



COMMONWEALTH OF PENNSYLVANIA  
INSURANCE DEPARTMENT  
Office of Chief Counsel  
Capitol Associates Building  
901 North 7<sup>th</sup> Street  
Harrisburg, PA 17102

Governor's Office  
of General Counsel

Phone (717) 787-6009  
Fax (717) 772-4543

May 14, 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. Villanova Insurance Company,  
No. 182 M.D. 2002

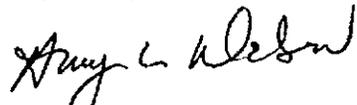
Dear Mr. Krimmel:

Enclosed for filing please find the original and two hard copies of the First Quarter 2008 Financial Report of the Liquidator Pursuant to Order Dated July 1, 2004.

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

RECEIVED  
COMMONWEALTH COURT  
OF PENNSYLVANIA  
14 MAY 2008 11 32

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

Plaintiff,

v.

Villanova Insurance Company,  
Defendant.

No. 182 M.D. 2002

RECEIVED  
COMMONWEALTH COURT  
OF PENNSYLVANIA  
14 MAY 2008 11 32

**FIRST QUARTER 2008 FINANCIAL REPORT OF THE  
LIQUIDATOR PURSUANT TO ORDER DATED JULY 1, 2004**

Joel Scott Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator (the "Liquidator") of Villanova Insurance Company ("Villanova"), through his undersigned counsel, hereby submits this First Quarter 2008 Financial Report ("Report") pursuant to this Court's Order of July 1, 2004.

**REPORT**

**A. Special Purpose Statements of Assets and Liabilities**

Attached hereto as Exhibits "A" and "B" are Special Purpose Statements of Assets and Liabilities for Legion Insurance Company ("Legion") and Villanova, respectively, as of March 31, 2008. As reflected in the Note accompanying these Statements, they have been prepared on a unique financial reporting basis, subject to the several assumptions and qualifications stated therein. The Statements reflect that, as of March 31, 2008, the Assets, Liabilities and Net Surplus (Deficit) of Legion and Villanova are as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net Surplus (Deficit)</u>
LEGION	\$2,641,400,000	\$3,297,600,000	(\$656,200,000)
VILLANOVA	\$256,400,000	\$500,100,000	(\$243,700,000)

**B. Statements Reflecting Statutory Capital and Surplus Accounts**

Attached hereto as Exhibits "C" and "D" are Statements reflecting the Statutory Capital and Surplus Accounts for Legion and Villanova, respectively, for the period December 31, 2001 through March 31, 2008. As reflected in these Statements, as of March 31, 2008, Legion has a Net Deficit of \$656,200,000 and Villanova has a Net Deficit of \$243,700,000. All cash receipts and disbursements including investment transactions are reflected in the monthly cash flow summaries (see Item C, Monthly Cash Flow Summaries, below). Also, the Liquidator has provided an expense analysis comparing, by category of expense, budget with actual accrued expenses (see Item D below).

**C. Monthly Cash Flow Summaries**

Attached hereto as Exhibits "E" and "F" are cash flow summaries on a monthly basis for Legion and Villanova including investment transactions, respectively, for the period January 1, 2008 through March 31, 2008. The summaries also reflect an adjustment for marking the investments to market and other adjustments as of March 31, 2008. As reflected in these statements, the ending available cash and investments (net of payments) at market value as of March 31, 2008 for Legion and Villanova is \$758,700,000 and \$65,700,000, respectively.

**D. Combined Expense Analysis**

Prior to receivership, Legion, Villanova and Legion Indemnity Company ("Indemnity") operated with an expense sharing agreement pursuant to which Legion paid the common expenses for all three companies through July 2003. Under the expense sharing agreement,

common expenses were allocated 80% to Legion, 10% to Villanova and 10% to Indemnity. Following entry of the Court's Orders placing Legion and Villanova into liquidation in July, 2003, the expenses were allocated 90% to Legion and 10% to Villanova. The several schedules attached to this Report relating to expenses (Exhibits G and H) represent the expenses paid or incurred by Legion and Villanova on a consolidated basis, including all common expenses, before any allocation.

Exhibit "G" is a schedule reflecting the combined incurred expenses of Legion and Villanova from January 1, 2008 through March 31, 2008 together with a comparison, by category of expense, between 2008 actual and 2008 budget and between 2007 and 2008 actuals. As reflected in the Statement, the total combined expenses through March 31, 2008 are \$12,671,000, which is 15.8% less than the 2008 budget and 8.1% less than 2007 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses relating to benefits. In addition, the schedule reflects \$3,000 of revenue, which is 95.0% less than budget, related to collection of large deductible recoveries as provided for by Pennsylvania statute Act 46. Lastly, the schedule lists unbudgeted revenue of \$30,000 related to expense reimbursement from a non-insurance affiliate.

**E. Professional Services Paid and Incurred**

Attached hereto as Exhibit "H" is a schedule reflecting the amounts which the Liquidator paid to or amounts which the Liquidator has incurred as a result of the performance of services by various professional vendors, including law firms, accounting and actuarial firms, consultants on reinsurance and other matters, premium audit and collection services, and other litigation and support service providers, during the period January 1, 2008 through March 31, 2008. The schedule is broken down by month, with a year-to-date total through March 31, 2008 (before adjustments for changes in accrual and other non-cash transactions) of \$2,089,047.

