a petition for approval of administrative expenses paid for the period January 1, 2006 through June 30, 2006, which was approved by the Court on March 20, 2007.

4. The Liquidator respectfully petitions the Court for approval of his administrative expenses paid for the period July 1, 2006 through December 31, 2007, 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, Legal Fees & Expenses and Professional Services Paid for the period July 1, 2006 through December 31, 2007.

5. The Affidavits of the Chief Liquidation Officer and the Senior Vice President of Financial Operations in support of the Liquidator's submission of the 2008 Budget and Petition for Approval of Administrative Expenses Paid, and the Certification of Special Funds Counsel related to legal expenses paid are attached to this Petition.

Wherefore, the Liquidator requests that the Court enter the Order attached hereto accepting the 2008 Budget and approving the administrative expenses paid.

Respectfully submitted,



Amy L. Weber, Special Funds Counsel
I.D. No. 45447
Office of Liquidations,
Rehabilitations and Special Funds
901 North 7th Street
Harrisburg, Pennsylvania 17102
(717) 787-6009

Attorney for Joel S. Ario, Acting Insurance
Commissioner of the Commonwealth of
Pennsylvania, in his official capacity
As Statutory Liquidator for Legion
Insurance Company (In Liquidation)

DATED: 5/5/08

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

**Joel S. Ario, Acting
Insurance Commissioner of the
Commonwealth of Pennsylvania**

Plaintiff,

v.

**Legion Insurance Company
One Logan Square, Suite 1400
Philadelphia, PA 19103**

Defendant.

Docket No. 183 M.D. 2002

**AFFIDAVIT OF JOSEPH ZARANDONA IN SUPPORT
OF THE LIQUIDATOR'S SUBMISSION OF 2008 BUDGET AND
PETITION FOR APPROVAL OF ADMINISTRATIVE
EXPENSES PAID FOR THE PERIOD JULY 1, 2006 – DECEMBER 31, 2007**

I, **JOSEPH ZARANDONA**, 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 2008 Budget for the Estates (the “Budget”) and Petition for Approval of Administrative Expenses paid for the period July 1, 2006 – December 31, 2007.

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 2008, 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

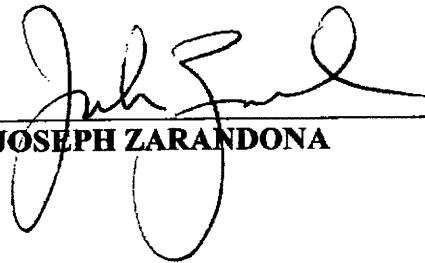
materials respects the Estates' expected expenses for 2008.

4. I know of no significant expenses or outlays for 2008 that are not included in the Budget.

5. Based on my knowledge, the Petition for Approval of Administrative Expenses paid for the period July 1, 2006 – December 31, 2007 fairly presents in all material respects the administrative expenses paid by the Estates for the period July 1, 2006-December 31, 2007.

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.


JOSEPH ZARANDONA

Sworn to and subscribed before me
this 10th day of April 2008.


NOTARY PUBLIC
COMMONWEALTH OF PENNSYLVANIA

Notarial Seal
Maureen Greenfield, Notary Public
City Of Philadelphia, Philadelphia County
My Commission Expires Dec. 23, 2010
Member, Pennsylvania Association of Notaries

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel S. Ario, Acting
Insurance Commissioner of the
Commonwealth of Pennsylvania

Plaintiff,

v.

Legion Insurance Company
One Logan Square, Suite 1400
Philadelphia, PA 19103

Defendant.

Docket No. 183 M.D. 2002

**AFFIDAVIT OF MICHAEL I. QUIST IN SUPPORT OF THE
LIQUIDATOR'S SUBMISSION OF 2008 BUDGET AND PETITION
FOR APPROVAL OF ADMINISTRATIVE EXPENSES
PAID FOR THE PERIOD JULY 1, 2006 – DECEMBER 31, 2007**

I, MICHAEL I. QUIST, hereby depose and state as follows:

1. I am Senior Vice President of Financial Operations for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) ("the Estates"), am currently licensed as Certified Public Accountant, and serve as Chief Financial Officer responsible for overseeing all aspects of the Estates' financial operations.
2. I assisted in and the directed of the preparation of the Liquidator's 2008 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 material respects the Estates' anticipated expenses for 2008 for the following areas of expected expenditure:

A. Salaries: "Salaries" includes anticipated 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 anticipated 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 anticipated 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 anticipated expenditures for purchases and repairs of all other equipment used by the Estates.

E. Legal Fees and Expenses: "Legal Fees and Expenses" includes anticipated expenditures to outside law firms for matters related to reinsurance litigation, policyholder collections, managing general agent and third party administrators, Legion defendant issues and liquidation issues.

F. Professional Services: "Professional Services" includes anticipated 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 anticipated 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 2008 that are not included in the Budget.

5. I certify that the Petition for Approval of Administrative Expenses paid for the period July 1, 2006 – December 31, 2007 fairly presents in all material respects the Estates' paid administrative expenses for the period July 1, 2006 – December 31, 2007 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, policyholders 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.

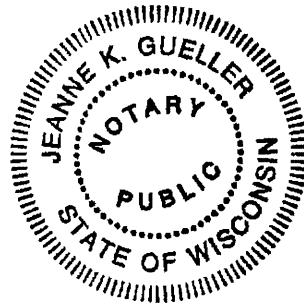
6. Based on my knowledge, the Petition for Approval of Administrative Expenses paid for the period July 1, 2006 – December 31, 2007 fairly presents in all material respects the administrative expenses paid by the Estates for the period July 1, 2006– December 31, 2007.

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.


MICHAEL I. QUIST

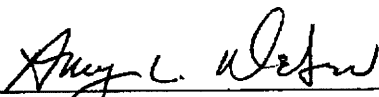
Sworn to and subscribed before me
this 14 th day of April, 2008.


