





1. On July 25, 2003, this Court found Legion insolvent and appointed the Commissioner as Liquidator of Legion pursuant to Article V of the Insurance Department Act of 1921, 40 P.S. §§ 221.1 – 221.63 (hereinafter, the “Department Act”).

2. The Act confers broad powers on the Liquidator to marshal the assets of Legion’s estate for eventual distribution to its policyholders and creditors.

3. Prior to receivership, Legion and its affiliate, Villanova Insurance Company (“Villanova”) entered into contracts of reinsurance (the “Contracts”) with Lumbermens that obligated Lumbermens to accept from Legion and Villanova the cession of a certain percentage of Legion’s and Villanova’s liabilities pertaining to business written on Legion’s and Villanova’s behalf under a number of property and casualty insurance programs. A list of the Contracts is attached as Exhibit A to the Commutation which is attached as Exhibit 1 to this Petition.

4. In turn, Lumbermens reinsured 100% of the liabilities arising under the Contracts to Alea (Bermuda) Ltd.

5. Legion and Villanova have asserted a right to collect the balances due under the Contracts directly from Alea, and to that end, Legion commenced an action in the Commonwealth Court of Pennsylvania, Docket No. 306 M.D. 2010, and caused writs of summons to be served upon each of Lumbermens and Alea (the “Litigation”).

4. Legion, Lumbermens and Alea desire to terminate their business relationship and Legion and Lumbermens have agreed to commute all of their respective obligations under the Contracts.

5. Lumbermens’ obligations to Legion under the Contracts include obligations that may become payable in the future and that cannot be determined in an amount certain at this time.

6. On March 19, 2004, Lumbermens filed a commercial run-off plan with the Illinois Division of Insurance. On June 9, 2004, the Division of Insurance gave Lumbermens permission to proceed with the run-off plan as submitted. The Division of Insurance continues to closely monitor Lumbermens' progress in achieving the goals of the run-off plan. The Director of Insurance has approved the Commutation. A copy of the Director's approval is attached as Exhibit C to the Commutation, which is attached as Exhibit 1 to this Petition.

7. Legion believes that it is in its best interest to adjust and settle Lumbermens's obligations, including its future obligations, to Legion.

8. Accordingly, Legion has negotiated the Commutation with Lumbermens, which is attached as Exhibit 1 to this Petition.

9. Pursuant to the Commutation agreement, Lumbermens will pay \$12.92 million to Legion.

10. Pursuant to the Commutation Agreement, Legion and Lumbermens will release each other from liability arising out of, or in connection with the Contracts, and Legion will release Lumbermens and Alea from any claim of right of direct action against Alea, and will cause the Litigation to be dismissed with prejudice.

11. Legion entered into this Commutation in reliance on its independent investigation and analysis of the Contracts and Legion's rights and obligations under the Contracts.

12. The Liquidator believes that the Commutation is in the best interest of Legion's policyholders, claimants, creditors and the public generally.

13. Particularly, the Liquidator believes that Legion's receipt of approximately \$12.92 million dollars is reasonable and adequate consideration for the commutation of

Lumbermens' obligations to Legion under the Contracts. In the event the Court does not grant the approval sought in this Petition, the Commutation will become null and void.

14. The Liquidator believes that the agreed commutation payment of \$12.92 million in cash is reasonable given the financial condition of Lumbermens, the time value of money, the results of arbitrations that Legion initiated against other reinsurers, the costs and fees that would have been expended in arbitrating due and owing balances from the reinsurer and the benefit of certain payment now versus potential payments in the future. The Liquidator also hopes that this Commutation will lead to additional commutations with other reinsurers and, as a result, the more timely and orderly liquidation of Legion's estate for the ultimate benefit of the policyholders and creditors.

