

Court File No. 01-CL-4313

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF  
RELIANCE INSURANCE COMPANY**

***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***

**B E T W E E N:**

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**RELIANCE INSURANCE COMPANY**

Respondent

**REPORT OF KPMG INC., THE LIQUIDATOR OF  
RELIANCE INSURANCE COMPANY – CANADIAN BRANCH**

**(Motion for Approval and Discharge Order – returnable December 6, 2018)**

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## I. THE MOTION

1. This report (“**Report**”) is respectfully filed by KPMG Inc., liquidator (“**Liquidator**”) of the insurance business in Canada (“**Reliance Canada**”) of Reliance Insurance Company (“**Reliance U.S.**”). It is in support of a motion (“**Approval and Discharge Motion**”) seeking an Order (“**Approval and Discharge Order**”) substantially in the form of the draft Approval and Discharge Order at Schedule “A” to the Notice of Motion herein.
2. The Approval and Discharge Order would:
  - (i) approve the entering into and carrying out of a transfer and assumption reinsurance transaction between the Liquidator and Westport Insurance Corporation Canada Branch (“**Westport Canada**”), as well as various “reinsurance novation agreements”;
  - (ii) approve the accounts and activities of the Liquidator for the period January 1, 2016 to October 31, 2018 (the “**Period**”), as reflected in this Report, the Affidavits filed herein and the financial statements of Reliance Canada;
  - (iii) approve the professional fees and costs of the Liquidator and of its counsel for the Period;

- (iv) approve and authorize the process and steps for the completion of the liquidation and winding-up of Reliance Canada, including:
- (A) an escrow arrangement and agreement to be entered into among the Liquidator, KPMG Inc. as escrow agent and the liquidator of Reliance U.S.;
  - (B) payment into a segregated account of unclaimed distributions on claims, and the future treatment of such monies;
  - (C) the destruction of books and records of Reliance Canada and the Liquidator;
  - (D) the termination of the appointment of the Inspectors in the Reliance Canada liquidation;
  - (E) payment to the Liquidator of a fixed amount in respect of all costs, including fees of the Liquidator and its counsel, to complete the final tasks in respect of the liquidation subsequent to October 31, 2018 and including discharge of the Liquidator;
  - (F) the discharge of the Liquidator;
  - (G) the release to Reliance U.S. of the surplus funds in Reliance Canada; and
  - (H) ancillary relief.

## II. OVERVIEW

3. Reliance U.S. is a U.S. property and casualty company that was declared insolvent and whose liquidation was ordered in the U.S. on October 3, 2001. Reliance Canada is the Canadian branch of Reliance.
4. Canadian branches of foreign insurers are not subsidiary corporations nor legal entities *per se*, but they are regulated by the Office of the Superintendent of Financial Institutions and governed by the *Insurance Companies Act* (Canada) and the Regulations thereunder. A Canadian branch can be placed into supervision under the *Insurance Companies Act*, and can be ordered to be wound-up under the *Winding-up and Restructuring Act* (“*WURA*”). In addition to general winding-up provisions in Part I, the *WURA* contains in Part III provisions applicable to Canadian insurance companies and Canadian branches of foreign insurance companies.
5. Reliance Canada wrote comprehensive liability insurance, including insurance for environmental liability, engineers’ and architects’ liability, and for tobacco companies. Many of the policies are “occurrence-based”, meaning that the policies respond to eligible claims when they are made, where the claims are the result of an occurrence during the term of the policy, even though the loss may only have become known or manifest later. As a result, claims may be made years after the policy terms expired. Many of Reliance Canada’s claims are both complex to manage and individual claims may be very large.
6. Reliance Canada arranged reinsurance for a substantial portion of its liabilities, in effect purchasing insurance to cover its own liabilities. Reliance U.S. also purchased

reinsurance on behalf of Reliance Canada, and they were frequently on the same reinsurance contract.

7. Reliance Canada stopped writing new policies in 2000 and had already begun winding down or “running off” its business.
8. Reliance Canada was placed into supervision under the *Insurance Companies Act* in October 2001. On December 3, 2001, this Court ordered the liquidation of Reliance Canada under the *WURA* and appointed the Liquidator.
9. The Liquidator continued the run-off of Reliance Canada’s policy exposures, dealing with policy liabilities, continuing to collect reinsurance in co-operation with the liquidator of Reliance U.S. (“**U.S. Liquidator**”), and ultimately paying all valid policy liabilities and ordinary creditor claims in full.
10. From the outset, the Liquidator and the U.S. Liquidator explored alternatives to a lengthy run-off of the Reliance Canada business, but were unable to find a viable option given, among other things, the nature of the policies and reinsurance issues.
11. Very substantial progress has now been made in the run-off. There is a potential surplus in Reliance Canada of approximately \$104.7 million, which is ultimately payable to Reliance U.S. pursuant to the *WURA*. However, some complex claims remain in the Reliance Canada estate, and the surplus depends on the outcome of those claims and the ability of the Liquidator to collect reinsurance. The Liquidator has thus not been in a position to recommend the release of money to Reliance U.S. in the absence of an

assumption reinsurance transaction for the remaining policies in the Reliance Canada estate.<sup>1</sup>

12. The Liquidator and the U.S. Liquidator therefore once again explored avenues to bring the Reliance Canada liquidation to an end while protecting the interests of the stakeholders in Reliance Canada, and primarily the Canadian policyholders. They focussed on the possibility of a transaction, known as an assumption reinsurance arrangement, whereby a licensed Canadian insurer would assume all of Reliance Canada's remaining policy liabilities, in consideration for which Reliance Canada would pay that insurer a sum of money and transfer to it relevant reinsurance contracts, allowing the liquidation of Reliance Canada to come to an end with the remaining policyholders protected and the release of the surplus to Reliance U.S. for the benefit of the Reliance U.S. policyholders, who are suffering a deficit.
13. The Liquidator, with the assistance and co-operation of the U.S. Liquidator, has now reached an assumption reinsurance agreement with Westport Canada, which provides for the assumption of all of Reliance Canada's remaining policy liabilities. The Liquidator is respectfully recommending approval of the proposed transaction, the bringing of the liquidation of Reliance Canada to an end, and the granting of various relief to effect completion of the winding-up.

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<sup>1</sup> By way of explanation of terminology, "assumption reinsurance" of policies and policy liabilities refers to the assumption of those policies by a different insurer from the original issuing insurer, whereby the policyholder now looks to the assuming carrier to honour the policy. This is distinguished from "reinsurance" *per se* which is in essence insurance purchased by a going concern carrier for its liabilities under the policies it has issued to its policyholders.

### III. BACKGROUND

#### A. Reliance Insurance Company

14. Reliance U.S. is a property and casualty insurer incorporated in the Commonwealth of Pennsylvania in the U.S. In 1988, Reliance U.S. re-established its former Canadian operations as Reliance Canada, to carry on business in Canada.
15. In January 2001 the Insurance Commissioner of the Commonwealth of Pennsylvania (“**Pennsylvania Commissioner**”) put Reliance U.S. into formal supervision status. By that point, Reliance Canada had stopped issuing new policies and had already begun “running off” (winding down) its existing business of previously-written policies.
16. The Pennsylvania Commissioner determined that Reliance U.S. was insolvent and that there would be insufficient assets to pay all its policyholders in full. On October 3, 2001 Reliance U.S. was ordered to be liquidated by the Commonwealth Court of Pennsylvania. The Pennsylvania Commissioner was appointed as the U.S. Liquidator.
17. On October 5, 2001, pursuant to the *Insurance Companies Act*, the Superintendent of Financial Institutions of Canada (“**Superintendent**”) took control of the assets of Reliance Canada.
18. By Order of this Court made December 3, 2001 (“**Winding-up Order**”), the insurance business of Reliance Canada was ordered wound-up pursuant to the provisions of the *WURA*. By a second Order made December 3, 2001 (“**Appointment Order**”) KPMG Inc. was appointed as Liquidator. Attached as Schedule “A” is a copy of the Winding-up Order and attached as Schedule “B” is a copy of the Appointment Order.

19. The assets of Reliance Canada are held by the Liquidator for the benefit of claimants of Reliance Canada, separate and apart from the assets of Reliance U.S., and the two estates in liquidation are distinct.
20. In the Appointment Order (Schedule “B”), this Court appointed the U.S. Liquidator and the Property and Casualty Insurance Compensation Corporation (“PACICC”) as inspectors (“Inspectors”) in this winding-up, pursuant to the *WURA*. (The role of PACICC in the insurance industry is described later in this Report.) By Order dated January 30, 2002, this Court also ordered that the Superintendent be included in the service list and may attend meetings of Inspectors and attend and be heard in matters before this Court.
21. The Liquidator historically has maintained a website to keep interested parties apprised of the status of the winding-up and on which they could access filings in these proceedings.<sup>2</sup> The Liquidator will post this Report and the motion materials for the Approval and Discharge Motion on that site, at [www.kpmg.com/ca/relianceinsurance](http://www.kpmg.com/ca/relianceinsurance).
22. Copies of the Liquidator’s previous reports to this Court, including all Orders issued by this Court, can also be found on the Liquidator’s website. Attached as Schedule “C” is a list of the Orders issued previously in these proceedings.

**B. Reliance Canada’s Insurance Business**

23. Reliance Canada wrote a very diverse set of policies, including comprehensive general liability, medical malpractice liability, directors’ and officers’ liability, engineers’ and

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<sup>2</sup> In February 2018, the provider of the original website became insolvent, and the Liquidator immediately replaced the former website with one on the KPMG insolvency website.

- architects' liability, lawyers' errors and omissions liability, miscellaneous errors and omissions liability, auto liability, automobile warranty, marine cargo and liability, property loss and other programs.
24. Some of Reliance Canada's policies were "claims-made" policies, meaning that they covered claims that are made against the insured during the specified policy period (or "term") of the policy and reported within that term or a defined period thereafter. However, a substantial portion of its policies consisted of "occurrence-based" policies. Occurrence-based policies cover liabilities incurred during the term of the policy, including those liabilities that may not become known or manifest (and thus not reported) until later – sometimes years later. This latter business is known as "long tail" insurance. Much of Reliance Canada's insurance business was of a long tail nature.
25. As described more particularly below, much of Reliance Canada's policy exposure was reinsured under reinsurance contracts in place before the commencement of the Reliance Canada liquidation.
26. In addition, Reliance Canada itself acted as a reinsurer for other insurers. The resulting reinsurance contracts issued by Reliance Canada are also policies of insurance under the *Insurance Companies Act*, and claims arising from that reinsurance are accorded the same priority as other claims of policyholders under the *WURA*.
27. In British Columbia, Reliance Canada wrote, mainly on a group basis, a line of excess automobile coverage and homeowner's property and liability coverage. This was written through Family Underwriting Management Limited ("**Family**"), a managing general agency. The Family policies written by Reliance Canada had risk inception between

May 1, 1998 and August 31, 1999. The books and records for the Family business were maintained by Family in British Columbia.

28. In 2000, Reliance Canada voluntarily stopped writing new policies, effectively beginning the winding-down or “run-off” of its business. At the commencement of the Reliance Canada liquidation in December 2001, Reliance Canada had only 16 policies where the term was not then expired, excluding certain warranty programs the term of each of which subsequently expired.
29. The last in-force claims-made policy expired in March 2007 (with an extended reporting period expiring May 30, 2007), and so any claims under claims-made policies were required to be reported, at the latest, over 10 years ago.
30. The last occurrence-based term expired in March 2004.

### **C. Policy Liabilities**

31. Claims which are reported to Reliance Canada as the insurer, but which are not yet resolved or settled, are known as open claims (“**Open Claims**”). At the commencement of the liquidation, there were approximately 1,100 Open Claims.
32. Reliance Canada establishes from time to time an estimate of the amount to resolve or settle Open Claims, which amount is known as the case reserves (“**Case Reserves**”).
33. In addition, Reliance Canada has “incurred but not reported” (“**IBNR**”) exposure, which includes (i) claims not yet reported for which Reliance Canada may ultimately be put on notice and to which it would have to respond, and (ii) future developments associated with Open Claims, being amounts which are incremental to Case Reserves.

**D. The Run-off of Reliance Canada's Business in Liquidation**

34. Since the commencement of the winding-up, the Liquidator has continued the run-off of Reliance Canada's business in an orderly manner, dealing with policy liabilities and the collection of reinsurance on a commercially reasonable basis. Accordingly, there has been no cancellation of policies and claims have continued to be reported to and adjusted (processed) by Reliance Canada in the normal course (subject to the effect of the Call for Policy Loss Claims, discussed below).

35. In particular, pursuant to Orders of this Court, the Liquidator has paid and continues to pay policy benefits on policy loss claims ("**Policy Loss Claims**"), namely: (a) eligible defence and adjustment costs, and/or (b) distributions at 100 cents-on-the-dollar on Policy Loss Claims that have been allowed. The Liquidator also paid any allowed ordinary creditor claims at 100 cents-on-the-dollar, also as authorized by the Court. Additionally, as authorized by the Court, the Liquidator paid post-liquidation interest of 5% *per annum* on those Policy Loss Claims that had been resolved but had not been paid in full before the cumulative distribution percentage reached 100% on April 8, 2008.

**E. Call for Policy Loss Claims**

36. On August 3, 2010, this Court granted an Order approving a process under the *WURA* in respect of a call for Policy Loss Claims ("**Call for Policy Loss Claims**"). The Order for the Call for Policy Loss Claims fixed December 17, 2010 under section 74 of the *WURA* as the last day on which Policy Loss Claims could be sent to the Liquidator, and approved the form of proofs of claim ("**POCs**") to submit Policy Loss Claims. A copy of that Order is attached as Schedule "**D**", along with an amending Order made December 7, 2010.

37. In accordance with the Call for Policy Loss Claims, the Liquidator conducted a thorough call process and sent out approximately 107,000 individual notices, at the last known address set out in the books and records of Reliance Canada, to:
- (i) those policyholders or claimants with Open Claims;
  - (ii) holders of occurrence-based policies written by Reliance Canada;
  - (iii) liability reinsureds (i.e., liability insurers whom Reliance Canada had reinsured); and
  - (iv) brokers and managing agents that brokered or managed insurance programs for Reliance Canada's business.
38. The Liquidator also published notice of the Call for Policy Loss Claims by way of Court-approved English and/or French notices in various newspapers, an insurance industry publication and official *Gazettes*. The notices were also posted on the Reliance Canada liquidation website maintained by the Liquidator. Additionally, the Liquidator set up a call centre to assist with questions regarding the process, and set up a direct email address so that inquiries could be sent directly to the Liquidator.
39. The notices under the Call for Policy Loss Claims were broad, and explicitly called for "any claims for loss under or arising out of a policy of Reliance Canada (including any existing, new, future, contingent, known or unknown, reported or unreported, liquidated or unliquidated claims)". Attached as Schedule "E" is a copy of the English text of the notice under the Call for Policy Loss Claims.

40. The following were the results of the Call for Policy Loss Claims:
- (i) a total of 3,732 POCs were received, pertaining to policies with total policy limits of approximately \$1.7 billion;
  - (ii) POCs were not filed in respect of 37 Open Claims that were already on the books and records of Reliance Canada at the commencement of the Call for Policy Loss Claims (the “**Non-Filed Open Claims**”). As these Non-Filed Open Claims were already open on the books of Reliance Canada, the Liquidator (as previously reported to the Court) treated them as filed under the Call for Policy Loss Claims, and continued to finalize these Non-Filed Open Claims and make any appropriate payments thereunder;
  - (iii) certain POCs were filed past the December 17, 2010 deadline (“**Late-Filed POCs**”). As reported previously to the Court, the Liquidator determined that, given Reliance Canada’s ability to pay valid claims including the Late-Filed POCs, pursuant to the *WURA* these Late-Filed POCs would be afforded the same treatment as timely-filed POCs.
41. The Liquidator ultimately determined that a disallowance of claims process was appropriate and would advance the resolution of a significant number of Policy Loss Claims and the ultimate wind-up of the estate. By Order dated March 2, 2012, the disallowance process was approved.
42. The Liquidator resolved 3,368 POCs either by way of disallowance (with no appeal therefrom), settlement or other resolution, and resolved all of the Non-Filed Open

Claims. Collectively, these POCs and Non-Filed Open Claims pertained to policies with total policy limits of approximately \$737 million.

43. Notices of appeals from disallowance of claim (“NOAs”) were received for 24 POCs which had been disallowed. As at September 30, 2018, one NOA remains unresolved.
44. In all, a total of 364 unresolved POCs remain (the “**Remaining POCs**”), including unresolved Late-Filed POCs. Since various parties had filed duplicate POCs with respect to the same Policy Loss Claim, after reviewing the Remaining POCs the Liquidator determined that the Remaining POCs relate to 62 claims under 75 policies. Of the 62 claims, one relates to a contingent claim under one policy, potentially pertaining to total policy limits of approximately \$25 million. (Contingent claims include those which are with respect to a possible occurrence prior to the expiry of the policy’s term, the specifics of which are not yet available or within the knowledge of the policyholder or claimant, and/or in respect of which no claim has yet been made against a policyholder or an insured thereunder.)
45. Taking into account total policy limits pertaining to all Remaining POCs, the total potential policy limit exposure to Reliance Canada is approximately \$956 million as at September 30, 2018.

**F. Call for Ordinary Claims**

46. On June 24, 2008, this Court granted an Order approving a process under the *WURA* in respect of a call for ordinary creditors of Reliance Canada (the “**Call for Ordinary Claims**”). Attached as Schedule “F” is a copy of the Order providing for the call for Ordinary Claims. Only one ordinary creditor claim was filed in response to the Call for

Ordinary Claims, being a claim of (U.S.) \$5,810.87, which was allowed and paid in full. All ongoing expenses of Reliance Canada since the commencement of the winding-up have been paid on a current basis.

**G. The Run-off and the Remaining Policies**

47. As noted, Reliance Canada policies have not been cancelled and the Liquidator has continued the run-off of Reliance Canada's business in an orderly manner, dealing with policy liabilities and the collection of reinsurance on a commercially reasonable basis.
48. Given there was no cancellation of policies, there were no claims for unearned premiums for the balance of the terms of any policies.
49. Also, because the business of Reliance Canada has been run-off without cancellation of policies and with any valid Policy Loss Claims being paid in full, there are no claims by policyholders for the "value" of their policies under the *WURA* and accordingly there has been no need for determination of the "value" of policies as at the commencement of the winding-up.
50. In summary, as at September 30, 2018 there were 30 Open Claims and the Remaining POCs. The Open Claims and the Remaining POCs collectively pertain to 75 policies with total policy limits of approximately \$956 million and estimated policy liabilities (including IBNR) of \$12.9 million.

#### IV. FINANCIAL STATUS OF THE ESTATE

##### A. Distribution History

51. This Court has approved 6 distributions to policyholders, cumulatively resulting in a total recovery of 100% of the value of their allowed Policy Loss Claims and, where applicable, a distribution of post-liquidation interest at 5% *per annum*.

52. As noted, a distribution of 100% on allowed ordinary creditor claims was also made, pursuant to this Court's Order made December 17, 2008.

##### B. Passing of Accounts and Approval of Professional Fees

53. This Court has from time to time passed and approved the accounts and activities of the Liquidator, and approved the professional fees of the Liquidator and its counsel, cumulatively for the period from the date of the Winding-up Order to December 31, 2015.

##### C. Financial Status

54. Attached as Schedule "G" are the unaudited financial statements for the estate as at September 30, 2018 ("**Reliance Canada Financial Statements**"), prepared in a manner consistent with the financial statements as at December 31, 2015 and previously, as submitted to the Court, and which rely on the same system of internal controls to safeguard the accuracy and reliability of the financial reporting process. The accounting policies used in the preparation of the Reliance Canada Financial Statements have been selected with a view to reflecting the financial position of an insurance company that is in liquidation and are not necessarily in conformance with generally accepted accounting principles or international financial reporting standards.

55. As noted in previous reports, a key characteristic of the Reliance Canada claims profile has been its “lumpiness.” That is, the nature of a significant number of its policies is that they do not have frequent claims but, if claims occur, they tend to be severe. As further progress is made in dealing with the Policy Loss Claims and more information becomes available on which to assess them, the Liquidator adjusts the policy liabilities. In particular, where Policy Loss Claims are resolved for amounts lower than the amounts reserved for them, the policy liabilities are reduced, and, where more information becomes available to indicate a higher exposure than has been reserved, the policy liabilities are increased. (Increases normally also have the effect of increasing the reinsurance recoverables since these claims are generally reinsured at significant levels.) Accordingly, some fluctuations in the estimated level of surplus in the estate are to be expected, given the volatility inherent in such a portfolio.
56. The projected estate surplus has increased from approximately \$85.3 million as at December 3, 2001 to approximately \$104.7 million as at September 30, 2018. The principal reasons for the change in the surplus are investment income and favourable developments with respect to the total policy liabilities.

**D. Assets**

*Cash and Investments*

57. As at September 30, 2018, the financial assets of Reliance Canada were cash and investments totalling approximately \$114 million. Pursuant to the Court’s approval by previous Orders, the cash and assets are held in funds with RBC Asset Management and

Phillips Hager & North. In addition, funds are also held as term deposits, or as bankers acceptances issued by designated Schedule A banks.

58. The Liquidator reviews the allocation of funds regularly in order to rebalance Reliance Canada's holdings, taking into consideration such matters as expected cash flows, duration of the claim book and market conditions. In addition, the Liquidator meets with RBC Asset Management periodically to assess results.

#### *Reinsurance*

59. The other major asset of Reliance Canada is the reinsurance of its policy liabilities. The percentage of the Case Reserves that is reinsured changes over time as the composition of the Case Reserves changes. As at September 30, 2018, approximately 56.5% of the Case Reserves were reinsured. This does not reflect estimates for uncollectible reinsurance due to credit, collection or contractual risk. Over 78% of the reinsurance on the Case Reserves as at September 30, 2018 is with reinsurers rated "A" or higher.
60. By September 30, 2018, the Liquidator had collected approximately \$135 million in reinsurance since the beginning of the liquidation. Reinsurance receivables (amounts billed to reinsurers), net of a provision for uncollectible reinsurance, were approximately \$19,000 at September 30, 2018. Reinsurance recoverables (being amounts referable to (i) reported claims not yet billed and (ii) IBNR, net of a provision for uncollectible reinsurance) were approximately \$4 million as at September 30, 2018.

**E. Liabilities**

61. At September 30, 2018, the estimated value of the liability under the policies with Open Claims and/or unresolved POCs was \$12.9 million, determined as described in more detail below. As previously discussed, the Liquidator undertook a Call for Policy Loss Claims and has taken the results of the Call for the Policy Loss Claims (including Late-Filed POCs) into account in estimating their value.

*Policy Loss Claims*

62. There are four components of Policy Loss Claims:
- (i) Policy Loss Claims that are settled or otherwise resolved: As at September 30, 2018, approximately 18,600 Policy Loss Claims, with a total value of approximately \$189 million, have been resolved, through settlement or otherwise, since the beginning of the liquidation. These have all been paid in full, with post-liquidation interest where appropriate;
  - (ii) Open Claims (claims that have been reported but not yet resolved) for which Reliance Canada had established Case Reserves: As at September 30, 2018, there were 30 Open Claims outstanding. Case Reserves are adjusted as additional information on the estimated amount of a claim becomes known during the course of its adjustment;
  - (iii) the provision for IBNR, including developments in Open Claims, the cost of which is incremental to the Case Reserves; and

- (iv) contingent claims, which are claims with respect to a possible occurrence prior to the expiry of a policy, the specifics of which are not yet available or within the knowledge of the policyholder or claimant and/or in respect of which no claim has yet been made against a policyholder or an insured thereunder.

*Liability Claims Projection Process*

63. The Liquidator has applied the same methodology in projecting the policy liabilities for the purpose of this Report as was done for the Liquidator's previous report to the Court. Representatives of the U.S. Liquidator have also reviewed the Case Reserves.

**F. Summary**

64. As at September 30, 2018, the book value of Reliance Canada's cash and investments was approximately \$114 million, while the estimated policy liabilities – also known as cumulative unpaid claims (which take into account Case Reserves, IBNR, contingent claims and related expenses) – totalled approximately \$12.9 million. Below is a summary breakdown for the estate as of September 30, 2018:

	<b>September 30, 2018</b> <b>(in millions)<sup>3</sup></b>
<b>Assets</b>	
Cash or investments	\$114.0
Reinsurance receivables and recoverables net of estimate for uncollectible reinsurance	\$4.0
Miscellaneous	\$4.9
Total Assets	<u>\$122.9</u>

<sup>3</sup> Amounts in this column are rounded.

	<b>September 30, 2018</b> <b>(in millions)<sup>3</sup></b>
<b>Liabilities</b>	
Cumulative unpaid claims	\$12.9
Other Liabilities	\$5.3 <sup>4</sup>
Total Liabilities	<u>\$18.2</u>
<b>Total Surplus</b>	<u>\$104.7</u>

65. As shown above, the projected surplus for Reliance Canada as at September 30, 2018 is approximately \$104.7 million, being \$122.9 million of total assets less total liabilities of \$18.2 million.

#### **V. INTEREST OF RELIANCE U.S.**

66. As noted, the Liquidator has continued to run-off Reliance Canada's business in an orderly manner, dealing with policy liabilities and the collection of reinsurance on a commercially reasonable basis. Given the status of certain claims against the estate, and the long-tail nature of certain policies written by Reliance Canada, it is the Liquidator's view that a run-off would continue for an indefinite period.

67. Pursuant to subsection 161(10) in Part III of the *WURA*, the Liquidator may, with the approval of the Court, release to Reliance U.S. – as the “foreign company” – any balance of the assets remaining in Reliance Canada after payment of claims in the order of priority prescribed by subsection 161(9). Those priorities are as follows:

- (i) costs of the liquidation;

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<sup>4</sup> This amount includes accrued liabilities of approximately \$400,000 that will be paid and \$4.9 million owing to Reliance U.S. The latter amount is fully offset by an equal amount owing from Reliance U.S. to Reliance Canada, and these claims will each be withdrawn by the respective estate.

- (ii) claims of specified preferred creditors;
- (iii) claims of policyholders of the company; and
- (iv) expenses that were incurred by the Superintendent in respect of the company and assessed against and paid by other insurance companies pursuant to the *Insurance Companies Act*, and interest in respect thereof at such rate as specified by the Superintendent.