NOTARY PUBLIC 5-10-09



CERTIFICATION

I, Amy L. Weber, Special Funds Counsel, of the 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 Joel S. Ario, Acting 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 July 1, 2006 to December 31, 2007 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
Special Funds Counsel

Dated: May 5, 2008

EXHIBIT

A

**Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
COMBINED EXPENSE ANALYSIS
Budget
(\$ In Thousands)**

	<u>2007</u>	<u>2008</u>
Staffing - Average		
Full Time	215	212
Part Time	1	1
Contractor Help	21	23
Total Staffing - Average	237	235

	Year to Date 2007 Budget	% of Total Operating	Year to Date 2008 Budget	% of Total Operating
G & A Expenses				
Salaries	\$ 24,500	43.2%	\$ 25,900	46.4%
<i>Salary and overtime compensation for all Legion employees and the cost of temporary help and contractor services utilized. Also includes the performance compensation program and compensation program for displaced Legion employees.</i>				
Benefits	4,300	7.6%	4,500	8.1%
<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	3,400	6.0%	3,400	6.1%
<i>Lease expenses for both Milwaukee and Philadelphia locations, 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	4,700	8.3%	4,400	7.9%
<i>Depreciation expense for EDP equipment, operating and applications systems software and depreciation of office furniture and fixtures and leasehold improvements. Also includes purchases and repairs for all other equipment used by Legion.</i>				
Legal Fees and Expenses	7,000	12.3%	6,200	11.1%
<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	8,700	15.3%	7,700	13.8%
<i>Fees for outsourced 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 and other fees and fees to outside firms for technology support and outsourcing.</i>				
Other	4,100	7.2%	3,700	6.6%
<i>Telephone, postage, express mail, printing and freight expenses. Also includes cost of letterhead, envelopes and other 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 estate and insurance expense for fidelity and surety bonds on employees, general liability insurance, Director and Officers and omissions coverage for directors and personal property coverage.</i>				
Total Expenses	56,700	100.0%	55,800	100.0%
Large Deductible Collection Revenue	(500)		(300)	
<i>Revenue from the estate received for the collection of large deductible recoveries on behalf of the guaranty associations.</i>				
Net Budget	\$ 56,200		\$ 55,500	

EXHIBIT
B

Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
COMBINED CASH BASIS ANALYSIS
July 1, 2006 to December 31, 2006
(\$ In Thousands)

Staffing - Average for the Period	228
Full Time	1
Part Time	24
Contractor Help	253
Total Staffing - Average	253

	For the Period	% of Total Operating
G & A Expenses	\$ 10,568	44.64%
Salaries		
<i>Salary and overtime compensation for all Legion employees and the cost of temporary help and contractor services utilized. Also includes the performance compensation program and compensation program for displaced Legion employees.</i>		
	1,749	7.38%
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>		
	1,651	6.97%
Occupancy		
<i>Lease expenses for both Milwaukee and Philadelphia locations, 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>		
	1,385	5.85%
Equipment		
<i>Depreciation expense for EDP equipment, operating and applications systems software and depreciation of office furniture and fixtures and leasehold improvements. Also includes purchases and repairs for all other equipment used by Legion.</i>		
	3,229	13.64%
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>		
	4,022	16.98%
Professional Services*		
<i>Fees for outsourced 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 and other fees and fees to outside firms for technology support and outsourcing.</i>		
	1,073	4.63%
Other		
<i>Telephone, postage, express mail, printing and freight expenses. Also includes cost of letterhead, envelopes and other 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 expense for fidelity and surety bonds on employees, general liability insurance, Directors and Officers and omissions coverage for directors and personal property coverage.</i>		
Total Expenses	23,678	100.00%
Capital Expenditures	579	
<i>Purchases of personal computer equipment, operation software and other data processing equipment</i>		
Investment Expenses	161	
<i>Banking, management and custodial fees</i>		
Total	\$ 24,418	

This exhibit reflects the cash activity of the operating expenses and does not include the change in asset and liability account balances on a cash basis.
* For the purpose of this exhibit collection expenses are recorded net of premium received. The total reduction of premium collected for these expenses totals \$314.

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
COMBINED CASH BASIS ANALYSIS
 January 1, 2007 to December 31, 2007
 (\$ in Thousands)

Staffing - Average for the Period	213
Full Time	1
Part Time	26
Contractor Help	239
Total Staffing - Average	239

	For the Period	% of Total Operating
G & A Expenses		
Salaries	\$ 22,795	49.6%
<i>Salary and overtime compensation for all Legion employees and the cost of temporary help and contractor services utilized. Also includes the performance compensation program and compensation program for displaced Legion employees.</i>		
Benefits	4,145	9.0%
<i>Expenses incurred for employee group health, life and disability programs, 401(k) contributions, employee training, workers' compensation insurance and FICA and Federal and state unemployment taxes.</i>		
Occupancy	2,866	6.2%
<i>Lease expenses for both Milwaukee and Philadelphia locations, 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	2,919	6.4%
<i>Depreciation expense for EDP equipment, operating and applications systems software and depreciation of office furniture and fixtures and leasehold improvements. Also includes purchases and repairs for all other equipment used by Legion.</i>		
Legal Fees and Expenses	3,758	8.2%
<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*	6,596	14.4%
<i>Fees for outsourced 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 and other fees and fees to outside firms for technology support and outsourcing.</i>		
Other	2,881	6.3%
<i>Telephone, postage, express mail, printing and freight expenses. Also includes cost of letterhead, envelopes and other 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 expense for fidelity and surety bonds on employees, general liability insurance, Directors and Officers and omissions coverage for directors and personal property coverage.</i>		
Total Expenses	45,959	100.0%
Capital Expenditures	624	
<i>Purchases of personal computer equipment, operation software and other data processing equipment</i>		
Investment Expenses	338	
<i>Banking, management and custodial fees</i>		
Total	\$ 46,923	

This exhibit reflects the cash activity of the operating expenses and does not include the change in asset and liability account balances on a cash basis.
 * For the purpose of this exhibit collection expenses are recorded net of premium received. The total reduction of premium collected for these expenses totals \$319.