15. Gregg Frederick, Executive Vice President for Reinsurance at Legion, is responsible for all facets of ceded and assumed reinsurance at Legion including billing, claims, commutations, coverage analysis, and dispute management. He has specific knowledge regarding the risks to Legion of attempting to collect reinsurance through billing, negotiation or the dispute resolution process. As set forth in his Confidential Affidavit (attached as "Sealed Exhibit A" to the Petition for Leave to File Confidential Affidavit Under Seal), Mr. Frederick has identified several specific advantages to the Estate arising from the consummation of the transaction memorialized in the Commutation.

16. Thus, based on the terms of the Commutation and the evaluation of the transaction as a whole by the Liquidator, his staff, and Legion staff members familiar with the company's dealings with Lumbermens, the Liquidator has determined that the Commutation is a fair and reasonable commutation of Legion's and Lumbermens' obligations to each other under the Contracts. The Insurance Department Act authorizes the Liquidator to take such actions as she deems "necessary or expedient to . . . conserve or

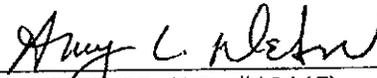
protect [the insolvent insurer's] assets or property [,]" including the power to "compromise" claims involving assets of the insolvent insurer in order to accomplish or aid in achieving the purposes of liquidation. See 40 P.S. § 221.23(6), (9), and (23).

17. The Liquidator further believes that the Commutation will help him in achieving the objectives of liquidation under the Act, 40 P.S. §§ 221.1 – 221.63. The Commutation Agreement will assist the Liquidator in marshalling and maximizing Legion's immediately available assets and minimize any unavoidable loss to policyholders, claimants and creditors resulting from Legion's insolvency. See 40 P.S. § 221.1(c).

18. Lumbermens and Alea agree to the Commutation as evidenced by their execution of the Commutation and concur in requesting the Court's approval of this petition.

19. For all of these reasons, the Liquidator requests that the Court approve the Commutation Agreement.

Respectfully submitted,



AMY L. WEBER (I.D. #45447)  
Governor's Office of General Counsel  
Office of Liquidations, Rehabilitations  
and Special Funds  
Capitol Associates Building  
901 North 7th Street  
Harrisburg, PA 17102  
(717) 787-6009

Counsel for Robert L. Pratter, Acting Insurance  
Commissioner of the Commonwealth of  
Pennsylvania, in his official capacity as Statutory  
Liquidator of Legion Insurance Company

DATED: 9/7/10

**EXHIBIT 1**

**COMMUTATION, SETTLEMENT AND RELEASE AGREEMENT**

THIS COMMUTATION, SETTLEMENT AND RELEASE AGREEMENT (the "Agreement"), made effective and entered into this 2nd day of September, 2010, by and between Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania acting solely in his official capacity as the Statutory Liquidator of Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) (hereinafter collectively known as the "Cedents"), Lumbermens Mutual Casualty Company (hereinafter known as the "Reinsurer"), and Alea (Bermuda) Ltd. (hereinafter known as the "Retrocessionaire"). The Cedents, Reinsurer and Retrocessionaire are hereinafter referred to as "Parties", and individually as a "Party"

**RECITALS**

A. WHEREAS, the Reinsurer and the Cedents entered into certain contracts of reinsurance as set forth and described in the attached Exhibit A, which listing is intended to include each and every contract of reinsurance, whether or not listed in Exhibit A, known or unknown, pursuant to which the Reinsurer reinsured the Cedents, and subsequently retroceded such reinsurance to the Retrocessionaire pursuant to the Master Agreements (defined below) (hereinafter "the Contracts"), and;

B. WHEREAS, the Reinsurer ceded 100% of its liabilities under the Contracts to the Retrocessionaire; and

C. WHEREAS, the Cedents have asserted a right of direct action (a "Cut-Through") against the Retrocessionaire; and

D. WHEREAS, to that end the Cedents have filed writs of summons against the Reinsurer and the Retrocessionaire in the Commonwealth Court of Pennsylvania (the "Court"), Docket No. 306 MD 2010, in connection with its claims under the Contracts; and

E. WHEREAS, the Reinsurer and the Cedents desire to fully and finally settle, release, and commute all rights, obligations, and liabilities, both known and unknown, of the Reinsurer and the Cedents under the Contracts pursuant to the terms of this Agreement, and;

