



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
Fax (717) 772-4543

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

Dear Mr. Schuckers:

Enclosed for filing please find the original and two hard copies of the Third Quarter 2007 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

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
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**THIRD QUARTER 2007 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 Third Quarter 2007 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 September 30, 2007. 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 September 30, 2007, 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	\$2,729,100,000	\$3,366,500,000	(\$637,400,000)
VILLANOVA	\$276,200,000	\$470,100,000	(\$193,900,000)

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 September 30, 2007. As reflected in these Statements, as of September 30, 2007, Legion has a Net Deficit of \$637,400,000 and Villanova has a Net Deficit of \$193,900,000. 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 October 1, 2006 through September 30, 2007. The summaries also reflect an adjustment for marking the investments to market and other adjustments as of September 30, 2007. As reflected in these statements, the ending available cash and investments (net of payments) at market value as of September 30, 2007 for Legion and Villanova is \$779,000,000 and \$70,300,000, 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, 2007 through September 30, 2007 together with a comparison, by category of expense, between 2007 actual and 2007 budget and between 2006 and 2007 actuals. As reflected in the Statement, the total combined expenses through September 30, 2007 are \$33,448,000, which is 22.4% less than the 2007 budget and 12.3% less than 2006 actuals. There have been no significant unfavorable variances between the budgeted and actual accrued expenses relating to benefits. In addition, the schedule reflects \$236,000 of revenue, which is 35% 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 \$792,000 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, 2007 through September 30, 2007. The schedule is broken down by month, with a year-to-date total through September 30, 2007 (before adjustments for changes in accrual and other non-cash transactions) of \$7,221,160.

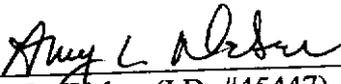
F. Administrative Expenses

Exhibit "G" Combined Expense Analysis, provides the accrued administrative expenses of the estate including salaries and employee benefits for the period January 1, 2007 through September 30, 2007 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 September 30, 2007 is submitted as Exhibits "I" and "J" respectively.

Respectfully submitted,



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: 11/14/07

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

Plaintiff,

v.

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

Defendant.

Docket No. 182 M.D. 2002

**AFFIDAVIT OF JOSEPH ZARANDONA
IN SUPPORT OF THE THIRD QUARTER 2007
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 Third Quarter 2007 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 Third Quarter of 2007.
4. My certification is made in reasonable reliance on the work of qualified staff and the Estates' internal procedures for financial operations.
6. 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 6 th day of ~~November~~ November 2007.



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.

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

Defendant.

Docket No. 182 M.D. 2002

**AFFIDAVIT OF MICHAEL I. QUIST
IN SUPPORT OF THE THIRD QUARTER 2007
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 Third Quarter 2007 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 September 30, 2007. 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 September 30, 2007.

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 October 1, 2006 through September 30, 2007.

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, 2007 through September 30, 2007 together with a comparison, by category of expense, between 2007 actual and 2007 budget and between 2006 and 2007 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, 2007 through September 30, 2007. Legal vendors, including law firms and other litigation and support service providers, are broken out separately on Exhibit "H."

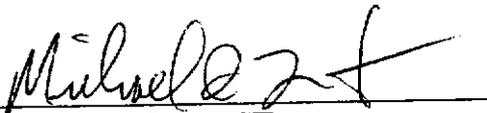
G. Administrative Expenses: Exhibit "G," Combined Expense Analysis, provides the accrued administrative expenses of the Estates including salaries and employee benefits for the period January 1, 2007 through September 30, 2007 except for certain guaranty association expenses that may qualify as administrative 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 September 30, 2007 is submitted as Exhibits "I" and "J" respectively.

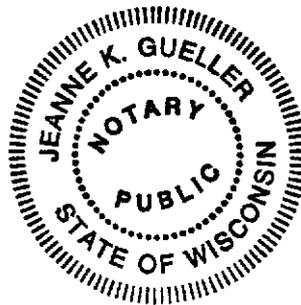
4. Based on my knowledge, the financial information included in the Report fairly presents in all material respects the financial condition, results of operations and cash flows for the Third Quarter of 2007.