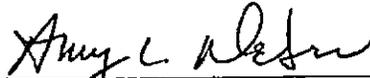
**F. Administrative Expenses**

Exhibit "G" Combined Expense Analysis, provides the accrued administrative expenses of the estate including salaries and employee benefits for the period January 1, 2008 through March 31, 2008 except for certain guaranty association expenses that may qualify as administrative expenses of the estate. Exhibit "H," Professional Services Paid and Incurred provides additional detail.

**G. Reinsurance Recoverables Due or Billable Net**

Detailed information relating to reinsurance recoverables of the estates due or billable net as of March 31, 2008 is submitted as Exhibits "I" and "J" respectively.

Respectfully submitted,



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Amy L. Weber (I.D. #45447)  
Special Funds Counsel  
Office of Liquidations, Rehabilitations and  
Special Funds  
901 North 7th Street  
Harrisburg, Pennsylvania 17102  
(717) 787-6009

Counsel for Plaintiff Joel S. Ario, Acting  
Insurance Commissioner of the  
Commonwealth of Pennsylvania acting in  
his official capacity as Statutory Liquidator  
of Villanova Insurance Company

Dated: 5/14/08

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

Plaintiff,

v.

Docket No. 182 M.D. 2002

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

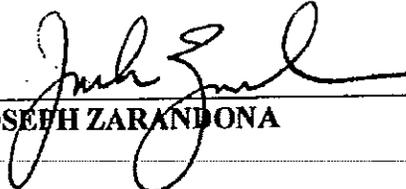
Defendant.

**AFFIDAVIT OF JOSEPH ZARANDONA  
IN SUPPORT OF THE FIRST QUARTER 2008  
FINANCIAL REPORT OF THE LIQUIDATOR**

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 First Quarter 2008 Financial Report of the Liquidator ("the Report").
3. Based on my knowledge, the financial information included in the Report fairly presents in all material respects the financial condition, results of operations and cash flows for the First Quarter of 2008.
4. My certification is made in reasonable reliance on the work of qualified staff and the Estates' internal procedures for financial operations.
5. 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 12 th day of MAY, 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.

Docket No. 182 M.D. 2002

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

Defendant.

**AFFIDAVIT OF MICHAEL I. QUIST  
IN SUPPORT OF THE FIRST QUARTER 2008  
FINANCIAL REPORT OF THE LIQUIDATOR**

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 a currently licensed Certified Public Accountant, and serve as Chief Financial Officer responsible for overseeing all aspects of the Estates' financial operations.

2. I assisted in the direction of the preparation of the First Quarter 2008 Financial Report of the Liquidator ("the Report"), and make this certification in reliance on the assistance and support of qualified staff and the Estates' internal procedures for financial operations.

3. I certify that the Exhibits attached to the Report fairly present the following:

A. Special Purpose Statements of Assets and Liabilities: Exhibits "A" and "B" to the Report are Special Purpose Statements of Assets and Liabilities for the Estates as of March 31, 2008. As reflected in the Note accompanying these Statements, they have been prepared on a unique financial reporting basis, subject to the several assumptions and qualifications stated therein.

B. Statements Reflecting Statutory Capital and Surplus Accounts: Exhibits "C" and "D" to the Report are Statements reflecting the Statutory Capital and Surplus Accounts for the Estates for the period December 31, 2001 through March 31, 2008.

C. Monthly Cash Flow Summaries: Exhibits "E" and "F" are cash flow summaries on a monthly basis for the Estates including investment transactions for the period January 1, 2008 through March 31, 2008.

D. Combined Expense Analysis: Prior to receivership, Legion, Villanova and Legion Indemnity Company ("Indemnity") operated with an expense sharing agreement pursuant to which Legion paid the common expenses for all three companies through July 2003. Under the expense sharing agreement, common expenses were allocated 80% to Legion, 10% to Villanova and 10% to Indemnity. Following entry of the Court's Orders placing Legion and Villanova into liquidation in July, 2003, the expenses were allocated 90% to Legion and 10% to Villanova. The

several schedules attached to the Report relating to expenses represent the expenses paid or incurred by the Estates on a consolidated basis, including all common expenses, before any allocation. Exhibit "G" is a schedule reflecting the combined incurred expenses of the Estates from January 1, 2008 through March 31, 2008 together with a comparison, by category of expense, between 2008 actual and 2008 budget and between 2007 and 2008 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses.

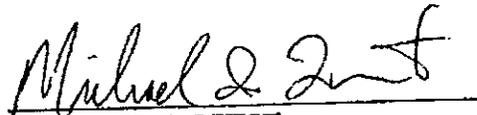
F. Professional Services Paid and Incurred: Exhibit "H" is a schedule reflecting the amounts which the Liquidator paid to or amounts which the Liquidator has incurred as a result of the performance of services by various professional vendors, including accounting and actuarial firms, consultants on reinsurance and other matters, premium audit and collection services, and other support service providers, during the period January 1, 2008 through March 31, 2008. Legal vendors, including law firms and other litigation and support service providers, are broken out separately on Exhibit "H."

G. Administrative Expenses: Exhibit "G," Combined Expense Analysis, provides the accrued administrative expenses of the Estates including salaries and employee benefits for the period January 1, 2008 through March 31, 2008 except for certain guaranty association expenses that may qualify as administrative expenses of the estate. Exhibit "H" Professional Services Paid and Incurred provides additional detail.

H. Reinsurance Recoverables Due or Billable Net: Detailed information relating to reinsurance recoverables of the Estates due or billable net as of March 31, 2008 is submitted as Exhibits "I" and "J" respectively.