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Expenses and Fees and Professional Services Paid
 July 2006 - December 2006

Classification	VENDOR NAME	Services Provided	July	August	September	October	November	December	July-Dec. Total	
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant		27,265			5,639		32,904	
	ARBITRATION & MEDIATION	Reinsurance Arbitrator			32,143		28,923		61,065	
	BRAVERMAN, DANIELS & KASKEY, LTD.	Reinsurance Litigation		1,080	246	554	452	413	2,744	
	BROWN, BROWN & KLASS	Reinsurance Collection Litigation	340	7,672	75	675		2,210	10,971	
	CALEB L. FOWLER, ESC., C.P.C.U.	Reinsurance Arbitrator	47,725						47,725	
	CLINKENBEARD, RAMSEY & SPECKMAN, LLP.	Premium Collection Litigation		4,114					4,114	
	COZEN & O'CONNOR	Premium Collection Litigation				19,685	13,848	94,139	127,670	
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation		21,455		9,387	18,869	9,725	59,446	
	DAVID THIRKILL	Reinsurance Arbitrator	2,713	788	1,225		2,713	3,063	10,501	
	DEUTSCH, KERRIGAN, & STILES, LLP.	General Collection Litigation	1,543	18,254	3,300	6,272	33	54,967	82,369	
	DEVITO CONSULTING, INC.	Expert Witness			13,106				13,106	
	DIANE NERGAARD	Reinsurance Arbitrator		21,062		21,253			42,315	
	ESQUIRE DEPOSITION SERVICE	Court Reporting Services	762	20,071	1,183	20,783			42,809	
	GLENN R. PARTRIDGE	Reinsurance Witness	11,244	8,096	500				20,840	
	JACKSON LEWIS, LLP	Employment Advice		5,678					5,678	
	JEFFREY D. MILLER, FSA	Expert Witness			1,200		900		2,100	
	KAREN RIDDER	Reinsurance Witness	1,265						1,265	
	LEGAL IMAGES	Copying Services		4,957	2,880				16,885	
	LEGALINK	Video Deposition Services	2,284	42	3,684				9,901	
	LIGHTFOOT, FRANKLIN & WHITE, LLC	Premium Collection Litigation	5,535	50,947		637	823		6,076	
	MARTIN D. HABER	Reinsurance Arbitrator		42,442		5,000	2,565		64,047	
	MAYER BROWN ROWE & MAW	London Reinsurance Counsel				39,206			9,334	
	MILLER ALFANO & RASPANTI PC	General Litigation and Liquidation Advice	27,554	19,107		27,782	7,975		24,188	
	MORGENSTEIN & JUBELIRER LLP	Premium Collection Litigation		4,113	556		2,710		14,072	
	NAVIGANT CONSULTING, INC.	Expert Witness		65,849	(13,106)				52,743	
	ON-SITE SOURCING, INC.	Scanning and Copying Services		275			1,503		20,713	
	PAUL W. FORBES	Reinsurance Witness	8,740						8,740	
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice	186,255	138,716		251,162	370,367		989,943	
	PETER CRICKMERE	Reinsurance Witness		13,000	8,502					21,502
	SCHWARTZ SEMERDJIAN HAILE BALLARD & CAULEY LLP	Premium Collection Litigation		1,054				2,415	1,611	5,079
	STITES & HARBISON	Premium Collection Litigation		868					476	1,343
	STRADLEY RONON	Premium Collection Litigation	889	37,973	49,037	28,907	40,090		146,868	303,784
	SYLVIA KAMINSKY	Reinsurance Arbitrator	18,532		10,044	10,044	2,223		40,843	40,843
THOMSON WEST	Legal Research Fees	2,520	2,520	2,520	5,336			2,765	15,681	
WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	Premium Collection Litigation, Asset Sale Advice, Labor Advice, Preference Litigation	18,104	157,482	47,576	98,584	21,259		198,843	541,847	
Aggregate Amount for Total Vendor Payments Under \$1,000	General Legal Support Costs	2,376	593	(2,010)	746	844		544	3,083	
Legal Fees and Expenses Total		350,359	674,461	162,470	547,131	523,248		971,776	3,228,447	

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Expenses and Fees and Professional Services Paid
 July 2006 - December 2006

Classification	VENDOR NAME	July	August	September	October	November	December	July-Dec. Total
Professional Services	ACCURINT		228		592	227		1,047
	ALAN GRAY INSURANCE SERVICES, INC.					33,220	2,930	36,149
	ALLIANCE CONSULTING		125,600	250,000		203,200	122,000	700,800
	AMPER POLITZNER & MATTIS, P.C.	6,813				14,193		21,005
	BONNIE KUMIEGA & ASSOC					25,425		25,425
	CLINKENBEARD, RAMSEY & SPECKMAN, LLP				1,120			1,120
	CS/IFSG-MYND CORP.	59,910	115,330	113,805		114,413	56,923	460,482
	GLASSBERG & POLLAK		212			954		1,166
	HAMMERMAN & HULTGREN, P.C.		5,400					5,400
	HELIX UK LIMITED		205,300	174,040	131,593	174,040	87,020	771,993
	HEWITT ASSOCIATES LLC	12,289				2,898	116	15,273
	JOHNSON LAMBERT & CO				8,384	38,518	9,475	56,377
	KARL HOWE & ASSOCIATES	2,515						2,515
	LITTLE MINER & PETERSON			2,350	3,950	3,950		10,250
	MARLBORO PARK CONSULTING, INC.			7,877	1,854	9,150		13,881
	MDY INC.	23,052		7,877	430	50,120	5,000	86,279
	OVERLAND SOLUTIONS, INC.		1,171	1,626		1,202		3,999
	PHILO SMITH						1,899	1,899
	R.F. O'ROURKE & ASSOCIATES, LTD.				3,207	4,995		8,202
	REINSURANCE SOLUTIONS INTL.		75,660	131,700			149,040	356,400
	RELIANCE INS CO (IN LIQUIDATION)							
	RIGHT MANAGEMENT CONSULTANTS	34,656			29,884			64,340
	SMART & ASSOCIATES, LLP	6,000						6,000
	SMART BUSINESS ADVISORY AND CONSULTING, LLC	180,288		341,226	188,043			719,558
	VERIS CONSULTING	26,756					83,884	276,781
	VIVISIMO, INC.			30,000			16,345	46,345
	WILLIAM MILLER					2,711		2,711
	PREMIUM RECEIVED NET OF COLLECTION FEES	59,687	53,654	25,820	49,578	56,903	68,584	314,227
	Aggregate Amount for Total Vendor Payments Under \$1,000	(665)	2,617	(1,274)	(2,382)	(1,785)	(4,122)	(7,611)
Professional Services Total		421,282	585,173	1,077,059	414,773	814,257	708,107	4,021,662
Total Legal Expenses and Fees and Professional Services Paid		771,642	1,259,633	1,239,538	961,804	1,337,506	1,680,885	7,251,109
Change in accrual and other non-cash transactions		102,892	(102,350)	615,556	(40,370)	114,965	522,978	1,213,671
Total Legal Expenses and Fees and Professional Services Incurred		874,534	1,157,283	1,855,095	921,534	1,452,471	2,203,863	8,464,780

* All expenses above are gross before any allocation between Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation).
 Credit amounts may represent adjustments to accruals, negative expenses and classification adjustments.

Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
 Legal Expenses and Fees and Professional Services Paid
 January 2007 - December 2007

Classification	VENDOR NAME	January	February	March	April	May	June
Legal Fees and Expenses	ANDREW WALSH	27,370			29,800	6,780	
	ARBITRATION & MEDIATION	564		1,987	8,874	80	207
	BROWN, BROWN & KLASS						9,063
	COZEN & O'CONNOR					208	
	DANIEL E. SCHMIDT, IV., ESQ.	7,205	8,161	2,588	1,803		1,400
	DASHIELL LAW OFFICES, LLC				11,200		10,588
	DAVID THIRKILL	6,110	1,803	1,380	4,001		
	DEUTSCH, KEARIGAN, & STILES, L.L.P.			30,556		11,517	
	DIANE NERGAARD					54,450	
	ESQUIRE DEPOSITION SERVICES						
	GRP LLC		9,525	(4,750)			
	JAMS, INC.						
	JEFFREY D. MILLER, FSA						
	JOHN ROWLAND QC					3,259	
	KATHLEEN WALSH CRAMER					677	700
	LEGALINK	580		580	295		
	LEXISNEXIS					4,700	
	MARTIN D. HABER	5,000					
	MARY ELLEN BURNS ESQUIRE	1,454					
	MAYER, BROWN, ROWE & MAW LLP	11,087		21,082	6,856	3,159	9,737
	MILLER ALFANO & RASPANTI PC	1,080					
	MORGENSTEIN & JUBELIRER LLP						
	NELSON LEVINE DE LUCA & HORST	8,117	24,725	10,639	1,892	13,330	46,041
	ON-SITE SOURCING, INC.		78,128	52,826	78,053	88,942	384
	PEPPER HAMILTON LLP					1,516	5,674
	SCHIFF HARDIN LLP		854	7,947			
	SCHWARTZ SEMERDJIAN HALLE BALLARD & CAULEY LLP	18,883	395	33,485	13,957	43,389	19,211
	STRADLEY RONON						
	THE HUSTEAD LAW FIRM						
	THE MCS GROUP INC						
	THOMAS A. GREENE	5,250		5,548	3,242	2,520	3,150
	THOMSON WEST						82,182
	TRENAM, KEMKER, SCHARF, BARKIN		11,648				
	TRIAL TECHNOLOGIES, INC.						
	U.S. LEGAL SUPPORT, INC.					1,814	
	W. MAX HOLLMANN					14,538	
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	86,557	11,468	69,312	11,449	10,821	26,327
		100	80	144	(4,830)		1,020
		178,400	144,728	233,364	167,808	280,886	215,703
		134,508	32,775	4,126	102,429	(13,963)	(127,775)
		313,908	177,503	237,480	270,235	246,933	87,928
	Aggregate Amount for Total Vendor Payments Under \$1,000						
Total Legal Fees and Expenses Paid							
Change in Legal Fees and Expenses accrual and other non-cash transactions							
Total Legal Fees and Expenses Incurred							

Classification	VENDOR NAME	January	February	March	April	May	June
Professional Services	ACCURINT-ACCT#1055460	287		212	224		441
	ALAN GRAY INSURANCE SERVICES, INC.		3,008			335,150	9,200
	ALLIANCE CONSULTING	163,750		127,305	11,477	41,136	30,454
	AMPER,POLITZNER & MATTIS, P.C.		1,562				
	APPLE & APPLE						
	ARRAY SOLUTIONS, INC.		11,282				10,000
	BONNIE KUMIEGA & ASSOC.			7,729			
	CIRBA & KIRWAN, PC AND SECURE						
	CLAIMS MANAGEMENT GROUP LTD.						
	CONTERS,DILL & PEARMAN	54,542	55,601	57,085	55,769	54,470	55,985
	CSC/FSG-MYND CORP.	5,050					
	GLASSBERG & POLLAK						
	GLENN R. PARTRIDGE	1,000	174,040	87,020		174,040	87,020
	HELIX UK LIMITED			3,604			
	HEWITT ASSOCIATES LLC					87,277	
	HUGGINS ACTUARIAL SERVICE, INC.						
	IDM INFRASTRUCTURE		3,031				
	JEFFERSON WELLS INTERNATIONAL INC.						
	JOHNSON LAMBERT & CO	1,700	300	97	60	1,051	53
	KARL HOWE & ASSOCIATES			76,155	41,970	17,540	
	KPMG LLP						
	LINDA HIGGINS		2,000	5,395	10,000	1,300	
	MARLBORO PARK CONSULTING, INC.	2,657		175,171		688	
	MDY INC.						
	MERCER HUMAN RESOURCE CONSULTING						
	MINTEZER SAROWITZ ZRIS & LEDVA			1,400			
	NEWMAN, MATHIS, BRADY					253	
	OVERLAND SOLUTIONS, INC.		6,000				
	PHILIP MASIN			473,305			
	PHLO SMITH	4,537					
	R.F. O'ROURKE & ASSOCIATES, LTD.	232,110		148,130	66,000	48,750	40,950
	REINSURANCE SOLUTIONS INTL.						
	RELIANCE INS CO (IN LIQUIDATION)	17,913		11,150	37,224	13,150	
	RESOURCE BRIDGE						
	RIGHT MANAGEMENT CONSULTANTS				10,000		
	SCOTT F. LEHMAN						
	SMART & ASSOCIATES		51,349				
	SMART BUSINESS ADVISORY & CONSULTING, LLC	252,112		213,629	6,048	252,565	110,193
	SUNGARD AVAILABILITY SERVICE					42,500	
	TROUT & ASSOCIATES, LTD.	993		64,752			
	VIVISIMO, INC.			10,132	4,127	38,985	(244)
	WATSON & JONES, P.A.			(0)	128,789	21,664	
	WILLIAMS & SHEED			3,136	(3,043)	(1,378)	(439)
	PREMIUM RECEIVED NET OF COLLECTION FEES	728,281	292,981	1,478,697	361,834	1,124,611	365,156
	Aggregate Amount for Total Vendor Payments Under \$1,000	(288,503)	(214,289)	(584,212)	(6,520)	(512,368)	1,207
Total Professional Services Paid		437,768	76,712	815,465	373,314	612,243	366,563
Change in Professional Services accrual and other non-cash transactions		751,886	255,215	1,152,975	843,549	859,176	454,291
Total Professional Services Incurred							
Total Legal Expense and Fees and Professional Services Incurred							

* All expenses above are gross before any allocation among Legion Insurance Company (In Liquidation), Villanova Insurance Company (In Liquidation) and PRMSLUC, Inc. Credit amounts may represent adjustments to accruals, negative expenses and classification adjustments.