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

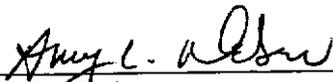
Sworn to and subscribed before me
this 2 th day of November 2007.


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 Third Quarter 2007 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: 11/14/07

EXHIBIT

A

Legion Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
September 30, 2007 and December 31, 2006
(In Millions of Dollars)

	9/30/2007	12/31/2006
ASSETS		
Cash and short duration investments:		
Liquid securities	\$ 127.1	\$ 281.3
Illiquid securities	-	-
Money market deposits	651.9	286.4
Restricted deposits	0.6	0.6
Total invested assets	779.6	568.3
Premium balances	0.7	0.5
Estimated losses and loss adjustment expense reserves - ceded	1,209.5	1,437.4
Reinsurance recoverables due or billable, net	508.5	575.1
Early access advances	134.6	134.4
State deposits and unapplied state deposits available for early access	29.7	29.0
Post liquidation claims paid on behalf of guaranty associations	-	1.8
Amounts to be distributed per Act 46	12.2	11.2
Other assets	54.3	61.6
Total Assets	\$ 2,729.1	\$ 2,819.3
LIABILITIES		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses	\$ 6.0	\$ 11.2
Guaranty associations' paid ULAE reported	87.4	85.1
Guaranty associations' reserves ULAE	24.6	26.3
Total	\$ 118.0	\$ 122.6
B - Claims for policy benefits:		
Guaranty associations paid (including large deductible)	1,103.4	997.6
Liquidator valued NODs issued	2.0	1.5
Estimated reserves	1,723.9	1,819.6
Total	2,829.3	2,818.7
C - Federal government claims	-	-
D - Certain employee claims	-	-
E - General creditor claims:		
Liquidator valued NODs issued	17.1	-
Estimated reserves	330.9	420.6
Total	348.0	420.6
F - State and local government claims		
Liquidator valued NODs issued	7.6	-
Estimated reserves	51.8	59.5
Total	59.4	59.5
G - Late filed claims	0.3	-
Liquidator valued NODs issued	-	-
Ancillary Receivership:		
Post liquidation claims paid, gross	31.6	28.3
Estimated losses and loss adjustment expense reserves - direct	38.8	42.5
Offset of unapplied liquidated statutory deposit	(58.9)	(58.9)
Post liquidation claims, net	11.5	11.9
Total liabilities	3,366.5	3,433.3
Net surplus (deficit)	(637.4)	(614.0)
Total Liabilities and Surplus (Deficit)	\$ 2,729.1	\$ 2,819.3

* 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 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.

EXHIBIT
B

Villanova Insurance Company (In Liquidation)
Special Purpose Statement of Assets and Liabilities*
September 30, 2007 and December 31, 2006
(In Millions of Dollars)

	9/30/2007	12/31/2006
ASSETS		
Cash and short duration investments:	\$ -	\$ 24.8
Liquid securities	-	-
Illiquid securities	70.3	39.3
Money market deposits	-	-
Restricted deposits	70.3	64.1
Total invested assets	0.2	0.8
Premium balances	84.0	55.4
Estimated losses and loss adjustment expense reserves - ceded	94.1	85.6
Reinsurance recoverables due or billable, net	15.3	15.5
Early access advances	1.8	0.3
State deposits and unapplied state deposits available for early access	-	0.1
Post liquidation claims paid on behalf of guaranty associations	4.0	2.3
Amounts to be distributed per Act 46	6.5	4.6
Other assets	\$ 276.2	\$ 228.7
Total Assets		
LIABILITIES		
Estimated Priority Class		
A - Administrative expenses:		
Liquidator expenses	\$ 0.4	\$ 1.1
Guaranty associations' paid ULAE reported	18.7	14.9
Guaranty associations' reserves ULAE	1.9	6.0
Total	\$ 21.0	\$ 22.0
B - Claims for policy benefits:		
Guaranty associations' paid (including large deductible)	193.9	161.3
Liquidator valued NODs issued	-	-
Estimated reserves	215.9	246.2
Total	409.8	407.5
C - Federal government claims	-	-
D - Certain employee claims	-	-
E - General creditor claims:		
Liquidator valued NODs issued	1.4	-
Estimated reserves	31.8	31.7
Total	33.2	31.7
F - State and local government claims:		
Liquidator valued NODs issued	2.0	-
Estimated reserves	2.5	4.5
Total	4.5	4.5
G - Late filed claims:		
Liquidator valued NODs issued	-	-
Ancillary Receiverships:		
Post liquidation claims paid, gross	1.1	1.0
Estimated losses and loss adjustment expense reserves - direct	1.7	1.8
Offset of unapplied liquidated statutory deposit	(1.2)	(1.2)
Post liquidation claims, net	1.6	1.6
Total liabilities	470.1	467.3
Net surplus (deficit)	(193.9)	(238.6)
Total Liabilities and Surplus (Deficit)	\$ 276.2	\$ 228.7

