

**ONTARIO
SUPERIOR COURT OF JUSTICE
- COMMERCIAL LIST**

**IN THE MATTER OF
RELIANCE INSURANCE COMPANY**

**AND IN THE MATTER OF THE
INSURANCE COMPANIES ACT, S.C. 1991, C.47, AS AMENDED**

**AND IN THE MATTER OF THE
WINDING-UP AND RESTRUCTURING ACT, R.S.C. 1985, C.W-11, AS AMENDED**

BETWEEN:

THE ATTORNEY GENERAL OF CANADA

Applicant

- and -

RELIANCE INSURANCE COMPANY

Respondent

AFFIDAVIT OF GALE RUBENSTEIN

(Sworn April 1, 2008)

I, GALE RUBENSTEIN, of the City of Toronto, in the Province of Ontario **MAKE OATH AND SAY AS FOLLOWS:**

1. I am a partner with the law firm of Goodmans LLP (“Goodmans”), counsel for KPMG Inc. in its capacity as liquidator (the “Liquidator”) of Reliance Insurance Company – Canadian Branch. As such, I have knowledge of the matters hereinafter deposed to, except where stated to be on information and belief and whereso stated I verily believe it to be true.

2. Attached hereto and marked as Exhibit “A” to this my Affidavit is a summary invoice rendered by Goodmans to the Liquidator in respect of these proceedings for the period

October 1, 2006 to December 31, 2007 (the "Period"). Goodmans charged total fees of \$573,059.00 plus GST for the Period.

3. As shown by the summary of hours and hourly rates for the Period, attached as Exhibit "B" hereto, lawyers and staff at Goodmans have expended a total of approximately 1,615.7 hours in connection with this matter during the Period, allocated approximately as outlined in Exhibit "B".

4. At the commencement of the liquidation, Goodmans agreed to a discount from its then current market rates of approximately 15% to 20%, with rates not to be increased for one year. In fact, rates were not increased for the first two years of the liquidation, but were raised by 4.79%, effective October 1, 2003, reflecting the change in the Consumer Price Index over the two-year period. The discount from current market rates is approximately 25% to 35%.

5. Attached hereto and marked as Exhibit "C" is a description of the areas of concentration of each of Goodmans' personnel who dedicated more than 30 hours to the estate.

6. This Affidavit is sworn in connection with a motion by the Liquidator for, among other things, the approval of the fees and disbursements of the Liquidator and of its counsel, Goodmans, and for no improper purpose.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario on April 1, 2008.

Fanny Paquette
Commissioner for taking affidavits

Gale Rubenstein
Gale Rubenstein

This is Exhibit "A" referred to in the
affidavit of Gale Rubenstein
sworn before me, this 1st
day of April 2008

Fanny Paquette
COMMISSIONER FOR TAKING AFFIDAVITS

January 1, 2008

KPMG Inc.
Suite 3300, Commerce Court West
Stn. Commerce Court
Toronto, Ontario
M5L 1B2

Fanny Paquette, a Commissioner, etc.,
City of Toronto, for Goodmans LLP,
Barristers and Solicitors,
Expires February 16, 2010.

Attention: Robert O. Sanderson

OUR FILE NO. KPMG/016699

Re: Reliance Insurance Company, in Liquidation ("Reliance")

TO OUR PROFESSIONAL SERVICES RENDERED in connection with the above-noted matter for the period October 1, 2006 to December 31, 2007, including the following:

Attendances with respect to claims and liabilities issues, including settlement of claims, preparation of settlement documents, liaison and communications with policyholders, adjusters, defence and plaintiffs' counsel, applications for leave to proceed and employment and severance issues;

Attendances with respect to reinsurance issues, including dismissal of recognition proceedings re Cavell Insurance Company, reinsurance collections, commutations and settlement negotiations, negotiations and settlement with reinsurers re set-off issues, including preparing settlement documentation, motion by the Liquidator for directions re entitlement of reinsurers to set-off, motion by certain reinsurers for stay of Liquidator's motion, settlement with Lloyd's Syndicates, motion by Swiss Re for leave to appeal and motion by Liquidator to quash appeal;

Attendances with respect to U.S. issues, including cross-border issues, demand under protocol between Canadian and U.S. estates, set-off issues and non-booked claims;

Attendances with respect to litigation issues, including Reliance Insurance Company v. Meridian Warranty Management Inc. and George Bilyk;

Attendances with respect to liquidation issues, including preparation of motion materials and attendance at Ontario Court re passing of accounts, approval of the professional fees of the Liquidator and of its counsel and authorizing a fourth interim distribution, preparation of motion materials re passing of accounts and authorizing a fifth interim distribution, liaison with inspectors, attendance at management committee meetings and distribution issues.