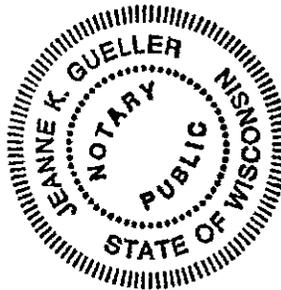
4. Based on my knowledge, the financial information included in the Report fairly presents in all material respects the financial condition, results of operations and cash flows for the First Quarter of 2008.

5. I verify that the matters stated herein 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

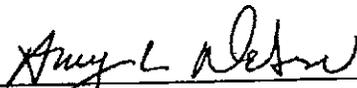
Sworn to and subscribed before me  
this 10 th day of May, 2008.

  
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 Villanova Insurance Company. I am responsible for reviewing the invoices and documents received from outside counsel supporting the legal fees and expenses for the Exhibit H to the First Quarter 2008 Financial Report of the Liquidator and I certify that these legal fees and expenses are reasonable and necessary. I also have reviewed Exhibit G, the Combined Expense Analysis for Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) and certify that the legal fees and expenses stated therein have been reflected accurately. 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: 5/12/08

**Legion Insurance Company (In Liquidation)**  
**Special Purpose Statement of Assets and Liabilities\***  
**March 31, 2008 and December 31, 2007**  
(In Millions of Dollars)

	<b>3/31/2008</b>	<b>12/31/2007</b>
<b>ASSETS</b>		
Cash and short duration investments:		
Liquid securities	\$ 109.3	\$ 132.3
Money market deposits	649.4	558.6
Total invested assets	758.7	690.9
Premium balances	0.2	0.2
Estimated losses and loss adjustment expense reserves - ceded	1,073.1	1,179.2
Reinsurance recoverables due or billable, net	451.9	505.9
Early access advances	280.7	274.3
State deposits and unapplied state deposits available for early access	13.1	13.1
Post liquidation claims paid on behalf of guaranty associations	-	-
Amounts to be distributed per Act 46	18.2	17.9
Other assets	45.5	53.0
<b>Total Assets</b>	<b>\$ 2,641.4</b>	<b>\$ 2,734.5</b>
<b>LIABILITIES</b>		
<b>Estimated Priority Class</b>		
<b>A - Administrative expenses:</b>		
Liquidator expenses incurred since liquidation	\$ 223.3	\$ 201.1
Liquidator expenses paid since liquidation	(205.9)	(195.1)
Liquidator expenses	17.4	6.0
Guaranty associations' paid ULAE reported	99.6	95.8
Guaranty associations' reserves ULAE	12.5	14.5
<b>Total</b>	\$ 129.5	\$ 116.3
<b>B - Claims for policy benefits:</b>		
Guaranty associations paid (including large deductible)	1,154.1	1,124.9
Liquidator valued NODs accepted	15.3	7.6
Estimated reserves	1,581.8	1,722.7
<b>Total</b>	2,751.2	2,855.2
<b>C - Federal government claims</b>		
<b>D - Certain employee claims</b>		
<b>E - General creditor claims:</b>		
Guaranty associations paid	19.0	18.3
Liquidator valued NODs accepted	17.5	16.5
Estimated reserves	295.2	290.9
<b>Total</b>	331.7	325.7
<b>F - State and local government claims</b>		
Liquidator valued NODs accepted	10.1	7.9
Estimated reserves	49.3	51.4
<b>Total</b>	59.4	59.3
<b>G - Late filed claims</b>		
Liquidator valued NODs accepted	0.9	0.5
<b>Ancillary Receiverships:</b>		
Post liquidation claims paid, gross	40.5	39.7
Estimated losses and loss adjustment expense reserves - direct	55.1	48.6
Offset of unapplied liquidated statutory deposit	(70.7)	(70.8)
Post liquidation claims, net	24.9	17.5
<b>Total liabilities</b>	3,297.6	3,374.5
<b>Net surplus (deficit)</b>	(656.2)	(640.0)
<b>Total Liabilities and Surplus (Deficit)</b>	<b>\$ 2,641.4</b>	<b>\$ 2,734.5</b>

\* See Note to Special Purpose Statement of Assets and Liabilities

**Villanova Insurance Company (In Liquidation)**  
**Special Purpose Statement of Assets and Liabilities\***  
**March 31, 2008 and December 31, 2007**  
(In Millions of Dollars)