* 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 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.

EXHIBIT

C

Legion Insurance Company (In Liquidation)
Statutory Capital and Surplus Account
For the Period December 31, 2001 Thru September 30, 2007
(In Millions of Dollars)

Surplus as Regards Policyholders, Beginning Balance	\$ 298.3
Net Loss:	
Underwriting Loss, Net	(1,076.6)
Investment Income, Net	101.7
Other Expense, Net	(17.9)
Loss Before Income Taxes *	(992.8)
Federal & Foreign Income Taxes	(22.4)
Net Loss	(970.4)
Net Unrealized Capital Gains (Losses)	(20.5)
Change in Net Deferred Income Tax	(42.3)
Change in Non Admitted Assets	74.8
Change in Provision for Reinsurance	22.7
Change in Surplus as Regards Policyholders for the Period	(935.7)
Surplus as Regards Policyholders, Ending Balance	\$ (637.4)

* Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) combined have booked an estimated net adjustment of \$275M in the 4th quarter 2006 related to additional losses in excess of reinsurance coverage prior to pooling.

EXHIBIT

D

Villanova Insurance Company (In Liquidation)
Statutory Capital and Surplus Account
For the Period December 31, 2001 Thru September 30, 2007
(In Millions of Dollars)

Surplus as Regards Policyholders, Beginning Balance	\$ 27.6
Net Loss:	
Underwriting Loss, Net	(62.4)
Investment Income, Net	11.5
Other Expense, Net	(4.3)
Loss Before Income Taxes *	(55.2)
Federal & Foreign Income Taxes	7.5
Net Loss	(62.7)
Net Unrealized Capital Gains (Losses)	-
Change in Net Deferred Income Tax	(8.6)
Change in Non Admitted Assets	(151.9)
Change in Provision for Reinsurance	1.7
Change in Surplus as Regards Policyholders for the Period	(221.5)
Surplus as Regards Policyholders, Ending Balance	\$ (193.9)

* Legion Insurance Company (In Liquidation) and Villanova Insurance Company (In Liquidation) combined have booked an estimated net adjustment of \$275M in the 4th quarter 2006 related to additional losses in excess of reinsurance coverage prior to pooling.

EXHIBIT
E

EXHIBIT

F

EXHIBIT

G

LEGION INSURANCE COMPANY (IN LIQUIDATION)
 VILLANOVA INSURANCE COMPANY (IN LIQUIDATION)
 COMBINED EXPENSE ANALYSIS BY ACCOUNT
 September 30, 2007 ACTUALS vs BUDGET
 (\$ In Thousands)

