



COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
Office of Chief Counsel

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November 19, 2007

Daniel Schuckers
Prothonotary
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

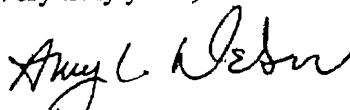
Dear Mr. Schuckers:

Enclosed for filing please find the original and two hard copies of the Supplemental Affidavit of Joseph DiMemmo in Support of the Liquidator's Second Proposal to Distribute Assets to State Insurance Guaranty Associations Pursuant to 40 P.S. §221.36.

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,


Amy L. Weber
Special Funds Counsel

ALW:mm
Enclosure

19 NOV 2007 14 04
COMMONWEALTH COURT
OF PENNSYLVANIA

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

19 NOV 2007 14 04
COMMONWEALTH COURT
OF PENNSYLVANIA

**SUPPLEMENTAL AFFIDAVIT OF JOSEPH DIMEMMO IN SUPPORT OF THE
LIQUIDATOR'S SECOND PROPOSAL TO DISTRIBUTE ASSETS TO STATE
INSURANCE GUARANTY ASSOCIATIONS PURSUANT TO 40 P.S. §221.36**

I, JOSEPH DIMEMMO, 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 and Villanova and for all of the estates in rehabilitation and liquidation in Pennsylvania.
2. This Supplemental Affidavit is filed to provide further support of the Liquidator's Second Proposal to Distribute Assets to State Insurance Guaranty Associations Pursuant to 40 P.S. §221.36 which was filed with this Court on June 12, 2007.
3. As of March 31, 2007, the Legion estate had approximately \$631.3 million in liquid assets, and Legion continues to receive cash from reinsurance and other recoveries.
4. The Liquidator proposes to set aside a prudent reserved amount of \$465.9 million to cover the items listed in the Department Act § 221.36(b)(1) including anticipated administrative expenses, secured creditors and claims having a higher priority than policyholders, which will be set aside to ensure the proper and equitable administration of the

estate and the protection of claimants.

5. In my opinion as Deputy Insurance Commissioner having general oversight responsibility on behalf of the Department for the direction and policy for Legion and Villanova, based on presently available information, the reserved amount of \$465.9 million is necessary and appropriate to cover anticipated administrative expenses, secured creditors and claims having a higher priority than policyholders and other items included in the Department Act § 221.36(b)(1).

6. Further, the amount of the reserve reflects my opinion, based on presently available information, as to the amount necessary to protect Legion's interests and obligations in light of current market conditions and external insurance industry factors that may affect Legion's ability to collect amounts owed.

7. 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.


JOSEPH DIMEMMO

Sworn to and subscribed before me
this 19 th day of November, 2007.


NOTARY PUBLIC

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Jean A. Cuaz, Notary Public
City Of Harrisburg, Dauphin County
My Commission Expires Feb. 26, 2009
Member, Pennsylvania Association of Notaries