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**LOS ANGELES
SUPERIOR COURT**

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9

10 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
11 **FOR THE COUNTY OF LOS ANGELES**

13 **INSURANCE COMMISSIONER OF THE
STATE OF CALIFORNIA,**

14 Applicant,

15 v.

16 **LEGION INSURANCE COMPANY and
17 VILLANOVA INSURANCE COMPANY,
18 Pennsylvania corporations,**

19 Respondent.

Case No.: BS 075861

**DECLARATION OF ROBERT
LOO IN SUPPORT OF
VERIFIED APPLICATION FOR
ORDER OF LIQUIDATION**

Date: April 25, 2003
Time: 9:30 a.m.
Dept.: 85

20
21 I, Robert Loo, state:

22 1. I am employed as a Supervising Insurance Examiner and Chief of the
23 Property and Casualty-1 Bureau, Financial Analysis Division, with the State of California
24 Department of Insurance (the "Department"), located in Los Angeles, California. I
25 graduated in 1973 from California State University at Long Beach with a Bachelor of
26 Arts degree in Business Administration. I hold a professional designation in Associate in
27 Insurance Accounting and Finance ("AIAF") from the Insurance Institute of America
28 ("IIA"). I am a Chartered Property and Casualty Underwriter ("CPCU") from the

1 American Institute of the Chartered Property and Casualty Underwriters ("AIPCU"). In
2 addition, I also completed many other accounting and insurance courses.

3 2. I have been employed with the Department for over 30 years. I have held
4 my current position with the Department since November 2000. Immediately previous to
5 my current position, I was Chief of the Property and Casualty Bureau for 11 years and 8
6 months.

7 3. As a Supervising Insurance Examiner and Chief of the Property and
8 Casualty-1 Bureau, I am responsible for supervising and overseeing the financial reviews
9 and analyses by the Department of the financial conditions of property and casualty
10 insurance companies (which includes workers' compensation carriers) assigned to my
11 bureau for the purpose of compliance with the licensing and solvency requirements of the
12 laws and regulations of the State of California. During my employment with the
13 Department, I have participated in the financial reviews, examinations and analyses of
14 thousands of insurance companies.

15 4. Through my employment with the Department, and in my capacity as a
16 Supervising Insurance Examiner and Chief of the Property and Casualty Bureau-1, I am
17 familiar with Statutory Accounting Practices ("SAP") as it relates to property and
18 casualty insurance companies, and I am familiar with the statutes and regulations
19 governing the financial activities of property and casualty insurance companies in
20 California including, but not limited to, the statutes and regulations which pertain to
21 solvency, insolvency, minimum statutory capital and surplus requirements, priority status,
22 and reserve requirements, restrictions and limitations to affiliated transactions.

23 5. Respondents Legion Insurance Company and Villanova Insurance
24 Company ("Respondents" or "Legion" and "Villanova"), are now and at all times
25 mentioned have been corporations duly organized and existing under and by virtue of the
26 laws of the State of Pennsylvania and domiciled there, with their principal offices in
27 Philadelphia, Pennsylvania.

28 6. Respondents filed their respective December 31, 2001 Annual Statements

1 with the Department of Insurance on March 1, 2002. As licensed insurers in California,
2 Respondents are required to file their Annual and Quarterly Statements, together with the
3 Special California Schedule P. The reporting the Department of Insurance received from
4 Respondents is as of December 31, 2001. Respondents have failed to file any of the 2002
5 Quarterly Statements, 2002 Annual Statements (which were due March 1, 2003), 2001
6 Special California Schedule P (which were due May 1, 2002) and 2002 Special California
7 Schedule P (which were due March 1, 2003).

8 7. I have conducted a financial review of Respondents' financial condition
9 based upon an analysis of their respective annual statements filed with the California
10 Department of Insurance. Based upon my analysis, I have determined that Legion had an
11 adjusted policyholders' surplus of negative \$292,334,113 as of December 31, 2001, the
12 date of its last officially filed annual statement with the California Department of
13 Insurance. Legion reported that as of December 31, 2001, it had total net admitted assets
14 of \$1,116,131,000 and total liabilities of approximately \$817,835,000 resulting in a
15 policyholder surplus of \$298,296,000. However, Legion's policyholder surplus as of
16 December 31, 2001, when adjusted to conform to the laws, regulations and accounting
17 practices of California, was negative \$292,334,113.

18 8. I have further determined that Villanova had an adjusted policyholders'
19 surplus of negative \$78,581,803 as of December 31, 2001, the date of its last officially
20 filed annual statement with the California Department of Insurance. Villanova reported
21 that as of December 31, 2001, it had total net admitted assets of \$173,162,000 and total
22 liabilities of \$145,524,000, resulting in a policyholder surplus of \$27,638,000. However,
23 Villanova's policyholder surplus as of December 31, 2001, when adjusted to conform to
24 the laws, regulations and accounting practices of California, was negative \$78,581,803.

25 9. Respondents' policyholder surplus is less than the minimum amount of
26 capital and surplus required by California Insurance Code §§ 700.01, 700.02 and 700.025,
27 for an insurer transacting the classes of insurance authorized by the Certificate of
28 Authority issued to Respondents by the Insurance Commissioner. Based upon my

1 analysis, Respondents are statutorily insolvent within the meaning of Insurance Code
2 § 985 and are both in a financially hazardous condition.

3 I declare under penalty of perjury under the laws of the State of California that the
4 foregoing is true and correct.

5 Executed on March 20, 2003, at Los Angeles, California.

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7 
8 ROBERT LOO

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