	Year to Date				2007 Actual vs 2007 Budget		2007 Actual vs 2006 Actual	
	2007 Actual	% of Total Operating	2007 Budget	2006 Actual	Dollar Variance	Percent Variance	Dollar Variance	Percent Variance
Full Time	205		215	232	10	4.7%	27	11.8%
Part Time	1		1	1	-	0.0%	-	0.0%
Contractor Help	32		24	23	(8)	(33.3%)	(9)	(39.1%)
Total Staffing - Current	238		240	256	2	0.8%	18	7.0%
Staffing - Average								
Full Time	208		220	246	12	5.5%	38	15.4%
Part Time	1		1	1	-	0.0%	-	0.0%
Contractor Help	27		23	26	(4)	(15.2%)	(1)	(1.9%)
Total Staffing - Average	236		244	273	9	3.5%	38	13.7%
General & Administrative Expenses *								
Salaries	\$ 16,306	48.8%	\$ 18,637	\$ 16,282	\$ 2,331	12.5%	\$ 1,976	10.8%
Benefits	3,289	9.8%	3,416	3,342	127	3.7%	53	1.6%
Occupancy	2,150	6.4%	2,587	2,584	437	16.9%	434	16.8%
Equipment	2,980	8.9%	3,409	2,834	429	12.6%	(147)	(5.2%)
Legal Fees and Expenses	2,492	7.5%	4,858	3,716	2,366	48.7%	1,224	32.9%
Professional Services	3,905	11.7%	6,935	5,325	3,030	43.7%	1,420	26.7%
Other	2,326	7.0%	3,240	2,056	914	28.2%	(270)	(13.1%)
Total Expenses	33,448	100.0%	43,082	38,138	9,634	22.4%	4,691	12.3%
Revenue for Collecting Large Deductible Recoveries as Provided by PA Statute Act 46								
Act 46 Collection	236		364	500	(127)	(35.0%)	(264)	(52.7%)
Expense Reimbursement**	792		-	-	792	n/a	792	n/a
Non-insurance affiliate								
Total Revenue	1,028		364	500	665	182.9%	528	103.7%
Net Budget	\$ 32,419		\$ 42,718	\$ 37,638	\$ 10,289	24.1%	\$ 5,219	13.9%

* 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 PRIMS.

EXHIBIT
H

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

Classification	Vendor Name	January	February	March	April	May
Professional Services	ACCURINT-ACCT#1055460	287		212	224	
	ALAN GRAY INSURANCE SERVICES, INC.			3,008		
	ALLIANCE CONSULTING	153,750		127,305		355,150
	AMPER POLITZNER & MATTIS, P.C.		1,562		11,477	41,136
	APPLE & APPLE					
	ARRAYA SOLUTIONS, INC.			11,282		
	BONNIE KUMIEGA & ASSOC.					
	CIRBA & KIRWAN, PC AND SECURE			7,728		
	CLAIMS MANAGEMENT GROUP LTD.					
	CONYERS, DILL & PEARMAN	54,542	55,601	57,085	55,769	54,470
	CSC/FSG-MYND CORP.	5,050				
	GLASSBERG & POLLAK					
	GLENN R. PARTIDGE	1,000	174,040	87,020		174,040
	HELI UK LIMITED			3,604		
	HEWITT ASSOCIATES LLC					
	HUGGINS ACTUARIAL SERVICE, INC.					
	JEFFERSON WELLS INTERNATIONAL, INC.		3,031			
	JOHNSON LAMBERT & CO.	1,700	300	97	80	1,051
	KARL HOWE & ASSOCIATES			78,155	41,970	17,540
	KPMG LLP					
	LINDA HIGGINS		2,000	5,395	10,000	1,300
	MARLBORO PARK CONSULTING, INC.			175,171		699
	MDY INC.	2,657		1,400		
	NEWMAN, MATHIS, BRADY		6,000	473,305		
	PHILIP MASIN					
	PHILO SMITH	4,537				
	R.F. O'Rourke & Associates, Ltd.	232,110		148,130	66,000	48,750
	REINSURANCE SOLUTIONS INTL					
	RELIANCE INS CO (IN LIQUIDATION)	17,913		11,150	37,224	
	RESOURCE BRIDGE				13,150	
	RIGHT MANAGEMENT CONSULTANTS				10,000	30,274
	SCOTT F. LEHMAN					
	SMART & ASSOCIATES		51,349			
	SMART BUSINESS ADVISORY & CONSULTING, LLC			213,629	6,048	252,565
	SUNGARD AVAILABILITY SERVICE	252,112				42,500
	TROUT & ASSOCIATES, LTD.	993		84,752		
	VIMSIMO, INC.			10,132	4,127	
	WILLIAMS & SHEDD				128,798	38,985
	PREMIUM RECEIVED NET OF COLLECTION FEES	(359)	(602)	3,136	(3,043)	(1,126)
	Aggregate Amount for Total Vendor Payments Under \$1,000	726,291	292,981	1,479,697	381,834	1,124,611
	Total Professional Services Paid	(286,503)	(214,269)	(564,212)	(8,520)	(512,368)
	Change in Professional Services accrual and other non-cash transactions	437,788	78,712	915,485	373,314	612,243
	Total Professional Services Incurred	751,586	256,215	1,157,875	643,549	859,176
	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.