F. WHEREAS, the Reinsurer, the Cedents and the Retrocessionaire agree that it is in each of their best interests and in the best interests of their respective policyholders and creditors to adjust and settle their differences and to enter into this Agreement; and

G. WHEREAS, the Parties agree that this Agreement is subject to the simultaneous execution and related consummation of a commutation agreement between the Reinsurer and the Retrocessionaire related to the Master Agreements and Commuted Contracts as such terms are defined in the agreement (the "Alea Agreement").

NOW THEREFORE, in consideration of the mutual benefits to be received by the Parties hereto and the mutual covenants and agreements herein contained, the Parties hereto hereby agree as follows:

#### **Commutation of Reinsurance Agreements**

1. Subject to the approval of this Agreement by the Court in accordance with Paragraph 25, below, and receipt by the Cedents of the Consideration set out in Paragraph 6, and in further consideration of the release contained in Paragraph 2 hereinbelow, the Cedents hereby agree to withdraw without prejudice the Writs of Summons filed in the Court, Docket No. 306 MD 2010, and subject to Paragraph 4 below, irrevocably release the Reinsurer, and its predecessors, successors, assigns, shareholders, employees, officers, and directors, from One Hundred Percent (100%) of all liabilities, adjustments, obligations, offsets, actions, causes of action, proofs of claim, suits, debts, sums of money, accounts, reckonings, bonds, bills, covenants, contracts, conversions, agreements, promises, damages, judgments, claims, and demands whatsoever, whether known, unknown or suspected, arising out of, or in connection with or in any manner related to the Contracts.

2. In consideration of the release set out in Paragraph 1 hereinabove, subject to Paragraph 4 below, the Reinsurer hereby irrevocably releases the Cedents, and their respective predecessors, successors, assigns, shareholders, agents, employees, officers, directors, receivers, liquidators, and administrators, from One Hundred Percent (100%) of all liabilities, adjustments, obligations, offsets, actions, causes of action, proofs of claim, suits, debts, sums of money, accounts, reckonings, bonds, bills, covenants, contracts, conversions, agreements, promises, damages, judgments, claims, and demands whatsoever, whether known, unknown or suspected, arising out of, or in connection with or in any manner related to the Contracts.

3. Subject to: (a) the approval of this Agreement by the Court in accordance with Paragraph 25, below, (b) receipt by the Cedents of the Consideration set out in Paragraph 6, (c) the simultaneous execution and consummation of the Alea Agreement, and for other good and valuable consideration, receipt of which is hereby acknowledged, the Cedents hereby agree to withdraw without prejudice the Writs of Summons filed in the Court, Docket No. 306 MD 2010, and, subject to Paragraph 4 below, do hereby irrevocably release the Retrocessionaire, and its predecessors, successors, assigns, affiliates, shareholders, employees, officers, and directors, from One Hundred Percent (100%) of all liabilities, adjustments, obligations, offsets, actions, causes of action, proofs of claim, suits, debts, sums of money, accounts, reckonings, bonds, bills, covenants, contracts, conversions, agreements, promises, damages, judgments, claims, and demands whatsoever, whether known, unknown or suspected, arising out of, or in connection with or in any manner related to the Contracts, whether directly or indirectly, including but not limited to any claim for a direct right of action or "cut-through" against the Retrocessionaire with respect to the Contracts or any other agreement or contract.