68. Accordingly, Reliance U.S. would be entitled, with the Court's approval, to any surplus after satisfaction of all priority claims.

69. The U.S. Liquidator advises that significant progress has been made in the Reliance U.S. liquidation and that the U.S. Liquidator has issued Notices of Determination for approximately 99% of the proofs of claim filed in that estate. However, the Reliance U.S. estate under the control of the U.S. Liquidator suffers from a significant deficit. On December 22, 2015, the U.S. Liquidator was granted an order establishing March 31, 2016 as the claims bar date by which all claims must be filed with the U.S. Liquidator. Additionally, on September 13, 2017, the U.S. Liquidator received its court's approval to increase the total cumulative interim distribution to 80% on eligible claims.

## **VI. THE ASSUMPTION REINSURANCE TRANSACTION**

### *Background*

70. From the outset, the Liquidator and the U.S. Liquidator explored alternatives to a lengthy run-off of the Reliance Canada business, but, until recently, were unable to find a viable option given, among other things, the nature of the policies and reinsurance issues.

71. In 2017, the U.S. Liquidator advised that it had had preliminary discussions with representatives of the Swiss Re group of insurance companies – a large, international insurance conglomerate - which was potentially interested in taking on responsibility for the remaining Reliance Canada policy liabilities, provided terms for assumption reinsurance could be reached. The Liquidator and the U.S. Liquidator accordingly cooperated in pursuing whether there was now an opportunity for a transfer to and assumption by a going concern insurer.
72. Extensive discussions followed, with a number of potential strategies being considered. Ultimately, representatives of the Swiss Re group proposed a transaction whereby a going-concern Canadian insurer would assume all the remaining Reliance Canada policy liabilities.
73. After significant efforts, the Liquidator and Westport Canada, a Swiss Re entity, entered into an Assumption Reinsurance Agreement dated November 8, 2018 (“**Assumption Reinsurance Agreement**”), a copy of which is attached as Schedule “H” in redacted form.

*Basis for redacting and sealing*

74. If the proposed transaction is not completed, public release of the price could be prejudicial in the negotiation of another transaction. Further, Section 7.1(d) and Schedules “A” and “B” to the Assumption Reinsurance Agreement set out the policyholders whose policies are to be transferred to and assumed by Westport Canada, and various reinsurers of Reliance Canada. This is information which can be considered to be proprietary, commercially sensitive and/or confidential to the respective interests.

Accordingly, in the publicly filed version of the Assumption and Reinsurance Agreement the price, Section 7.1(d) and Schedules “A” and “B” have been redacted, with an unredacted version filed on a sealed basis, and the Liquidator recommends that the Court order that a version with the price unredacted be unsealed upon filing of a certificate by the Liquidator confirming closing, but that the other redacted portions remain redacted.

*Core Terms*

75. The core elements of the Assumption Reinsurance Agreement are:
- (a) Westport Canada will assume all responsibility and liability for identified Reliance Canada policies under which there are Open Claims and/or unresolved POCs, including for known and unknown claims thereunder, as if Westport Canada had originally issued those policies (“**Remaining Policies**”);
  - (b) the transfer and assumption is on an as is, where is basis, with Westport Canada assuming all risks in relation to Remaining Policies;
  - (c) the holders of the Remaining Policies will have recourse to Westport Canada as if the Remaining Policies had been originally issued by Westport Canada; and
  - (d) in exchange, (i) Reliance Canada will pay the agreed price to Westport Canada, and (ii) various reinsurance contracts with respect to the Remaining Policies will be transferred to Westport Canada on an as is, where is basis.
76. There were Open Claims and/or unresolved POCs at the time that the policies to be transferred and assumed (and the purchase price) were initially contemplated. Some of those Open Claims or POCs may have since been resolved, or may be resolved prior to

the closing of the transaction, and the parties have included a mechanism to reduce the price accordingly. Likewise, there is a mechanism to add policies to the Remaining Policies set out on Schedule “A” to the Assumption Reinsurance Agreement, where required, provided the parties agree on the corresponding adjustment to the price, if any. Accordingly, the final price, and the final list of Remaining Policies to which any additions have been made prior to Closing, or may be different from that set out in the current version of the Assumption Reinsurance Agreement.

77. The Liquidator, Westport Canada and the reinsurers whose reinsurance contracts it is contemplated will be transferred to Westport Canada have entered into reinsurance novation agreements (and there may be further reinsurance novation agreements entered into prior to Closing), each conditional on Closing and substantially in the form at Schedule “I” (“**Reinsurance Novation Agreements**”).
78. The Liquidator is advised by Westport Canada that Westport Canada:
- has operated as a foreign branch in Canada since 2008, and is authorized to insure pursuant to the Remaining Policies;
  - employs approximately 50 employees, with offices in Vancouver and Toronto;
  - reported direct written premium in 2017 of approximately \$159 million, comprised of a diversified commercial portfolio across regions and product lines including property, general liability, aviation and construction and engineering risks;

- reported approximately \$682 million of total assets, and capital ratios that exceed internal and regulatory minimums.
79. Westport Canada further advises that Westport Insurance Corporation – the foreign insurance company of which Westport Canada is a branch - is a 37 year-old company based in Overland Park, Kansas, with approximately 925 employees and 22 offices worldwide. It is a diversified insurer offering a wide range of insurance products and services, with consolidated assets of US\$5.4 billion and 2017 revenues in excess of US\$1.7 billion. Westport Insurance Corporation's ultimate parent is Swiss Re Ltd., a diversified global insurer and reinsurer headquartered in Zurich, Switzerland with approximately 14,500 employees and over 80 offices worldwide, offering a wide range of insurance products and services and with consolidated assets of approximately US\$223 billion and 2017 revenues in excess of US\$35 billion

## **VII. BENEFITS OF THE TRANSACTION AND THE LIQUIDATOR'S RECOMMENDATION**

80. The Liquidator respectfully recommends and seeks approval of the proposed assumption reinsurance transaction including the Assumption Reinsurance Agreement and Reinsurance Novation Agreements.

### *Reliance Canada Policyholders and Creditors*

81. The policyholders under the Remaining Policies (“**Remaining Policyholders**”) will be fully protected by the proposed transaction under the Assumption Reinsurance Agreement. The policy liabilities under their Remaining Policies, including the existing

Open Claims thereunder and any future eligible claims, will be fully assumed by Westport Canada.

82. The Remaining Policyholders will no longer be subject to the possibility (albeit a remote one in the Liquidator's view) of the assets in the estate of Reliance Canada (including any reinsurance) not being sufficient to enable all their claims to be paid in full.
83. The Liquidator is accordingly of the view that the proposed transaction under the Assumption Reinsurance Agreement is fair and equitable to the Remaining Policyholders.
84. The Liquidator is of the view that the proposed transaction is also fair and equitable to the estate as a whole and the Reliance Canada policyholders whose policies are not being transferred. Those policyholders and ordinary creditors who filed claims pursuant to the Call for Policy Loss Claims and the Call for Ordinary Claims, respectively, those who have filed *post* the date set for sending in claims, and all those policyholders who did not file but were nonetheless treated by the Liquidator as having filed by virtue of having Open Claims at the time of the Call for Policy Loss Claims, have had their claims resolved, except for unresolved claims of the Remaining Policyholders (whose policies are being transferred to and assumed by Westport Canada). Although with occurrence-based policies there is a theoretically indefinite period in which claims could be made, and the *WURA* does not provide for a claims bar date *per se*, the Call for Policy Loss Claims was implemented in 2010, and policyholders who were of the view they had potential exposure for potential, not yet known, claims could (and did) file contingent claims. In the Liquidator's view the Call for Policy Loss Claims was very broad, thorough and robust. Policyholders have realized the benefit of their policies instead of

having had them cancelled and being subject to a process of attempting to value cancelled policies. In the Liquidator's view, it is fair and equitable to the non-Remaining Policyholders that at this point effect be given to the Call for Policy Loss Claims and that the liquidation come to an end, with no further ability to claim under their policies including by Late-Filed POC or otherwise.

*Reliance U.S.*

85. As referenced above, the *WURA's* Part III specifically contemplates the case of a liquidation of a Canadian branch (such as Reliance Canada) of a foreign insurance company (such as Reliance U.S.). Part III provides for the making of claims against the Canadian branch assets and the ultimate release of surplus assets, if any, to the foreign insurance company. The U.S. Liquidator thus holds (on behalf of Reliance U.S.) the residual interest in the estate of Reliance Canada, since Reliance U.S. is the foreign insurer to whom any surplus is payable (with Court approval) after payment of all priority claims in the winding-up of Reliance Canada has been made. In particular, subsection 161(10) provides:

The liquidator may, with the approval of the court, release to the foreign company any balance of the assets remaining after payment of claims in the order of priority prescribed by subsection (9).

86. As described earlier, the Liquidator estimates there is a surplus in the Reliance Canada estate in the range of \$104.7 million. That estimate is based on the policy liability reserves for outstanding (unresolved) policy claims including IBNR, and is based on applicable reinsurance being recovered as outstanding claims are resolved. However, if outstanding claims were to significantly exceed the policy liability reserves, new claims

were reported, and/or some or all applicable reinsurance were not ultimately recoverable for any reason, the estimated surplus may be diminished or cease to exist. Without the final resolution of all policy liabilities, there can be no certainty with respect to the surplus and the Liquidator is not in a position to release assets to the U.S. Liquidator. The creditors of Reliance U.S. are in a deficit position and the liquidation of Reliance U.S. is likely to be completed in the next few years.

87. The Assumption Reinsurance Agreement will effect a transfer of the Remaining Policies to – and assumption of them by – an authorized Canadian branch of an insurance company (i.e., Westport Canada), and therefore no claims would lie against Reliance Canada with respect to the Remaining Policies. Accordingly, following the completion of the Assumption Reinsurance Agreement and the granting of the Approval and Discharge Order, the priority claims set out in subsection 161(9) of the *WURA* will have been satisfied, i.e.:

- (i) costs of the liquidation will have been paid;
- (ii) there are no claims by the specified preferred creditor class;
- (iii) claims of the Remaining Policyholders will be assumed by Westport Canada, and claims of the other policyholders have been or will have been resolved; and
- (iv) there are no expenses claimed by the Superintendent and assessed against the insurance industry.

88. The payment of the purchase price will of course reduce the cash in the Reliance Canada estate, and thus reduce the surplus ultimately available to be paid to the U.S. Liquidator. The U.S. Liquidator has the only interest that could be prejudiced by the quantum of the price. The U.S. Liquidator is satisfied with the terms of the transaction, including the price and price adjustment mechanism.

*Inspectors*

89. As noted above, PACICC is an Inspector (along with the U.S. Liquidator) appointed by the Appointment Order. PACICC is the industry-funded vehicle that provides coverage, up to certain limits, on certain property and casualty claims for policyholders who are not paid in full by virtue of the insolvency of their insurer. Because Reliance Canada has paid policy claims in full, PACICC has not incurred any losses in the liquidation of Reliance Canada. However, it remains potentially liable should the run-off of Reliance Canada continue and the remote chance materialize of there being insufficient funds to pay all claims at 100 cents-on-the-dollar. PACICC is conversant with the proposed transaction and fully supportive of it. PACICC is also fully supportive of the proposed discharge of the Liquidator and the other relief sought in the Approval and Discharge Motion.
90. The U.S. Liquidator, also an Inspector, is supportive of the relief sought in the Approval and Discharge Motion.

*Superintendent*

91. The Liquidator has kept the Superintendent apprised of the ongoing status of the winding-up and of the proposed transaction, and the Superintendent has advised that the Superintendent does not take a position on the Approval and Discharge Motion.

**VIII. MAJOR ACTIVITIES OF THE LIQUIDATOR****A. Summary of Activities**

92. In summary, the Liquidator's major activities for the Period included:
- (a) Claims adjudication and management, including:
    - (i) overseeing the payment of defence and adjustments costs;
    - (ii) overseeing a comprehensive review of all claims including estimating range of possible outcomes;
    - (iii) engaging in discussions with policyholders, claimants and their counsel concerning the estate;
    - (iv) settling or otherwise resolving and paying various claims, having a total value of approximately \$4.7 million;
  - (b) Reinsurance management, including:
    - (i) reconciling accounts;
    - (ii) collecting receivables, including direct communication with reinsurers, and cooperative efforts with the U.S. Liquidator;

- (iii) reporting on adjustments to reserves for claims;
- (c) Attendance to other matters, including:
  - (i) reviewing and amending as necessary the investment policy and managing investments in consultation with its investment manager;
  - (ii) reporting regularly to the Inspectors;
  - (iii) reporting to the Superintendent;
  - (iv) preparing quarterly financial statements and preparing and filing appropriate tax returns with the necessary tax authorities;
  - (v) maintaining the external website;
  - (vi) monitoring of the U.S. liquidation of Reliance, and discussions with the U.S. Liquidator with respect to cross-border issues and other matters that impact the Canadian estate, including issues with respect to reinsurance collections; and
  - (vii) considering alternative strategies for bringing the liquidation of Reliance Canada to a close, including consulting with the U.S. Liquidator, and extensive efforts to pursue an assumption reinsurance transaction.

## **IX. LIQUIDATOR'S ACCOUNTS AND PROFESSIONAL FEES**

### **A. Financial Statements**

93. As in the past, the Liquidator does not consider that a traditional statement of receipts and disbursements would provide a meaningful and informative reflection of the financial

position of the estate. The Liquidator has therefore prepared the Reliance Canada Financial Statements (Schedule “G”).

94. The Reliance Canada Financial Statements have been prepared in a manner consistent with the statements approved previously by this Court. The Liquidator maintains a system of internal controls to safeguard the accuracy and the reliability of the financial reporting process.

**B. Goodmans LLP**

95. Goodmans LLP (“Goodmans”) has acted as counsel to the Liquidator from the commencement of the liquidation and has acted or advised on all matters described in this Report. The Liquidator is familiar with Goodmans’ services. Detailed invoices were timely received and carefully reviewed in detail by senior administrative and management level members of the Liquidator’s staff. The invoices were reviewed for accuracy, adequate detailed information describing the work performed and by whom, the time spent and when it was spent, the rate and amount billed, possible redundant charges, reasonableness and overall compliance with the terms of retention. Clarifications and adjustments of items included in the invoices were requested where it appeared appropriate.
96. 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. Significant discounts remained in effect to July 1, 2008, when rates were increased to 90% of current market rates as they are set from time to time. The discount from Goodmans’ current market rates remains approximately 10%.

97. Attached as Schedules “J”, “K” and “L”, respectively, are:
- (i) a summary invoice from Goodmans to the Liquidator for the Period;
  - (ii) the hours and average hourly rate for the only member of Goodmans who dedicated more than 30 hours to the estate for the Period, and the total hours and average hourly rate for the remainder of Goodmans’ personnel who dedicated time to the estate during the Period; and
  - (iii) a brief description of the areas of concentration for the member of Goodmans who dedicated more than 30 hours to the estate for the Period.
98. Detailed supporting records, including time sheets, are available should this Court wish them produced. An affidavit attesting to the accuracy of the fees and disbursements is also being filed.
99. The Liquidator is satisfied that Goodmans’ fees are proper, fair and reasonable, that time was appropriately spent and the Goodmans’ fees were incurred in furtherance of the best interests of the estate.
- KPMG Inc.*
100. The Liquidator has kept careful and detailed records of all time spent by the Liquidator personnel on the estate. The Liquidator has instituted internal controls to ensure no redundant or inappropriate charges are made. The Liquidator applied the same standard for review to its accounts as to accounts of Goodmans, detailed above. The Liquidator maximized efficiency and reduced costs by retaining former Reliance Canada employees and third party administrators where prudent and appropriate.

101. At the commencement of the liquidation, the Liquidator agreed to a discount from its then current market rates of approximately 15% to 20%, with rates not to be increased for one year. Significant discounts remained in effect to July 1, 2008, when rates were increased to 90% of current market rates as they are set from time to time. The discount from current market rates remains approximately 10%.
102. Attached as Schedules “M”, “N” and “O”, respectively, are:
- (a) an invoice from the Liquidator to the estate for the Period;
  - (b) a summary of the hours and average hourly rates of each of the Liquidator’s personnel who dedicated more than 30 hours to the estate for the Period; and
  - (c) a brief description of the areas of concentration of each of such of the Liquidator’s personnel for the Period.
103. Detailed supporting records, including time sheets, are available should this Court wish them produced. An affidavit attesting to the accuracy of the fees and disbursements is also being filed.

**C. Recommendation**

104. The Liquidator respectfully recommends that this Court approve the accounts and activities of the Liquidator for the Period and approve the professional fees and costs of the Liquidator and its counsel for the Period.

**D. Discharge and Related Matters***Discharge of Liquidator and Termination of Inspectors' Appointment*

105. Upon the transfer to and assumption by Westport Canada of the Remaining Policies, the Remaining Policyholders will have no further claim in the Reliance Canada winding-up, and they will be entitled to look to Westport Canada for payment under, and enforce against Westport Canada, the liabilities under the Remaining Policies. Since all other claims submitted pursuant to the Call for Policy Claims have been resolved, and have been paid where payment was required, including all Policy Claims which the Liquidator treated as having been filed because they were Open Claims at the time of the Call for Policy Claims, and including Late-Filed Claims, the run-off of Reliance Canada's Policy Liabilities will come to an end and these proceedings can be terminated, and the Liquidator discharged.
106. Upon the discharge of the Liquidator, the winding-up and liquidation of Reliance Canada will come to an end and it is appropriate that the appointment of the Inspectors be terminated and that they be discharged from that role.

*Escrow, post-discharge activities, records and unclaimed distributions*

107. As noted earlier, the cash assets of the Reliance Canada estate as at September 30, 2018 totalled approximately \$114 million.
108. In order for the Liquidator to obtain a clearance certificate from Canada Revenue Agency for the period up to termination of the winding-up, the Canada Revenue Agency requires that there be nil funds and liabilities in the estate of Reliance Canada. That is, in order to obtain final tax clearance certificates for the estate of Reliance Canada, it is necessary to

liquidate all assets of the estate and that the estate's final balance sheet be "cleared". Although Reliance Canada has significant loss carry forwards available, which would indicate that there are not and will not be any tax obligations owing to the applicable tax authorities, the Liquidator is unable to release surplus funds until it receives applicable confirmatory tax clearance certificates.

109. As has been done to address this circular issue in other insurance liquidations, the Liquidator proposes to enter into an escrow arrangement. The proposed Escrow Agreement ("**Escrow Agreement**") is attached as Schedule "**P**". Under the escrow terms, the remaining funds in the estate (the "**Escrowed Amount**") will be deposited into an escrow account to the benefit of Reliance, with KPMG Inc. as Escrow Agent, such that for tax purposes no assets will remain in the Reliance Canada estate. Any tax liabilities of the Reliance Canada estate will be a first charge on and paid from the Escrow Amount and any tax on the Escrowed Amount will be the liability of the U.S. Liquidator. The ultimate determination of the amount of the surplus available for release to the U.S. Liquidator cannot be finalized until such time as a final clearance certificate is received, confirming that all taxes have been settled and paid. The Escrow Agent will endeavour to accomplish this in an expeditious manner.
110. The Liquidator respectfully recommends the Court's approval of the Escrow Agreement and the escrow arrangement.
111. There will be ancillary activities and corresponding expenses following discharge of the Liquidator. The anticipated major tasks to be undertaken include:
  - (a) completing and administering the escrow arrangements;

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- (b) establishing a bank account for the deposit of the unclaimed portion, if any, of any distributions (as described below) and depositing such unclaimed amounts;
  - (c) completing final financial statements for tax purposes;
  - (d) completing and filing the final tax returns and responding to any inquiries from taxing authorities;
  - (e) carrying out the release of the surplus;
  - (f) collecting any reinsurance receivables owed to Reliance Canada as of the date of discharge and placing same into the escrow account;
  - (g) arranging for the final storage and destruction of records;
  - (h) responding to potential inquiries from Remaining Policyholders;
  - (i) dealing with unclaimed distribution amounts;
  - (j) responding to potential inquiries from Westport Canada and reinsurers;
  - (k) other related matters as they arise.
112. The Liquidator has projected its costs to complete the administration from the end of the Period onwards. The Liquidator is of the view that the projection is realistic, fair and reasonable. The U.S. Liquidator has reviewed the projection and has approved it and the payment of it to the Liquidator upon Closing. Accordingly, consistent with the practice in other insurance liquidations, the Liquidator recommends approval of payment of the fixed sum of \$1,250,000.00 from the estate to the Liquidator in respect of all the

completion costs, including its own fees and the fees of counsel, disbursements and HST thereon.

113. At the commencement of the liquidation, the Liquidator took possession and control of the books and records of Reliance Canada. No books and records of Reliance Canada had been destroyed by Reliance Canada since the establishment of the branch, to the best of the Liquidator's knowledge. In addition, the Liquidator has, to date, maintained its own books and records in respect of the administration of the liquidation. The Liquidator does not anticipate that, following the transfer to Westport Canada of the Records (as defined in the Assumption Reinsurance Agreement), any recourse will be needed to the remaining books and records of Reliance Canada (other than to carry out the ancillary tasks post-discharge) nor that the Liquidator's books and records in respect of the winding-up will be required (other than for the ancillary tasks). However, out of caution and in accordance with past practice in other insurance liquidations, the Liquidator proposes and recommends the retention for seven years of Reliance Canada's books and records (subject to the transfer of Records to Westport Canada) and the Liquidator's books and records in respect of the winding-up, after which these may be destroyed.
114. At this point there are 13 distribution cheques on allowed claims, totalling \$112,418.05, that have not been cashed, although the Liquidator has carried out all reasonable steps to locate the 9 payees thereof, and the Liquidator believes that further steps would not be effective and are not warranted. The Liquidator is therefore recommending that the process set out in the WURA be followed. Sections 138 and 139 of the *WURA* deal with unclaimed dividends in a liquidation. These sections provide:

138. (1) All dividends deposited in a bank and remaining unclaimed at the time of the final winding-up of the business of a company shall be left for three years in the bank where they are deposited, subject to the claim of the persons entitled thereto.

(2) If the dividends deposited under subsection (1) are unclaimed at the expiration of three years, the bank shall pay them over, with interest accrued on them, to the Minister of Industry.

(3) If the dividends deposited under subsection (1) are afterwards duly claimed, they shall be paid over by the bank, with interest accrued thereon, to the persons entitled thereto.

139. (1) The money deposited in a bank by a liquidator after the final winding-up of the business of a company shall be left for three years in the bank, subject to be claimed by the persons entitled thereto.

(2) Money not paid out pursuant to subsection(1) shall be paid over by the bank, with the interest accrued on it, to the Minister of Industry, and if afterwards claimed shall be paid, with that interest, to the persons entitled to it.

115. Accordingly, the Liquidator proposes, subject to the approval of this Court, and consistent with other insurance liquidations, to deposit the unclaimed portion of any distributions to a bank account as described above. Any amounts remaining that are unclaimed after three years following the discharge of the Liquidator will be paid over, with accrued interest, to the Minister of Industry. If amounts are duly claimed before the expiration of three years, the Liquidator proposes to arrange payment to the claimants entitled thereto from such account, and recommends that any reasonable costs associated with payment of unclaimed amounts be chargeable against the funds deposited.

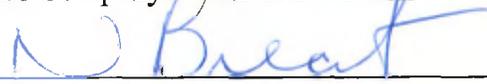
#### **X. ORDER REQUESTED**

116. The Liquidator respectfully recommends and seeks the granting of the Approval and Discharge Order.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED,**

November 27, 2018

**KPMG INC.**, the Liquidator of Reliance  
Insurance Company - Canadian Branch

Per:   
\_\_\_\_\_  
Nicholas Brearton  
President, KPMG Inc.

THE ATTORNEY GENERAL OF  
CANADA  
Applicant

RELIANCE INSURANCE COMPANY  
Respondent

Court File No: 01-CL-4313

**ONTARIO**

**SUPERIOR COURT OF JUSTICE  
- COMMERCIAL LIST**

Proceeding commenced at Toronto

**REPORT OF KPMG INC., THE LIQUIDATOR  
OF  
RELIANCE INSURANCE COMPANY -  
CANADIAN BRANCH**

**(November 27, 2018)**

**GOODMANS LLP**

Barristers & Solicitors  
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M5H 2S7

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Tel: 416-979-2211

Fax: 416-979-1234

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

A

SCHEDULE "A"



Court File No. 01-CL-4313

ONTARIO  
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

THE HONOURABLE )  
MR. JUSTICE FARLEY ) MONDAY THE 3<sup>RD</sup> DAY  
) OF DECEMBER, 2001  
)  
)

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

WINDING-UP ORDER

THIS APPLICATION made by the Applicant was heard this day without a jury at Toronto, in the presence of counsel for the Applicant, for the Respondent, for KPMG Inc., and for the Property and Casualty Insurance Compensation Corporation ("PACICC"), no one opposing.

- 2 -

ON READING the Notice of Application and the evidence filed by the parties, and on hearing submissions of counsel for the parties

1. THIS COURT ORDERS AND DECLARES that the Respondent Reliance Insurance Company is a foreign insurance company within the meaning of the *Insurance Companies Act* to which the *Winding-up and Restructuring Act* applies, and that the insurance business in Canada of the Respondent ("Reliance (Canada)") may be wound-up by this Court pursuant to Section 10.1 of the *Winding-up and Restructuring Act*.

2. THIS COURT FURTHER DECLARES that it has made no finding that Reliance (Canada) is insolvent.

3. THIS COURT ORDERS that Reliance (Canada) shall be wound-up by this Court pursuant to the *Winding-up and Restructuring Act*.

4. THIS COURT ORDERS AND DECLARES that the winding-up hereunder of Reliance (Canada) shall be deemed to commence November 8, 2001.

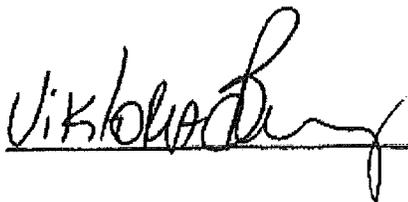
5. THIS COURT ORDERS that no suit, action or other proceeding shall be proceeded with or commenced against Reliance (Canada) or Reliance Insurance Company, except with leave of this Court and subject to such terms as this Court may impose.

