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December 3, 2001

**To: Reinsurers of the Canadian business exclusively**

**Re: The Canadian branch of Reliance Insurance Company**

On December 3, 2001, the Ontario Superior Court of Justice (the "Court"), on the application of the Attorney General of Canada, granted an order (the "Appointment Order") appointing KPMG Inc. as provisional liquidator (the "Provisional Liquidator") of the insurance business in Canada of Reliance Insurance Company ("Reliance (Canada)"). By further order of the same date the Court ordered that Reliance (Canada) be wound-up (the "Winding-up Order"). We attach copies of the Appointment Order and the Winding-up Order for your records.

Reliance (Canada) is the Canadian branch of Reliance Insurance Company, which is a property and casualty insurer in the United States of America ("Reliance"). Reliance was placed in liquidation in Pennsylvania on October 3, 2001. The Insurance Commissioner for the Commonwealth of Pennsylvania is the court-appointed liquidator of Reliance.

The Provisional Liquidator is attempting to find one or more companies who will assume the policy liabilities of Reliance (Canada). With respect to all policy liabilities (other than policies issued as part of the Meridian program), the Provisional Liquidator has set the objective of finding a new insurance carrier by April 30, 2002. For the Meridian program, the Provisional Liquidator has set the objective of January 31, 2002. The Provisional Liquidator may return to Court to extend these dates if it appears necessary. If no other insurance carriers agree to assume the policy liabilities, the Provisional Liquidator will institute a process to deal with policyholder claims and may seek approval from the Court to cancel some or all of the in-force policies. We anticipate the co-operation of Reliance (Canada)'s reinsurers in completing any such transactions.

In the absence of any unusual circumstances, premiums due to reinsurers will continue to be paid. Further, we expect reinsurers to continue to make all payments in respect of reinsurance payable to Reliance (Canada) to the Provisional Liquidator in the normal course. We note paragraph 6 of the Appointment Order, in particular, which provides that the amount recoverable from, due or owed by any reinsurer to Reliance (Canada) is to be paid to the Provisional Liquidator and shall not be reduced as a result of the Appointment Order or any subsequent liquidation order, notwithstanding any terms or contractual agreement to the contrary, and that any payment made directly by a reinsurer to an insured or other creditor or claimant of Reliance (Canada) or Reliance shall not diminish or reduce or affect such reinsurer's obligation to Reliance (Canada).



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We will correspond with you further, as this matter progresses. In the meantime, please address any questions in writing to the undersigned.

Yours truly,

KPMG Inc., in its capacity as Court-appointed  
Provisional Liquidator of Reliance (Canada)

A handwritten signature in black ink, appearing to be 'I. George Gutfreund', written over a faint, illegible printed name.

Per: I. George Gutfreund  
Vice President