4. Notwithstanding anything provided for herein, should the Reinsurer be placed in any insolvency proceeding on a voluntary or involuntary basis, and this Agreement is finally determined to be a voidable preference under applicable insolvency laws, and as a direct result thereof, the Cedents are required by the Court to return the Consideration (the "Court Order") and such funds are in fact returned pursuant to the Court Order, then this Agreement shall

automatically be deemed by the Parties to be null and void and of no force and effect and the Cedents shall be entitled to enforce all of their rights at law or in equity under the Contracts against the Reinsurer and pursue any claim it may have for a Cut Through with respect to the Contracts against the Retrocessionaire. The Parties acknowledge and agree that under no circumstance, however, shall the Retrocessionaire be subject to duplicate liability, or make or be required to make any payment to the Parties on account of, or related to, the Commuted Contracts in excess of the combined amounts payable to the Cedents and Reinsurer under this Agreement and the Alea Agreement, whether on account of any judgment obtained by the Cedents pursuant to any Cut-Through claim or otherwise, and neither the Cedents nor Reinsurer shall seek to enforce any judgment against the Retrocessionaire that would result in duplicate liability for the Retrocessionaire.

#### Warranties

5. To the best information and belief of each of the Parties to this Agreement, the following express warranties apply:

a. Except as disclosed in Paragraphs 24 and 25 and expressly subject thereto, there are no pending agreements, transactions, negotiations, regulatory actions or lawsuits in which any of the Parties are involved nor are there any threatened regulatory actions or lawsuits of which any of the Parties are aware that would render this Agreement or any part thereof void, avoidable, or unenforceable; and

b. No Party hereto has transferred, assigned, or contracted to transfer or assign to any person, corporation, company or entity any of its rights, title, benefit or obligations directly arising out of or in connection with the Contracts, including without limitation any balances, accounts, costs, claims, counterclaims or demands which are within the contemplation of this Agreement. The Reinsurer has not undertaken any action that would impede, prohibit or limit its ability to make payment under this Agreement.

c. The Reinsurer represents and warrants that it is solvent and able to pay all of its debts as they become due in the ordinary course of business and the transactions contemplated herein will not cause the Reinsurer to become insolvent.

#### **Consideration**

6. The Reinsurer agrees to pay the Cedents the total sum of US\$16,000,000.00 ("the Consideration"). The Consideration shall be allocated as follows: \$12.92 million to Legion Insurance Company (In Liquidation) and \$3.08 million to Villanova Insurance Company (In Liquidation). Said payment shall be made no later than five (5) business days following the date that notice is provided by the Cedents to the Reinsurer and Retrocessionaire of Court approval of this Agreement as executed by the Parties (the "Completion Date"). Said payment will be made at the instruction of the Reinsurer, as beneficiary of the trust agreement dated October 29, 2001, as amended, (the "Trust Agreement") securing certain reinsurance obligations of the Retrocessionaire to the Reinsurer that are commuted pursuant to the Alea Agreement, to Brown Brothers Harriman Trust Company LLC, as trustee, to withdraw US\$16,000,000 in cash from the trust account and deposit same using same day funds directly into the Cedents' Accounts as instructed by the Cedents in writing. The Retrocessionaire, as grantor under the Trust Agreement, shall provide the trustee with written confirmation of the instructions provided by the Reinsurer pursuant hereto.

#### **Successors and Assigns**

7. This Agreement shall inure to the benefit of and bind the Parties and their successors and assigns.

#### **Independent Investigation**

8. Each of the Parties acknowledges that it has entered into this Agreement in reliance upon its own independent investigation and analysis of the Contracts and its respective rights and obligations thereunder, and not on the basis of any representation by any other Party

hereto. Each of the Parties further acknowledges that it has read this Agreement, that it has had the opportunity to discuss it with legal counsel, and that it fully understands all of the terms herein.

#### **No Third Party Beneficiary**

9. Except for those parties expressly released pursuant to Paragraphs 1-3 above, this Agreement is intended to confer rights and benefits only upon, and shall inure only to the benefit of, the Parties hereto and their respective successors and assigns. It shall not be deemed to confer any rights on any other third party.

#### **Integration and Waiver**

10. This Agreement and the Alea Agreement shall constitute the entire agreement between the Parties pertaining to the subject matter hereof, and supersede any and all prior or contemporaneous understandings or agreements. No supplement, modification, waiver or termination hereof shall be binding or enforceable unless executed in writing by the Parties to be bound thereby. No delay, omission or forbearance on the part of any Party to this Agreement in exercising or enforcing any right, power or remedy under this Agreement shall impair such right, power or remedy or operate as a waiver thereof. The single or partial exercise or enforcement of such right, power or remedy shall not preclude any other or further exercise or enforcement thereof or of any other right, power or remedy. The rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by law.