6. THIS COURT ORDERS that every judgment, attachment, sequestration, distress, execution or like process put into force against Reliance (Canada) or Reliance Insurance Company, or the estate or effects thereof, after the commencement of the winding-up is void and of no effect:-

IN WITNESS WHEREOF  
I have hereunto set my hand and the seal of the Court

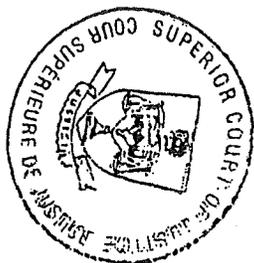
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**B**

SCHEDULE "B"



Court File No. 01-CL-4313

ONTARIO  
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

THE HONOURABLE ) MONDAY THE 3<sup>RD</sup> DAY  
MR. JUSTICE FARLEY ) OF DECEMBER, 2001  
)  
)  
)

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

ORDER

THIS APPLICATION made by the Applicant was heard this day without a jury at Toronto, in the presence of counsel for the Applicant, for the Respondent, for KPMG Inc., and for the Property and Casualty Insurance Compensation Corporation ("PACICC"), no one opposing.

- 2 -

ON READING the Notice of Application and the evidence filed by the parties, and on hearing submissions of counsel for the parties:

1. THIS COURT ORDERS that the service of the Notice of Application and the materials herein be and it is hereby good and sufficient notice thereof and that any further service of the Notice of Application and materials herein be and it is hereby dispensed with.
2. THIS COURT ORDERS that KPMG Inc. be and is hereby appointed as provisional liquidator (the "Liquidator") of the insurance business in Canada of the Respondent, including the assets in Canada of the Respondent, together with its other assets held in Canada under the control of its chief agent, including, without limitation, all amounts received or receivable in respect of its insurance business in Canada ("Reliance (Canada)").
3. THIS COURT ORDERS that the giving of security by the Liquidator upon its appointment as liquidator be dispensed with.
4. THIS COURT ORDERS that all moneys belonging to Reliance (Canada) received by or on behalf of the Liquidator and its agents shall be paid into a chartered bank to the account of the Liquidator immediately after the receipt thereof and an account or accounts shall be opened immediately, provided, however, that the Liquidator shall have the discretion to deposit funds to and use the bank accounts currently in the name of or operated by Reliance (Canada).
5. THIS COURT ORDERS that any cheques or drafts in respect of policies, issued by Reliance (Canada) prior to the making of the winding-up order herein and which are presented for payment thereafter, may be paid out of the estate and effects of Reliance (Canada).

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6. THIS COURT ORDERS that the amount recoverable from, due or owed by any reinsurer to Reliance (Canada) shall be paid to the Liquidator and shall not be reduced as a result of this Order or the winding-up 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 Insurance Company shall not diminish or reduce or affect such reinsurer's obligation to Reliance (Canada).

7. THIS COURT ORDERS that the Liquidator is authorized to cure such defaults and effect such arrangements as may be required to reinstate such reinsurance affecting the operations of Reliance (Canada), as the Liquidator deems to be in the interest and for the protection of policyholders, creditors and claimants of Reliance (Canada).

8. THIS COURT ORDERS that the Liquidator may pay all valid policyholder claims, including claims in respect of unearned premiums, to the amount of \$25,000 or the amount, if any, of the voluntary compensation payment of PACICC which may be paid under the terms of its Memorandum of Operations (the "PACICC Voluntary Compensation Payment") until April 30, 2002 or such later date as this Court may order, subject to paragraph 9 hereof, and such payments shall be deemed for all purposes to have been payments made on account of claims in the course of the liquidation of Reliance (Canada).

9. THIS COURT ORDERS that the Liquidator may pay all valid claims including claims in respect of unearned premiums under the Meridian and other warranty and surety programs to the amount of \$5,000 or the amount, if any, of the PACICC Voluntary Compensation Payment until January 31, 2002 or such later date as this Court may order, and such payments shall be deemed for all purposes to have been payments made on account of claims in the course of the liquidation of Reliance (Canada).

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10. THIS COURT ORDERS that the Liquidator may, after consultation with the Inspectors, make such other payments as the Liquidator in the Liquidator's discretion deems advisable in the circumstances in respect of policies of Reliance (Canada) and such payments shall be deemed for all purposes to have been payments made on account of claims in the course of the liquidation of Reliance (Canada).

11. THIS COURT ORDERS that in addition to the payments referred to in paragraphs 8 and 10, until April 30, 2002 or such later date as this Court may order, the Liquidator may pay and continue to pay all reasonable legal and other costs, incurred to and including April 30, 2002, which Reliance (Canada) is obligated to pay for defending any insureds against losses under Reliance (Canada)'s policies in accordance with the applicable policy ("Defence Costs"), subject to the applicable terms and limits of such policies. For greater certainty, all payments of Defence Costs shall be deemed for all purposes to have been payments made on account of claims in the course of the liquidation of Reliance (Canada) and to form part of the expenses of the liquidation as a first charge on the assets of the estate. However, if the applicable policy so provides, such payments shall be taken into account in determining the amount which would otherwise be distributed to the respective policyholders and claimants, or otherwise paid on account of Defence Costs, as the case may be, at such time as any further distributions or similar arrangements are made in respect of their policies.

12. THIS COURT ORDERS that any payments made by the Liquidator pursuant to paragraphs 5, 8, 9, 10 and 11 hereof, other than payments made pursuant to clerical errors (the "Payments"):

- (a) shall be deemed to be payments made on account of claims in the liquidation of Reliance (Canada) and shall be deducted from the amount which would otherwise

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be distributed at such time as further distributions or similar arrangements are made in respect of such claims;

- (b) shall be deemed to have been made in accordance with this Order;
- (c) in respect of any policy shall not obligate the Liquidator to make further payments in respect thereof; and
- (d) which may have exceeded the ultimate amount which the Liquidator determines is available for distribution to the respective policyholders and claimants, or available for payment of Defence Costs, as the case may be, (collectively, the "Overpayments") shall be deemed not to be preferences and shall not be repayable by the recipients or policyholders.

Neither the Liquidator nor the Liquidator's agents, advisers or employees shall be liable to any person in respect of the Overpayments.

13. THIS COURT ORDERS that PACICC, which shall designate from time to time one or more persons as its representative, and the Insurance Commissioner of the Commonwealth of Pennsylvania in her capacity as Liquidator of the Respondent or her designee are appointed inspectors (collectively the "Inspectors") to assist and advise the Liquidator in the winding-up of Reliance (Canada).

14. THIS COURT ORDERS that the Inspectors may apply to this Court on motion for directions concerning any matter relating to the liquidation of Reliance (Canada).

15. THIS COURT ORDERS that each claim in respect of which PACICC makes a PACICC Voluntary Compensation Payment (a "Compensated Claim") shall be deemed to be and

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shall hereby be assigned in its entirety to PACICC without specific assignment or further steps required. PACICC shall be entitled to assert each Compensated Claim in the Liquidation. Reliance (Canada) is hereby deemed to have acquiesced to the assignment of Compensated Claims provided for herein and to have received a copy of the deed of assignment. PACICC and the Liquidator shall be deemed to be and shall hereby be released and forever discharged from any and all claims, actions, losses and liabilities which any person has or may have at present or in the future with respect to each Compensated Claim.

16. THIS COURT ORDERS that, notwithstanding the provisions of paragraph 15, the Liquidator may make funds in the estate available to PACICC from time to time to be used by PACICC to make PACICC Voluntary Compensation Payments pursuant to the terms and conditions of the loan and services agreement made effective as of the date hereof between the Liquidator and PACICC, which is hereby approved.

17. THIS COURT ORDERS that the Liquidator is authorised and empowered to act as administrator of insurance coverage on behalf of third parties who assume all or part of the insurance risk, and to be paid the fees earned by Reliance (Canada), pursuant to the terms of the contracts between Reliance (Canada) and such third parties.

18. THIS COURT ORDERS that the Liquidator is entitled forthwith to possession of all of Reliance (Canada)'s books, accounts, securities, documents, papers, computer programs and data, registers and records of any kind ("Books and Records") and that Reliance (Canada), its present and former shareholders, directors, officers, employees, salespeople and agents, accountants, auditors, solicitors, trustees, and every person having knowledge of this Order and having possession or control of such Books and Records, do forthwith deliver over to the Liquidator or to the Liquidator's agent all such Books and Records.

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19. THIS COURT ORDERS that all persons, including, without limitation, employees, brokers, legal counsel, insurance agents, third party administrators, or salespeople having access to or knowledge of the affairs of Reliance (Canada) do co-operate with the Liquidator in providing information or documents necessary or incidental to the liquidation of Reliance (Canada).

20. THIS COURT ORDERS that any entity which has custody or control of any data processing information and records (including but not limited to source documents, all types of electronically stored information, master tapes or any other recorded information) relating to Reliance (Canada), shall transfer custody and control of such records in a form readable by the Liquidator to the Liquidator as of the date of this Order, unless instructed to the contrary by the Liquidator.

21. THIS COURT ORDERS that any entity furnishing claims processing or data processing services to Reliance (Canada) shall maintain such services and transfer any such accounts to the Liquidator as of the date of this Order, unless instructed to the contrary by the Liquidator.

22. THIS COURT ORDERS that Reliance (Canada) and its Chief Agent, officers, trustees, employees, consultants, agents, and legal counsel shall: surrender peacefully to the Liquidator the premises where Reliance (Canada) conducts its business; deliver all keys or access codes thereto and to any safe deposit boxes; advise the Liquidator of the combinations or access codes of any safe or safekeeping devices of Reliance (Canada) or any password or authorization code or access code required for access to data processing equipment; and shall deliver and surrender peacefully to the Liquidator all of the assets, books, records, files, credit cards, and other property of Reliance (Canada) in their possession or control, wherever located,

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and otherwise advise and cooperate with the Liquidator in identifying and locating any of the foregoing.

23. THIS COURT ORDERS that all persons, firms, corporations and other entities having agreements, whether written or oral, with Reliance (Canada) for the supply of goods or services, be and they are hereby enjoined from terminating, accelerating, suspending, modifying, determining or cancelling such agreements without the written consent of the Liquidator or leave of this Court, and that all such parties shall continue to comply with their obligations under such agreements or otherwise on terms currently provided so long as the Liquidator pays the normal prices or charges for such goods or services incurred after the date of this Order in accordance with usual payment terms or as may hereafter be negotiated by the Liquidator from time to time.

24. THIS COURT ORDERS that all persons, firms, corporations and other entities be and they are hereby enjoined from disturbing or interfering with the occupation, possession or use by the Liquidator of any premises occupied or leased by Reliance (Canada) as at November 8, 2001 except upon further Order of this Court. From November 8, 2001 and for the period of time that the Liquidator occupies any leased premises, the Liquidator shall pay occupation rent to each lessor based upon the regular monthly base rent that was previously paid by Reliance (Canada) in respect of the premises so occupied or as may hereafter be negotiated by the Liquidator from time to time.

25. THIS COURT ORDERS that all persons, firms, corporations and other entities be and they are hereby enjoined from disturbing or interfering with computer software, hardware, support and data services or with utility services, including, but not limited to, the furnishing of oil, gas, heat, electricity, water, telephone service (including at present telephone numbers used by Reliance (Canada)) or any other utilities of like kind furnished to Reliance (Canada) and they

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are hereby enjoined from discontinuing or altering any such utilities or services to the Liquidator except upon further order of this Court, so long as the Liquidator pays the normal prices or charges for such goods and services incurred after November 8, 2001 as the same become due in accordance with usual payment terms or as may hereafter be negotiated by the Liquidator from time to time.

26. THIS COURT ORDERS that, without limiting the generality of the foregoing, and except upon further order of this Court having been obtained on at least 7 days' notice to the Liquidator:

- (a) all persons, firms, corporations and other entities be and they are hereby restrained from terminating, cancelling or otherwise withdrawing any licences, permits, approvals or consents with respect to or in connection with Reliance (Canada) as they were on November 8, 2001;
- (b) any and all proceedings or steps taken or that may be taken, wheresoever taken, by any person, firm, corporation or entity, including, without limitation, any of the policyholders or creditors of Reliance (Canada), suppliers, co-insurers, reinsurers, contracting parties, depositors, lessors, tenants, co-venturers or partners (hereinafter, in this paragraph "Claimants") against or in respect of Reliance (Canada) shall be and hereby are stayed and suspended;
- (c) the right of any Claimant to make demands for payment on or in respect of any guarantee or similar obligation or to make demand or draw down under any letters of credit, bonds or instruments of similar effect, issued by or on behalf of Reliance (Canada), to take possession of, to foreclose upon or to otherwise deal

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with any property, wheresoever located, of Reliance (Canada) whether held directly or indirectly, as principal or nominee, beneficially or otherwise, or to continue any actions or proceedings in respect of the foregoing, is hereby restrained;

- (d) the right of any Claimant to assert, enforce or exercise any right (including, without limitation, any right of dilution, buy-out, divestiture, forced sale, acceleration, termination, suspension, modification or cancellation or right to revoke any qualification or registration), option or remedy available to it including a right, option or remedy arising under or in respect of any agreement (including, without limitation, any contract, debt instrument, guarantee, option, co-ownership agreement or any agreement of purchase of sale but not including any eligible financial contract, as defined in the *Winding-up and Restructuring Act*) to which Reliance (Canada) is a party, arising out of, relating to or triggered by the occurrence of any default or non-performance by Reliance (Canada) or the making or filing of these proceedings, or any allegation contained in these proceedings, is hereby restrained; and
- (e) all Claimants are restrained from exercising any extra judicial remedies against Reliance (Canada), including, without limitation, the registration or re-registration of any securities owned by Reliance (Canada) into the name of such persons, firms, corporations or entities or their nominees, the exercise of any voting rights attaching to such securities, the retention of any payments or other distributions made in respect of such securities, any right of distress, repossession, or consolidation of accounts in relation to amounts due or accruing due in respect of

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or arising from any indebtedness or obligation of Reliance (Canada) as of the date hereof.

27. THIS COURT ORDERS that no action lies against the Liquidator, any of its affiliates (the "Affiliates") any director, officer, agent, representative or employee of the Liquidator or of the Affiliates, any entity or person (or director, officer, agent, representative or employee of any such entity or person) acting under the direction of the Liquidator, or the Inspectors or any director, officer, agent, representative or employee thereof, for anything done or omitted to be done in good faith in the administration of the liquidation of Reliance (Canada) or in the exercise of the Liquidator's powers under this Order or otherwise.

28. THIS COURT ORDERS that no suit, action or other proceeding shall be proceeded with or commenced against the Liquidator, the Affiliates, any director, officer, agent, representative or employee of the Liquidator, or of the Affiliates, any entity or person (or director, officer agent, representative or employee of any such person) acting under the direction of the Liquidator, or the Inspectors or any director, officer, agent, representative or employee thereof, except with leave of this Court and subject to such terms as this Court may impose.

29. THIS COURT ORDERS that the Liquidator may, without the approval, sanction or intervention of this Court and without previous notice to the policyholders or creditors of Reliance (Canada) or any other person,

- (a) take control of the estate and effects of Reliance (Canada) or such part thereof as the Liquidator shall determine;

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- (b) bring or defend any action, suit or prosecution or other legal proceeding, civil or criminal, in the Liquidator's own name as liquidator or in the name or on behalf of Reliance (Canada), as the case may be;
- (c) carry on the business of Reliance (Canada) so far as it is necessary or incidental to the winding-up of Reliance (Canada);
- (d) lease or mortgage or otherwise realize upon the undertaking, property and assets of Reliance (Canada) or any part or parts thereof;
- (e) sell the real and personal property, effects, intangibles and choses in action of Reliance (Canada), including all or any portion of Reliance (Canada)'s contracts and products and related assets, including, without limitation, Reliance (Canada)'s lists of policyholders and customers, by public auction or private contract, and transfer the whole thereof to any person or company, or sell them in parcels;
- (f) do all acts and execute, in the name of and on behalf of Reliance (Canada), all deeds, receipts, and other documents, and for that purpose use, when necessary, the seal of Reliance (Canada), and file any elections (tax or otherwise), objections or registrations, and file any notices, all as may be necessary or desirable in the opinion of the Liquidator for the better liquidation of Reliance (Canada);
- (g) prove, rank, claim and draw dividends in the matter of the bankruptcy, insolvency or sequestration of any contributory, for any sum due to Reliance (Canada) from the contributory, and take and receive dividends in respect of the bankruptcy, insolvency or sequestration, as a separate debt due from that contributory and rateably with the other separate creditors;

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- (h) draw, accept, make and endorse any bill of exchange or promissory note in the name of and on behalf of Reliance (Canada);
- (i) give discharges of mortgages and other securities, partial discharges of mortgages and other securities, and pay property taxes and insurance premiums on mortgages and other securities taken in favour of Reliance (Canada);
- (j) pay such debts of Reliance (Canada) as may be necessary to be paid in order to properly preserve and maintain the undertaking, property and assets of Reliance (Canada) or to carry on the business of Reliance (Canada);
- (k) surrender possession of any premises occupied by Reliance (Canada) and disclaim any leases entered into by Reliance (Canada);
- (l) apply for any permits, licences, approvals or permissions as may be required by any governmental or regulatory authority;
- (m) re-direct Reliance (Canada)'s mail;
- (n) enter into any eligible financial contracts, as defined in the *Winding-up and Restructuring Act*;
- (o) take possession and control of all securities in which Reliance (Canada) has an interest (directly or indirectly) and exercise all rights that may be enjoyed by a holder of such securities including, without limitation, rights (i) that may arise by virtue of the holder being a party to a shareholder or similar agreement that may, by way of example, restrict the powers of the directors to manage or supervise the management of the business and affairs of the corporation, (ii) to receive

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information, (iii) to attend at and cause to be held meetings of holders of such securities, (iv) to vote such securities for the removal or election of directors and approval of significant transactions (such as the sale or disposition of all or substantially all of the assets of such company or the winding-up, liquidation, rehabilitation, bankruptcy, receivership, restructuring or amalgamation of such company), and (v) to sell or otherwise dispose of such securities;

- (p) compromise all calls and liabilities to calls, debts and liabilities capable of resulting in debts, and all claims, demands and matters in dispute in any way relating to or affecting the assets of Reliance (Canada) or the winding-up of Reliance (Canada), on the receipt of such sums, payable at such times, and generally on such terms as are agreed on by the Liquidator;
- (q) make such compromise or other arrangements with creditors or persons claiming to be creditors of Reliance (Canada) as the Liquidator deems expedient; and
- (r) do and execute all such other things as are necessary for, or incidental to the winding-up of the affairs of Reliance (Canada), including without limitation entering into agreements incurring obligations.

30. THIS COURT FURTHER ORDERS that the Liquidator may, with the approval of this Court and on such notice as the Court may direct:

- (a) arrange for the transfer or reinsurance of all or a portion of the policies of Reliance (Canada); and
- (b) cancel all or a portion of the outstanding policies of Reliance (Canada).

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31. THIS COURT ORDERS that the Liquidator and any of the Liquidator's agents, officers, directors, representatives or employees shall be deemed not to be an employer or a successor employer of the employees of Reliance (Canada) within the meaning of the *Pension Benefits Act* (Ontario), *Employment Standards Act* (Ontario), the *Labour Relations Act* (Ontario) or any other Federal, Provincial or Municipal legislation governing employment or labour standards or any other statute, regulation or rule of law or equity for any purpose whatsoever and, further, that the Liquidator and any of the Liquidator's agents, directors, officers, representatives or employees shall not be and shall be deemed not to be, in possession, charge or control of the property or business or affairs of Reliance (Canada) pursuant to any Federal, Provincial or Municipal legislation, statute, regulation or rule of law or equity which imposes liability on the basis of such status including, without limitation, the *Environmental Protection Act* (Ontario), the *Canadian Environmental Protection Act*, or the *Ontario Water Resources Act*, and this shall be binding on all tribunals and administrative bodies.

32. THIS COURT ORDERS that the Liquidator may retain, employ or engage such actuaries, accountants, financial advisors, investment dealers, solicitors, attorneys, valuers or other expert or professional persons as the Liquidator deems necessary or desirable to assist the Liquidator in fulfilling the Liquidator's duties, and all reasonable and proper expenses which the Liquidator may incur in so doing shall be costs of liquidation of Reliance (Canada).

33. THIS COURT ORDERS that the Liquidator may act on the advice or information obtained from any actuary, accountant, financial advisor, investment dealer, solicitor, attorney, valuer or other expert or professional person, and the Liquidator shall not be responsible for any loss, depreciation or damage occasioned by acting in good faith in reliance thereon.

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34. THIS COURT ORDERS that the Liquidator shall be paid such remuneration as the Court Orders.

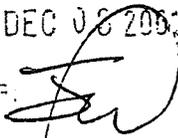
35. THIS COURT ORDERS that the Liquidator shall be at liberty to apply reasonable amounts against its remuneration, expenses and disbursements on a monthly basis and that such amounts shall constitute advances against its remuneration and expenses on, but subject to, the passing of its accounts.

36. THIS COURT ORDERS that this Order and any other orders in these proceedings shall have full force and effect in all Provinces and Territories in Canada.

37. THIS COURT SEEKS AND REQUESTS the aid and recognition of any Court or administrative body in any Province or Territory of Canada and any Canadian Federal Court or administrative body and any Federal or State Court or administrative body in the United States of America and any Court or administrative body in the United Kingdom or elsewhere to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

38. THIS COURT ORDERS that the costs of this application, including the costs of the Inspectors, are to be assessed on a solicitor and his own client basis and shall be costs of liquidation of Reliance (Canada).

39. THIS COURT ORDERS that interested parties may apply to the Court for advice and directions on 7 days' notice to the Liquidator and the Inspectors, and that the Liquidator may at any time apply to this Court for advice and directions.

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REGISTRAR

THE ATTORNEY GENERAL OF  
CANADA  
*Applicant*

RELIANCE INSURANCE COMPANY  
*Respondent*

Court File No: 01-CL-4313

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**ORDER**

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Solicitors for the Applicant

C

## SCHEDULE "C"

### LIST OF COURT ORDERS PREVIOUSLY ISSUED

<b>Date of Order</b>	<b>Judge</b>	<b>Description of Order</b>
December 3, 2001	Justice Farley	Order approving the Winding-Up of Reliance Canada
December 3, 2001	Justice Farley	Order approving the appointment of KPMG Inc. as Liquidator of Reliance Canada. As well as authorizing the payment of all valid policyholder claims, including in respect to unearned premiums, to the amount of \$25,000 or the amount if any of the voluntary compensation payment of PACICC (which was \$250,000). Payment of valid claims including claims of unearned premiums under the Meridian and other warranty and surety programs to the amount of \$5,000. Payment of all reasonable legal and other costs incurred to January 31, 2002.
January 30, 2002	Justice Farley	Order extending the Appointment Order from January 31, 2002 to April 30, 2002.
April 29, 2002	Justice Farley	Order extending the Appointment Order from April 30, 2002 to May 6, 2002.
May 8, 2002	Justice Farley	Order extending the Appointment Order from May 6, 2002 to December 31, 2002.
December 06, 2002	Justice Farley	Order extending the Appointment Order from December 31, 2002 to March 31, 2003.
March 26, 2003	Justice Farley	Order extending the Appointment Order from March 31, 2003 to June 30, 2003.
June 2, 2003	Justice Farley	Order appointing independent claims administrators for two separate loss claims.
June 26, 2003	Justice Farley	Extension of the Appointment Order from June 30, 2003 to December 31, 2003 and approving and authorizing a first interim payment to policyholders and claimants of 25% on their valid and allowed policyholder loss claims.

Date of Order	Judge	Description of Order
December 18, 2003	Justice Farley	Order approving the accounts and activities of the Liquidator for the periods from December 3, 2001 to December 31, 2002 and January 1, 2003 to September 30, 2003, including the fees of the Liquidator's counsel from the commencement of the liquidation to September 30, 2003. As well as authorizing the Liquidator to pay claims settled in foreign currencies, in Canadian currency at the noon spot rate on November 8, 2001. Extension of distribution payments from December 31, 2003 to June 30, 2004.
June 30, 2004	Justice Farley	Order amending the December 18, 2003 Order, authorizing the Liquidator to pay claims payable in foreign currencies either in the foreign currency or in Canadian currency at the noon spot rate of November 8, 2001.
September 2, 2004	Justice Farley	Order approving the accounts and activities of the Liquidator for the period from October 1, 2003 to June 30, 2004, including the fees of the Liquidator's counsel. Approving and authorizing a second interim distribution to policyholders and claimants in the amount of 25% on their valid and allowed loss claims for a cumulative distribution rate of 50%. As well as authorizing payments of up to \$25,000 on valid claims under the Meridian Warranty Program.
November 22, 2004	Justice Farley	Order approving the purchase by Reliance Canada of units of four mutual funds managed by RBC Asset Management.
December 21, 2005	Justice Farley	Order approving the accounts and activities of the Liquidator for the period from July 1, 2004 to September 30, 2005, including the fees of the Liquidator's counsel. Approving and authorizing a third interim distribution to policyholders and claimants in the amount of 15% on their valid and allowed loss claims for a cumulative distribution rate of 65%.
December 15, 2006	Justice Cumming	Order approving the accounts and activities of the Liquidator for the period from October 1, 2005 to September 30, 2006, including the fees of the Liquidator's counsel. Approving and authorizing a fourth interim distribution to policyholders and claimants in the amount of 15% on their valid and allowed loss claims for a cumulative distribution rate of 80%.