	<u>3/31/2008</u>	<u>12/31/2007</u>
<b>ASSETS</b>		
Cash and short duration investments:		
Liquid securities	\$ -	\$ -
Money market deposits	65.7	62.3
Total invested assets	<u>65.7</u>	<u>62.3</u>
Premium balances	0.3	0.2
Estimated losses and loss adjustment expense reserves - ceded	53.9	84.8
Reinsurance recoverables due or billable, net	75.9	86.3
Early access advances	35.2	34.9
State deposits and unapplied state deposits available for early access	1.2	1.2
Post liquidation claims paid on behalf of guaranty associations	-	-
Amounts to be distributed per Act 46	4.7	4.6
Other assets	19.5	8.0
Total Assets	<u>\$ 256.4</u>	<u>\$ 282.3</u>
<b>LIABILITIES</b>		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses incurred since liquidation	\$ 22.9	\$ 22.9
Liquidator expenses paid since liquidation	<u>(22.5)</u>	<u>(21.3)</u>
Liquidator expenses	0.4	1.6
Guaranty associations' paid ULAE reported	22.7	22.1
Guaranty associations' reserves ULAE	<u>5.6</u>	<u>5.9</u>
Total	\$ 28.7	\$ 29.6
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	208.6	199.9
Liquidator valued NODs accepted	0.2	-
Estimated reserves	<u>227.1</u>	<u>253.7</u>
Total	435.9	453.6
C - Federal government claims		
D - Certain employee claims		
E - General creditor claims:		
Guaranty associations paid	2.5	2.4
Liquidator valued NODs accepted	1.3	1.3
Estimated reserves	<u>24.4</u>	<u>33.9</u>
Total	28.2	37.6
F - State and local government claims:		
Liquidator valued NODs accepted	2.2	2.0
Estimated reserves	<u>2.3</u>	<u>2.5</u>
Total	4.5	4.5
G - Late filed claims:		
Liquidator valued NODs accepted	-	-
Ancillary Receiverships:		
Post liquidation claims paid, gross	2.0	1.8
Estimated losses and loss adjustment expense reserves - direct	3.0	2.8
Offset of unapplied liquidated statutory deposit	<u>(2.2)</u>	<u>(2.2)</u>
Post liquidation claims, net	2.8	2.4
Total liabilities	500.1	527.7
Net surplus (deficit)	<u>(243.7)</u>	<u>(245.4)</u>
Total Liabilities and Surplus (Deficit)	<u>\$ 256.4</u>	<u>\$ 282.3</u>

\* See Note to Special Purpose Statement of Assets and Liabilities

**Legion Insurance Company (In Liquidation) and  
Villanova Insurance Company (In Liquidation)  
Note to Special Purpose Statement of Assets and Liabilities**

The special-purpose statements of assets and liabilities of Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) are prepared on a unique financial reporting basis in that the statements do not reflect the effect of the companies' liquidation. The liquidation process will result in the realization of amounts on transfer or disposition of assets and in the satisfaction of liabilities at amounts that may be substantially different than those reflected in the accompanying statements of assets and liabilities. The statements do not include any adjustments that might result from outcomes of the uncertainties related to the future effects of the liquidation and various potential exposures, recoveries or benefits. Specifically, the following facts should be noted in reviewing the accompanying special-purpose statements of assets and liabilities:

- Estimated priority class of claims from the insurers' estates is set forth in detail in Article V of the Commonwealth of Pennsylvania Insurance Department Act of 1921 at 40 P.S. 22144. The classes are:
  - A Administrative expenses
  - B Claims for policy benefits
  - C Federal government claims
  - D Certain employee claims
  - E General creditor claims
  - F State and local government claims
  - G Late filed claims

Note: Administrative expenses include both the guaranty associations' expenses related to administering the claims of the companies in liquidation and the Liquidator's expenses.

- The amounts to be distributed per Act 46 represent funds collected under large deductible policies. These funds will be paid, as outlined in Act 46, to those entities that funded the claim payments.
- The recorded priority class B reflected on the special-purpose statements of assets and liabilities are based primarily on guaranty association paid claims, known case reserves and actuarial estimates of expected losses calculated prior to the companies entering rehabilitation. Sufficient credible data is not yet available to update the aggregate actuarial estimates of reserves after the rehabilitation effective date due to the significant changes in claim settlement and reserving processes triggered by the rehabilitation and liquidation actions;
- The statements do not reflect any general provision for estimated unrealizable reinsurance recoverable assets. The statements do reflect provisions for specific reinsurance insolvencies or other industry known facts which will likely result in compromised collections;
- There is an estimated provision for current guaranty association costs that have been incurred by the estates;
- There is no provision for future internal operating costs to execute the activities and responsibilities of the estates in the liquidation process through the date of the final liquidation of the estates.

The special purpose statements of assets and liabilities is not intended to be in conformity with and may vary significantly from generally accepted accounting principles and statutory accounting practices for a property and casualty insurance company as prescribed by the National Association of Insurance Commissioners. Certain presentation reclassifications have been made to reflect the estimated priority classes.

**Legion Insurance Company (In Liquidation)**  
**Statutory Capital and Surplus Account**  
**For the Period December 31, 2001 Thru March 31, 2008**  
**(In Millions of Dollars)**

<b>Surplus as Regards Policyholders, Beginning Balance</b>	\$ 298.3
<b>Net Loss:</b>	
Underwriting Loss, Net	(1,102.9)
Investment Income, Net	115.3
Other Expense, Net	(19.7)
Loss Before Income Taxes	<u>(1,007.3)</u>
Federal & Foreign Income Taxes	(22.4)
Net Loss	(984.9)
Net Unrealized Capital Gains (Losses)	(23.2)
Change in Net Deferred Income Tax	(42.3)
Change in Non Admitted Assets	73.2
Change in Provision for Reinsurance	22.7
Change in Surplus as Regards Policyholders for the Period	<u>(954.5)</u>
<b>Surplus as Regards Policyholders, Ending Balance</b>	<u>\$ (656.2)</u>

**Villanova Insurance Company (In Liquidation)**  
**Statutory Capital and Surplus Account**  
**For the Period December 31, 2001 Thru March 31, 2008**  
**(In Millions of Dollars)**