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

Classification	Vendor Name	June	July	August	September	2007 Total
Legal Fees and Expenses	ARBITRATION & MEDIATION		12,671			76,421
	BROWN BROWN & KLASS	207	512			3,359
	GOZEN & O'CONNOR	9,083		1,568		19,335
	DANIEL E. SCHMIDT, IV., ESQ.		10,000			10,000
	DASHIELL LAW OFFICES, LLC	1,400	1,083			19,059
	DAVID THIRKILL	10,568	1,400		5,096	14,000
	DEUTSCH, KERRIGAN, & STILES, L.L.P.					28,968
	DIANE NERGAARD		1,634			42,073
	ESQUIRE DEPOSITION SERVICES					56,084
	JAMS INC.		14,946	1,559		4,775
	JOHN ROWLAND QC		284			16,505
	LEGALINK	700		590	304	3,543
	LEXISNEXIS		3,450			3,746
	MARTIN D. HABER			1,806		8,150
	MARY ELLEN BURNS, ESQUIRE					6,806
	MAYER BROWN ROWE & MAW LLP			13,278	7,881	1,484
	MILLER ALFANO & RASPANTI PC	9,737	633			73,673
	MORGENSTEIN & JUBELIRER LLP					1,080
	NELSON LEVINE DE LUCA & HORST					2,685
	ON-SITE SOURCING, INC.	46,041				104,745
	PEPPER HAMILTON LLP	384	5,954	165,649	738	471,673
	SCHIFF HARDIN LLP	5,674	575			11,019
	SCHWARTZ SEMERDJIAN HAILE BALLARD & CAULEY LLP	19,211	9,069	19,690	3,616	9,605
	STRADLEY RONON			5,650		161,655
	THE JUSTEAD LAW FIRM	3,150		3,000		5,650
	THOMAS A. GREENE	82,192	15,167	5,040	2,520	3,000
	THOMSON WEST					27,271
	TRENAM, KEMKER, SCHARF, BARKIN					146,226
	TRIAL TECHNOLOGIES, INC.					11,646
	U.S. LEGAL SUPPORT, INC.					18,238
	W. MAX HOLLMANN		3,700			
	WOLF BLOCK SCHORR & SOLIS-COHEN, LLP	26,327	27,795	32,304	10,122	286,157
		1,020		350	387	(2,750)
		(127,775)	112,702	253,408	78,511	1,647,517
		87,928	332,613	48,744	330,155	844,613
			445,315	303,152	409,666	2,482,130
	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					