<b>Date of Order</b>	<b>Judge</b>	<b>Description of Order</b>
October 5, 2007	Justice Pepall	Order dismissing an action by reinsurers with respect to set-off issues.
April 8, 2008	Justice Morawetz	Order approving the accounts and activities of the Liquidator for the period from October 1, 2006 to December 31, 2007, including the fees of the Liquidator's counsel. Approving and authorizing a fifth interim distribution to policyholders and claimants in the amount of 20% on their valid and allowed loss claims for a cumulative distribution rate of 100%.
June 24, 2008	Justice Campbell	Order authorizing a Call for Ordinary Creditor Claims.
December 17, 2008	Justice Campbell	Order authorizing the Liquidator to pay a distribution in the amount of 100% of valid and allowed ordinary creditor claims up to a cumulative total amount of \$100,000 and authorizing a payment to PACICC as remuneration for PACICC's inspectorship.
January 29, 2009	Justice Campbell	Liquidator seeking the Court's advice and directions by way of the Post-Liquidation Motion.
December 16, 2009	Justice Cumming	Order approving the accounts and activities of the Liquidator for the period from January 1, 2008 to September 30, 2009 including the fees of the Liquidator's counsel, as well as the approval and authorization of the payment of Post-Liquidation Interest.
August 3, 2010	Justice Lederman	Order directing the terms of a Call for Policy Loss Claims.
December 7, 2010	Justice Pepall	Order amending the August 3, 2010 Order <i>nunc pro tunc</i> .
June 29, 2011	Justice Campbell	Order approving the accounts and activities of the Liquidator for the period from October 1, 2009 to March 31, 2011, including the fees of the Liquidator's counsel.
December 15, 2011	Justice Campbell	Order authorizing Reliance Canada to purchase units of two additional mutual funds managed by RBC Asset Management.
March 2, 2012	Justice Morawetz	Order approving the Notice of Disallowance Process
June 25, 2014	Justice Morawetz	Order approving the accounts and activities of the Liquidator for the period from April 1, 2011 to March 31, 2014, including the fees of the Liquidator's counsel.

<b>Date of Order</b>	<b>Judge</b>	<b>Description of Order</b>
July 15, 2015	Justice Newbould	Order for directions and service, and related relief, in respect of the RBH Approval Motion.
July 15, 2015	Justice Newbould	Order for directions and service, and related relief, in respect of the ITCAN Approval Motion.
Oct 8, 2015	Justice Newbould	Order varying the Directions Order regarding RBH granted by Justice Newbould on July 15, 2015.
Oct 8, 2015	Justice Newbould	Order varying the Directions Order regarding ITCAN granted by Justice Newbould on July 15, 2015.
Dec 2, 2015	Justice Newbould	Decision of Justice Newbould with respect to the RBH and ITCAN Settlement Agreements.
April 19, 2016	Justice Newbould	Order approving the accounts and activities of the Liquidator for the period from April 1, 2014 to December 31, 2015, including the fees of the Liquidator's counsel.

**D**

## SCHEDULE "D"

Commercial List Court File No. 01-CL-4313

ONTARIO  
SUPERIOR COURT OF JUSTICE  
- COMMERCIAL LIST

THE HONOURABLE MR. ) TUESDAY, THE 3RD DAY  
JUSTICE LEDERMAN ) OF AUGUST, 2010



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

**ORDER**  
(Call for Policy Loss Claims)

THIS MOTION made by KPMG Inc., liquidator ("Liquidator") of the insurance business in Canada of Reliance Insurance Company ("Reliance Canada"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Report of the Liquidator dated July 26, 2010 ("Report"), filed, and upon hearing the submissions of the lawyers for the Liquidator, no other party appearing, although properly served as appears from the proof of service, filed:

1. **THIS COURT ORDERS** that the service made of the Notice of Motion and supporting materials herein is good and sufficient notice of this motion, that this motion is properly returnable today, and that any further service or notice of the Notice of Motion and supporting materials be and the same is hereby dispensed with.

2. **THIS COURT ORDERS** that, under Section 74 of the *Winding-up and Restructuring Act*, December 17, 2010 is hereby fixed as the last day on or before which policyholders, insureds or other claimants with claims, whether existing, certain or uncertain, new, future, contingent, known or unknown, matured or not matured, reported or unreported, and liquidated or unliquidated, under or arising out of policies issued by Reliance Canada ("Policy Loss Claims"), may send in such claims.

3. **THIS COURT ORDERS** that, on or before August 17, 2010, the Liquidator shall cause:

(i) a copy of the package, substantially in the form attached as Schedule "K" to the Report, to be sent by ordinary mail to (a) the policyholders of occurrence-based policies written by Reliance Canada, other than those described in subparagraph (ii) below, and (b) the Liability Reinsureds (as defined in the Report), at the last known address of each such policyholder and Liability Reinsured as shown on the books and records of Reliance Canada;

(ii) a copy of the package, substantially in the form attached as Schedule "L" to the Report, to be sent by ordinary mail to the policyholders of occurrence-based

policies of Reliance Canada written through Family Underwriting Management Limited ("FUML"), as further described in the Report, at the last known address of each such policyholder as shown on the books and records of FUML;

- (iii) a copy of the package, substantially in the form attached as Schedule "M" to the Report, to be sent by ordinary mail to the brokers or managing general agents that brokered or managed insurance programs for Reliance Canada's business, at the last known address of each such broker or managing general agent as shown on the books and records of Reliance Canada; and
- (iv) a copy of the package, substantially in the form attached as Schedule "N" to the Report, to be sent by ordinary mail to the policyholders, insureds or claimants, or representatives as the case may be, with Open Claims (as defined in the Report), at the last known address of each such policyholder, insured, claimant or representative as shown on the books and records of Reliance Canada.

4. **THIS COURT ORDERS** that the Liquidator shall cause:

- (i) a notice substantially in the form of Schedule "O" to the Report (the "General (English) Publication") to be published in the national edition of *The Globe and Mail* and in *The Toronto Star* once on or before September 10, 2010 and once after September 30, 2010 but on or before November 10, 2010;
- (ii) a notice substantially in the form of Schedule "O" to the Report as translated into French (the "General (French) Publication") to be published in *La Presse* once on

or before September 10, 2010 and once after September 30, 2010 but on or before November 10, 2010

- (iii) a notice substantially in the form of Schedule "P" attached to the Report (the "FUML Publication") to be published in *The Vancouver Sun*, on or before September 10, 2010;
- (iv) the General (English) Publication, General (French) Publication and FUML Publication to be published in the *Canada Gazette* and the official Gazette of each of the Provinces, on or before November 10, 2010;
- (v) the General (English) Publication, the General (French) Publication and the FUML Publication to be posted on the website [www.relianceinsurane.ca](http://www.relianceinsurane.ca) on or before August 17, 2010;
- (vi) the General (English) Publication, General (French) Publication and the FUML Publication to be published in the *Canadian Underwriter* on or before September 15, 2010.

5. **THIS COURT ORDERS** that the Liquidator shall send by ordinary mail, e-mail or by fax transmission a copy of the General Proof of Claim Package or the FUML Proof of Claim Package, as the case may be, to anyone making a request for such on or before December 17, 2010, at the mailing address, e-mail address or fax number, as the case may be, provided by the requesting party, within seven (7) business days of the request being received by the Liquidator.

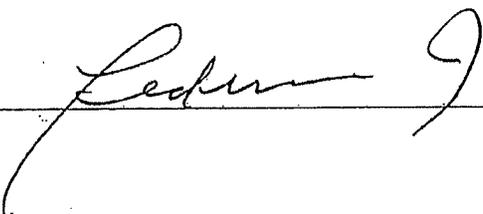
6. **THIS COURT ORDERS** that a Policy Loss Claim shall be considered to have been sent in accordance with this Order and Section 74 of the *Winding-up and Restructuring Act* only if:

- (i) the Policy Loss Claim has been sent in, by ordinary mail, on the Proof of Claim for Policy Loss Claim form ("POC") as contained in the packages above-referenced, and in accordance with the "Instructions for Completion of the Proof of Claim for Policy Loss Claim" contained therein;
- (ii) such POC has been postmarked no later than midnight, December 17, 2010; and
- (iii) the person or entity submitting such POC has either (a) received an Acknowledgment of Filing, substantially in the form attached as Schedule "Q" to the Report, within one month of sending in the POC, or (b) notified the Liquidator in writing, within 6 weeks of sending in the POC, of non-receipt of such Acknowledgment of Filing.

For greater certainty, if a person submitting a POC has not received an Acknowledgement of Filing within one month of submitting the POC to the Liquidator, and has not, within 6 weeks of submitting the POC to the Liquidator, notified the Liquidator in writing of the non-receipt of such Acknowledgment of Filing, the POC shall be deemed for all purposes not to have been sent in or filed.

7. **THIS COURT ORDERS** that this Order has no application to any claim that may be asserted by the Liquidator of Reliance Insurance Company in the winding-up of Reliance Canada.

8. **THIS COURT ORDERS** that the allowance, disallowance, appeal, and/or claims determination procedures in respect of any Policy Loss Claims that may be filed pursuant to the call for Policy Loss Claims directed by this Order shall be as determined by this Court upon further motion of the Liquidator.



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ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

AUG 03 2010

PER / PAR: 

THE ATTORNEY GENERAL OF  
CANADA

RELIANCE INSURANCE COMPANY

and

Applicant

Respondent

Commercial List Court File No: 01-CL-4313

ONTARIO  
SUPERIOR COURT OF JUSTICE  
— COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER  
(Call for Policy Loss Claims)

GOODMANS LLP  
Barristers & Solicitors  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, Ontario  
M5H 2S7

Graham D. Smith LSUC# 26377D

Tel: (416) 597-4161

Fax: (416) 979-1234

Lawyers for KPMG Inc.,  
Liquidator of Reliance Insurance Company —  
Canadian Branch



Commercial List Court File No. 01-CL-4313



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

HONOURABLE MADAM ) TUESDAY, THE 7<sup>th</sup> DAY  
JUSTICE PEPALL ) OF DECEMBER, 2010

**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

**ORDER**

**THIS MOTION** made by KPMG Inc., liquidator ("Liquidator") of the insurance business in Canada of Reliance Insurance Company ("Reliance Canada"), for an order amending the Order of the Honourable Mr. Justice Lederman made August 3, 2010, a copy of which is attached hereto as Schedule "A" ("Call for Policy Loss Claims Order"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Report of the Liquidator dated November 29, 2010, filed, and upon hearing the submissions of the lawyers for the Liquidator, no other party appearing, although properly served as appears from the proof of service, filed:

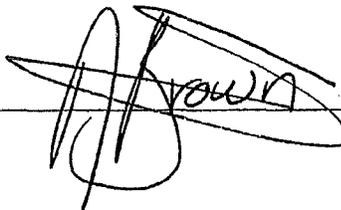
1. **THIS COURT ORDERS** that the service made of the Notice of Motion and supporting materials herein is good and sufficient notice of this motion, that this motion is properly returnable today, and that any further service or notice of the Notice of Motion and supporting materials be and the same is hereby dispensed with.

2. **THIS COURT ORDERS** that the Call for Policy Loss Claims Order be and is hereby amended *nunc pro tunc* by deleting paragraph 4 in its entirety and replacing it with the following:

“4. **THIS COURT ORDERS** that the Liquidator shall cause:

- (i) a notice substantially in the form of Schedule “O” to the Report (the “General (English) Publication”) to be published in the national edition of *The Globe and Mail* and in *The Toronto Star* once on or before September 10, 2010 and once after September 30, 2010 but on or before November 10, 2010;
- (ii) a notice substantially in the form of Schedule “O” to the Report as translated into French (the “General (French) Publication”) to be published in *La Presse* once on or before September 10, 2010 and once after September 30, 2010 but on or before November 10, 2010;
- (iii) a notice substantially in the form of Schedule “P” attached to the Report (the “FUML Publication”) to be published in *The Vancouver Sun*, on or before September 10, 2010;

- (iv) the General (English) Publication to be published in the *Canada Gazette* and the official Gazette of each of the Provinces, other than in the province of Quebec, on or before November 10, 2010;
- (v) the General (French) Publication to be published in the *Canada Gazette* and the official Gazette of each of the Provinces, on or before November 10, 2010;
- (vi) the FUML Publication to be published in the official Gazette of the province of British Columbia on or before November 10, 2010;
- (vii) the General (English) Publication, the General (French) Publication and the FUML Publication to be posted on the website [www.relianceinsurance.ca](http://www.relianceinsurance.ca) on or before August 17, 2010;
- (viii) the General (English) Publication, General (French) Publication and the FUML Publication to be published in the September 2010 issue of the *Canadian Underwriter*.”

A handwritten signature in black ink, appearing to read 'Brown', is written over a horizontal line.

ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

DEC 07 2010

PER / PAR:

NB

THE ATTORNEY GENERAL OF  
CANADA

Applicant

RELIANCE INSURANCE COMPANY

and

Respondent

Commercial List Court File No: 01-CL-4313

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

Proceeding commenced at Toronto

**ORDER**  
(Amending Call for Policy Loss Claims Order)

GOODMANS LLP  
Barristers & Solicitors  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, Ontario  
M5H 2S7  
  
Gale Rubenstein LSUC# 17088E  
Graham D. Smith LSUC# 26377D

Tel: (416) 979-2211  
Fax: (416) 979-1234

Lawyers for KPMG Inc.,  
Liquidator of Reliance Insurance Company -  
Canadian Branch

**E**

**SCHEDULE "E"**

Reliance Insurance Company  
Canadian Branch, by its Liquidator KPMG  
Inc.

**To: Policyholders, insureds and claimants with Policy Loss Claims under or arising out of policies of Reliance Insurance Company - Canadian Branch ("Reliance Canada")**

On December 3, 2001, the Ontario Superior Court of Justice (the "Court") ordered the winding-up of Reliance Canada and appointed KPMG Inc. as liquidator (the "Liquidator").

Please be advised that on August 3, 2010, the Court made an Order with respect to a call for claims process for policyholders, insureds and claimants with Policy Loss Claims against Reliance Canada. The Court has fixed **December 17, 2010** as the last day for policyholders, insureds and claimants with Policy Loss Claims to send in their claims for loss under or arising out of a Reliance Canada policy. The books and records of Reliance Canada indicate that you were a policyholder.

**If you have any claims for loss under or arising out of a policy of Reliance Canada (including any existing, new, future, contingent, known or unknown, reported or unreported, liquidated or unliquidated claims), you must complete the attached Proof of Claim for Policy Loss Claim ("POC") and submit it to the Liquidator at the address noted below by ordinary mail. This must be postmarked no later than midnight on December 17, 2010. A separate POC must be submitted for each separate Policy Loss Claim.**

Pursuant to the Order of the Court made August 3, 2010, the Liquidator will send the filing party (at the address supplied in the filed POC), within one month of receipt of the POC, an Acknowledgment of Filing. **If the filing party does not receive such Acknowledgment of Filing within one month of submitting the POC, and does not notify the Liquidator of such non-receipt within 6 weeks of submitting the POC, the POC shall be deemed for all purposes not to have been sent in or filed in accordance with the call for claims.**

You do not have to submit a POC for any claim that has been fully settled and for which you have been paid in full.

If you have any questions or require an additional Proof of Claim for Policy Loss Claim package, please see our website at [www.relianceinsurance.ca](http://www.relianceinsurance.ca) or make a request in writing to:

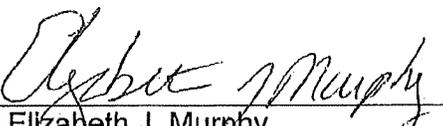
KPMG Inc.  
Liquidator of Reliance Insurance Company, Canadian Branch  
Bay Adelaide Centre  
333 Bay Street, Suite 4600  
Toronto, ON M5H 2S5

General Inquiry Line: (416) 777-8333  
Email Inquiry: [reliance@kpmg.ca](mailto:reliance@kpmg.ca)

**Please note that neither this Notice nor an Acknowledgment of Filing means or implies that any claim filed is payable as a claim under a policy or in the winding-up of Reliance Canada, or that it bears any particular priority if it is payable.**

Yours very truly,

KPMG Inc.  
Liquidator of Reliance Insurance Company – Canadian Branch, in Liquidation

  
Per: Elizabeth J. Murphy  
Vice-President

**F**

## SCHEDULE "F"



Commercial List Court File No. 01-CL-4313

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

THE HONOURABLE MR. ) TUESDAY, THE 24<sup>TH</sup> DAY  
JUSTICE CAMPBELL ) OF JUNE, 2008

**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

**ORDER**

**THIS MOTION** made by KPMG Inc., liquidator (the "Liquidator") of the insurance business in Canada of Reliance Insurance Company ("Reliance Canada"), was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Report of the Liquidator dated June 19, 2008 (the "Report"), filed, and upon hearing the submissions of counsel for the Liquidator, no other party appearing, although properly served as appears from the proof of service, filed:

1. **THIS COURT ORDERS** that the service made of the Notice of Motion and supporting materials herein is good and sufficient notice of this motion, that this motion is properly returnable today, and that any further service or notice of the Notice of Motion and supporting materials be and the same is hereby dispensed with.

2. **THIS COURT ORDERS** that, under Section 74 of the *Winding-up and Restructuring Act*, September 30, 2008 be fixed as the last day on which ordinary creditor claimants may send in their claims, which shall be sent in in the manner set out below.

3. **THIS COURT ORDERS** that by no later than July 14, 2008 the Liquidator shall cause a letter, Notice of Claim and instruction sheet, substantially in the form attached as Schedule "A" hereto, to be (i) sent by ordinary mail to agents and brokers whom it appears from the books and records of Reliance Canada a balance may be due, at their last known address according to the books and records of Reliance Canada, and (ii) posted on the website [www.relianceinsurance.ca](http://www.relianceinsurance.ca).

4. **THIS COURT ORDERS** that by no later than July 14, 2008 the Liquidator shall cause a Notice, substantially in the form attached as Schedule "B" hereto, to be (i) published in the national edition of *The Globe & Mail* newspaper, and (ii) posted on the website [www.relianceinsurance.ca](http://www.relianceinsurance.ca).

5. **THIS COURT ORDERS** that the Liquidator shall send by ordinary mail or by fax transmission a Notice of Claim and instruction sheet, substantially in the form included in Schedule "A" attached hereto, to any person making a request for such on or before September 30, 2008, at the address or fax number provided by the person, within seven (7) business days of the request being received.

6. **THIS COURT ORDERS** that the Liquidator shall send by ordinary mail a Notice of Allowance of Claim, substantially in the form attached as Schedule "C" hereto, to those ordinary

creditor claimants having sent in claims which are admitted in whole by the Liquidator, at the address provided by the claimants in their respective Notices of Claim.

7. **THIS COURT ORDERS** that the Liquidator shall send by prepaid registered mail a Notice of Disallowance in Part or in Whole ("Disallowance Notice"), substantially in the form attached as Schedule "D" hereto, to those ordinary creditor claimants having sent in claims which are disputed by the Liquidator in whole or in part (the "Disputed Claims"), specifying that such Disputed Claims will be disallowed in whole, or will be disallowed in part and allowed in part, as the case may be, at the address provided by the claimants in their respective Notices of Claim.

8. **THIS COURT ORDERS** that any ordinary creditor claimants wishing to appeal a Disallowance Notice must serve the Liquidator with a Notice of Appeal, substantially in the form attached as Schedule "E" hereto, by prepaid ordinary mail, fax transmission or courier, within thirty (30) days from the date of the Disallowance Notice, failing which the claims of such ordinary creditor claimants shall be deemed to be disallowed and non-admissible in whole, or disallowed and non-admissible in part and allowed and admissible in part, as the case may be, in the winding-up of Reliance Canada.

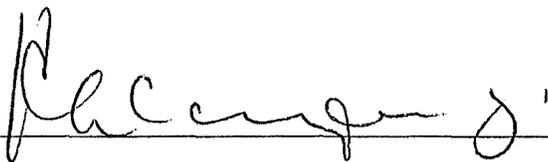
9. **THIS COURT ORDERS** that this Order has no application to any claim that may be asserted by the Liquidator of Reliance Insurance Company in the winding-up of Reliance Canada.

ENTERED AT / INSCRIT À TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

JUN 25 2008

PER/PAR: JSN

Joanne Nicoara  
Registrar, Superior Court of Justice



---

**SCHEDULE "A"**

[on the Letterhead of Reliance Insurance Company – Canadian Branch, in Liquidation]

To: [●]

**Re: Ordinary Creditor Claimants of Reliance Insurance Company –  
Canadian Branch, in Liquidation ("Reliance Canada")**

On December 3, 2001, the Ontario Superior Court of Justice (the "Court") ordered the winding-up of Reliance Canada and appointed KPMG Inc. as liquidator (the "Liquidator").

Please be advised that the Court has fixed **Tuesday, the 30<sup>th</sup> day of September, 2008** as the last day for ordinary creditor claimants of Reliance Canada to send in their claims. If you are aware of any claims that you may have arising from your relationship as an agent or broker, or otherwise, other than Policy Loss Claims, please complete the attached Notice of Claim form, which must be submitted by September 30, 2008.

Claims must be sent to the Liquidator at the address noted below by ordinary mail and must be postmarked no later than midnight on September 30, 2008.

**Failure to submit to the Liquidator a properly completed Notice of Claim form by September 30, 2008 will result in any distributions being made without regard to any claim not submitted.**

If you have questions or require a further Notice of Claim form, please see our website [www.relianceinsurance.ca](http://www.relianceinsurance.ca) or make your request in writing to:

KPMG Inc., Liquidator,  
Reliance Insurance Company - Canadian Branch, in Liquidation  
199 Bay Street, Suite 3300  
Toronto, Ontario  
M5L 1B2

Attention: Ms. Janine Bradley

Tel: 416-777-8487

Fax: 416-777-3683

E-mail: [jmbradley@kpmg.ca](mailto:jmbradley@kpmg.ca)

Yours very truly,

KPMG Inc.  
Liquidator of Reliance Insurance Company – Canadian Branch, in Liquidation

IN THE MATTER OF THE WINDING-UP OF THE INSURANCE BUSINESS IN CANADA OF  
RELIANCE INSURANCE COMPANY ("Reliance Canada")

**NOTICE OF CLAIM**  
**(ORDINARY CREDITOR CLAIMS)**

**NOTE: This form is not to be used for the submission of Policy Loss Claims.**

I, \_\_\_\_\_, \_\_\_\_\_, residing in \_\_\_\_\_,  
(name) (relationship to Claimant) (City, town etc)

in the Province of \_\_\_\_\_, Canada,

**DO HEREBY CERTIFY THAT:**

1. \_\_\_\_\_ ("Claimant") has a valid claim ("Claim") in the amount of (Cdn.)  
\$ \_\_\_\_\_ against Reliance Canada.

2. The address, telephone number, fax number and authorized contact person for the Claimant for service of any notice or other materials in respect of the Claim are:

Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Contact: \_\_\_\_\_

3. Attached to this Notice of Claim is an accurate and truthful calculation of the Claim and true and accurate copies of supporting documentation establishing the Claim.

**NOTE: You are required to provide a calculation of the Claim including supporting documentation, which must be attached to this Notice of Claim.**

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name and position with the Claimant

**INSTRUCTIONS FOR COMPLETION OF NOTICE OF CLAIM**

It is important that the Notice of Claim be correctly completed. The following points are set out to assist you:

- (a) The form must be completed in its entirety.
- (b) If this form is completed by some person on behalf of the Claimant, that person must state his or her authority and the capacity in which he or she is acting.
- (c) You are required to provide a calculation of the Claim and all supporting documentation.
- (d) The signature of the individual completing the form must be witnessed.
- (e) The form is not to be used for Policy Loss Claims.
- (f) You do not have to submit a form for claims for which you have been paid.
- (g) This form must be mailed to the Liquidator at the address below.

KPMG Inc., Liquidator,  
Reliance Insurance Company – Canadian Branch, in Liquidation  
199 Bay Street, Suite 3300  
Toronto, Ontario  
M5L 1B2

Attention: Ms. Janine Bradley

**FAILURE TO SUBMIT A PROPERLY COMPLETED NOTICE OF CLAIM BY SEPTEMBER 30, 2008 WILL RESULT IN DISTRIBUTIONS BEING MADE WITHOUT REGARD TO THAT CLAIM.**

**SCHEDULE "B"****IN THE MATTER OF THE WINDING-UP OF THE INSURANCE BUSINESS IN  
CANADA OF RELIANCE INSURANCE COMPANY ("Reliance Canada")****NOTICE TO ORDINARY CREDITOR CLAIMANTS OF RELIANCE  
CANADA**

KPMG Inc., as Liquidator of Reliance Canada, under the provisions of the *Winding-up and Restructuring Act*, hereby gives notice that the Ontario Superior Court of Justice has fixed **Tuesday, the 30<sup>th</sup> day of September, 2008** as the last day for ordinary creditor claimants of Reliance Canada to send in their claims.

**TAKE NOTE THAT FAILURE TO SEND IN A NOTICE OF CLAIM BY  
SEPTEMBER 30, 2008 WILL RESULT IN DISTRIBUTIONS BEING MADE WITHOUT  
REGARD TO ANY CLAIM NOT SENT IN BY THAT DATE.**

**Please note that this is not a call for policy loss claims.**

For further information or for a Notice of Claim form, please contact KPMG Inc. as set out below, or visit [www.relianceinsurance.ca](http://www.relianceinsurance.ca).

This Notice is being given pursuant to the Order of the Ontario Superior Court of Justice dated the 24<sup>th</sup> day of June, 2008.

KPMG Inc., Liquidator,  
Reliance Insurance Company – Canadian Branch, in  
Liquidation  
199 Bay Street, Suite 3300  
Toronto, Ontario  
M5L 1B2

Attention: Ms. Janine Bradley

Fax: 416-777-3683

Tel: 416-777-8487

E-mail: [jmbradley@kpmg.ca](mailto:jmbradley@kpmg.ca)

**SCHEDULE "C"**

**IN THE MATTER OF THE WINDING-UP OF THE INSURANCE BUSINESS IN  
CANADA OF RELIANCE INSURANCE COMPANY ("Reliance Canada")**

**NOTICE OF ALLOWANCE OF CLAIM**

**TO:** (IDENTIFY CLAIMANT)

**RE:** (DESCRIBE CLAIM)

(CLAIM No. \_\_\_\_\_)

**TAKE NOTICE** that we confirm receipt of your Notice of Claim dated \_\_\_\_\_  
\_\_\_\_\_. The Liquidator has reviewed your Claim and will allow your Claim as an  
ordinary creditor claim in the amount of \$\_\_\_\_\_, as shown on your Notice of Claim.

The Liquidator will at a future date seek the authority of the Ontario Superior  
Court of Justice with respect to making a distribution or distributions with respect to your Claim.