<b>Surplus as Regards Policyholders, Beginning Balance</b>	\$ 27.6
<b>Net Loss:</b>	
Underwriting Loss, Net	(115.1)
Investment Income, Net	13.2
Other Expense, Net	(2.5)
Loss Before Income Taxes	<u>(104.4)</u>
Federal & Foreign Income Taxes	7.5
Net Loss	<u>(111.9)</u>
<b>Net Unrealized Capital Gains (Losses)</b>	-
Change in Net Deferred Income Tax	(8.6)
Change in Non Admitted Assets	(152.5)
Change in Provision for Reinsurance	1.7
Change in Surplus as Regards Policyholders for the Period	<u>(271.3)</u>
<b>Surplus as Regards Policyholders, Ending Balance</b>	<u>\$ (243.7)</u>

Legion Insurance Company (in Liquidation)  
 Cash Flow Summary  
 Liquidation Basis  
 YTD March 31, 2008  
 (in millions)

	2007												2008		
	April	May	June	July	August	September	October	November	December	January	February	March	2008	2008	2008
<b>Beginning Available Cash and Investments</b>	\$ 620.8	\$ 665.9	\$ 706.4	\$ 721.9	\$ 731.8	\$ 771.4	\$ 782.8	\$ 797.0	\$ 817.8	\$ 894.9	\$ 691.9	\$ 757.2			
Premium collections (net of expenses)	0.1	2.1	2.7	0.3	0.3	0.2	0.1	0.7	0.3	-	0.1	-			
Reinsurance collections:															
Reinsurance recoverables:															
Mutual Companies	-	1.1	-	-	-	-	-	-	-	-	-	-			
All Other Reinsurers	45.3	31.1	18.1	7.3	21.3	12.0	11.3	19.7	11.6	6.4	48.2	29.8			
Reinsurance commitments/settlements:															
Mutual Companies	-	-	-	-	-	-	1.9	-	-	-	-	-			
All Other Reinsurers	-	3.7	-	-	18.4	-	2.0	-	-	0.1	-	-			
Deductible Recoveries:															
Mutual Companies	-	1.7	-	1.4	-	1.1	4.3	0.7	-	-	-	-			
All Other	-	0.2	0.3	0.2	0.1	0.5	0.1	0.1	0.1	-	0.1	0.1			
Investment Income (net of expenses)	2.3	2.8	3.3	2.8	2.7	2.9	3.0	2.9	2.9	1.4	0.2	2.0			
Dividends from affiliate	-	-	-	-	-	-	-	-	-	-	-	-			
<b>Total Sources of Cash</b>	<b>47.7</b>	<b>42.7</b>	<b>24.4</b>	<b>12.0</b>	<b>42.8</b>	<b>16.7</b>	<b>22.7</b>	<b>24.1</b>	<b>14.9</b>	<b>7.9</b>	<b>48.6</b>	<b>31.9</b>			
Less & loss adjustment expense payments	-	-	-	-	-	-	-	-	-	-	-	-			
Paid expenses	(1.8)	(2.5)	(1.7)	(1.7)	(2.0)	(1.6)	(2.2)	(2.1)	(2.6)	(1.9)	(2.1)	(2.8)			
Payroll	(1.2)	(1.3)	(5.6)	(1.3)	(1.8)	(1.2)	(1.3)	(1.3)	(1.3)	(2.1)	(1.3)	(1.4)			
Intercompany transfers	0.2	1.3	-	(0.4)	0.2	(0.2)	(0.4)	-	(0.5)	(0.3)	-	-			
Guaranty Association transactions	-	-	-	-	-	-	-	-	(133.4)	(6.7)	-	-			
Amount to be distributed per Act 46	-	-	(3.9)	-	-	(2.6)	(4.8)	-	(0.8)	-	(0.1)	-			
Other cash inflows (outflows)	0.2	0.3	0.3	1.3	0.4	0.3	0.2	0.1	0.8	0.1	0.2	0.1			
<b>Total Uses of Cash</b>	<b>(2.6)</b>	<b>(2.2)</b>	<b>(8.9)</b>	<b>(2.1)</b>	<b>(3.2)</b>	<b>(5.3)</b>	<b>(8.5)</b>	<b>(3.3)</b>	<b>(137.8)</b>	<b>(10.9)</b>	<b>(3.3)</b>	<b>(4.1)</b>			
<b>Ending Available Cash and Investments</b>	<b>\$ 665.9</b>	<b>\$ 706.4</b>	<b>\$ 721.9</b>	<b>\$ 731.8</b>	<b>\$ 771.4</b>	<b>\$ 782.8</b>	<b>\$ 797.0</b>	<b>\$ 817.8</b>	<b>\$ 894.9</b>	<b>\$ 691.9</b>	<b>\$ 737.2</b>	<b>\$ 765.0</b>			
Mark to Market and other adjustments			(6.6)			(3.8)			(4.0)			(6.3)			
<b>Adjusted Balance</b>			<b>\$ 715.3</b>			<b>\$ 779.0</b>			<b>\$ 690.9</b>			<b>\$ 758.7</b>			

Villanova Insurance Company (in Liquidation)  
 Cash Flow Summary  
 Liquidation Basis  
 YTD March 31, 2008  
 (in millions)