Classification	VENDOR NAME	Services Provided	July	August	September	October	November	December	2007 Total
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant		6,766				13,640	20,406
	ARBITRATION & MEDIATION	Reinsurance Arbitrator	12,671						76,421
	BROWN BROWN & KLASS	Reinsurance Collection Litigation	512					23	3,708
	COZEN & O'CONNOR	Premium Collection Litigation		1,968					19,335
	DANIEL E. SCHMIDT, IV, ESQ.	Reinsurance Arbitrator	10,000						10,000
	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation	1,083					5,642	25,875
	DAVID THIRKILL	Reinsurance Arbitrator	1,400			13,650	11,900	43,921	83,471
	DEUTSCH, KERRIGAN, & STILES, L.L.P.	General Collection Litigation			5,096	8,047		78,153	115,168
	DIANE NERGAARD	Reinsurance Arbitrator	1,634					220	56,304
	ESQUIRE DEPOSITION SERVICES	Court Reporting Services				1,270	3,921		5,191
	GRP LLC	Reinsurance Witness							4,775
	JAMES, INC.	Mediation Services							1,575
	JEFFREY D. MILLER, FSA	Expert Witness							15,505
	JOHN ROWLAND QC	Reinsurance Arbitrator	14,946	1,559					2,868
	KATHLEEN WALSH CRAMER	Court-appointed Referee							3,543
	LEGALINK	Video Deposition Services	284						17,850
	LEXISNEXIS	Legal Research Fees	3,460						29,522
	MARTIN D. HABER	Reinsurance Arbitrator		580		304	338	304	1,484
	MARY ELLEN BURNS, ESQUIRE	London Reinsurance Counsel		1,806					13,962
	MAYER BROWN, ROWE & MAW LLP	General Litigation and Liquidation Advice		13,278	7,851	7,698			123,712
	MILLER ALFANO & RASPANTI PC	Premium Collection Litigation	633						1,080
	MORGENSTEIN & JURELIER LLP	Reinsurance Arbitrator		2,695					9,439
	NELSON LEVINE DE LUCA & HORST	Reinsurance Arbitrator							104,745
	ON-SITE SOURCING, INC.	Scanning and Copying Services							1,776,581
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice	5,954	165,648	738	478,435	324,805	501,668	7,643
	SCHIFF HARDIN LLP	Premium Collection Litigation	3,828			22,506			11,367
	SCHWARTZ SEMERDJIAN HAILE BALLARD & CAULEY LLP	Premium Collection Litigation	575	230		1,068		594	197,460
	STRADLEY RONON	Premium Collection Litigation	9,069	19,690	3,616	8,868	2,783	23,144	5,650
	THE HUSTEAD LAW FIRM	Premium Collection Litigation		5,850					18,058
	THE MCS GROUP, INC	Copying and Scanning Services		3,000			18,024		3,000
	THOMAS A. GREENE	Reinsurance Arbitrator		5,040					36,246
	TRENAM KEMKER SCHARF BARKIN	Legal Research Fees	15,167		2,520	3,797	2,520	112,459	308,305
	TRIAL TECHNOLOGIES, INC.	Legal Litigation			48,967		47,820		11,648
	U.S. LEGAL SUPPORT, INC.	Legal Research Fees							1,614
	W. MAX HOLLMANN	Court Reporter Fees	3,700					30,875	48,113
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	Expert Witness							524,781
		Premium Collection Litigation, Asset Sale Advice, Labor Advice, General Advice	27,785	32,304	10,122	40,880	100,037	97,708	(2,376)
		General Legal Support Costs		350	387	82	148		3,768,367
		Aggregate Amount for Total Vendor Payments Under \$1,000							137,364
		Total Legal Fees and Expenses Paid	112,702	253,408	79,511	604,737	548,619	955,483	3,895,730
		Change in Legal Fees and Expenses accrual and other non-cash transactions	332,613	48,744	330,155	(217,543)	(203,172)	(286,534)	
		Total Legal Fees and Expenses Incurred	445,315	303,152	409,666	387,195	346,446	668,959	

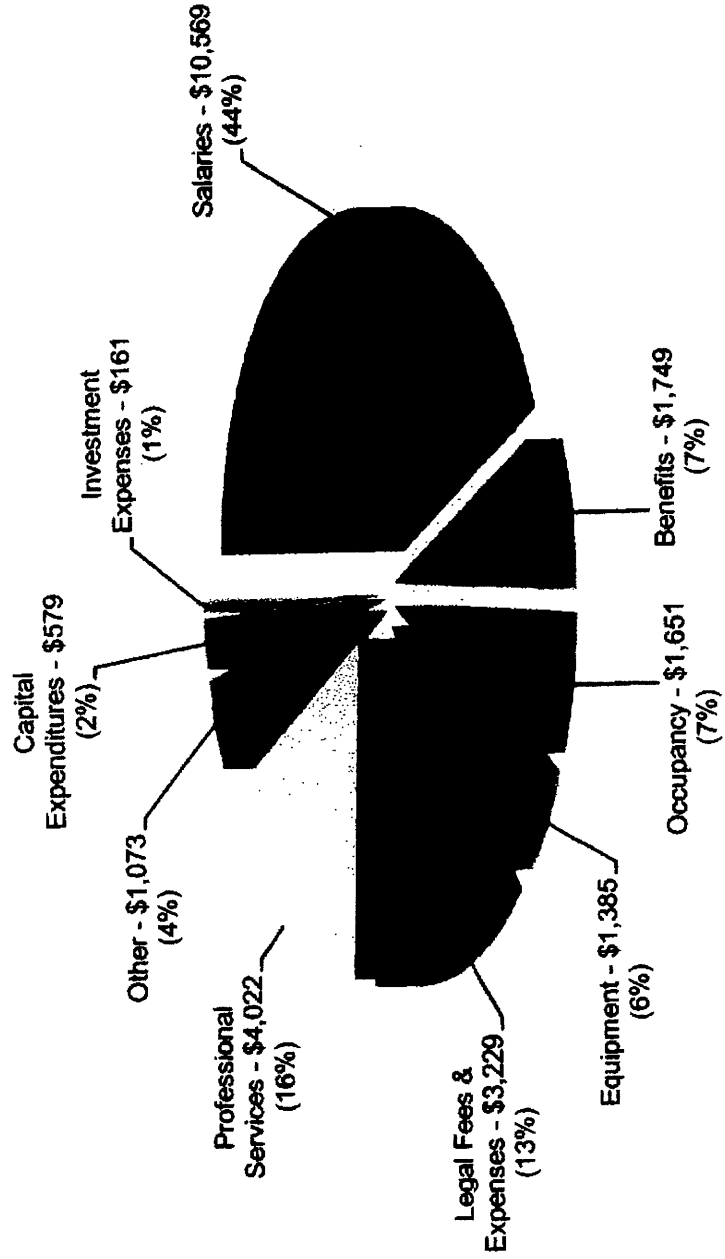
Legion Insurance Company (in Liquidation)
 Villanova Insurance Company (in Liquidation)
 Legal Expenses and Fees and Professional Services Paid
 January 2007 - December 2007