**Please keep the Liquidator advised of any change of address or contact  
information.**

**DATED** at Toronto, this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

\_\_\_\_\_  
Janine Bradley

KPMG Inc., Liquidator,  
Reliance Insurance Company – Canadian Branch, in  
Liquidation  
199 Bay Street, Suite 3300  
Toronto, Ontario  
M5L 1B2

Tel: 416-777-8487

Fax: 416-777-3683

Email: [jmbradley@kpmg.ca](mailto:jmbradley@kpmg.ca)

**SCHEDULE "D"**

**IN THE MATTER OF THE WINDING-UP OF THE INSURANCE BUSINESS IN  
CANADA OF RELIANCE INSURANCE COMPANY ("Reliance Canada")**

**NOTICE OF DISALLOWANCE OF CLAIM IN PART OR IN WHOLE**

**TO:** (IDENTIFY CLAIMANT)

**RE:** (DESCRIBE CLAIM)

(CLAIM NO. \_\_\_\_\_)

**TAKE NOTICE** that we confirm receipt of your Notice of Claim dated \_\_\_\_\_ . The Liquidator has reviewed your Claim and allows your Claim (in part in the amount of \$ \_\_\_\_\_, and disallows your Claim in part in the amount of \$ \_\_\_\_\_ /disallows your Claim in whole).

**AND FURTHER TAKE NOTICE THAT** if you are dissatisfied with the Liquidator's decision in respect of your Claim, you must serve the Liquidator by prepaid ordinary mail, fax transmission or courier, at the address or fax number below, with a properly completed Notice of Appeal in the form attached hereto, **within thirty (30) days of the date hereof**, with any further support for your Claim and setting out the reasons for disputing the decision of the Liquidator.

If no Notice of Appeal is served on the Liquidator within thirty (30) days of the date hereof, then this Notice of Disallowance in part or in whole will be deemed final and conclusive and the Liquidator shall conduct the liquidation and distribute the assets of Reliance Canada or any part thereof among the persons entitled thereto without regard to your Claim, if disallowed in whole, or without regard to the disallowed part of your Claim, as the case may be.

This notice is being served pursuant to the *Winding-up and Restructuring Act* and to the Order of the Ontario Superior Court of Justice dated the 24<sup>th</sup> day of June, 2008.

**DATED** at Toronto, this            day of            , 2008.

\_\_\_\_\_  
Janine Bradley

KPMG Inc., Liquidator,  
Reliance Insurance Company – Canadian Branch, in  
Liquidation  
199 Bay Street, Suite 3300  
Toronto, Ontario  
M5L 1B2

Fax:            416-777-3683

GOODMANSW5603079.2

**SCHEDULE "E"**

**IN THE MATTER OF THE WINDING-UP OF THE INSURANCE BUSINESS IN  
CANADA OF RELIANCE INSURANCE COMPANY ("Reliance Canada")**

**NOTICE OF APPEAL OF DISALLOWANCE OF CLAIM**

**TO:** KPMG INC., LIQUIDATOR OF RELIANCE CANADA

**FROM:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
[IDENTIFY CLAIMANT AND FULL CONTACT INFORMATION]

**RE:** \_\_\_\_\_ [INSERT CLAIM NUMBER PROVIDED ON THE NOTICE  
OF DISALLOWANCE IN PART OR IN WHOLE]

The Claimant herein disputes the Notice of Disallowance of Claim dated the  
day of \_\_\_\_\_, 2008.

**REASONS FOR APPEAL FROM DISALLOWANCE OF CLAIM**

The Claimant disputes the Notice of Disallowance of Claim for the reasons set out  
on Appendix "A":

**[You must attach an Appendix "A" setting out the reasons for the dispute.]**

In support of this appeal, the Claimant submits the evidence and documentation  
attached hereto as Appendix "B".

**[You must attach evidence/documentation to support your claim as  
Appendix "B".]**

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name and position with the Claimant

THE ATTORNEY GENERAL OF  
CANADA

Applicant

RELIANCE INSURANCE COMPANY

and

Respondent

Commercial List Court File No: 01-CL-4313

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

Proceeding commenced at Toronto

**ORDER**

GOODMANS LLP  
Barristers & Solicitors  
250 Yonge Street  
Suite 2400, Box 24  
Toronto, Ontario  
M5B 2M6

Graham D. Smith - LSUC# 26377D

Tel: (416) 597-4161

Fax: (416) 979-1234

SOLICITORS FOR KPMG INC.,  
LIQUIDATOR OF RELIANCE CANADA

G

**SCHEDULE "G"**

Unaudited Financial Statements of

**RELIANCE INSURANCE COMPANY**  
Canadian Branch (in liquidation)

In our capacity as Liquidator, we have prepared the Balance Sheet of Reliance Insurance Company, Canadian Branch (in liquidation) as at September 30, 2018, December 31, 2015, March 31, 2014, March 31, 2011, September 30, 2009, December 31, 2007, September 30, 2006, September 30, 2005, September 30, 2003 and December 31, 2001, the Statement of Earnings and Changes in Surplus for the thirty-three months ended September 30, 2018, twenty-one months ended December 31, 2015, thirty-six months ended March 31, 2014, eighteen months ended March 31, 2011, twenty-one months ended September 30, 2009, fifteen months ended December 31, 2007, twelve months ended September 30, 2006, twenty-four months ended September 30, 2005, and twenty-two months ended September 30, 2003, and the Statement of Cash Flows for the thirty-three months ended September 30, 2018, the twenty-one months ended December 31, 2015, thirty-six months ended March 31, 2014, eighteen months ended March 31, 2011, twenty-one months ended September 30, 2009, fifteen months ended December 31, 2007, twelve months ended September 30, 2006, twenty-four months ended September 30, 2005, and twenty-two months ended September 30, 2003 in our capacity as liquidator. These financial statements have not been audited or reviewed.

In view of the uncertainties surrounding a branch in liquidation, the ultimate realization of the assets and liabilities will differ from the recorded amounts and the differences may be material (see notes).

Readers are cautioned that these statements may not be appropriate for their purposes.

KPMG Inc., Liquidator.  
Reliance Insurance Company, Canadian Branch

October 16, 2018

(Unaudited - See Cover Page)

**RELIANCE INSURANCE COMPANY**  
Canadian Branch (in liquidation)

**Balance Sheet**

As at September 30, 2018, December 31, 2015, March 31, 2014, March 31, 2011, September 30, 2009, December 31, 2007, September 30, 2005, September 30, 2003 and December 31, 2001

	September, 2018	December 31, 2015	March 31, 2014	March 31, 2011	September 30, 2009	December 31, 2007	September 30, 2006	September 30, 2005	September 30, 2003	December 31, 2001
Cash and short term investments (note 4)	\$ 42,569	\$ 31,690	\$ 1,029	\$ 1,216	\$ (29)	\$ 2,694	\$ 1,101	\$ 916	\$ 156,277	\$ 56,165
Investments (note 4)	71,404	81,785	115,296	127,167	136,062	138,240	147,761	141,308	-	108,949
(market value: Sep/18 - \$71,404; Dec/15 - \$81,785; Mar/14 - \$117,180; Mar/11 - \$129,003; Sep/09 - \$139,111; Dec/07 - \$138,632; Sep/06 - \$148,049; Sep/05 - \$140,919; Jun/04 - \$0; Sep/03 - \$0; Dec/01 - \$114,392)										
Receivable from other insurers/reinsurers	19	1,310	662	4,337	5,054	9,649	11,965	26,863	13,908	6,090
Income and premium taxes recoverable	-	-	-	-	-	-	-	-	3,070	3,446
Receivable from Reliance US (note 7)	4,848	4,848	4,848	4,848	4,848	4,848	4,848	4,848	4,181	-
Receivable from Reliance US - current balance due (note 7)	-	-	-	-	35	159	222	222	-	-
Other receivables	43	107	129	337	386	348	361	621	958	1,978
Reinsurers' share of provision for unpaid claims	4,038	3,144	2,615	10,326	22,730	22,942	34,928	42,172	51,761	57,536
Unearned premiums	-	-	-	-	-	-	306	2,564	5,430	9,670
Estimate for deductibles on unpaid claims	-	-	-	-	-	-	-	78	1,444	2,527
<b>Total assets</b>	<b>\$ 122,921</b>	<b>\$ 122,884</b>	<b>\$ 124,579</b>	<b>\$ 148,231</b>	<b>\$ 169,086</b>	<b>\$ 178,721</b>	<b>\$ 201,429</b>	<b>\$ 219,592</b>	<b>\$ 237,029</b>	<b>\$ 246,361</b>

**Liabilities and Surplus**

Policy liabilities:										
Unpaid claims (note 5)	\$ 12,897	\$ 10,588	\$ 13,279	\$ 45,390	\$ 64,661	\$ 63,905	\$ 92,190	\$ 111,980	\$ 145,815	\$ 135,088
Unearned premiums (note 6)	-	-	-	-	-	-	421	3,989	9,177	15,189
Allowed claims (note 6)	-	-	-	-	-	12,802	20,340	24,163	17,269	-
Interest distribution (note 12)	-	-	-	-	5,200	-	-	-	-	-
Other liabilities	-	-	67	290	608	857	605	567	2,158	1,917
<b>Payables:</b>	<b>12,897</b>	<b>10,588</b>	<b>13,346</b>	<b>45,680</b>	<b>70,469</b>	<b>77,564</b>	<b>113,556</b>	<b>140,699</b>	<b>174,419</b>	<b>152,194</b>
Due to Reliance US (note 7)	4,848	4,848	4,848	4,848	4,848	4,848	4,848	4,848	4,848	-
Due to other insurers/reinsurers	-	669	1,051	849	1,101	539	576	260	189	192
Brokers	-	-	-	-	6	2,388	2,573	2,656	2,924	3,389
Taxes and other creditors	488	621	751	1,208	954	1,150	1,096	1,034	1,653	1,826
Reinsurance deposits	-	-	10	10	10	10	10	10	10	3,494
<b>Total liabilities</b>	<b>18,233</b>	<b>16,726</b>	<b>20,006</b>	<b>52,595</b>	<b>77,388</b>	<b>86,499</b>	<b>122,659</b>	<b>149,507</b>	<b>184,043</b>	<b>161,095</b>
<b>Surplus (note 9)</b>	<b>104,688</b>	<b>106,158</b>	<b>104,573</b>	<b>95,636</b>	<b>91,698</b>	<b>92,222</b>	<b>78,770</b>	<b>70,085</b>	<b>52,986</b>	<b>85,266</b>
<b>Contingent liabilities (note 13)</b>	<b>-</b>									
<b>Total liabilities and surplus</b>	<b>\$ 122,921</b>	<b>\$ 122,884</b>	<b>\$ 124,579</b>	<b>\$ 148,231</b>	<b>\$ 169,086</b>	<b>\$ 178,721</b>	<b>\$ 201,429</b>	<b>\$ 219,592</b>	<b>\$ 237,029</b>	<b>\$ 246,361</b>

The accompanying notes are an integral part of the financial statements

(Unaudited - See Cover Page)

RELIANCE INSURANCE COMPANY  
Canadian Branch (in liquidation)

Statements of Earnings and Changes in Surplus

For the thirty-three months ended September 30, 2018, twenty-one months ended December 31, 2015, thirty-six months ended March 31, 2011, eighteen months ended March 31, 2011, twenty-one months ended September 30, 2009, fifteen months ended September 30, 2007, twelve months ended September 30, 2006, twenty-four months ended September 30, 2005, and twenty-two months ended September 30, 2003

	January 1, 2016 to September 30, 2018	April 1, 2014 to December 31, 2015	April 1, 2011 to March 31, 2014	October 1, 2009 to March 31, 2011	January 1, 2008 to September 30, 2009	October 1, 2006 to December 31, 2007	October 1, 2005 to September 30, 2006	October 1, 2003 to September 30, 2005	December 31, 2001 to September 30, 2003
Revenue									
Gross premiums written	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5)	\$ (20)	\$ (508)
Less: reinsurance ceded	-	-	-	-	1,113	-	938	314	(509)
Net written premiums	-	-	-	-	(1,113)	-	(943)	(334)	1
Net premiums earned	-	-	-	-	(1,113)	116	366	1,988	1,772
Expenses									
Claims incurred	2,418	1,204	(2,205)	(4,683)	4,534	(12,514)	(8,722)	(7,435)	42,317
Post liquidation interest	-	-	-	506	5,200	-	-	-	-
Commissions and premium taxes	-	-	-	-	-	(10)	20	70	5,115
General expenses (note 10)	1,999	3,016	1,417	4,309	1,264	4,963	2,022	4,001	6,656
Foreign exchange (net claims)	(51)	(355)	471	182	(951)	1,054	2,806	(4,122)	(62)
Brokers payables writeoff	-	-	-	-	(2,712)	-	-	-	-
	4,356	3,865	(317)	314	7,335	(6,507)	(3,874)	(7,486)	54,026
Investment income									
Interest on cash and short term investments	951	117	6	-	125	120	80	4,798	5,188
Write-down of investments (note 4)	-	-	-	-	-	(444)	(1,658)	-	-
Interest on investments	2,419	3,777	10,031	4,855	8,730	8,363	6,219	3,031	7,752
Investment expenses	(196)	(280)	(588)	(272)	(293)	(220)	(187)	(159)	(74)
Realized gain (loss) on disposal of investments	-	2,361	1	54	65	(246)	-	-	7,245
	3,174	5,975	9,450	4,637	8,627	7,573	4,454	7,670	20,111
Income (loss) before capital taxes	(1,182)	2,110	9,767	4,323	179	14,196	8,694	17,144	(32,143)
Capital and other taxes	288	525	830	385	703	744	9	45	137
Net income (loss)	(1,470)	1,585	8,937	3,938	(524)	13,452	8,685	17,099	(32,280)
Surplus beginning of period	106,158	104,573	95,636	91,698	92,222	78,770	70,085	52,986	85,266
Surplus end of period	\$ 104,688	\$ 106,158	\$ 104,573	\$ 95,636	\$ 91,698	\$ 92,222	\$ 78,770	\$ 70,085	\$ 52,986

The accompanying notes are an integral part of the financial statements

(Unaudited - See Cover Note)

**RELIAANCE INSURANCE COMPANY**  
Canadian Branch (in liquidation)

**Statement of Cash Flows**

For the thirty-three months ended September 30, 2018, twenty-one months ended December 31, 2015, thirty-six months ended March 31, 2014, eighteen months ended March 31, 2011, twenty-one months ended September 30, 2009, fifteen months ended December 31, 2007, twelve months ended September 2006, twenty-four months ended September 30, 2005, and twenty-two months ended September 30, 2003 (\$'000)

	January 1, 2018 to September 30, 2018	April 1, 2014 to December 31, 2015	April 1, 2014 to March 31, 2014	October 1, 2009 to March 31, 2011	January 1, 2008 to September 30, 2009	October 1, 2005 to December 31, 2007	October 1, 2005 to September 30, 2006	October 1, 2003 to September 30, 2005	December 31, 2001 to September 30, 2003
<b>Operating activities</b>									
Premiums received	5,321	1,422	9,863	14,560	14,368	16,957	25,090	38,695	8,601
Reinsurance collected	397	121	508	1,481	168	578	955	2,123	2,332
Salvage, subrogation & deductibles received	45	-	264	212	315	(12)	42	512	697
Reduction in other receivables	5,763	1,543	10,635	16,253	14,872	17,523	25,487	41,474	11,548
Total sources	4,665	4,734	23,951	14,239	23,607	22,759	15,146	56,719	23,073
Gross claims paid	332	546	3,366	2,628	2,218	2,523	2,661	6,542	8,393
Claim expenses paid	-	-	-	5,706	-	-	-	-	-
Post liquidation interest on claims paid	-	-	-	282	130	-	-	-	-
Assumed Payable	-	1,349	465	-	-	-	-	-	-
Uncashed claim/expense cheques	-	-	-	-	-	-	-	-	(96)
Reinsurance premiums paid	463	-	-	6	-	-	41	9	(108)
Agents balance payable	-	-	-	-	-	-	-	-	-
General expenses	-	-	-	-	-	-	-	-	-
Salaries	-	362	1,555	892	1,200	839	748	2,307	3,109
Office expenses	299	216	473	486	678	311	228	641	720
Legal/professional	15	67	58	57	70	170	135	444	273
Head office services	345	202	441	221	297	217	172	454	465
Sale of business expense	-	-	-	-	-	-	-	-	770
Liquidation expenses	-	-	-	-	-	-	-	-	-
KPMG Inc.	789	1,106	1,062	690	762	771	339	1,631	3,121
Goodmans LLP	587	1,395	242	749	664	664	182	763	885
Legal - Post liquidation interest	-	-	-	12	(21)	508	-	-	-
Legal - Reinsurance collections	-	-	-	177	-	0	-	-	-
Call for claims expenses	-	-	-	-	-	-	-	-	-
PACIOC expenses	-	-	-	129	-	-	-	-	-
Foreign exchange (gain)/loss	48	(39)	(758)	2,505	(1,605)	2,943	845	543	56
Income & premium taxes (incl interest paid/rec'd)	419	758	820	234	951	352	6	(3,418)	(22)
Foreign exchange (gain)/loss(net claims)	(60)	(355)	471	182	(950)	1,054	2,805	(3,688)	(62)
Total uses	8,428	10,341	32,146	28,541	28,359	33,212	23,309	63,216	40,498
Net cash provided by (used) in operating activities	(2,665)	(8,798)	(21,511)	(12,288)	(13,487)	(15,699)	2,178	(21,742)	(28,950)
<b>Investing activities</b>									
Sale (purchase) of investments	10,381	35,873	11,873	8,949	2,243	8,978	(8,111)	(141,308)	113,225
Investment expenses	(207)	(309)	(585)	(271)	(354)	(179)	(178)	(131)	(74)
Interest received	3,305	3,883	10,036	4,855	8,866	8,471	6,296	8,244	15,812
Investment income	65	12	-	-	(11)	12	-	(424)	99
Cash provided by (used in) investing activities	13,544	38,459	21,324	13,533	10,764	17,282	(1,993)	(133,619)	129,052
Increase in cash and short term investments	10,879	30,661	(187)	1,245	(2,723)	1,593	185	(155,361)	100,112
<b>Cash and short term investments, at beginning of period</b>	31,690	1,029	1,216	(29)	2,694	1,101	916	156,277	56,165
<b>Cash and short term investments, at end of period</b>	\$ 42,569	\$ 31,690	\$ 1,029	\$ 1,216	\$ (29)	\$ 2,694	\$ 1,101	\$ 916	\$ 156,277
Cash consists of:									
Cash	\$ 2,651	\$ 1,725	\$ 1,029	\$ 341	\$ (29)	\$ 1,053	\$ 1,101	\$ 916	\$ 420
Short term investments (note 4)	39,918	29,965	875	875	-	1,641	-	-	155,857
	\$ 42,569	\$ 31,690	\$ 1,029	\$ 1,216	\$ (29)	\$ 2,694	\$ 1,101	\$ 916	\$ 156,277

The accompanying notes are an integral part of the financial statements

**RELIANCE INSURANCE COMPANY**  
**Canadian Branch (in liquidation)**

**Notes to September 30, 2018 Financial Statements filed with the Court**

**(unaudited – \$000)**

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**1. Nature of the business:**

The Canadian Branch of Reliance Insurance Company, which was primarily engaged in the writing of commercial property and liability insurance in Canada, commenced a voluntary wind down of its operations in Canada effective August 2000. In May 2001, Reliance Insurance Company's U.S. operations ("**Reliance US**") were placed under an order of rehabilitation. On October 3, 2001, Reliance US was put into liquidation and declared insolvent by the Court of Pennsylvania.

On December 3, 2001, the Ontario Superior Court of Justice (the "**Court**"), on the application of the Attorney General of Canada, granted an order appointing KPMG Inc. as provisional liquidator (the "**Liquidator**") of the insurance business in Canada of Reliance Insurance Company, including the assets in Canada of Reliance Insurance Company, together with its other assets held in Canada under the control of its chief agent ("**Reliance Canada**"). By further order of the same date, the Court ordered that Reliance Canada be wound up.

Since August 2000, existing insurance policies in force have been allowed to expire and Reliance Canada has neither renewed nor cancelled existing policies, nor has it written any new business. As of March 31, 2007, there were no policies in force.

The Court has approved several interim distributions on policy loss claims which have been settled and admitted by the Liquidator ("**Allowed Policy Loss Claims**"). The fifth interim distribution approved by the Court on April 8, 2008 brought the total Court authorized level of distributions to 100% of any Allowed Policy Loss Claims. With reference to Note 12, pursuant to an Order of the Court dated July 14, 2009 the Court approved the payment of post-liquidation interest ("**PLI**") by the Liquidator in December 2009.

On August 3, 2010, the Ontario Superior Court of Justice approved an order authorizing the Liquidator to undertake a call for policy loss claims ("**Call for Policy Loss Claims Process**"). The Court Order required that any proof of claims submitted pursuant to the Call for Policy Loss Claims Process be postmarked no later than midnight, December 17, 2010. Further to the Policy Loss Claims Process, claimants filed Proofs of Claim (POCs) with the Liquidator. These POCs includes some "**Contingent Claims**". Contingent claims include claims which are respect to a possible occurrence prior to the expiry of the policy, the specifics of which are not yet available or within the knowledge of the policyholder or claimant, and/or in respect of which no claim has yet been made against a policyholder or an insured.

Reliance Canada continues to run off the existing policy and claim liabilities in an orderly fashion, dealing with policy liabilities and the collection of reinsurance on a commercially reasonable basis. The Liquidator continues to pay policy holders and claimants 100% of their Allowed Policy Loss Claims.

In the normal course of business, Reliance Canada sought to reduce the loss that may arise from catastrophes or other events that cause unfavourable underwriting results by reinsuring certain levels of risk, in various areas of exposure, with other insurers. Reliance Canada is not

**RELIANCE INSURANCE COMPANY**  
**Canadian Branch (in liquidation)**

**Notes to September 30, 2018 Financial Statements filed with the Court**

**(unaudited – \$000)**

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relieved of its primary obligation to policyholders as a result of its third party reinsurance. Failure of reinsurers to honour their obligations could result in losses to Reliance Canada.

Reliance Canada's reinsurance program includes both reinsurance placed by Reliance Canada directly with Canadian licensed reinsurers and reinsurance entered into by Reliance US which reinsures both Reliance (Canada) policies and policies of Reliance US and other companies in the Reliance group (the latter are referred to as the "International Reinsurance Treaties"). Certain reinsurance contracts are subject to reinstatement premiums.

**2. Basis of preparation:**

These financial statements are prepared in a manner consistent with the financial statements prepared by the Liquidator since its appointment.

The accounting policies used in the preparation of these financial statements have been selected with a view to reflecting the financial position of an insurance company that is in liquidation, and are not intended to and may not comply with Canadian generally accepted accounting principles or International Financial Reporting Standards. Readers are cautioned that these financial statements may not be suitable for their purposes.

The preparation of these financial statements includes the use of estimates and assumptions that affect the reported assets and liabilities as at the date of the financial statements and the reported amount of revenue and expenses for the reporting period. The actual results will differ from these estimates and, in view of the additional uncertainties surrounding a company in liquidation, the differences may be material. Changes in estimates are recorded in the accounting period in which they are determined. Significant estimates are described in notes 5, 6, 9, and 13.

No provision has been made for future liquidation costs.

**3. Significant accounting policies:**

(a) Investments and investment income:

Short-term investments are readily convertible into cash and have maturities of less than 12 months.

Investments in RBC funds (see note 4) are carried at book value equal to the net invested proceeds. Income distributions and any interest received are reinvested back into the funds. When the carrying amount is greater than the fair value and the market rate valuation is considered temporary in nature, the carrying amount of these financial instruments is not reduced to fair value. Where the carrying amount is greater than the fair value, and after considering such factors as the length of time the carrying value has exceeded the fair value and the significance of the difference in the values, and if the market rate valuation is

RELIANCE INSURANCE COMPANY  
Canadian Branch (in liquidation)

Notes to September 30, 2018 Financial Statements filed with the Court

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consider to be other than temporary in nature, the investment is written down to its fair value.

Investments in term deposits and treasury bills (see note 4) are carried at cost plus accrued interest of \$77 at September 30, 2018, \$12 at December 31, 2015, \$11 at December 31, 2007, \$334 at June 30, 2004, \$424 at September 30, 2003 and \$325 at December 3, 2001.

Bonds, including accrued interest (see note 4), are carried at amortized cost, providing for the amortization of the discount or premium on an effective yield basis to maturity.

Investment income is recorded as it is earned. Gains and losses arising on disposal of investments are on a settlement date basis, and are calculated on the basis of amortized cost.

(b) Premium revenue and unearned premiums:

Unearned premiums represent the amount of premiums written which are applicable to the unexpired terms of the policies in force or to the remaining terms of certificates issued as part of program business. Accordingly, premiums written are taken into income when earned. Although policies were generally issued for one year, Reliance Canada also wrote some multi-year policies and some program business with underlying certificates which are multi-year.

If unearned premiums are not sufficient to pay expected claims and expenses, a premium deficiency is said to exist. Any changes in estimates of premium deficiencies recorded as net premium earned in the period in which they are determined.

The reinsurers' share of any unearned premiums, net of a provision for doubtful amounts, is recognized as amounts recoverable from reinsurers at the same time using principles consistent with the method for determining the unearned premium liability.

(c) Provision for Unpaid Claims:

The provision for unpaid claims ("**Unpaid Claims**") includes loss adjustment expenses and represents undiscounted estimates of the ultimate claim costs associated with claims occurring prior to but still outstanding as of the balance sheet date. The provision estimates do not take into account the time value of money or make explicit provision for adverse deviation.

The Liquidator has taken the results of the Call for Policy Loss Claims Process into account in estimating the provision for Unpaid Claims.

The provision includes estimates for (i) outstanding Policy Loss Claims, being claims which have been reported to Reliance Canada and not yet resolved or settled and for which Reliance Canada has established an estimate of the amount to resolve or settle ("**Case Reserves**"); estimates for "incurred but not reported" ("**IBNR**") exposure, which includes claims not yet reported for which Reliance Canada may ultimately be put on notice and to which would have to respond, and potential development on the Case Reserves; and Contingent Claims.

RELIANCE INSURANCE COMPANY  
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All provisions are periodically reviewed and evaluated in the light of emerging claim experience and changing circumstances. The resulting changes in estimates of the ultimate liability are recorded as incurred claims in the period in which they are determined.