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

Classification	VENDOR NAME	June	July	August	September	2007 Total
Professional Services	ACCURINT-ACCT#1055460	441		254	119	1,536
	Contract Reinsurance Services				600	3,608
	ALAN GRAY INSURANCE SERVICES, INC.	9,200	75,135	52,940	17,400	770,860
	ALLIANCE CONSULTING	30,454	8,383			81,450
	AMPER,POLITZNER & MATTIS, P.C.					1,562
	APPLE & APPLE	28,000				28,000
	ARRAYA SOLUTIONS, INC.					11,282
	BONNIE KUMIEGA & ASSOC.	10,000				10,000
	CIRBA & KIRWAN, PC AND SECURE					7,729
	CLAIMS MANAGEMENT GROUP LTD.			16,754		16,754
	CONYERS DILL & PEARMAN	55,865	53,910	56,787	54,344	498,363
	CSCF-SG-MYND, CORP.				100	5,150
	GLASSBERG & POLLAK					12,378
	GLENN R. PARTRIDGE	87,020	87,020	87,020	87,020	784,180
	HELIX UK LIMITED					3,604
	HEWITT ASSOCIATES LLC					87,277
	HUGGINS ACTUARIAL SERVICE, INC.					36,201
	JEFFERSON WELLS INTERNATIONAL INC.		13,360	10,200	12,621	27,302
	JOHNSON LAMBERT & CO					3,388
	KARL HOWE & ASSOCIATES	53	97			135,665
	KPMG LLP					2,640
	LINDA HIGGINS			2,640		21,003
	MARLBORO PARK CONSULTING, INC.				1,658	179,526
	MDY INC.					1,400
	NEWMAN, MATHIS, BRADY					5,000
	PHILIP MASIN					473,305
	PHILO SMITH					4,537
	R.F. O'Rourke & Associates, Ltd.					647,710
	REINSURANCE SOLUTIONS INT'L	40,950	50,164	42,406	19,200	76,126
	RELIANCE INS CO (IN LIQUIDATION)					24,814
	RESOURCE BRIDGE		20,889			30,274
	RIGHT MANAGEMENT CONSULTANTS			514		10,000
	SCOTT F. LEHMAN					51,349
	SMART & ASSOCIATES					1,130,549
	SMART BUSINESS ADVISORY & CONSULTING, LLC					42,500
	SUNGARD AVAILABILITY SERVICE	110,183	109,475	96,862	89,665	65,745
	TROUT & ASSOCIATES, LTD.				1,200	14,355
	VIVSIMO, INC.					257,862
	WILLIAMS & SHEDD	(244)	340	22,786	26,003	(2,688)
	PREMIUM RECEIVED NET OF COLLECTION FEES	21,684	19,748	(15)	168	5,573,643
	Aggregate Amount for Total Vendor Payments Under \$1,000	365,156	487,274	401,718	334,081	(1,668,932)
	Total Professional Services Paid	1,207	(83,979)	31,298	(29,586)	3,904,711
	Change in Professional Services accrual and other non-cash transactions	366,363	383,296	433,018	304,494	3,904,711
	Total Professional Services Incurred	454,291	825,611	736,168	714,160	6,396,841
	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

I

Legion Insurance Company (In Liquidation)
Reinsurance Recoverables Due or Billable, Net
September 30, 2007