Goodmans^{LLP}

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OUR FEE:	\$573,059.00
DISBURSEMENTS:	\$ 23,070.20
GST:	<u>\$ 35,562.63</u>
TOTAL:	<u>\$631,691.83</u>

GOODMANS LLP

E. & O. E.

GOODMANS\5513484.1

**RELIANCE INSURANCE COMPANY
(in liquidation)**

**LISTING OF GOODMAN'S LLP PERSONNEL
HOURS AND AVERAGE HOURLY RATE
FOR THE PERIOD OCTOBER 1, 2006 TO DECEMBER 31, 2007**

<u>Name</u>	<u>Rank</u>	<u>Area</u>	<u>HOURS</u>	<u>AVG. HRLY RATE</u>
Rubenstein, Gale	Partner	Insolvency	91.3	\$505
Smith, Graham	Partner	Litigation	880.2	\$425
Creery, Monica	Associate	Litigation	89.4	\$425
Butti, Lauren	Associate	Litigation	240.6	\$335
Dagg, Linda	Law Clerk	Litigation	30.1	\$250
Paquette, Fanny	Law Clerk	Insolvency	69.2	\$165
Individuals with less than 30 hours			<u>214.9</u>	<u>\$ 71</u>
			<u>1,615.7</u>	<u>\$355</u>

GOODMANS\5513461.2

This is Exhibit "B" referred to in the
affidavit of Gale Rubenstein
sworn before me, this 1st
day of April 2008
Fanny Paquette
A COMMISSIONER FOR TAKING AFFIDAVITS

Fanny Paquette, a Commissioner, etc.,
City of Toronto, for Goodmans LLP.
Barristers and Solicitors.
Expires February 16, 2010.

GOODMANS LLP

GENERAL LIQUIDATION RESPONSIBILITY

GALE RUBENSTEIN is a partner in the insolvency area. She oversees all legal matters and is involved in all major areas of the liquidation. Her particular areas of concentration included strategy issues, communications with various stakeholders and with the U.S. Liquidator. She advised with respect to claims and liabilities issues, reinsurance issues, U.S. protocol, cross-border issues, non-booked claims, distribution issues and issues relating to the passing of accounts.

FANNY PAQUETTE is a senior law clerk in the insolvency area. She drafted basic court documents and prepared materials in connection with applications to the Superior Court of Justice and attended to service of motion materials. She also had responsibility for internal accounting control and meeting the requirements of the Liquidator with respect to accounting and billings.

LITIGATION

GRAHAM SMITH is a partner in the litigation section. He dealt with litigation and acted as liaison with policyholders, adjusters, defence counsel and plaintiffs' counsel, acted on applications for leave to proceed, provided advice and prepared settlement documentation on the settlement of various claims, attended management committee meetings, dealt with set-off issues and non-booked claims, negotiated and settled claims of reinsurers re set-off, prepared motion materials and attended at the Superior Court of Justice (and the Court of Appeal, as the case may be) on the motion for the passing of accounts, approval of professional fees and fourth interim distribution and prepared for and attended on motion by Liquidator and certain reinsurers re set-off.

MONICA CREERY is an associate in the litigation section. She performed legal research and assisted in the preparation of materials with respect to the Liquidator's motion to the Superior Court of Justice for directions re reinsurance and motions by certain reinsurers for stay and leave to appeal.

LAUREN BUTTI is an associate in the litigation section. She prepared materials for motion by the Liquidator to the Superior Court of Ontario (and the Court of Appeal, as the case may be) for directions re entitlement of reinsurers to set-off and motions by certain reinsurers for stay and leave to appeal.

LINDA DAGG is a senior law clerk in the litigation section. She assisted in the preparation of the claim, documentary production and enforcement measures in the action against Meridian Warranty Management Inc. and George Bilyk.

GOODMANS\5513475.1

This is Exhibit....."C".....referred to in the
affidavit of.....Gale Rubenstein.....
sworn before me, this.....1st.....
day of.....April.....2008.....

.....*Fanny Paquette*.....
A COMMISSIONER FOR TAKING AFFIDAVITS

Fanny Paquette, a Commissioner, etc.,
City of Toronto, for Goodmans LLP,
Barristers and Solicitors.
Expires February 16, 2010.

THE ATTORNEY GENERAL OF CANADA

and RELIANCE INSURANCE COMPANY

Applicant

Respondent

Commercial List Court File No: 01-CL-4313

**ONTARIO
SUPERIOR COURT OF JUSTICE
- COMMERCIAL LIST**

Proceeding commenced at Toronto

**AFFIDAVIT OF
GALE RUBENSTEIN**

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Barristers & Solicitors
250 Yonge Street
Suite 2400, Box 24
Toronto, Ontario
M5H 2M6

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Solicitors for KPMG Inc.,
Liquidator of Reliance (Canada)

THE ATTORNEY GENERAL OF CANADA
Applicant

and
RELIANCE INSURANCE COMPANY
Respondent

Court File No. 01 CL 4313

ONLINE
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at TORONTO

MOTION RECORD
(Motion Returnable April 8, 2003)

GOODMANS LLP
Barristers & Solicitors
250 Yonge Street, Suite 2400
Toronto, Ontario M5B 2M6

Gale Rotenstein (LSUC# 170883B)
Tel: 416-597-4148
Fax: 416-979-1234

Christen Smith (LSUC# 26377D)
Tel: 416-597-4161
Fax: 416-979-1234

Solicitors for KPMG Inc.,
Liquidator of Reliance (Canada)

Court File No. 01 4313