On a periodic basis, the Liquidator or its legal counsel instruct external actuaries to confirm their best estimate of policy liabilities and premium liabilities in accordance with accepted actuarial standards of practice except that time value of discount is not used and there is no explicit provision for adverse deviation. The actuarial analysis is performed on both a gross and net of reinsurance basis. The most recent actuarial reviews were performed as at November 30, 2013, December 31, 2010 and June 30, 2009. With respect to the November 30, 2013 actuarial review, standard actuarial techniques were not effective to evaluate the reduced number of claims. As a result, the external actuary reviewed each claim individually and determined a range of probable settlement values of each claim. In addition, discounts to reflect the time value of money were not used.

In the normal course of settling claims, Reliance Canada acquires rights to subrogate its claims against other parties and, in some cases, recover a portion of the loss from the policyholder as a deductible amount. Salvage and subrogation are deemed not to be material and, as such, are recorded as received. Deductible amounts, which are recoverable on liability claims, have been recognized as assets.

#### *Uncertainties*

Considerable judgement is required to evaluate claims and establish claim liabilities. These estimates of future loss activity are based on known facts and interpretation of circumstances, and are selected from a wide range of possible outcomes. These estimates are subject to variability, and the process of determining the provision necessarily involves risks that the variability could be material. The variability arises because all events affecting the ultimate settlement of claims have not yet taken place and may not take place for some time. Additional factors affecting the variability include receipt of additional claim information, the continually evolving and changing regulatory and legal environment, court decisions, economic conditions, public attitudes, claims management practices, actuarial studies, the quality of the data used for projection purposes, the effect of inflationary trends on future claims handling and settlement practices, and significant changes in the severity or frequency of claims from historical trends.

It is also not possible to estimate the impact of the additional uncertainties surrounding a company in liquidation on the estimation process. In addition to underwriting direct insurance risks, Reliance Canada accepted certain insurance risks that other insurance companies have underwritten ("**Assumed Reinsurance**"). Because of the necessary reliance on the ceding companies for information regarding reported claims, and the resulting reporting lag between the dates of occurrence and the time Reliance Canada is notified of the claims, the inherent uncertainties of estimating reserves is greater for Assumed Reinsurance than for direct insurance.

RELIANCE INSURANCE COMPANY  
Canadian Branch (in liquidation)

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(d) Ceded Reinsurance:

Claims incurred are recorded net of amounts ceded to, and recoverable from, reinsurers. To indicate the extent of the credit, collection and contractual risks related to third party reinsurance, estimates of amounts recoverable from reinsurers are recorded separately from the estimated provisions for unearned premiums and unpaid claims.

Amounts recoverable from reinsurers, net of a provision for doubtful amounts, are estimated and recognized at the same time and using principles consistent with Reliance Canada's method for establishing the related liability.

Reliance Canada makes specific provisions against reinsurance receivables and recoverables from companies who are in liquidation or run-off, with whom balances are in dispute or where the reinsurer is not settling balances due to Reliance Canada for reasons related to Reliance US. In addition, the Reliance Canada records a general allowance against reinsurance receivables and recoverables based upon the level of allowance already in place and management's judgement. The general allowance reflects the view that a company in liquidation or run-off has a greater collection risk than a going concern company.

Reinstatement premiums are set up as amounts due to other insurers and reinsurers on the balance sheet and are included in reinsurance ceded on the Statement of Earnings.

*Uncertainties*

Reliance Canada is exposed to disputes on, and defects in, contracts with reinsurers and the possibility of default by its reinsurers. The establishment of the allowances for doubtful accounts for reinsurance recoverable involves judgement and therefore creates a degree of uncertainty as to adequacy at each reporting date.

(e) Foreign Exchange:

Realized gains and losses on foreign exchange transactions and unrealized gains and losses on the translation of certain monetary assets and liabilities are recognized in the statement of earnings. Certain monetary assets and liabilities are denominated in US dollars (e.g. cash and investments and facultative reinsurance payable/receivable) are translated to Canadian dollars using the applicable period end rate of exchange. These gains and losses are included in general expenses as are any realized gain/loss arising from transfers between Canadian and US dollar bank accounts.

Policyholder liability reserves and related reinsurance, excluding facultative reinsurance, are translated to U.S. dollars at a fixed rate. Further to an order from the Court, dated December 18, 2003 and amended on June 30, 2004, the Liquidator is authorized to pay claims payable in foreign currencies either in the applicable foreign currency or in Canadian currency converted at the Bank of Canada noon spot rate of exchange on November 8, 2001, which was \$1.5981 ("Liquidation FX Rate"). Further to this, case reserves or claims payable (and related reinsurance, excluding facultative reinsurance) denominated in U.S. dollars are set up using the Liquidation FX Rate.

**RELIANCE INSURANCE COMPANY**  
**Canadian Branch (in liquidation)**

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**4. Short term investments and investments:**

Composition of the cash and short term investments:

	September 30, 2018	December 31, 2015	March 31, 2014	March 31, 2011	September 30, 2009
Cash	\$ 2,651	\$ 1,725	\$ 1,029	\$ 341	\$ (29)
Short term investments (including term deposits and treasury bills)	39,918	29,965	-	875	-
<b>Total</b>	<b>\$ 42,569</b>	<b>\$ 31,690</b>	<b>\$ 1,029</b>	<b>\$ 1,216</b>	<b>\$ (29)</b>

	December 31, 2007	September 30, 2006	September 30, 2005	September 30, 2003	December 3, 2001
Cash	\$ 1,053	\$ 1,101	\$ 916	\$ 420	\$ 1,263
Short term investments (including term deposits and treasury bills)	1,641	-	-	155,857	54,902
<b>Total</b>	<b>\$ 2,694</b>	<b>\$ 1,101</b>	<b>\$ 916</b>	<b>\$ 156,277</b>	<b>\$ 56,165</b>

Due to their short-term nature, the carrying value of the short-term investments approximates their fair value.

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Composition of investment portfolio:

	September 30, 2018		December 31, 2015		March 31, 2014		March 31, 2011	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
RBC Cdn Money Market fund	\$ 71,404	\$ 71,404	\$ 81,785	\$ 81,785	\$ 13,387	\$ 13,387	\$ 30,332	\$ 30,332
RBC Short Term Income fund	-	-	-	-	80,460	82,449	73,160	74,996
RBC US Money Market fund	-	-	-	-	-	-	23,675	23,675
PH&N Short Term Bond & Mortgage fund	-	-	-	-	21,449	21,344	-	-
Bonds - Cdn Government	-	-	-	-	-	-	-	-
Bonds - Cdn Corporate	-	-	-	-	-	-	-	-
<b>Total investments</b>	<b>\$ 71,404</b>	<b>\$ 71,404</b>	<b>\$ 81,785</b>	<b>\$ 81,785</b>	<b>\$ 115,296</b>	<b>\$ 117,180</b>	<b>\$ 127,167</b>	<b>\$ 129,003</b>

	September 30, 2009		December 31, 2007		September 30, 2006		September 30, 2005	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
RBC Cdn Money Market fund	\$ 39,803	\$ 39,803	\$ 49,031	\$ 49,031	\$ 53,243	\$ 53,243	\$ 61,506	\$ 61,506
RBC Short Term Income fund	72,910	75,959	69,812	70,204	77,845	78,173	71,007	70,618
RBC US Money Market fund	23,349	23,349	19,397	19,397	16,673	16,673	8,795	8,795
Bonds - Cdn Government	-	-	-	-	-	-	-	-
Bonds - Cdn Corporate	-	-	-	-	-	-	-	-
<b>Total investments</b>	<b>\$ 136,062</b>	<b>\$ 139,111</b>	<b>\$ 138,240</b>	<b>\$ 138,632</b>	<b>\$ 147,761</b>	<b>\$ 148,089</b>	<b>\$ 141,308</b>	<b>\$ 140,919</b>

	September 30, 2003		December 3, 2001	
	Book Value	Market Value	Book Value	Market Value
RBC Cdn Money Market fund	\$ -	\$ -	\$ -	\$ -
RBC Short Term Income fund	-	-	-	-
RBC US Money Market fund	-	-	-	-
Bonds - Cdn Government	-	-	99,959	105,415
Bonds - Cdn Corporate	-	-	8,990	8,977
<b>Total investments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 108,949</b>	<b>\$ 114,392</b>

The carrying value of the Short Term Income Fund was written down to fair value as at March 31, 2006 and September 30, 2007. The amounts of the adjustments were \$1,658 at March 31, 2006 and \$444 at September 30, 2007.

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**5. Provision for Unpaid Claims:**

The changes in the unpaid claim provisions recorded in the balance sheet as at September 30, 2018, December 31, 2015, March 31, 2014, March 31, 2011, September 30, 2009, December 31, 2007, September 30, 2006, September 30, 2005 and September 30, 2003 and their impact on the claims and adjustment expenses for the thirty-three months ended September 30, 2018, twenty-one months ended December 31, 2015, thirty-six months ended March 31, 2014, eighteen months ended March 31, 2011, twenty-one months ended September 30, 2009, fifteen months ended December 31, 2007, twelve months ended September 30, 2006, twenty-four months ended September 30, 2005, and twenty-two months ended September 30, 2003, are as follows:

	Jan 1, 2016 to Sep 30, 2018	Apr 1, 2014 to Dec 31, 2015	Apr 1, 2011 to Mar 31, 2014	Oct 1, 2009 to Mar 31, 2011	Jan 1, 2008 to Sep 30, 2009
Unpaid claim at beginning of period	\$ 10,588	\$ 13,279	\$ 45,390	\$ 64,661	\$ 63,905
Recoverable from reinsurers at beginning of period	3,144	2,615	10,326	22,730	22,942
Net unpaid claims at beginning of period	7,444	10,664	35,064	41,931	40,963
Increase (decrease) in estimated losses and Expenses for claims occurring in prior years	2,418	1,204	(2,205)	(4,683)	4,534
Adjustment to recoverable from reinsurers (Morguard)	(35)	151			
Increase(decrease) in outstanding deductibles	-	-	-	-	-
Paid on claims (net) occurring during current year (Gap Programs)	-	-	-	-	-
Paid on claims (net) occurring during prior year	(968)	(4,575)	(22,195)	(2,184)	(3,566)
Net reserves at end of period	8,859	7,444	10,664	35,064	41,931
Ceded reserves at end of period	4,038	3,144	2,615	10,326	22,730
Gross reserves at end of period	\$ 12,897	\$ 10,588	\$ 13,279	\$ 45,390	\$ 64,661

	Oct 1, 2006 to Dec 31, 2007	Oct 1, 2005 to Sep 30, 2006	Oct 1, 2003 to Sep 30, 2005	Dec 3, 2001 to Sep 30, 2003
Unpaid claim at beginning of period	\$ 92,190	\$ 111,980	\$ 145,815	\$ 135,088
Recoverable from reinsurers at beginning of period	34,928	42,172	51,761	57,536
Net unpaid claims at beginning of period	57,262	69,808	94,054	77,552
Increase (decrease) in estimated losses and Expenses for claims occurring in prior years	(12,514)	(8,722)	(7,435)	42,317
Increase(decrease) in outstanding deductibles	-	(60)	(95)	(1,090)
Paid on claims (net) occurring during current year (Gap Programs)	(283)	(171)	(855)	(1,377)
Paid on claims (net) occurring during prior year	(3,502)	(3,593)	(15,861)	(23,348)
Net reserves at end of period	40,963	57,262	69,808	94,054
Ceded reserves at end of period	22,942	34,928	42,172	51,761
Gross reserves at end of period	\$ 63,905	\$ 92,190	\$ 111,980	\$ 145,815

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**6. Unearned premium:**

The provisions for unearned premiums include actuarially determined estimates for premium deficiencies. The process for estimating any provisions for premium deficiency involves the use of estimates concerning factors such as expected claims and expenses and future payout patterns. Any provisions are necessarily subject to uncertainty.

The provision estimates do not take into account the time value of money or make explicit provision for adverse deviation.

**7. Reliance US:**

(a) Payable to Reliance US:

As at September 30, 2018, \$4,848 is recorded in Reliance Canada's books as due to Reliance US for underwriting commissions paid to ECS Managers (the "**ECS Commission Payable**"); at December 31, 2015, the payable to head office was \$4,848; at March 31, 2014 \$4,848; at March 31, 2011 \$4,848; at September 30, 2009 \$4,848; at December 31, 2007 \$4,848; at September 30, 2006 \$4,848; at September 30, 2005 \$4,848; at September 30, 2003 \$4,848 and at December 3, 2001 the payable was nil.

The liquidator for Reliance US (the "**US Liquidator**"), subsequent to the date of liquidation, advised Reliance Canada that Reliance US had settled the ECS Commission Payable with ECS Managers on behalf of Reliance Canada prior to the respective and separate liquidations of Reliance Canada and Reliance US. Additionally Reliance US receives reinsurance proceeds on behalf of Reliance Canada pursuant to the International Reinsurance Treaties. The US Liquidator has taken the position that it wishes to withhold payment to the Canadian Liquidator of reinsurance collected by Reliance US on behalf of Reliance Canada on the International Reinsurance Treaties ("**Canadian Reinsurance Proceeds**") up to the amount of the ECS Commission Payable of \$4,848 or US\$3,034. The Canadian Liquidator disputes that the US Liquidator is entitled to do this; however, the parties have agreed that, without prejudice, Reliance US will pay to Reliance Canada any Canadian Reinsurance Proceeds in excess of the ECS Commission Payable. The US Liquidator and the Canadian Liquidator have agreed to fix the Canadian dollar balance due to Reliance US for the ECS Commission Payable using the exchange rate of 1.5981 (see note 3).

(b) Receivable from Reliance US:

As at September 30, 2018, Reliance US has collected and is holding Canadian Reinsurance Proceeds of \$4,848, pending payment or resolution of the disagreement regarding the ECS Commission Payable. At December 31, 2015 the balance was \$4,848; at March 31, 2014 \$4,848; at March 31, 2011 \$4,848; at September 30, 2009 \$4,848; at December 31, 2007 \$4,848; at September 30, 2006 \$4,848; at September 30, 2005 \$4,848; at September 30, 2003 \$4,181; and at December 3, 2001 nil. While Reliance Canada has generally billed its reinsurance in Canadian dollars, Reliance US has generally collected the

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Canadian Reinsurance Proceeds in US dollars. The US dollar amount due from the Reliance US to Reliance Canada has been fixed at a rate of 1.5981 (see note 3). The resulting foreign exchange gain was booked through the income statement in June 2004.

(c) Receivable from Reliance US – Current Balance Due:

Any Canadian Reinsurance Proceeds collected by Reliance US in excess of the amount of the ECS Commission Payable (the "Excess Canadian Reinsurance Proceeds"), are to be remitted to Reliance Canada within a reasonable timeframe. As at September 30, 2018, the Excess Canadian Reinsurance Proceeds were nil; at December 31, 2015 the balance was nil; at March 31, 2014 nil; at March 31, 2011 nil; at September 30, 2009 \$35; at December 31, 2007 nil; at September 30, 2006 \$159; at September 30, 2005 \$222; at September 30, 2003 nil; and at December 3, 2001 nil. While Reliance Canada has generally billed its reinsurance in Canadian dollars, Reliance US has generally collected its reinsurance recoveries in US dollars. Reliance Canada will recognize a foreign exchange gain or loss upon the receipt of any reinsurance collections related to Reliance Canada claims collected by Reliance US.

(d) Protocol Agreement:

Further to a protocol agreement between the Liquidator and the US Liquidator, Reliance US provides various services to Reliance Canada, particularly in the areas of data processing, claims and reinsurance. For the thirty-three months ended September 30, 2018 the cost of the services was \$392. From April 1, 2014 to December 31, 2015 the cost of the services was \$228; April 1, 2011 to March 31, 2014 \$497; October 1, 2009 to March 31, 2011 \$243; January 1, 2008 to September 30, 2009 \$287; October 1, 2006 to December 31, 2007 \$223; October 1, 2005 to September 30, 2006 \$175; October 1, 2003 to September 30, 2005 \$449; and December 3, 2001 to September 30, 2003 \$505.

**8. Allowed Policy Loss Claims not fully paid:**

As at September 30, 2018, the Allowed Policy Loss Claim balances due on claims which have been settled and admitted by the Liquidator, in excess of the Court authorized payments, were nil; at December 31, 2015 the Allowed Policy Loss Claim balances were nil; at March 31, 2014 nil; at March 31, 2011 nil; at September 30, 2009 nil; at December 31, 2007 \$12,802; at September 30, 2006 \$20,340; at September 30, 2005 \$24,163; September 30, 2003 \$17,269; and December 3, 2001 nil. Pursuant to the fifth interim distribution approved by the Court in April 2008, the Liquidator is paying policy holders and claimants 100% of their valid and allowed loss claims.

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**9. Surplus:**

As at September 30, 2018, Reliance Canada's estimated surplus was \$104,688; at December 31, 2015 \$106,158; at March 31, 2014 \$104,573; at March 31, 2011 \$95,636; at September 30, 2009 \$91,698; at December 31, 2007 \$92,222; at September 30, 2006 \$78,770; at September 30, 2005 \$70,085; at September 30, 2003 \$52,986; and at December 3, 2001 \$85,266. This estimate is subject to revision. In view of the uncertainties surrounding a company in liquidation, the ultimate realization of the assets and liabilities will differ from the estimated results as at September 30, 2018 and the difference may be material. The *Winding-up and Restructuring Act* ("**WURA**") provides that the Liquidator may, with the approval of the Court, release to Reliance US any balance of the assets remaining after the payment of claims in the order of priority prescribed by *WURA*.

**10. General and claims expense information:**

	January 1, 2016 to September 30, 2018			April 1, 2014 to December 31, 2015			April 1, 2011 to March 31, 2014		
	Total	Other	Claims	Total	Other	Claims	Total	Other	Claims
Salaries	\$ 561	\$ 298	\$ 263	\$ 365	\$ 186	\$ 179	\$ 1,262	\$ 429	\$ 833
Office Expenses	299	151	148	228	115	113	445	215	230
Legal/Professional Services	25	12	13	12	5	7	97	53	44
Allowance for bad debts	(1)	(1)	-	3	3	-	2	2	-
Head Office Services	392	196	196	228	113	115	497	248	249
Interest (Income)/expense	14	14	-	(80)	(80)	-	(27)	(27)	-
Foreign exchange (gain)/loss	33	33	-	4	4	-	(744)	(744)	-
Sale of Business Expense:									
KPMG Corporate Finance	-	-	-	-	-	-	-	-	-
Scotia Capital	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Liquidation Expenses:									
KPMG Inc.	748	748	-	1,135	1,135	-	1,007	1,007	-
Goodmans LLP	548	548	-	1,535	1,535	-	234	234	-
Legal-Post Liquidation Interest	-	-	-	-	-	-	-	-	-
Legal-Reinsurance collections	-	-	-	-	-	-	-	-	-
PACICC expenses	-	-	-	-	-	-	-	-	-
Call for claims expenses	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 2,819</b>	<b>\$ 1,999</b>	<b>\$ 620</b>	<b>\$ 3,430</b>	<b>\$ 3,016</b>	<b>\$ 414</b>	<b>\$ 2,773</b>	<b>\$ 1,417</b>	<b>\$ 1,356</b>

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	October 1, 2009 to March 31, 2011			January 1, 2008 to September 30, 2009			October 1, 2006 to December 31, 2007		
	Total	Other	Claims	Total	Other	Claims	Total	Other	Claims
Salaries	\$ 893	\$ 291	\$ 602	\$ 1,187	\$ 460	\$ 727	\$ 745	\$ 246	\$ 499
Office Expenses	333	165	168	371	178	193	273	106	167
Legal/Professional Services	24	14	10	117	61	56	87	35	52
Allowance for bad debts	(1)	(1)	-	1	1	-	(1)	(1)	-
Head Office Services	243	122	121	287	144	143	223	94	129
Interest (Income)/expense	(3)	(3)	-	(65)	(65)	-	19	19	-
Foreign exchange (gain)/loss	2,489	2,489	-	(1,232)	(1,232)	-	2,579	2,579	-
Sale of Business Expense:									
KPMG Corporate Finance	-	-	-	-	-	-	-	-	-
Scotia Capital	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Liquidation Expenses:									
KPMG Inc.	808	808	-	726	726	-	730	730	-
Goodmans LLP	232	232	-	696	696	-	632	632	-
Legal-Post Liquidation Interest	-	-	-	144	144	-	-	-	-
Legal-Reinsurance collections	15	15	-	22	22	-	523	523	-
PACICC expenses	-	-	-	129	129	-	-	-	-
Call for claims expenses	177	177	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 5,210</b>	<b>\$ 4,309</b>	<b>\$ 901</b>	<b>\$ 2,383</b>	<b>\$ 1,264</b>	<b>\$ 1,119</b>	<b>\$ 5,810</b>	<b>\$ 4,963</b>	<b>\$ 847</b>

	October 1, 2005 to September 30, 2006			October 1, 2003 to September 30, 2005			December 3, 2001 to September 30, 2003		
	Total	Other	Claims	Total	Other	Claims	Total	Other	Claims
Salaries	\$ 664	\$ 289	\$ 375	\$ 2,024	\$ 1,012	\$ 1,012	\$ 2,663	\$ 1,331	\$ 1,332
Office Expenses	247	122	125	660	330	330	567	275	292
Legal/Professional Services	135	67	68	422	211	211	310	155	155
Allowance for bad debts	(1)	(1)	-	3	3	-	(108)	(108)	-
Head Office Services	175	88	87	449	223	226	505	262	243
Interest (Income)/expense	14	14	-	(379)	(379)	-	80	80	-
Foreign exchange (gain)/loss	764	764	-	451	451	-	(306)	(306)	-
Sale of Business Expense:									
KPMG Corporate Finance	-	-	-	-	-	-	227	227	227
Scotia Capital	-	-	-	-	-	-	214	214	214
Other	-	-	-	-	-	-	329	329	329
Liquidation Expenses:									
KPMG Inc.	478	478	-	1,491	1,491	-	3,180	3,180	-
Goodmans LLP	201	201	-	659	659	-	1,017	1,017	-
Legal-Post Liquidation Interest	-	-	-	-	-	-	-	-	-
Legal-Reinsurance collections	-	-	-	-	-	-	-	-	-
PACICC expenses	-	-	-	-	-	-	-	-	-
Call for claims expenses	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 2,677</b>	<b>\$ 2,022</b>	<b>\$ 655</b>	<b>\$ 5,780</b>	<b>\$ 4,001</b>	<b>\$ 1,779</b>	<b>\$ 8,678</b>	<b>\$ 6,656</b>	<b>\$ 2,022</b>

The claims expenses are included in Claims incurred on the statement of earnings and changes in surplus.

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**11. Capital and other taxes:**

Reliance Canada is required to pay a 15% withholding tax on certain of its income from the RBC Funds. Reliance Insurance is a US incorporated insurance company that carries on business in Canada through a registered branch. For Canadian income tax purposes Reliance Canada can designate some of its assets as insurance investment properties. Investment income from these properties are included in Reliance Canada taxable income from its business. Any investment income included in taxable income is offset by available non-capital losses; as a result Reliance Canada does not pay any corporate income tax. For any investment income on any investment properties which Reliance Canada is not able to designate as insurance investment properties, such as trust distributions (in the case of Reliance, income received on the RBC funds), Reliance Canada must remit a 15% withholding tax. In 2006 and 2007 Reliance Canada was not able to include all of its investments in RBC funds as designated investment properties as defined in the Income Tax Regulations. In 2007 Reliance Canada expensed and paid \$341 in withholding tax for the 2006 taxation year. The accrued withholding tax was \$288 for the thirty-three months ending September 30, 2018, \$526 for the twenty-one months ending December 31, 2015, \$943 for the thirty-six months ending March 31, 2014, \$448 for the eighteen months ending March 31, 2011, \$703 for the twenty-one months ending September 30, 2009 and \$410 for the twelve months ending December 31, 2007. The 2006 financial statements have not been restated, as the amount for 2006 is not material.

**12. Post Liquidation Interest:**

In 2009 the Liquidator sought the advice and direction of the Court on the complex issue of PLI by way of a contested proceeding, with representative counsel for designated classes of stakeholders. By Order dated July 14, 2009 (the "**PLI Order**"), the Court provided its advice and directions with respect to the entitlement to PLI and the calculation methodology to be applied under subsection 95(2) of the *WURA*. Based on the PLI Order, the amount of PLI due to policyholders as at September 30, 2009 was approximately \$5,200, calculated on the basis that PLI accrues on the unpaid portion of the policyholder settlement amount from the date the claim is settled until the date that the policyholder is paid in full, using an interest rate of 5%.

The Court approved the distribution of PLI (the "**Interest Distribution**") by the Liquidator in December 2009. An Interest Distribution of \$5,454 was paid in December 2009, with an additional amount of \$252 being paid in the first quarter of 2010.

For all Allowed Policy Loss Claims that have been paid in full, including any PLI amounts, PLI no longer continues to accrue.

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13. Contingent liabilities:

(a) Post-liquidation Interest:

Refer to note 12. Assuming that PLI was payable and accruing on the unpaid portion of each policyholder's settlement amount from the date the claim was settled until the date that the policyholder was paid in full, and using an interest rate of 5%, the Liquidator estimated the accrued PLI as at December 31, 2007 to be approximately \$4,200. After receiving the Court directions in 2009, an amount for PLI was booked as a payable on the September 30, 2009 financial statements.

(b) Brokers Payable:

At December 31, 2007, the brokers' payable balance was \$2,400. In the third quarter of 2008, the Liquidator conducted a court approved call for claims for ordinary creditors. Only one claim was filed and allowed for the Canadian equivalent of \$7 and was paid out in December 2009. The balance of the brokers' payable balance has been written off.

(c) Call for Policy Loss Claims:

In 2010, the Liquidator received Court approval to conduct the CPLC. At the time of the CPLC, the Liquidator recommended to the Court that the Liquidator continue to administer Reliance Canada's policy liabilities in the "run-off" mode that had begun prior to the commencement of the liquidation. The CPLCs Order fixed December 17, 2010 under section 74 of *WURA* as the last day on which Policy Loss Claims could be sent to the Liquidator.