Classification	VENDOR NAME	Services Provided	July	August	September	October	November	December	2007 Total
Professional Services	ACCURINT-ACCT#1055460	Contract Reinsurance Services		254	119	103	143		1,782
	ALAN GRAY INSURANCE SERVICES, INC.	Contract Reinsurance Services		600					3,608
	ALLIANCE CONSULTING	Data Management Consultant	75,135	52,940	17,400	10,900	56,735	47,083	895,597
	AMBER-POLITZNER & MATTIS, P.C.	Audit Services	8,363						91,450
	APPLE & APPLE	IT Technical Support	28,000						1,562
	ARRAYA SOLUTIONS, INC.	IT Technical Support				280			28,000
	BONNIE KUMEGA & ASSOC.	Loss Settlement Agreement						2,120	13,662
	GIRBA & KIRWAN, PC AND SECURE	London Claims Accounting Services						880	17,634
	CLAIMS MANAGEMENT GROUP LTD.	Employment Support Services		16,754					880
	CONYERS DILL & PEARMAN	Data Processing and Outsourcing	53,910	56,787	54,344	59,041		106,358	657,782
	CSC/FSG-MYND CORP.	IT Technical Support			100	300			5,450
	GLASSBERG & POLLAK	Strategic Consultant		12,378					16,558
	GLENN R. PARTRIDGE	London Reinsurance Collection Intermediary	87,020	87,020	87,020		173,815	87,020	1,045,015
	HELIIX UK LIMITED	Human Resources & Technical Consulting						2,454	6,058
	HEWITT ASSOCIATES LLC	Actuarial Services				42,302			129,579
	HUGGINS ACTUARIAL SERVICE, INC.	IT Technical Support					2,980		2,980
	JDM INFRASTRUCTURE	Audit Services	13,380	10,200	12,621		7,600		44,001
	JEFFERSON WELLS INTERNATIONAL, INC.	Audit Services		24,270	31,930		14,674		73,905
	JOHNSON LAMBERT & CO	IT Technical Support							3,957
	KARL HOWE & ASSOCIATES	IT Technical Support	87			(16)			135,665
	KPMG LLP	IT Technical Support							2,640
	LINDA HIGGINS	IT Technical Support	550						2,485
	MARLBORO PARK CONSULTING, INC.	Telecommunications Consultant		1,658				293	178,526
	MIDY INC.	Software Vendor						8,511	21,129
	MERGER HUMAN RESOURCE CONSULTING	Human Resources Consulting				12,818			7,001
	MINZER SAROWITZ ZRIS & LEDVA	Litigation Support Services				7,001			1,650
	NEWMAN, MATSIS, BRADY	IT Technical Support				250			2,373
	NEWLAND SOLUTIONS, INC.	Litigation Support Services	270						2,895
	OVERLAND SOLUTIONS, INC.	Human Resources Consulting							6,000
	PHILIP MASIN	Human Resources Consulting							473,305
	PHILO SMITH	Broker For Sale of PRMS							4,537
	R.F. O'Rourke & Associates, Ltd.	Strategic Consultant	50,164	42,408	19,200		71,263		727,927
	REINSURANCE SOLUTIONS INTL	Reinsurance Technical Support							117,597
	RELIANCE INS CO (IN LIQUIDATION)	Shared Resource for Monitoring Reinsurers Solvency	20,989			41,471			24,814
	RESOURCE BRIDGE	eLearning Technology Development		514					30,274
	RIGHT MANAGEMENT CONSULTANTS	Human Resources Consulting							10,000
	SCOTT F. LEHMAN	IT Technical Support							51,348
	SMART & ASSOCIATES	Reinsurance Technical Support & Contract Reinsurance Services							1,292,624
	SMART BUSINESS ADVISORY & CONSULTING, LLC	Reinsurance Technical Support & Contract Reinsurance Services	109,475	96,862	89,665	74,689	87,386		42,500
	BUNGARD AVAILABILITY SERVICE	Colocation Services			1,200				1,200
	TROUT & ASSOCIATES, LTD.	Colocations Support Services							65,745
	VIVISIMO, INC.	Software Vendor				2,240			2,845
	WATSON & JONES, P.A.	Litigation Support Services	340						14,355
	WILLIAMS & SHEDD	IT Technical Support	19,746	22,788	28,003	11,017	21,684	28,789	319,472
	PREMIUM RECEIVED NET OF COLLECTION FEES	IT Technical Support	(285)	168	(120)	(1,424)	587	(2,477)	(6,426)
	Aggregate Amount for Total Vendor Payments Under \$1,000	General Professional Fees	467,274	401,718	334,081	300,403	438,356	284,008	6,996,410
	Total Professional Services Paid		(83,976)	31,288	76,387	10,360	210,760	494,768	(1,371,404)
	Change in Professional Services accrual and other non-cash transactions		383,296	433,016	304,494	378,790	448,736	1,164,727	5,225,005
	Total Professional Services Incurred		828,611	736,168	714,160	783,985	795,162	1,164,727	9,120,735
	Total Legal Expenses and Fees and Professional Services Incurred								