	2007												2008		
	April	May	June	July	August	September	October	November	December	January	February	March			
<b>Beginning Available Cash and Investments</b>	\$ 65.9	\$ 68.2	\$ 70.3	\$ 69.1	\$ 70.1	\$ 70.8	\$ 70.3	\$ 79.3	\$ 79.7	\$ 62.3	\$ 63.3	\$ 64.8			
Premium collections (net of expenses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reinsurance collections:															
Reinsurance recoverables:															
Mutual Companies	-	0.4	-	-	-	-	-	-	-	-	-	-	-	-	-
All Other Reinsurers	1.5	2.7	-	0.3	0.4	0.2	8.9	0.1	1.2	0.7	1.3	0.7	-	-	-
Reinsurance commitments/settlements:															
Mutual Companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
All Other Reinsurers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deductible Recoveries:															
Mutual Companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
All Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income (net of expenses)	0.3	0.3	(0.3)	0.3	0.3	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
<b>Total Sources of Cash</b>	<b>1.8</b>	<b>3.4</b>	<b>(0.3)</b>	<b>0.6</b>	<b>0.7</b>	<b>0.4</b>	<b>9.2</b>	<b>0.4</b>	<b>1.5</b>	<b>0.9</b>	<b>1.5</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
Loss & loss adjustment expense payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany transfers	0.5	(1.3)	-	0.4	-	-	0.4	-	0.5	0.3	-	-	-	-	-
Guaranty Association transactions	-	-	-	-	-	-	-	-	(19.4)	(0.2)	-	-	-	-	-
Amount to be distributed per Act 46	-	-	(0.9)	-	-	(1.3)	(0.6)	-	(0.1)	-	-	-	-	-	-
Other cash inflows (outflows)	-	-	-	-	-	0.4	-	-	0.1	-	-	-	-	-	-
<b>Total Uses of Cash</b>	<b>0.5</b>	<b>(1.3)</b>	<b>(0.9)</b>	<b>0.4</b>	<b>-</b>	<b>(0.9)</b>	<b>(0.2)</b>	<b>-</b>	<b>(18.9)</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending Available Cash and Investments</b>	<b>\$ 68.2</b>	<b>\$ 70.3</b>	<b>\$ 69.1</b>	<b>\$ 70.1</b>	<b>\$ 70.8</b>	<b>\$ 70.3</b>	<b>\$ 79.3</b>	<b>\$ 79.7</b>	<b>\$ 62.3</b>	<b>\$ 63.3</b>	<b>\$ 64.8</b>	<b>\$ 65.7</b>	<b>\$ 65.7</b>	<b>\$ 65.7</b>	<b>\$ 65.7</b>
Mark to Market and other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Adjusted Balance</b>	<b>\$ 68.2</b>	<b>\$ 70.3</b>	<b>\$ 69.1</b>	<b>\$ 70.1</b>	<b>\$ 70.8</b>	<b>\$ 70.3</b>	<b>\$ 79.3</b>	<b>\$ 79.7</b>	<b>\$ 62.3</b>	<b>\$ 63.3</b>	<b>\$ 64.8</b>	<b>\$ 65.7</b>	<b>\$ 65.7</b>	<b>\$ 65.7</b>	<b>\$ 65.7</b>

LEGION INSURANCE COMPANY (IN LIQUIDATION)  
 VILLANOVA INSURANCE COMPANY (IN LIQUIDATION)  
 COMBINED EXPENSE ANALYSIS BY ACCOUNT  
 March 31, 2008 ACTUALS vs BUDGET  
 (\$ In Thousands)

	Year to Date			2008 Actual vs 2008 Budget		2008 Actual vs 2007 Actual		
	2008 Actual	% of Total Operating	2008 Budget	2007 Actual	Dollar Variance	Percent Variance	Dollar Variance	Percent Variance
Full Time	216		232	210	16	6.9%	(6)	-2.9%
Part Time	1		1	1	-	0.0%	-	0.0%
Contractor Help	33		44	26	11	25.0%	(7)	-26.9%
<b>Total Staffing - Current</b>	<b>250</b>		<b>277</b>	<b>237</b>	<b>27</b>	<b>9.7%</b>	<b>(13)</b>	<b>-5.5%</b>
<b>Staffing - Average</b>								
Full Time	215		219	211	4	1.6%	(5)	-2.1%
Part Time	1		1	1	-	0.0%	-	0.0%
Contractor Help	31		29	24	(2)	-7.0%	(7)	-27.1%
<b>Total Staffing - Average</b>	<b>247</b>		<b>248</b>	<b>236</b>	<b>2</b>	<b>0.6%</b>	<b>(11)</b>	<b>-4.7%</b>
<b>General &amp; Administrative Expenses *</b>								
Salaries	\$ 6,384	50.4%	\$ 6,875	\$ 5,393	\$ 491	7.1%	\$ (992)	-18.4%
Benefits	1,190	9.4%	1,262	1,231	72	5.7%	41	3.3%
Occupancy	717	5.7%	842	722	125	14.8%	5	0.7%
Equipment	894	7.1%	981	940	88	8.9%	46	4.9%
Legal Fees and Expenses	1,140	9.0%	1,556	729	417	26.8%	(411)	-56.3%
Professional Services	1,083	8.5%	1,976	1,432	893	45.2%	349	24.4%
Other	1,265	10.0%	1,559	1,278	294	18.9%	13	1.0%
<b>Total Expenses</b>	<b>12,671</b>	<b>100.0%</b>	<b>15,051</b>	<b>11,723</b>	<b>2,379</b>	<b>15.8%</b>	<b>(948)</b>	<b>-8.1%</b>
<b>Revenue for Collecting Large Deductible Recoveries as Provided by PA Statute Act 46</b>								
Act 46 Collection	3		60	-	(57)	-95.0%	3	n/a
Expense Reimbursement**	30		-	-	30	n/a	30	n/a
Non-insurance affiliate								
<b>Total Revenue</b>	<b>33</b>		<b>60</b>	<b>-</b>	<b>(27)</b>	<b>-45.0%</b>	<b>33</b>	<b>n/a</b>
<b>Net Budget</b>	<b>\$ 12,638</b>		<b>\$ 14,991</b>	<b>\$ 11,723</b>	<b>\$ 2,352</b>	<b>15.7%</b>	<b>\$ (915)</b>	<b>-7.8%</b>

\*This exhibit does not include certain guaranty association expenses that may qualify as administrative expenses of the estate.