Reinsurer	Amount
FIRST EXCESS REINSURANCE CORPORATION	\$ 51,338,105
MIDWEST EMPLOYERS CASUALTY COMPANY	43,329,429
HANNOVER RUCKVERSICHERUNGS AG	27,920,448
AMERICAN RE-INSURANCE COMPANY	26,002,131
CONTINENTAL CASUALTY COMPANY	15,821,799
LLOYDS SYNDICATE # 53	12,815,188
ODYSSEY REINSURANCE CORPORATION	10,818,077
SCOR REINSURANCE COMPANY	9,428,637
EMPLOYERS REINSURANCE CORPORATION	9,470,908
PHOENIX HOME LIFE MUTUAL INSURANCE COMPANY	9,288,457
FEDERAL INSURANCE COMPANY	7,375,414
FOLKSAMERICA REINSURANCE COMPANY	6,945,297
XL REINSURANCE AMERICA LTD	6,868,852
TRANSATLANTIC REINSURANCE COMPANY	6,813,002
CHUBB ATLANTIC INDEMNITY LIMITED	6,385,577
SWISS REINSURANCE AMERICA CORPORATION	6,316,425
HARTFORD FIRE INSURANCE COMPANY	6,116,927
SWISS RE LIFE COMPANY OF AMERICA	5,625,526
TERRA NOVA INSURANCE COMPANY LTD	5,520,739
LLOYDS SYNDICATE # 435	5,505,495
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	5,222,113
BERKLEY INSURANCE COMPANY	4,490,387
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	4,741,703
UNDERWRITERS REINSURANCE COMPANY	4,666,706
QBE REINSURANCE CORPORATION	4,368,135
EMPLOYERS EQUITY INSURANCE COMPANY	4,262,282
RELIANCE INSURANCE COMPANY	4,251,601
USF REINSURANCE (MA)	4,244,584
CNA INTERNATIONAL REINSURANCE COMPANY	3,580,856
GE REINSURANCE CORPORATION	3,558,984
ALEA EUROPE LIMITED	3,546,468
CORE INSURANCE COMPANY	3,407,932
AMERICAN NATIONAL INSURANCE COMPANY	3,340,528
XL MID OCEAN REINSURANCE COMPANY LTD	3,333,908
GERLING GLOBAL REINSURANCE CORPORATION OF AMERICA	3,180,273
WESTCHESTER FIRE INSURANCE COMPANY	3,045,844
JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY	2,784,240
LINCOLN NATIONAL LIFE INSURANCE COMPANY	2,733,965
LLOYDS SYNDICATE # 183	2,719,216
LLOYDS SYNDICATE # 510	2,629,407
UTAH WORKERS COMPENSATION FUND	2,426,438
GIÖ (UK) LTD	2,475,735
MUTUAL INDEMNITY (BERMUDA), LTD.	2,410,764
HANNOVER LIFE REASSURANCE COMPANY OF AMERICA	2,333,813
ODYSSEY AMERICA REINSURANCE CORPORATION	2,268,461
ACE INSURANCE SA-NV	2,200,545
LLOYDS SYNDICATE #47	2,153,889
LIFE REASSURANCE CORPORATION OF AMERICA	2,146,827
LINCOLN NATIONAL HEALTH & CASUALTY INSURANCE COMPA	1,999,864
LUMBERMENS MUTUAL CASUALTY COMPANY	1,868,384
MANULIFE REINSURANCE CORPORATION (USA)	1,884,129
TRUSTMARK INSURANCE COMPANY	1,816,428
LLOYDS SYNDICATE # 1245	1,673,774
ALLSTATE INSURANCE COMPANY	1,358,167
CHARTWELL REINSURANCE COMPANY	1,347,068
ST PAUL REINSURANCE COMPANY LTD	1,342,206
AMERICAN UNITED LIFE INSURANCE COMPANY	1,332,595
LLOYDS SYNDICATE # 378	1,308,790
ODYSSEY RE (LONDON) LIMITED	1,232,496
MLA INSURANCE COMPANY	1,207,547
GENERAL REINSURANCE CORPORATION	1,188,583
LLOYDS SYNDICATE # 362	1,149,831
UNIONAMERICA INSURANCE COMPANY LTD	1,092,772
REPUBLIC WESTERN INSURANCE COMPANY	1,073,990
ALL OTHER REINSURERS (LESS THAN \$1M DUE LIC)	23,378,870
Pending Cessions	90,039,325
Total Reinsurance recoverables due or billable, net	<u>\$ 508,522,912</u>

EXHIBIT
J

Villanova Insurance Company (In Liquidation)
Reinsurance Recoverables Due or Billable, Net
September 30, 2007

Reinsurer	Amount
SWISS REINSURANCE AMERICA CORPORATION	\$ 21,138,771
LLOYDS SYNDICATE # 53	4,042,830
GE REINSURANCE CORPORATION	3,748,589
HANNOVER RUCKVERSICHERUNGS AG	3,536,754
ODYSSEY REINSURANCE CORPORATION	2,612,254
MIDWEST EMPLOYERS CASUALTY COMPANY	2,211,401
FIRST EXCESS REINSURANCE CORPORATION	2,074,491
CHARTWELL REINSURANCE COMPANY	2,017,787
ODYSSEY AMERICA REINSURANCE CORPORATION	1,986,842
ALEA EUROPE LIMITED	1,811,102
WESTPORT INSURANCE CORPORATION	1,553,056
SCOR REINSURANCE COMPANY	1,195,510
All Other Reinsurers (Less than \$1M due VIC)	11,626,897
Pending Cessions	34,705,053
Total Reinsurance recoverables due or billable, net	<u>\$ 94,061,337</u>