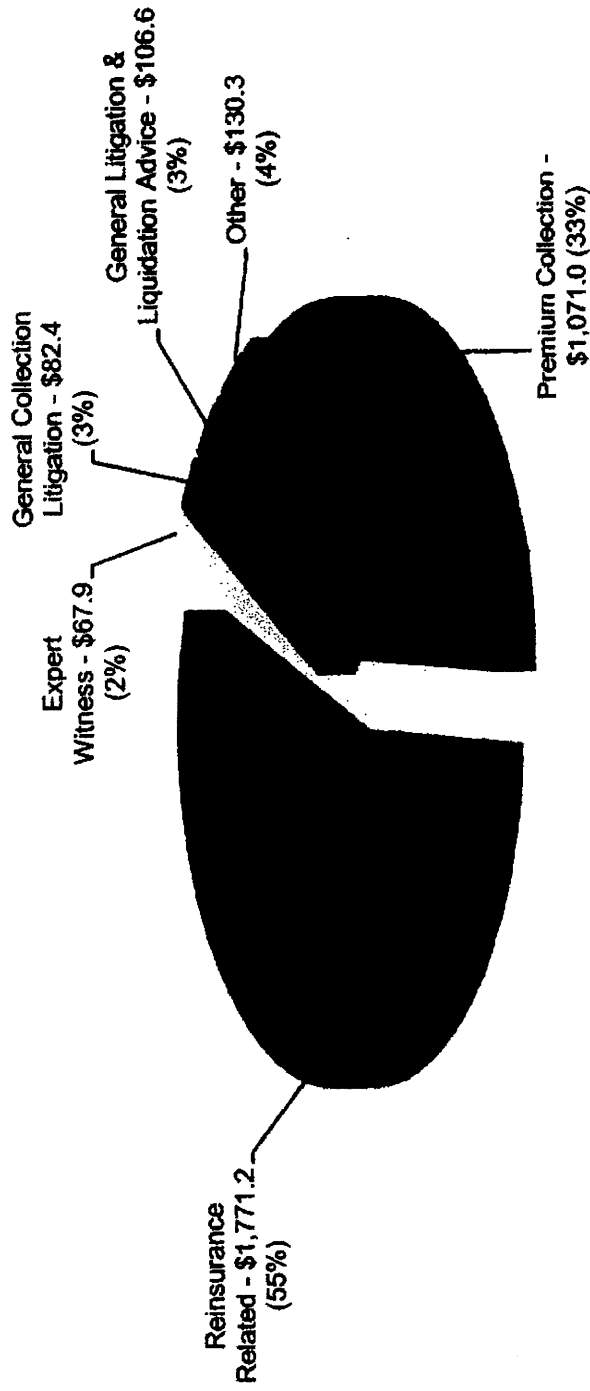
* All expenses above are gross before any allocation among Legion Insurance Company (in Liquidation), Villanova Insurance Company (in Liquidation) and PRMSLIC, Inc.
 Credit amounts may represent adjustments to accruals, negative expenses and classification adjustments.

EXHIBIT
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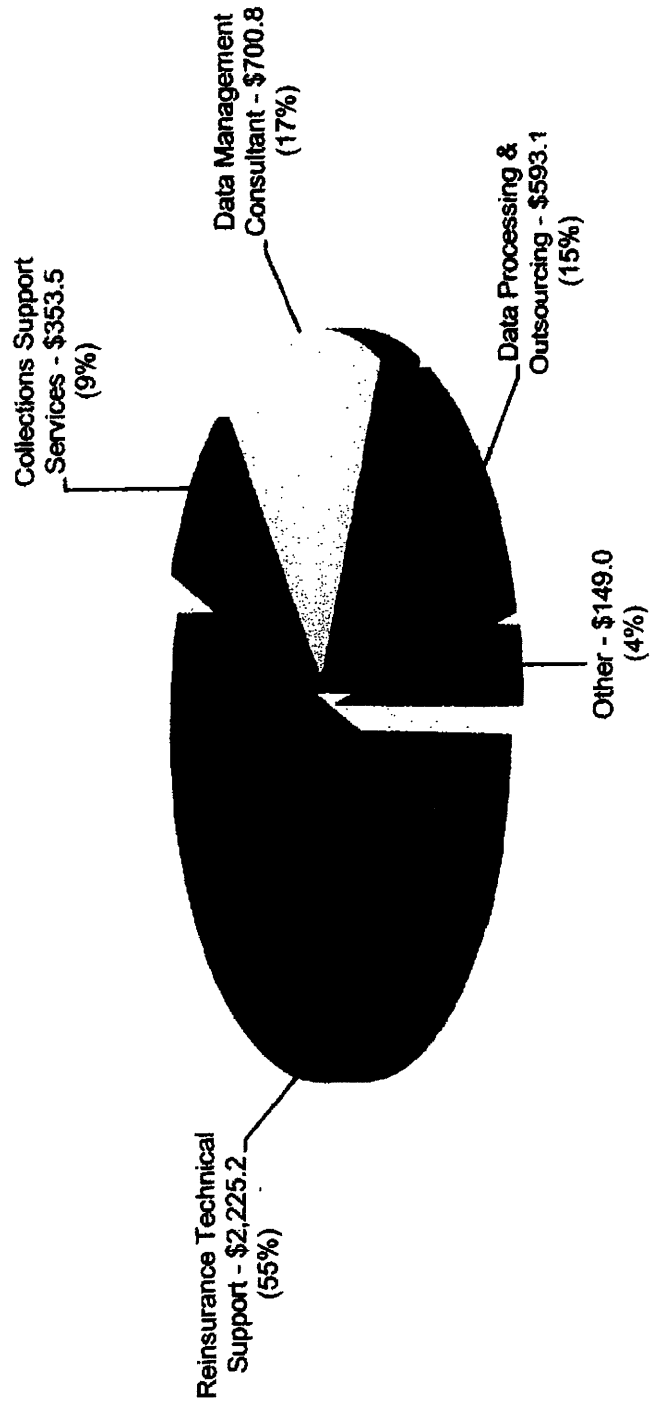
Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
Combined Cash Basis Analysis
 July 1, 2006 To December 31, 2006
 (In Thousands)