\*\* Expenses reimbursed for the sale and ongoing operations of PRMS.

Legion Insurance Company (In Liquidation)  
 Villanova Insurance Company (In Liquidation)  
 Legal Expenses and Fees and Professional Services Paid  
 January 2008 - March 2008

Exhibit H

Classification	VENDOR NAME	Services Provided	January	February	March	2008 Total
Legal Fees and Expenses	ANDREW WALSH	Reinsurance Consultant	1,575			1,575
	ARBITRATION & MEDIATION	Reinsurance Arbitrator	1,620			1,620
Legal Fees and Expenses	DASHIELL LAW OFFICES, LLC	Premium Collection Litigation		3,307		3,307
	DAVID THIRKILL	Reinsurance Arbitrator	3,150			3,150
Legal Fees and Expenses	JEC CONSULTING, INC.	Reinsurance Arbitrator			22,658	22,658
	JOHN ROWLAND, QC	Reinsurance Arbitrator		485	4,108	4,593
Legal Fees and Expenses	LEXISNEXIS	Legal Research Fees	1,379		304	1,683
	MARY ELLEN BURNS, ESQUIRE	Reinsurance Arbitrator	1,536			1,536
Legal Fees and Expenses	MILLER ALFANO & RASPANTI PC	General Litigation and Liquidation Advice	1,142	1,487		2,629
	PEPPER HAMILTON LLP	Reinsurance Arbitrations and Advice	109,073		264,848	373,921
Legal Fees and Expenses	ROBBRE, LLC	Reinsurance Arbitrator			2,000	2,000
	ROBERT B. GREEN	Reinsurance Arbitrator			8,838	8,838
Legal Fees and Expenses	SCHIFF HARDIN, LLP	Premium Collection Litigation		188	2,639	2,827
	SCHWARTZ SEMERDJIAN HAILE BALLARD & CAULEY LLP	Premium Collection Litigation	3,755		975	4,730
Legal Fees and Expenses	STRADLEY RONON	Premium Collection Litigation		1,132	6,893	8,025
	STROOCK & STROOCK & LAVAN, LLC	Reinsurance Arbitrator's Fee Reimbursement			(26,156)	(26,156)
Legal Fees and Expenses	THOMSON WEST	Legal Research Fees	2,668		2,718	5,386
	TRENAM, KEMKER, SCHARF, BARKIN	General Litigation		62,883		62,883
Legal Fees and Expenses	W. MAX HOLLMANN	Expert Witness		31,827	9,550	41,377
	WMF CONSULTING, INC.	Expert Witness Services		5,714	15,639	21,352
Legal Fees and Expenses	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	Premium Collection Litigation, Asset Sale Advice, Labor Advice, General Advice	158,928	34,985	121	194,034
		General Legal Support Costs	1,127	1,252	833	3,212
<b>Total Legal Fees and Expenses Paid</b>						
Aggregate Amount for Total Vendor Payments Under \$1,000						
<b>Change in Legal Fees and Expenses accrual and other non-cash transactions</b>						
Total Legal Fees and Expenses Incurred	ALLIANCE CONSULTING	Data Management Consultant	285,954	146,184	315,967	748,105
	ARRAYA SOLUTIONS, INC.	IT Technical Support	36,689	199,229	155,524	391,442
Professional Services	GSC/SC-MYND CORP.	Data Processing and Outsourcing	322,653	345,413	471,491	1,139,557
	ENET	IT Technical Support	35,670	27,280	35,545	98,495
Professional Services	HELIUM LIMITED	London Reinsurance Collection Intermediary	99,500	99,500	99,500	298,500
	HEWITT ASSOCIATES LLC	Human Resources & Technical Consulting			3,494	3,494
Professional Services	HUGGINS ACTUARIAL SERVICE, INC.	Actuarial Services	84,838			84,838
	JEFFERSON WELLS INTERNATIONAL, INC.	Audit Services	12,000		23,195	35,195
Professional Services	JOHNSON LAMBERT & CO	Audit Services	8,541			8,541
	MERCER HUMAN RESOURCE CONSULTING	Human Resources Consulting		2,577	4,341	6,918
Professional Services	MINTZER SAROWITZ ZRIS & LEDVA	Litigation Support Services			282	282
	NAVIGANT CONSULTING, INC.	Data Management Consultant		61,564		61,564
Professional Services	PRICEWATERHOUSE COOPERS LLP	Actuarial Services			23,255	23,255
	REINSURANCE SOLUTIONS INT'L	Reinsurance Technical Support	60,707	31,350	23,556	115,614
Professional Services	RELIANCE INS CO (IN LIQUIDATION)	Shared Resource for Monitoring Reinsurers				
	RESOURCE BRIDGE	Solvency	18,516			18,516
Professional Services	SMART BUSINESS ADVISORY & CONSULTING, LLC	e-Learning Technology Development			9,605	9,605
	TRANSNET CORPORATION	Reinsurance Technical Support & Contract Reinsurance Services		286,314	91,817	378,131
Professional Services	PREMIUM RECEIVED NET OF COLLECTION FEES	Data Management Consultant	4,950			4,950
		Collections Support Services	5,252	5,198	3,790	14,240
Total Professional Services Paid		General Professional Fees	1,157	(3,495)	(502)	(2,840)
			387,266	581,330	372,346	1,340,942
<b>Change in Professional Services accrual and other non-cash transactions</b>						
Total Professional Services Incurred			(73,948)	(197,941)	11,916	(259,973)
			313,318	383,389	384,262	1,080,969
<b>Total Legal Expenses and Fees and Professional Services Incurred</b>						
			635,971	728,802	855,753	2,220,526