#### **Cedents Remedies**

11. In the event the Consideration is not transferred as provided in Paragraph 6, the Cedents shall have all rights and remedies available at law or in equity. In addition, the Cedents shall have the express right to:

a. deem the entire Agreement null and void by notice in writing to the Reinsurer and the Retrocessionaire per Paragraph 20 herein and to seek recovery of all sums due or to become due under the Contracts; or

b. bring suit to enforce, or otherwise, the Agreement including interest on the agreed-upon but unpaid amount as set out in Paragraph 12 hereinbelow.

12. Without prejudice to the Cedents' rights to rescind this Agreement pursuant to Paragraph 11a. above, if the Consideration recited herein is not transferred as provided in Paragraph 6, the Reinsurer shall pay interest on any unpaid sums at a rate which is equal to one percentage point (1.00%) over the Prime Rate (the base rate on corporate loans at large U.S. money center commercial banks) as published in *The Wall Street Journal*, but in no event shall said interest be calculated at less than six percent (6%) per annum.

#### **Expenses of Collection**

13. Subject to the provisions of Paragraph 12 herein, if the Consideration is not transferred as provided in Paragraph 6, Reinsurer agrees to reimburse the Cedents for all reasonable expenses including, without limitation, attorney fees which are incurred by the Cedents in the enforcement of this Agreement and collection of the consideration together with any interest accrued upon such reasonable expenses from the date of payment of such expenses at the rate set out in Paragraph 12 above.

#### **Choice of Laws/Exclusive Jurisdiction**

14. The performance and interpretation of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, exclusive of the rules with respect to conflict of laws, with respect to any dispute arising under this Agreement between the Parties.

15. If any dispute should arise between the Parties regarding the interpretation and enforcement of this Agreement, including but not limited to the payment obligations under

Paragraph 6, above, such dispute or disputes shall be referred to the exclusive jurisdiction of the Commonwealth Court of Pennsylvania, pursuant to the Pennsylvania liquidation statute, 40 P.S. §221.4.

### **Confidentiality**

16. The Parties expressly agree that the terms and conditions of this Agreement shall be confidential between the Parties and shall not be disclosed by one Party without the prior written consent of the other Parties except (i) to auditors, (ii) to attorneys and other consultants, (iii) to retrocessionaires of the Retrocessionaire (iv) to state regulators, (v) as required to satisfy the Cedents' legal obligations to the Court and the legislative and executive branches of the Commonwealth of Pennsylvania, (vi) where required by law, or by regulatory or administrative authorities, (vii) where required by the order of a court, administrative tribunal, arbitration panel, or regulatory agency or (viii) where necessary to enforce the terms of this Agreement. If any Party is served with a subpoena, discovery request or order seeking disclosure of this Agreement or its terms and conditions, that Party shall give written notice to the other Parties as soon as possible after the subpoena, discovery request or order is received, so as to afford the other Parties the opportunity (at their own expense) to intervene and oppose such subpoena, discovery request or order.

### **Cooperation and Disclosure to Retrocessionaires**

17. The Cedents hereby agree to use their best efforts to provide the the Reinsurer and the Retrocessionaire, with any and all documentation (in both paper and/or computer/electronic formats) at the expense of the Reinsurer or Retrocessionaire (i) relating to the Contracts (including claims, underwriting and accounting files), and (ii) in the Cedents' possession or control (including in the possession or control of its agents or counsel), requested

by the Reinsurer or Retrocessionaire from time to time, to the extent that either the Reinsurer or the Retrocessionaire, acting reasonably and in good faith, in their sole discretion, deems necessary or advisable in connection with any retrocessional billing or collection activities.