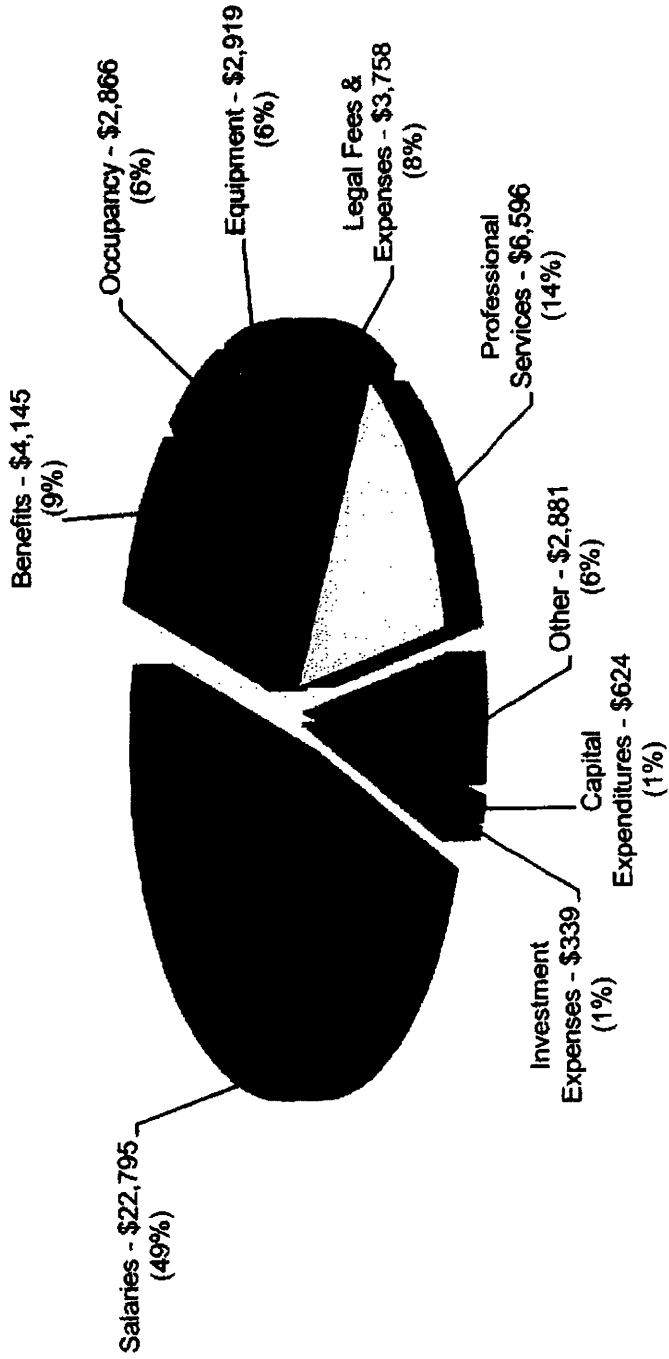
**Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Legal Fees & Expenses July 2006 to December 2006**



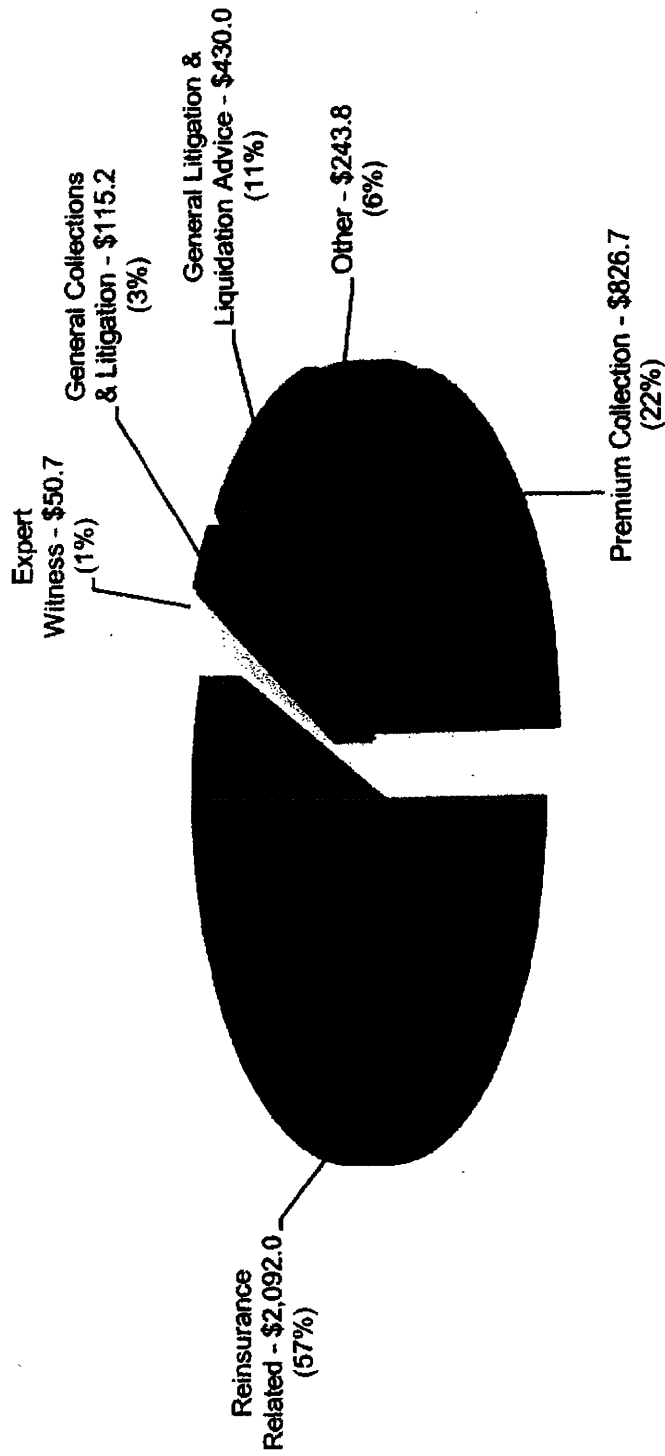
**Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Professional Services July 2006 to December 2006**



Legion Insurance Company (In Liquidation)
 Villanova Insurance Company (In Liquidation)
Combined Cash Basis Analysis
 January 1, 2007 To December 31, 2007
 (In Thousands)



Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Legal Fees & Expenses January 2007 to December 2007



Legion Insurance Company (In Liquidation)
Villanova Insurance Company (In Liquidation)
Professional Services January 2007 to December 2007