\* 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.

**Legion Insurance Company (In Liquidation)**  
**Reinsurance Recoverables Due or Billable, Net**  
**March 31, 2008**

Reinsurer	Amount
MIDWEST EMPLOYERS CASUALTY COMPANY	\$ 42,152,544
FIRST EXCESS REINSURANCE CORPORATION	30,759,257
HANNOVER RUCKVERSICHERUNGS AG	30,644,516
GE REINSURANCE CORPORATION	21,673,195
LLOYDS SYNDICATE # 53	13,691,692
ODYSSEY REINSURANCE CORPORATION	11,528,455
PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY	9,285,457
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	7,620,893
FOLKSAMERICA REINSURANCE COMPANY	7,598,110
TRANSATLANTIC REINSURANCE COMPANY	6,926,699
HARTFORD FIRE INSURANCE COMPANY	6,845,691
AMERICAN RE-INSURANCE COMPANY	6,704,926
EMPLOYERS REINSURANCE CORPORATION	6,358,852
SCOR REINSURANCE COMPANY	6,269,834
FEDERAL INSURANCE COMPANY	6,132,568
ALEA EUROPE LIMITED	5,920,682
AMERICAN SAFETY CASUALTY INSURANCE COMPANY	5,831,300
QBE REINSURANCE CORPORATION	5,056,271
LLOYDS SYNDICATE # 435	4,831,680
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	4,690,031
CORE INSURANCE COMPANY	3,545,619
XL REINSURANCE AMERICA LTD	3,534,334
WESTCHESTER FIRE INSURANCE COMPANY	3,273,420
MUTUAL INDEMNITY (BERMUDA), LTD.	3,243,396
CHUBB ATLANTIC INDEMNITY LIMITED	2,854,575
LINCOLN NATIONAL LIFE INSURANCE COMPANY	2,733,965
AMERICAN NATIONAL INSURANCE COMPANY	2,626,609
CNA INTERNATIONAL REINSURANCE COMPANY	2,397,232
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	2,371,338
JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY	2,183,196
ACE INSURANCE SA-NV	2,166,987
ODYSSEY AMERICA REINSURANCE CORPORATION	2,149,570
LIFE REASSURANCE CORPORATION OF AMERICA	2,148,827
LLOYDS SYNDICATE # 183	2,144,010
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	2,096,289
LINCOLN NATIONAL HEALTH & CASUALTY INSURANCE COMPA	2,071,482
MANULIFE REINSURANCE CORPORATION (USA)	1,918,624
TRUSTMARK INSURANCE COMPANY	1,816,428
LLOYDS SYNDICATE # 1245	1,755,167
WESTPORT INSURANCE CORPORATION	1,563,257
UNDERWRITERS REINSURANCE COMPANY	1,502,113
UTAH WORKERS COMPENSATION FUND	1,440,302
UNIONAMERICA INSURANCE COMPANY LTD	1,336,706
LLOYDS SYNDICATE # 376	1,230,055
LLOYDS SYNDICATE # 1173	1,182,172
LLOYDS SYNDICATE # 570	1,119,242
CHARTWELL REINSURANCE COMPANY	1,089,982
TRENTWICK AMERICA REINSURANCE CORPORATION	1,048,157
All Other Reinsurers (Less than \$1M due LIC)	25,688,824
Pending Cessions	126,858,855
Total Reinsurance recoverables due or billable, net	<u>\$ 451,871,185</u>

**Villanova Insurance Company (In Liquidation)**  
**Reinsurance Recoverables Due or Billable, Net**  
**March 31, 2008**

Reinsurer	Amount
LLOYDS SYNDICATE # 53	\$ 4,316,015
HANNOVER RUCKVERSICHERUNGS AG	3,950,076
GE REINSURANCE CORPORATION	3,946,130
SWISS REINSURANCE AMERICA CORPORATION	3,874,804
ALEA EUROPE LIMITED	2,587,678
MIDWEST EMPLOYERS CASUALTY COMPANY	2,271,119
FIRST EXCESS REINSURANCE CORPORATION	1,936,568
WESTPORT INSURANCE CORPORATION	1,725,458
CHARTWELL REINSURANCE COMPANY	1,672,566
ODYSSEY REINSURANCE CORPORATION	1,585,794
SWISS RE LIFE COMPANY OF AMERICA	1,078,563
CHUBB ATLANTIC INDEMNITY LIMITED	1,033,393
All Other Reinsurers (Less than \$1M due LIC)	8,768,471
Pending Cessions	37,196,918
Total Reinsurance recoverables due or billable, net	<u>\$ 75,943,552</u>