As at September 30, 2018, a total of 365 POCs remain (the "Remaining POCs"). Various parties filed duplicate POCs with respect to the same Policy Loss Claim. After reviewing the Remaining POCs, the Liquidator determined that the Remaining POCs relate to 63 claims of 16 policyholders. The 63 claims are subject to total aggregate policy limits of approximately \$993 million. If all the Remaining POCs asserted were settled at their full aggregate policy limits, the total claim exposure to Reliance Canada, net of reinsurance, would be approximately \$66.5 million, assuming all reinsurance associated with those claims were collectable.

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**SCHEDULE "H"****ASSUMPTION REINSURANCE AGREEMENT**

**THIS AGREEMENT** made the 8<sup>th</sup> day of November, 2018,

**BETWEEN:**

**WESTPORT INSURANCE CORPORATION CANADA  
BRANCH**

(hereinafter called "AssumeCo")

**OF THE FIRST PART;**

- and -

**KPMG INC.**, in its capacity as liquidator of the insurance business  
in Canada of **RELIANCE INSURANCE COMPANY** and not in  
its personal capacity

(hereinafter called the "Liquidator")

**OF THE SECOND PART.**

**WHEREAS:**

- A. Reliance Insurance Company is in liquidation pursuant to an order made the 3<sup>rd</sup> day of October, 2001 by the Commonwealth Court of Pennsylvania.
- B. The insurance business in Canada of Reliance Insurance Company was carried on by Reliance Canada (as defined herein). By order of the Court (as defined herein) dated December 3, 2001, Reliance Canada was ordered wound-up and KPMG Inc. was appointed Liquidator of Reliance Canada.
- C. The Liquidator has agreed to cede and assign to AssumeCo, and AssumeCo has agreed to assume, the Remaining Policies and Remaining Policy Liabilities (as defined herein) on the terms and conditions hereinafter set forth.

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NOW THEREFORE the parties agree as follows:

## ARTICLE 1 INTERPRETATION

### 1.1 Definitions.

In this Agreement, except as otherwise expressly provided, capitalized words or expressions shall have the meanings set out below:

- (a) **“Agreement”** means this Agreement and all schedules annexed hereto and all instruments in amendment or in confirmation of it.
- (b) **“Business Day”** means every day except a Saturday, Sunday or a day which is a statutory holiday under the laws of Canada or Ontario.
- (c) **“Closing”** means the completion of the transactions described in this Agreement, and **“Closing Date”** or **“Date of Closing”** means the earlier of:
  - (i) December 31, 2018 (or such later date as may be agreed upon by the parties); and
  - (ii) the first Business Day upon which all the conditions set out in Sections 7.1(c), 7.1(d), 8.1(c) and 8.1(d) have been satisfied, if all of such conditions have been satisfied.
- (d) **“Court”** means the Ontario Superior Court of Justice – Commercial List.
- (e) **“Effective Time”** means 12:01 a.m. on the Closing Date.
- (f) **“IBNR”** means claims incurred but not reported.
- (g) **“Liquidator”** means KPMG Inc. in its capacity as liquidator of Reliance Canada, and not in its personal capacity.
- (h) **“Person”** means an individual, partnership, joint venture, association, corporation, trust or governmental authority, body, agency or department.

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- (i) **“Remaining Policies”** means the policies of insurance of Reliance Canada listed on Schedule “A” and such other Reliance Canada policies of insurance as the parties agree shall be assumed by AssumeCo pursuant to Section 6.3.
- (j) **“Remaining Policy Liabilities”** means all liabilities and obligations which are, or are ultimately determined to be, liabilities of Reliance Canada arising out of, in respect of or under the Remaining Policies, including all liabilities of Reliance Canada arising out of, in respect of or under the Remaining Policies relating to unpaid claims and claims expenses (including case reserves and IBNR) as at the Effective Time, and including liabilities related to claims settled but not yet paid.
- (k) **“Records”** means all Reliance Canada policy claim files (for greater certainty including reinsurance files, underwriting files and payment records in such policy claim files) relating to the Remaining Policies, whether in hard copy or electronic format.
- (l) **“Reinsurance Contracts”** means the reinsurance contracts listed in Schedule “B”.
- (m) **“Reinsurers”** means the reinsurers under the Reinsurance Contracts.
- (n) **“Reliance Canada”** means the Canadian branch of Reliance Insurance Company.
- (o) **“Time of Closing”** means 2:00 p.m. (Toronto time) on the Closing Date.
- (p) **“U.S. Liquidator”** means the Insurance Commissioner of the Commonwealth of Pennsylvania, and her successors in the office as Liquidator of Reliance Insurance Company.

## **1.2 Interpretation.**

**In this Agreement:**

- (a) words denoting the singular include the plural and vice versa, and words denoting any gender include all genders;
- (b) the word “including” means “including without limitation”;

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- (c) any reference to a statute shall mean the statute in force as at the date hereof, unless otherwise expressly provided;
- (d) the use of headings is for convenience of reference only and shall not affect the construction of this Agreement;
- (e) when calculating the period of time within which, or following which, any act is to be done or step taken, the date which is the reference day in calculating such period shall be excluded. If the last day of such period is not a Business Day, the period shall end on the next Business Day. A day shall run from 12:01 A.M. to 12:00 A.M. of the following day; and
- (f) all dollar amounts are expressed in Canadian funds.

## ARTICLE 2 TRANSFER AND ASSUMPTION

### 2.1 Transfer and Assumption.

The Liquidator hereby agrees to cede, transfer and assign to AssumeCo all right, title and interest of Reliance Canada under the Remaining Policies and, to the extent (if any) that they may be assignable and transferable, the Reinsurance Contracts; and AssumeCo hereby agrees to assume, with effect as of the Effective Time, the Remaining Policies and Remaining Policy Liabilities and the obligations and liabilities of Reliance Canada under the Reinsurance Contracts. With effect as of and from the Effective Time, AssumeCo shall discharge, perform and fulfill all of the Remaining Policy Liabilities to the same extent as if the Remaining Policies had been originally issued or entered into by AssumeCo in its own name and in this regard AssumeCo agrees to substitute itself fully in the place and stead of Reliance Canada, and shall hold itself responsible to policyholders and claimants under the Remaining Policies and shall pay any amounts owing under the Remaining Policies as and when they become due.

### 2.2 Transfer and Assumption Agreement

The transfer and assumption contemplated by Section 2.1 shall be effected on Closing (with effect as at the Effective Time) by the execution and delivery on Closing by AssumeCo and the Liquidator of a Transfer and Assumption Agreement in the form attached as Schedule "C".

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**2.3 Consideration for Assumption.**

In consideration of AssumeCo's assumption of the Remaining Policies and the Remaining Policy Liabilities, on Closing the Liquidator will pay AssumeCo by cheque or wire transfer a sum equal to [REDACTED] less, where a claim under a Remaining Policy which is listed in Schedule "A" has been or is settled and paid between December 31, 2017 and Closing, an amount equal to the reserve as was assigned to such claim as of December 31, 2017, multiplied by a factor of 1.25. For greater certainty, no assets of Reliance Canada other than the amount specified in this Section 2.3, the Records, and Reliance Canada's interest in the Reinsurance Contracts (including reinsurance recoverables thereunder) to the extent (if any) that such may be assignable and transferable, shall be transferred to AssumeCo in connection with the transaction contemplated by this Agreement.

**2.4 Records.**

On Closing, the Liquidator shall transfer, convey and assign to AssumeCo all of Reliance Canada's right, title and interest in the Records.

**2.5 Assumption Certificates.**

AssumeCo agrees, at its expense, to prepare and deliver to the holders of Remaining Policies at the addresses provided to AssumeCo by the Liquidator assumption certificates in respect of its assumption of the Remaining Policy Liabilities within sixty (60) days following the Closing. Such assumption certificates will be in a form satisfactory to the Liquidator and AssumeCo, acting reasonably.

**2.6 Responsibility for Claims Arising From Administration.**

For greater certainty, from and after the Closing and as between the Liquidator and Reliance Canada on the one hand and AssumeCo on the other hand, AssumeCo will have all and sole liability and responsibility for claims, damages, liabilities, costs or expenses (including claims for punitive damages) arising out of or attributable to AssumeCo's (or any third party administrator appointed by AssumeCo) administration of any liability assumed by it pursuant to the provisions of this Agreement.

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**ARTICLE 3  
REPRESENTATIONS AND WARRANTIES OF THE LIQUIDATOR**

**3.1 Representations and Warranties.**

The Liquidator hereby makes the following representations and warranties and acknowledges that AssumeCo is relying on such representations and warranties in entering into this Agreement:

- (a) Authority. KPMG Inc. was appointed Liquidator by order of the Court dated December 3, 2001 and such appointment remains in full force and effect. Subject only to obtaining the approval of the Court, the Liquidator has the authority to enter into this Agreement and all other documents contemplated herein to which it is or will be a party, to perform the obligations of the Liquidator hereunder and thereunder, and to carry out the transactions contemplated hereby and thereby.
- (b) Validity of this Agreement. Subject only to obtaining the approval of the Court in accordance with Section 8.1(c), this Agreement and all other documents referred to herein to which the Liquidator is or will be a party are or will be as at Closing duly and validly executed and delivered and will constitute until the discharge of the Liquidator referred to in Section 8.1(c) legal, valid and binding obligations of the Liquidator, enforceable against the Liquidator in accordance with the terms hereof and thereof.
- (c) Liquidator's Right to Transfer Records. Subject only to obtaining the approval of the Court, the Liquidator has the right to transfer and assign Reliance Canada's right, title and interest in the Records and the Remaining Policies and the Liquidator has not done any act to encumber, and shall not encumber, any of such Records or Remaining Policies.

**ARTICLE 4  
LIMITATIONS ON REPRESENTATIONS AND WARRANTIES**

**4.1 Disclaimer of Liability.**

The Liquidator does not make and shall not be deemed to make any representation or warranty as to the quantum, nature or scope of the Reinsurance Contracts, Remaining Policies or the

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Remaining Policy Liabilities, or as to the accuracy of any information which has been provided to AssumeCo (including, without limitation, the Records) or may after the date hereof be provided to AssumeCo in connection with the Reinsurance Contracts, Remaining Policies or the Remaining Policy Liabilities, whether directly or indirectly by the Liquidator, or otherwise, and all liability relating thereto or resulting from reliance on such information by AssumeCo or others is hereby expressly and specifically disclaimed.

#### 4.2 Merger.

The representations and warranties of the Liquidator contained in Section 3.1 shall merge on Closing.

### ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF ASSUMECO

#### 5.1 Representations and Warranties.

AssumeCo hereby makes the following representations and warranties and acknowledges that the Liquidator is relying on such representations and warranties in entering into this Agreement:

- (a) Due Incorporation. AssumeCo is a company duly incorporated under the laws of the State of Missouri, and has not been dissolved. AssumeCo operates as a foreign branch in Canada, is duly licensed and authorized to carry on business as an insurer in all of the provinces and territories of Canada for the class of liability insurance, and possesses all such licenses as are required in all of the provinces and territories of Canada to be the insurer under the Remaining Policies. AssumeCo has the corporate authority to enter into this Agreement and all other documents contemplated herein to which it is or will be a party, and to perform its obligations hereunder and thereunder, together with the transactions contemplated hereby and thereby.
- (b) Validity of Agreement. This Agreement and all other documents referred to herein to which AssumeCo is or will be a party are or will be as at Closing duly and validly executed and delivered and constitute or will as at Closing constitute legal, valid

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and binding obligations of AssumeCo enforceable against it in accordance with the terms hereof and thereof.

## **5.2 Merger.**

The representations and warranties of AssumeCo contained in Section 5.1 shall merge on Closing.

## **ARTICLE 6 INTERIM COVENANTS**

### **6.1 Conduct Prior to Closing.**

During the period from the date of this Agreement to the Time of Closing, the Remaining Policy Liabilities will continue to be administered in the ordinary course. For the avoidance of doubt, during the period from the date of this Agreement to the date of Closing, the Liquidator shall have the right and authority to settle claims under the Remaining Policies upon prior notice to, but without the consent or approval of, AssumeCo.

### **6.2 Consents and Approvals.**

The Liquidator shall forthwith use its reasonable efforts to ensure that, as of the Time of Closing, the approval of the Court referred to in Section 7.1(c) has been obtained, and AssumeCo shall render all such assistance and cooperation in connection therewith as the Liquidator may reasonably request. AssumeCo shall forthwith use all reasonable efforts to ensure that, as of the Time of Closing, the consents set out in Section 7.1(d) and the approval set out in Section 7.1(f) have been obtained, and the Liquidator agrees to render all such assistance and cooperation in connection therewith as AssumeCo may reasonably request. As used herein, reasonable efforts shall not, except as expressly provided otherwise herein, include the obligation to expend any funds other than such administrative fees as may be charged by a Person from whom any action, consent or approval is sought, and legal fees.

### **6.3 Additional Policies.**

If the Liquidator receives or has received notice of, or has become aware of, any claim under a Reliance Canada policy of insurance other than a Remaining Policy listed on Schedule "A", whether existing before or after December 31, 2017, the parties will discuss in good faith the basis

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upon which such policy of insurance shall be assumed by AssumeCo and thereby also become a "Remaining Policy" hereunder. If such discussions do not result in the parties agreeing upon the basis upon which the policy will become a Remaining Policy hereunder within twenty (20) days of the Liquidator having been notified of or becoming aware of a claim under such policy, or within such shorter period ending on the Closing Date if the Liquidator is notified of such a claim within 20 days prior to the Closing Date, the Liquidator may by written notice to AssumeCo terminate this Agreement.

#### **6.4 Additional Non-Policy Claims**

If after the date hereof and prior to Closing the Liquidator receives notice of a claim (other than a claim arising under a Remaining Policy or another Reliance Canada policy of insurance) and the Liquidator is unable to resolve or deal with such claim in a manner satisfactory to it within twenty (20) days of the Liquidator having been notified of the claim, or within such shorter period ending on the Closing Date if the Liquidator is notified of such claim within 20 days prior to the Closing Date, the Liquidator may by written notice to AssumeCo terminate this Agreement.

### **ARTICLE 7 CONDITIONS OF CLOSING IN FAVOUR OF ASSUMECO**

#### **7.1 Conditions.**

The obligation of AssumeCo to complete the transactions provided for herein and otherwise perform the obligations of AssumeCo to be performed on and after Closing is subject to the fulfilment, performance and satisfaction of each of the conditions set forth below. The Liquidator acknowledges that the following conditions are for the exclusive benefit of AssumeCo:

- (a) Representations and Warranties. All representations and warranties of the Liquidator made in or pursuant to this Agreement shall be true and correct as at the Time of Closing with the same force and effect as if made at and as of such time and date, and AssumeCo shall have received on Closing a certificate from a senior officer of the Liquidator to such effect.
- (b) Performance of Covenants. The Liquidator shall have performed or complied with in all respects all of the obligations, covenants and agreements in this Agreement

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which are to be performed or complied with by the Liquidator at or prior to the Time of Closing, and AssumeCo shall have received on Closing a certificate from a senior officer of the Liquidator to such effect.

- (c) Court Approval. The Liquidator shall have obtained from the Court an order in a form satisfactory to AssumeCo, acting reasonably, approving this Agreement and the fulfilment of the Liquidator's obligations hereunder, with no appeal or leave to appeal therefrom having been sought from such order within the period prescribed under the *Winding-up and Restructuring Act* for such, or if such appeal or leave to appeal having been timely sought, such appeal or leave to appeal having been finally dismissed.
- (d) Reinsurance Contracts. The following Reinsurers shall have consented to the assignment and transfer of their Reinsurance Contracts by the Liquidator to AssumeCo: 
- (e) No Action to Restrain. No action or proceeding seeking to restrain or prohibit completion of the transactions contemplated by this Agreement shall be pending in any court or before any governmental authority, body, agency or department.
- (f) Regulatory Approval. The Director of the Missouri Department of Insurance, Financial Institutions & Professional Registration shall have approved Westport Canada's entering into this Agreement.

## 7.2 Satisfaction or Waiver.

If the condition set out in Section 7.1(c) has not been fulfilled, performed and satisfied at or prior to the Closing Date, this Agreement will automatically terminate without further act or formality. If any of the other conditions set forth in this Article 7 have not been fulfilled, performed and satisfied at or prior to the Closing Date, AssumeCo may, by written notice to the Liquidator, terminate all of its obligations hereunder. Any of the conditions set forth in this Article 7, with the exception of the conditions set out in Section 7.1(c), may be waived in whole or in part by

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AssumeCo by instrument in writing, without prejudice to any of its rights of termination in the event of non-performance of any other condition, obligation or covenant in whole or in part.

## **ARTICLE 8 CONDITIONS IN FAVOUR OF THE LIQUIDATOR**

### **8.1 Conditions.**

The obligation of the Liquidator to complete the transactions provided for herein and perform the other obligations to be performed by the Liquidator on or prior to Closing is subject to the fulfilment, performance and satisfaction of each of the conditions set forth below. AssumeCo acknowledges that the following conditions are for the exclusive benefit of the Liquidator.

- (a) **Representations and Warranties.** All representations and warranties of AssumeCo made in or pursuant to this Agreement shall be true and correct as at the Time of Closing with the same force and effect as if made at and as of such time and date, and the Liquidator shall have received on Closing a certificate from a senior officer of AssumeCo to such effect.
- (b) **Performance of Covenants.** AssumeCo shall have performed or complied with in all respects all of the obligations, covenants and agreements in this Agreement which are to be performed or complied with by it at or prior to the Time of Closing, and the Liquidator shall have received on Closing a certificate from a senior officer of AssumeCo to such effect.
- (c) **Court Approval.** The Liquidator shall have obtained an order of the Court, satisfactory to the Liquidator, which order shall include (i) approval of this Agreement and the fulfilment of the Liquidator's obligations hereunder, (ii) such other terms as the Liquidator may require in respect of the liquidation of Reliance Canada and its termination, and (iii) confirmation that (a) from and after Closing the Liquidator shall be discharged and the Liquidator and Reliance Canada shall have no liability in respect of the Remaining Policies and Remaining Policy Liabilities and (b) upon the Liquidator filing with the Court a certificate of the Liquidator confirming that the Closing has occurred, the assets then remaining under the control of the Liquidator or in escrow pursuant to the escrow arrangement

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contemplated in such order may be released to the U.S. Liquidator upon the terms provided, with no appeal or leave to appeal therefrom having been sought from such order within the period prescribed under the *Winding-up and Restructuring Act*, or if such appeal or leave to appeal having been timely sought, such appeal or leave to appeal having been finally dismissed.

- (d) No Action to Restrain. No action or proceeding seeking to restrain or prohibit completion of the transactions contemplated by this Agreement shall be pending in any court or before any governmental authority, body, agency or department.

## **8.2 Satisfaction or Waiver.**

If the condition set out in Section 8.1(c) has not been fulfilled, performed and satisfied at or prior to the Closing Date, this Agreement will automatically terminate without further act or formality and without prejudice to the Liquidator's right to claim for damages arising from non-fulfilment or non-performance of any covenant of AssumeCo contained herein. If any of the other conditions set forth in this Article have not been fulfilled, performed and satisfied at or prior to the Closing Date, the Liquidator may, by written notice to AssumeCo, terminate all of its obligations hereunder. Any of these conditions, with the exception of the condition set out in Sections 8.1(c), may be waived in whole or in part by the Liquidator by instrument in writing, without prejudice to any of its rights of termination in the event of non-performance of any other condition, obligation or covenant in whole or in part, and without prejudice to its right to complete the transactions contemplated by this Agreement and claim damages for breach of representation, warranty or covenant.

## **ARTICLE 9 CLOSING PROCEDURE**

### **9.1 Closing.**

The Closing shall take place at the offices of Goodmans LLP at the Time of Closing.

### **9.2 Procedure.**

At the Time of Closing, upon satisfaction of all of the conditions set out in Articles 7 and 8 which have not been waived as provided therein, the Liquidator shall make the payment required by

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Article 2, and the Liquidator and AssumeCo shall enter into the Transfer and Assumption Agreement in the form attached as Schedule "C" and do such other things and execute and deliver such other documents as are required to be done and executed on Closing.

## **ARTICLE 10 GENERAL**

### **10.1 Failure to Deliver Assumption Certificates.**

AssumeCo agrees that the failure to deliver any assumption certificate as provided herein shall not in any manner eliminate, reduce or alter any of its obligations under this Agreement, and further agrees not to raise against any Person in any manner, or in any forum, judicial or otherwise, such failure as a defence to its failure, actual or alleged, to satisfy in full its obligations hereunder or under the Remaining Policies.

### **10.2 Public Disclosure.**

No public disclosure of any kind shall be made or permitted in respect of the subject matter of this Agreement by any party without consultation with and the written consent of the other party (such consent not to be unreasonably withheld). Notwithstanding the foregoing, a party may without the other party's consent make such disclosure of this Agreement as is required by law, the regulations of any stock exchange, or in connection with obtaining the consent and approvals listed in Sections 7.1 and 8.1, and the Liquidator may make such disclosure as it deems necessary or appropriate in seeking the approvals of the Court contemplated herein and in any proceedings related thereto, or in reporting to the Court on the Liquidator's activities and/or the winding-up of Reliance Canada. For greater certainty, it is agreed that the U.S. Liquidator may make such disclosure as the U.S. Liquidator deems necessary or appropriate in reporting to the Commonwealth Court of Pennsylvania supervising the liquidation of Reliance Insurance Company, or in seeking such court's approval, in respect of or relating to the transaction contemplated in this Agreement and related matters.

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**10.3 Notice.**

All notices required or permitted by this Agreement shall be in writing and will be delivered by hand and sent by electronic mail to the parties as follows:

**The Liquidator:**

**Address:** KPMG Inc.  
 Bay Adelaide Centre  
 333 Bay Street, Suite 4600  
 Toronto, Ontario  
 M5H 2S5

**Attention:** Nicholas Brearton, President  
**E-Mail:** nbrearton@kpmg.ca

**with a copy to:** Goodmans LLP  
 Bay Adelaide Centre – West Tower  
 333 Bay Street, Suite 3400  
 Toronto, Ontario  
 M5H 2S7

**Attention:** Daniel Gormley                      Graham Smith  
**E-Mail:** dgormley@goodmans.ca              gsmith@goodmans.ca

**AssumeCo:** Westport Insurance Corporation (Canada Branch)  
 150 King Street West  
 Suite 1000  
 M5H 1J9 Toronto, Canada  
**Attention:** Adrian Hall  
**E-Mail:** Adrian\_Hall@swissre.com

**with a copy to:** **Attention:** Eric Edman  
**E-Mail:** Eric\_Edman\_swissre.com

Any notice given by electronic mail shall be deemed to have been given and received on the day of transmittal if sent before or during normal business hours and on the next Business Day if sent after such hours. Any notice delivered by hand will be deemed to have been received at the time it is delivered to the applicable address noted above. A party may change the address designated for notice herein from time to time by notice in writing to the other party.

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**10.4 Costs.**

Except as otherwise provided in this Agreement, each party shall be responsible for its own fees, expenses and other costs incurred in connection with the transactions contemplated hereby.

**10.5 Time of the Essence.**

Time is of the essence to every provision of this Agreement. Extension, waiver or variation of any provision of this Agreement shall not be deemed to affect this provision and there shall be no implied waiver of this provision.

**10.6 Further Acts.**

The parties acknowledge that their co-operation is required to facilitate the Closing. The parties shall do or cause to be done all such further acts and things as may be necessary or desirable to give full effect to this Agreement.

**10.7 Jurisdiction.**

This Agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each party hereby irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

**10.8 Amendment.**

This Agreement may be amended only by written agreement of the parties.

**10.9 Waiver.**

No waiver of any provision of this Agreement shall be binding unless it is in writing. No indulgence or forbearance by a party shall constitute a waiver of such party's right to insist on performance in full and in a timely manner of all covenants in this Agreement. Waiver of any provision shall not be deemed to waive the same provision thereafter, or any other provision of this Agreement at any time.

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**10.10 Entire Agreement.**

This Agreement and the Schedules attached to this Agreement constitute the entire agreement among the parties pertaining to all the matters herein.

**10.11 Severability.**

If any provision of this Agreement is invalid or unenforceable, such provision shall be severed and the remainder of this Agreement shall be unaffected thereby but shall continue to be valid and enforceable to the fullest extent permitted by law.

**10.12 Counterparts.**

This Agreement may be executed in one or more counterparts which, together, shall constitute one and the same Agreement. This Agreement shall not be binding upon any party until it has been executed by each of the parties and delivered to all other parties.

**10.13 Assignment.**

Neither this Agreement nor any rights or obligations hereunder may be assigned, directly or indirectly, by any party without the prior written consent of the other party, except as expressly provided herein. Any assignment without such consent shall be null and void.

**10.14 Enurement and Binding Effect.**

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors, heirs, executors, administrators, personal representatives and permitted assigns.

**10.15 Third Party Beneficiaries.**

Except as expressly set forth herein, each party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person, other than the parties hereto, and that no Person other than the parties hereto shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

**10.16 Recourse.**

For greater certainty, neither the Liquidator, in its personal capacity or otherwise, nor Reliance Canada, shall have any liability to AssumeCo under or by virtue of this Agreement, whether in contract, tort or under any other legal or equitable theory, and AssumeCo's sole remedy in respect of the representations, warranties and covenants contained herein will be limited to its termination rights, if any, in accordance with the provisions of this Agreement. Nothing herein shall limit or delay the discharge of the Liquidator and AssumeCo agrees not to oppose or contest such discharge on any grounds whatsoever. For the avoidance of doubt, the Liquidator and Reliance Canada shall have no further obligations or liability to AssumeCo whatsoever with respect to the Reinsurance Contracts of either those Reinsurers who have consented or those who may not have consented to the assignment and transfer of Reinsurance Contracts to AssumeCo, including with respect to any assignment and transfer thereof to or the effectiveness or enforceability of such assignment and transfer, and with respect to the assumption thereof by AssumeCo.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement on the day and year first above written.