18. The Cedents hereby agree to use their best efforts to allow access to the Reinsurer or the Retrocessionaire, upon reasonable notice, to inspect and make copies (at the sole expense of the Reinsurer or Retrocessionaire) of any such documentation requested by them from time to time that the Reinsurer or Retrocessionaire, acting reasonably and in good faith, and in their sole discretion, deems necessary or advisable in connection with any billing or collection activities to their retrocessionaires, if any.

19. In addition, the Cedents will cooperate with and provide commercially reasonable assistance to the Reinsurer or the Retrocessionaire, in all respects in the efforts of the Reinsurer or the Retrocessionaire to recover from its retrocessionaires, if any, in connection with this Agreement. Such reasonable assistance and cooperation shall include, but not be limited to, providing appropriate personnel to assist the Reinsurer or Retrocessionaire by explaining, or by providing testimony at deposition, trial or arbitration, about the business that is subject to this Agreement. In the event that the Cedents provide such personnel, the Reinsurer or Retrocessionaire shall reasonably compensate the Cedent for the time expended by its personnel in assisting such Party.

#### Notices

20. All notices required under this Agreement shall be as follows:

a. Any notice or other communication under or in connection with this Agreement shall be in writing and shall be delivered personally or sent by first class post/mail (or by air mail if overseas) or by overnight courier service, to the addresses of the Parties as set out

in Exhibit B attached hereto or to such other person or address as any Party may specify by notice in writing to the others.

b. In the absence of evidence of earlier receipt, any notice or other communication shall be deemed to have been duly served if (i) sent by first class post on the second business day after posting; (ii) sent by overnight courier on the next business day after mailing, and; (iii) if delivered personally, when left during normal business hours at the address set out in Exhibit B or any alternative address specified by the receiving Party.

#### **Interpretation**

21. The language of this Agreement is the result of negotiation between all Parties hereto, and any ambiguities in said language shall not be construed against or in favor of any Party or Parties hereto.

#### **Execution and Approval**

22. Except as disclosed in Paragraphs 24 and 25, each Party to this Agreement represents that it is authorized to enter into this Agreement and the transactions contemplated herein.

23. Except as disclosed in Paragraphs 24 and 25, each signatory to this Agreement represents that said signatory is authorized and empowered to execute this Agreement and the transactions contemplated herein and that any and all required corporate approvals on behalf of the Reinsurer and Retrocessionaire have been properly executed and that the Agreement is entered into voluntarily.

24. The Reinsurer represents and warrants that it is under the supervision of the Illinois Department of Insurance. The Reinsurer further represents that the letter attached hereto as Exhibit C expresses the approval of the Director of the Illinois Department of Insurance of this Agreement pursuant to 215 ILCS 5/204.

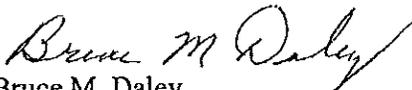
25. This Agreement is subject to approval by the Court, which has jurisdiction over the liquidation of the Cedents. Upon execution by all Parties hereto, the Cedents shall promptly make application to the Court to secure said approval. In the event the Court does not approve this Agreement, then upon such notice of disapproval, the Cedents shall notify the Reinsurer and Retrocessionaire and this Agreement will become null and void and have no further force or effect as between the Parties.

26. This Agreement may be signed and exchanged in counterpart by facsimile and this Agreement as so signed and exchanged will constitute the binding Agreement of the Parties.

*[Remainder of page left blank]*

IN WITNESS WHEREOF, the Parties have hereunto set their hands as of the dates set forth.

**JOEL S. ARIO, INSURANCE COMMISSIONER OF THE  
COMMONWEALTH OF PENNSYLVANIA, ACTING SOLELY IN HIS  
OFFICIAL CAPACITY AS THE STATUTORY LIQUIDATOR OF  
LEGION INSURANCE COMPANY (In Liquidation) AND VILLANOVA  
INSURANCE COMPANY (In Liquidation)**

By:   
Bruce M. Daley

Title: Chief, Takeover Management Division

Date: 9/2/10

**LUMBERMENS MUTUAL CASUALTY COMPANY**

By:

Title:

Date:

**ALEA (BERMUDA) LTD.**

By:

Title:

Date:

IN WITNESS WHEREOF, the Parties have hereunto set their hands as of the dates set forth.

JOEL S. ARIO, INSURANCE COMMISSIONER OF THE  
COMMONWEALTH OF PENNSYLVANIA, ACTING SOLELY IN HIS  
OFFICIAL CAPACITY AS THE STATUTORY LIQUIDATOR OF  
LEGION INSURANCE COMPANY (In Liquidation) AND VILLANOVA  
INSURANCE COMPANY (In Liquidation)

By:

Bruce M. Daley

Title: Chief, Takeover Management Division

Date:

LUMBERMENS MUTUAL CASUALTY COMPANY

By:

*Seuchen Ju*

Title:

*Associate General Counsel*

Date:

*09/02/2010*

ALEA (BERMUDA) LTD.

By:

Title:

Date:

**EXHIBIT A**

**Reinsurance Contracts**

**[See Attached List]**





## **EXHIBIT B**

### **Notices**

#### **NOTICE TO CEDENTS**

To the Liquidator:

Insurance Commissioner of the Commonwealth  
Of Pennsylvania as Statutory Liquidator of  
Legion Insurance Company (In Liquidation) and  
Villanova Insurance Company (In Liquidation)  
Pennsylvania Insurance Department  
Attn: Amy L. Weber, Department Counsel for Insurance  
Office of General Counsel  
901 N. 7<sup>th</sup> Street  
Harrisburg, PA 17102

With copies to:

Andrew S. Walsh, General Counsel  
Legion Insurance Company (In Liquidation)  
One Logan Square Suite 1400  
Philadelphia, PA 19103

Gregg C. Frederick  
Executive Vice President, Reinsurance  
Legion Insurance Company (In Liquidation)  
One Logan Square Suite 1400  
Philadelphia, PA 19103

#### **NOTICE TO REINSURER**

**LUMBERMENS MUTUAL CASUALTY COMPANY**

1 Corporate Drive, Suite 200  
Lake Zurich, IL 60047  
Facsimile: (847) 320-4202  
Attention: General Counsel

#### **NOTICE TO RETROCESSIONAIRE**

**ALEA (BERMUDA) LTD.**

Mintflower Place, 3rd Floor  
8 Par-la-Ville Road  
Hamilton, Bermuda HM 08  
Attn: Margo Burchall  
Facsimile: (441) 296-9152

**EXHIBIT C**

**Letter from IL Director of Insurance**

**[See Attached]**



# Illinois Department of Insurance

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PAT QUINN  
Governor.

MICHAEL T. McRAITH  
Director

August 30, 2010

John K. Conway  
General Counsel and Corporate Secretary  
Lumbermens Mutual Group  
One Corporate Drive  
Lake Zurich, Illinois 60047

Re: (i) Commutation Agreement, among Alea (Bermuda) Ltd., Alea North America Company and Lumbermens Mutual Casualty Company and

(ii) Commutation Settlement and Release Agreement, between Lumbermens Mutual Casualty Company and Joel S. Arlo, Insurance Commissioner of the Commonwealth of Pennsylvania acting solely in his capacity as statutory liquidator of Legion Insurance Company (in liquidation) and Villanova Insurance Company (in liquidation).

Dear Mr. Conway:

The Illinois Department of Insurance has reviewed the request for approval of the aforementioned transactions and agreements. Pursuant to Sixth Amended Agreed Corrective Order 03-2003 and Section 5/204(m)(C) of the Illinois Insurance Code (215 ILCS 5/204), the agreements are hereby approved.

If you have any questions, please feel free to contact Thomas Ratsch of the Property and Casualty Financial Analysis Unit at (217) 524-5441.

Sincerely,

Michael T. McRaith  
Director of Insurance

MTM:tr