**Westport Insurance Corporation Canada Branch**

Westport Insurance Corporation  
Canada Branch



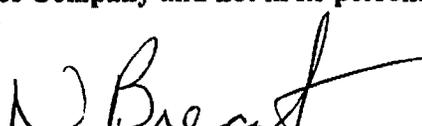
Adrian Hall  
Chief Agent  
Adrian.Hall@westport.com

Digitally signed by  
Adrian Hall  
DN: cn=Adrian Hall,  
o, ou,  
email=Adrian\_hall@  
swissre.com, c=CA  
Date: 2018.11.08  
17:02:04 -05'00'

  
Nicholas Brearton  
CFO CANADA

Per: \_\_\_\_\_  
Name: Adrian Hall  
Title: Managing Director, Head Canada

**KPMG INC., in its capacity as Liquidator of the insurance business in Canada of Reliance Insurance Company and not in its personal capacity**

Per:  \_\_\_\_\_  
Name: Nicholas Brearton  
Title: President

**SCHEDULE "A"**  
**REMAINING POLICIES**

<b>Insured Name</b>	<b>Policy Number</b>	<b>Policy Inception Date</b>	<b>Policy Expiration Date</b>

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<b>Insured Name</b>	<b>Policy Number</b>	<b>Policy Inception Date</b>	<b>Policy Expiration Date</b>
			

**SCHEDULE "B"**  
**REINSURANCE CONTRACTS**

Treaty	Ref #.	Period	Current Reinsurer
[REDACTED]			

B-2

Treaty	Ref #.	Period	Current Reinsurer
[Redacted content]			

B-3

Treaty	Ref #.	Period	Current Reinsurer
[Redacted content]			

B-4

Treaty	Ref #.	Period	Current Reinsurer
[REDACTED]			

B-5

Treaty	Ref #.	Period	Current Reinsurer
[Redacted content]			

B-6

Treaty	Ref #.	Period	Current Reinsurer
[Redacted content]			

B-7

Treaty	Ref #.	Period	Current Reinsurer
[Redacted Content]			

B-8

Treaty	Ref #.	Period	Current Reinsurer
[Redacted Content]			

B-9

Treaty	Ref #.	Period	Current Reinsurer
[Redacted content]			

## B-10

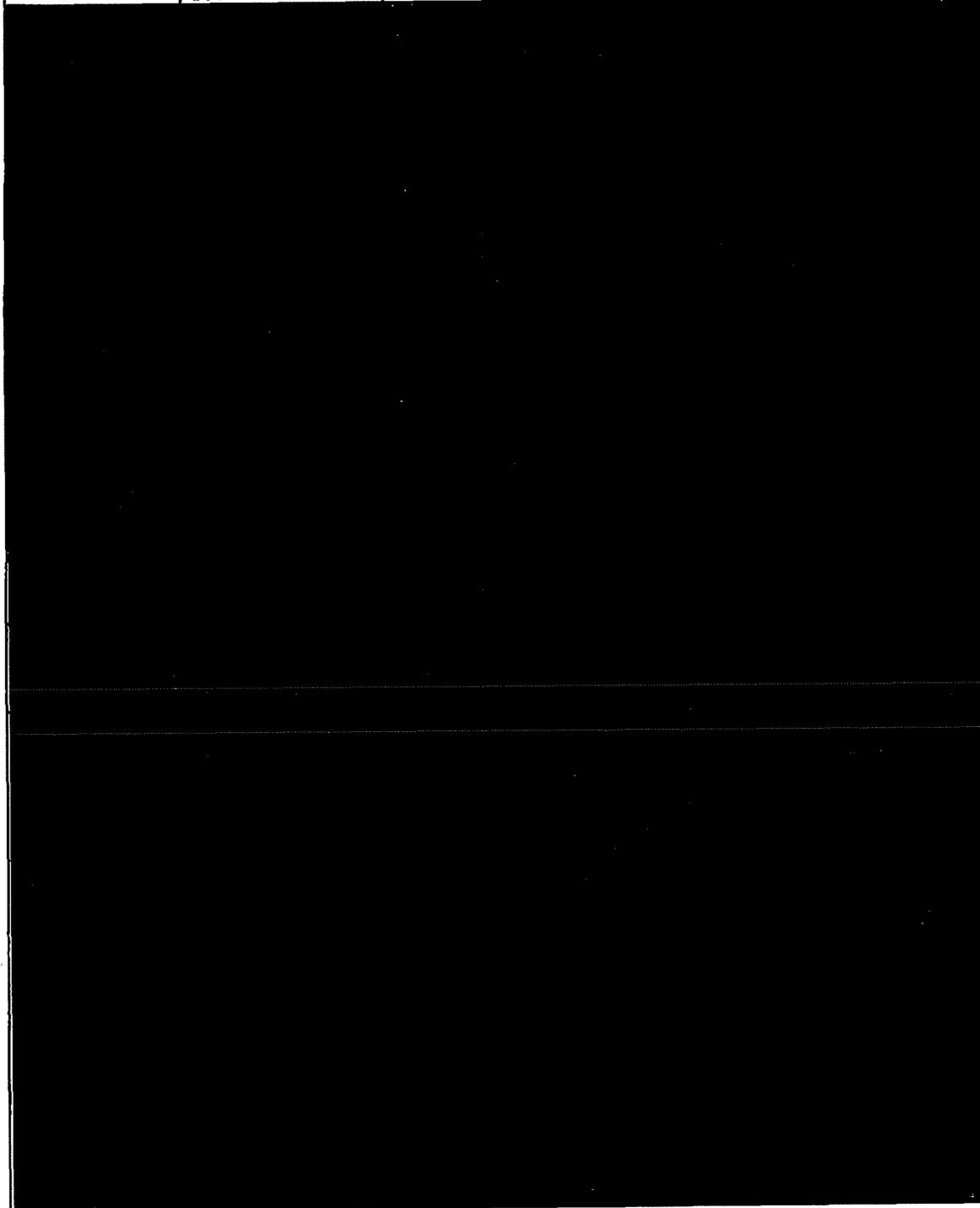
Treaty	Ref #.	Period	Current Reinsurer

Facultative Certificate	Policy No./ Reinsurer Cert. No.	Cert. Effective Date	Current Reinsurer

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<b>Facultative Certificate</b>	<b>Policy No./ Reinsurer Cert. No.</b>	<b>Cert. Effective Date</b>	<b>Current Reinsurer</b>
			

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<b>Facultative Certificate</b>	<b>Policy No./ Reinsurer Cert. No.</b>	<b>Cert. Effective Date</b>	<b>Current Reinsurer</b>
			

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Facultative Certificate	Policy No./ Reinsurer Cert. No.	Cert. Effective Date	Current Reinsurer
			

**SCHEDULE "C"**

**TRANSFER AND ASSUMPTION AGREEMENT**

**THIS AGREEMENT** made as of the day of December, 2018.

**BETWEEN:**

**WESTPORT INSURANCE CORPORATION CANADA BRANCH**

(hereinafter called "AssumeCo")

**OF THE FIRST PART,**

- and -

**KPMG INC**, in its capacity as liquidator of the insurance business in Canada of Reliance Insurance Company, and not in its personal capacity

(hereinafter called the "Liquidator")

**OF THE SECOND PART.**

**WHEREAS** pursuant to an Assumption Reinsurance Agreement made the 8th day of November, 2018 between AssumeCo and the Liquidator (the "Assumption Reinsurance Agreement"), the Liquidator agreed to assign, transfer and convey to AssumeCo certain assets and AssumeCo agreed to assume certain liabilities.

**NOW THEREFORE**, the parties agree as follows:

1. Except as expressly indicated herein to the contrary, all capitalized terms used herein shall have the meanings ascribed to such terms in the Assumption Reinsurance Agreement.
2. The Liquidator hereby assigns, transfers and conveys to AssumeCo all of Reliance Canada's right, title and interest in and to:
  - (a) the Reinsurance Contracts, to the extent (if any) that they may be assignable and transferable;
  - (b) the Records; and
  - (c) the Remaining Policies.
3. Subject to the terms, conditions and limitations set out in the Assumption Reinsurance Agreement, AssumeCo hereby assumes, with effect as at the Effective Time:
  - (a) the Remaining Policies and the Remaining Policy Liabilities; and
  - (b) all of Reliance Canada's obligations and liabilities under the Reinsurance Contracts.

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4. Each of AssumeCo and the Liquidator shall promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other party may reasonably require from time to time for the purpose of giving effect to this Transfer and Assumption Agreement, and to effect the transfer of the above-mentioned assets.
5. All assets transferred hereunder are transferred on an "as-is, where-is" basis as exists as of the date hereof. No representation, warranty or condition, either expressed or implied, is given by the Liquidator as to the title, description, condition, cost, size, quantity, quality, fitness for purpose, merchantability, assignability or otherwise of or concerning such assets or the right of the Liquidator to sell or assign same, save and except for the express representations and warranties given in Sections 3.1(a) to (c) of the Assumption Reinsurance Agreement. Without limiting the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) do not apply hereto and are waived by AssumeCo.
6. The provisions of the Assumption Reinsurance Agreement are not merged by execution and delivery of this Agreement. In the event of any inconsistency between the provisions of this Agreement and the provisions of the Assumption Reinsurance Agreement, the provisions of the Assumption Reinsurance Agreement shall prevail.
7. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors, heirs, executors, administrators, personal representatives and permitted assigns.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement on the day and year first above written.

**WESTPORT INSURANCE CORPORATION  
CANADA BRANCH**

Per: \_\_\_\_\_

Name: Adrian Hall

Title: Managing Director, Head Canada

**KPMG INC.**, in its capacity as  
liquidator of the insurance business in Canada of  
Reliance Insurance Company, and not in its  
personal capacity.

Per: \_\_\_\_\_

Name: Nicholas Brearton

Title: President



## SCHEDULE "I"

### NOVATION AND RELEASE AGREEMENT

**THIS AGREEMENT** is made effective as of **[date]**, (hereinafter referred to as the "Effective Date") by and among **[relevant inuring reinsurer]**, a reinsurance company organized and existing under the laws of **[jurisdiction]** (hereinafter referred to as "XXX"), **KPMG INC.**, in its capacity as liquidator of the insurance business in Canada of **RELIANCE INSURANCE COMPANY** and not in its personal capacity (hereinafter referred to as the "Liquidator"), and **WESTPORT INSURANCE CORPORATION (CANADA BRANCH)**, an insurance company organized and existing under the laws of Missouri ("Westport"). As used herein, "**Parties**" means XXX, the Liquidator and Westport, collectively.

#### WITNESSETH

WHEREAS, Reliance Insurance Company is in liquidation pursuant to an order made the 3rd day of October, 2001 by the Commonwealth Court of Pennsylvania; and

WHEREAS, The insurance business in Canada of Reliance Insurance Company was carried on by Reliance Canada. By court order dated December 3, 2001, Reliance Canada was ordered wound-up and KPMG Inc. was appointed Liquidator of Reliance Canada; and

WHEREAS, The Liquidator has agreed to cede and assign to Westport, and Westport has agreed to assume, certain policies and remaining policy liabilities of Reliance Canada pursuant to that certain Assumption Reinsurance Agreement made between Westport and the Liquidator dated **[date]** and that certain Transfer and Assumption Agreement made between Westport and the Liquidator dated **[date]**; and

WHEREAS, XXX provided reinsurance protection to Reliance Canada pursuant to the reinsurance agreements set forth on Schedule A hereto (the "**Reinsurance Agreements**"); and

WHEREAS, the Liquidator and Westport have agreed to transfer and novate Reliance Canada's rights and obligations under the Reinsurance Agreements to Westport; and

WHEREAS, the Liquidator and Westport have agreed that Westport will accept and assume, as direct rights and obligations of Westport, Reliance Canada's rights and obligations under the Reinsurance Agreements from the Liquidator; and

WHEREAS, XXX is amenable: (i) to having Westport substitute for and assume all of the right, title, interest and liability of Reliance Canada under the Reinsurance Agreements as direct rights and obligations of Westport under the Reinsurance Agreements; and (ii) to discharging and releasing the Liquidator and Reliance Canada from all obligations to XXX under the Reinsurance Agreements, subject to the terms of this Novation and Release Agreement; and

NOW THEREFORE, in consideration of the covenants set forth herein, the adequacy of which is hereby acknowledged, the Parties agree as follows:

**CONDITION PRECEDENT: It is a condition precedent to the effectiveness of this Novation and Release Agreement that the Closing (as such term is defined in the Assumption Reinsurance Agreement) shall have occurred.**

#### Article 1. NOVATION

1.1 The Parties agree that contemporaneously with the discharge and release of the Liquidator and Reliance Canada under Article 2 hereof, Westport shall be substituted in all

respects and for all purposes in place and stead of, and shall assume all of Reliance Canada's past, present and future rights, title, interest and liability, whether known or unknown under the Reinsurance Agreements. Nothing herein shall operate to amend or modify any term or condition of the Reinsurance Agreements except as expressly stated in this Novation and Release Agreement.

1.2 The Parties agree that the substitution of Westport under the Reinsurance Agreements by virtue of this Novation and Release Agreement shall be subject in all respects to the same modifications, alterations, and amendments of the Reinsurance Agreements as exist or may exist as of the Effective Date of this Novation and Release Agreement. Westport accepts and assumes all rights, obligations and liabilities of Reliance Canada or the Liquidator under the Reinsurance Agreements subject to any and all defenses, setoffs and counterclaims to which Reliance Canada or the Liquidator would have been entitled as of the Effective Date of this Novation and Release Agreement; it being expressly understood and agreed by XXX and the Liquidator that no such defenses, setoffs or counterclaims are waived by the execution of this Novation and Release Agreement or the consummation of the transactions contemplated hereunder, and that Westport shall be fully subrogated to all such defenses, setoffs and counterclaims Reliance Canada or the Liquidator would have had under the Reinsurance Agreements.

## **Article 2. RELEASE**

2.1 In consideration of the substitution of Westport for Reliance Canada under the Reinsurance Agreements, and the mutual covenants contained herein, and subject to the payment by XXX to the Liquidator of all balances accruing due under the Reinsurance Agreements on or prior to the effective date hereof: (i) the Liquidator does, on behalf of itself, its successors and assigns, hereby release and forever discharge XXX from any and all rights, liabilities and obligations arising out of or relating to the Reinsurance Agreements, whether known or unknown, reported or unreported, and whether currently existing or arising in the future, including but not limited to all claims, debts, demands, causes of action, duties, sums of money, covenants, contracts, controversies, agreements, promises, doings, omissions, damages, judgments, costs, expenses and losses whatsoever, and (ii) acknowledges the complete accord, satisfaction and settlement of all of XXX's liabilities and obligations to the Liquidator under Reinsurance Agreements.

2.2 In consideration of the substitution of Westport for Reliance Canada and the assumption by Westport of all of Reliance Canada's rights, title, interest and liabilities under the Reinsurance Agreements and the mutual covenants contained herein: (i) XXX does, on behalf of itself, its successors and assigns, hereby release and forever discharge Reliance Canada and the Liquidator from any and all rights, title, interest and liabilities under the Reinsurance Agreements, whether known or unknown, reported or unreported, and whether currently existing or arising in the future, including but not limited to all claims, debts, demands, causes of action, duties, sums of money, covenants, contracts, controversies, agreements, promises, doings, omissions, damages, judgments, costs, expenses and losses whatsoever, and (ii) acknowledges the complete accord, satisfaction and settlement of all of Reliance Canada's or the Liquidator's liabilities and obligations to XXX under the Reinsurance Agreements.

## **Article 3. TAXES**

3.1 Westport shall be responsible for all taxes, charges, fees, levies or other assessments including without limitation, income, premium, property, sales or use, franchise taxes on or measured by income, capital or net worth, together with any interest, penalties or

additions attributable thereto, imposed by any taxing authority as respects the Reinsurance Agreements both prior to and subsequent to the Effective Date.

#### **Article 4. GENERAL**

4.1 This Novation and Release Agreement shall not be effective, and the Parties hereto shall have no obligations hereunder, unless and until the Novation and Release Agreement has been executed by each of the parties named herein.

4.2 This Novation and Release Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

4.3 This Novation and Release Agreement may only be amended, by written amendment executed by each of the parties.

4.4 Each party to this Novation and Release Agreement represents and warrants that it is authorized to enter into this Novation and Release Agreement and the transactions contemplated herein and that this Novation and Release Agreement is enforceable against such party in accordance with its terms, provided that, in the case of the Liquidator, the Court (as defined in the Assumption Reinsurance Agreement) grants approval for the Liquidator to enter into the Novation and Release Agreement.

4.5 XXX and Westport agrees that they will do, execute and deliver or will cause to be done, executed and delivered all such further acts, transfers, assignments, powers of attorney and assurances, and will take all such further action, in support and furtherance of the transactions contemplated under this Novation and Release Agreement, as the other party may reasonably request.

4.6 This Novation and Release Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein (without regard to the principles of conflicts of law) applicable to a contract to be executed and to be performed in such state.

4.7 This Novation and Release Agreement may be executed and delivered in multiple counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same instrument and agreement.

4.8 The Liquidator and Westport agree that: (i) for a period of six months following the Effective Date (a) in the event the Liquidator or Reliance Canada receive any funds from XXX relating to the Reinsurance Agreements, other than funds owed on account of any amounts accruing due on or prior to the Effective Date as referenced in Section 2.1 hereof, the Liquidator will cause such funds to be remitted to Westport forthwith; and (b) in the event the Liquidator or Reliance Canada receive any correspondence or other documents from XXX relating to the Reinsurance Agreements, the Liquidator will cause same to be forwarded to Westport or its designee forthwith; and (ii) in the event Westport receives any funds from XXX relating to the Reinsurance Agreements which funds are owed to the Liquidator or Reliance Canada on account of any amounts accruing due on or prior to the Effective Date as referenced in Section 2.1 hereof, Westport will remit such funds to the Liquidator forthwith.

4.9 This Novation and Release Agreement does not amend, terminate or otherwise modify any other contract to which XXX, the Liquidator, Reliance Canada or Westport or any of them are or may be parties except as specifically provided herein.

4.10 This Novation and Release Agreement is not intended to confer any rights upon any person other than the parties hereto and their respective successors and assigns except as specifically provided herein.

**[signature page follows]**

**IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized officers, effective as set forth above.**

**KPMG INC.**, in its capacity as liquidator of the insurance business in Canada of **RELIANCE INSURANCE COMPANY** and not in its personal capacity

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**WESTPORT INSURANCE CORPORATION (CANADA BRANCH)**

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**[XXX]**

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

SCHEDULE A

LIST OF REINSURANCE AGREEMENTS  
(insert relevant Schedule A from Liquidator letter)

J

## SCHEDULE "J"



Barristers &amp; Solicitors

Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, Ontario M5H 2S7

Telephone: 416.979.2211  
Facsimile: 416.979.1234  
goodmans.ca

November 12, 2018

KPMG Inc.  
4600 – 333 Bay Street  
Toronto, Ontario M5H 2S5

**Attention: Janine Bradley**

OUR FILE NO. KPMG/016699

Re: Reliance Insurance Company, in Liquidation

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**TO OUR PROFESSIONAL SERVICES RENDERED** in connection with the above-noted matter for the period January 1, 2016 to October 31, 2018, including the following:

Attendances with respect to tobacco claims, including correspondence, meetings and discussions with counsel;

Attendances with respect to environmental claims, including meetings and telephone conferences with insured and counsel and review of environmental remediation issues;

Attendances with respect to numerous other claims and liabilities issues, including resolution of claims, notice of disallowance issues, discussions with U.S. Liquidator re: claims, communications with policyholders, adjusters, defence and plaintiffs' counsel;

Reporting to Court and passing of accounts (April 1, 2014 – December 15, 2015);

Attendances with respect to U.S. issues, including preparing for and attending meetings and telephone conferences with the U.S. Liquidator, correspondence with counsel;

Attendances with respect to potential assumption reinsurance transaction; non-disclosure agreements; negotiations; preparation of transaction documentation; preparation of materials for Court approval; research, analysis and documentation re: requirements for release of surplus, transfer of reinsurance, tax issues, liquidation termination; escrow agreements; and attendances with Inspectors.

<b>OUR FEE:</b>	\$623,984.15
<b>DISBURSEMENTS:</b>	\$ 4,117.88
<b>HST:</b>	\$ 81,636.82

**Goodmans**<sup>LLP</sup>

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**TOTAL:**

\$709,738.85

**GOODMANS LLP**



E. & O.E

6870934

**K**

**SCHEDULE "K"**

**RELIANCE (CANADA)**  
**(in Liquidation)**

**GOODMANS LLP PERSONNEL**  
**HOURS AND AVERAGE HOURLY RATES**  
**FOR THE PERIOD JANUARY 1, 2016 TO OCTOBER 31, 2018**

<u>Name</u>	<u>Rank</u>	<u>Area</u>	<u>HOURS</u>	<u>AVG. HRLY RATE</u>
Smith, Graham	Partner	Litigation	655.8	\$858
Individuals with less than 30 hours			<u>139.8</u>	<u>\$440</u>
			<u>795.6</u>	<u>\$784</u>

GOODMANS\6878504.1



## GOODMANS LLP

**GRAHAM SMITH** is a partner in the litigation section. He advised on strategy issues, communications with Inspectors and the U.S. Liquidator, and is involved with all major areas of the liquidation. He dealt with numerous litigation matters, acted as liaison with policyholders, adjusters, defence counsel and plaintiffs' counsel, and provided advice and prepared documentation on the resolution of various claims. He also advised on claims issues and potential resolution of the tobacco claims. His other major responsibilities in the relevant period were advising and assisting in the negotiation of the assumption reinsurance transaction and the preparation of relevant documents for court directions and approval. He was called to the Bar in 1986.

**M**

## SCHEDULE "M"

November 20, 2018

Reliance Insurance Company, in Liquidation  
 Bay Adelaide Centre  
 Suite 4600, 333 Bay Street  
 Toronto ON M5H 2S5

GST/HST #122363153

### BILL OF COSTS

To our professional services rendered in connection with the above-noted matter for the period January 1, 2016 to October 31, 2018:

- Review and approval of financial statements and related analysis for the quarters ending, March 31<sup>st</sup> 2016, June 30<sup>th</sup>, 2016, September 30<sup>th</sup>, 2016, December 31<sup>st</sup>, 2016, March 31<sup>st</sup> 2017, June 30<sup>th</sup>, 2017, September 30<sup>th</sup>, 2017, December 31<sup>st</sup>, 2017, March 31<sup>st</sup> 2018, June 30<sup>th</sup>, 2018 and September 30<sup>th</sup>, 2018;
- Review and approval of Management Reports for the quarters ending March 31<sup>st</sup> 2016, June 30<sup>th</sup>, 2016, September 30<sup>th</sup>, 2016, December 31<sup>st</sup>, 2016, March 31<sup>st</sup> 2017, June 30<sup>th</sup>, 2017, September 30<sup>th</sup>, 2017, December 31<sup>st</sup>, 2017, March 31<sup>st</sup> 2018, June 30<sup>th</sup>, 2018 and September 30<sup>th</sup>, 2018;
- Review and approval of investment transactions;
- Ongoing liaison with the U.S. Liquidator, including the potential return of surplus funds from the Canadian estate to the U.S. estate, discussions as to the status of the financial position of the estate including reinsurance collections and investment alternatives, IT systems administration, run-off strategies, and obtaining additional information required for the proper administration and strategy of the Canadian estate, and matters of mutual interest;
- Emails, receipt, review, discussions and attendances at meetings with estate legal counsel to review ongoing estate matters including, reinsurance collections issues (including setoff issues), claims settlement issues and the wind up of the estate;
- Continued monitoring of the Reliance staff, including providing appropriate direction and assistance, and approvals;
- Meetings, discussions, review of assumptions and analysis of runoff scenarios projecting the runoff of the estate;
- Continuing to deal with policyholder and claimants' telephone calls, e-mails and correspondence requesting specific information pertaining to the liquidation or their specific claims;
- Performing a number of detailed claims review, discussion of potential outcomes with claims staff and attendance at meetings with the U.S. Liquidator's claims staff to review same;

- Continued to review existing claims bordereaux in order to stratify claims as to dollar amounts and lines of business;
- Review of new reported claims, discussions with claims adjudication staff and approving set up of appropriate reserves;
- Continued review and approval of defense and adjustment costs and authorizing payment of same;
- Continued monitoring and supervision of claims adjudication staff, approval of reserve changes, approval of claims settlements, approval of claims settlement costs and authorization of payment of same;
- Continued follow-up on reinsurance billings and collections;
- Responding to requests of reinsurers to perform claims audits and for commutations, development of and execution of confidentiality agreements, obtaining requested claim files from storage and responding to their queries;
- Continued liaison with U.S. Liquidator as to international reinsurance collections and commission expenses associated therewith;
- Providing information and analysis for the Inspectors as required;
- Preparation of appropriate accounting information and filing of appropriate non-tax statutory returns;
- Preparation of the December 31<sup>st</sup>, 2016 and the December 31<sup>st</sup>, 2017 tax returns and tax accrual estimations for the financial statements;
- Discussions surrounding tax considerations and tax issues surrounding the estate;
- Updating of the Reliance Canada website for the benefit of policyholders, claimants and creditors to enable them to obtain access to current information as to the status of the liquidation and their claims therein;
- Performed detailed reviews of internal controls to ensure that the financial and operational controls are functioning as set forth in the Policies and Procedures;
- Preparation of the Liquidator's Report with respect to a motion before the Ontario Superior Court of Justice on April 19, 2016;
- Preparation of the Liquidator's Main Report with respect to an approval and discharge motion before the Ontario Superior Court of Justice, scheduled to be heard December 6, 2018;
- Preparation of Notice of Disallowance of Claims and review of Notice of Appeals filed;
- Ongoing discussions and meetings with certain policyholders regarding potential settlements;
- Review of reinsurance treaties including direct communication with reinsurers;
- Oversight over the investment portfolio, including regular meetings with investment advisors from RBC Asset Management;

- Extensive discussions and meetings with the U.S. Liquidator considering alternative strategies for bringing the Liquidation to a close;
- Extensive discussions, correspondences and meetings with Swiss Re and various other parties, regarding the potential assumption reinsurance transaction, including preparation of due diligence materials, oversight of due diligence, responding to information requests and drafting of correspondences and agreements;
- Various meetings and discussions with the U.S. Liquidator, PACICC and OSFI regarding the potential assumption reinsurance transaction;
- Overall administration of the estate and the Reliance staff, dealing with day-to-day administrative issues, responding to policyholder, claimants and creditor inquiries and attendance at all meetings, proceedings and/or Court appearances as required.

Our fee	\$ 743,591.65
Disbursements	<u>3,515.12</u>
	747,106.77
HST	<u>97,123.87</u>
Total	<u>\$ 844,230.64</u>

6883250

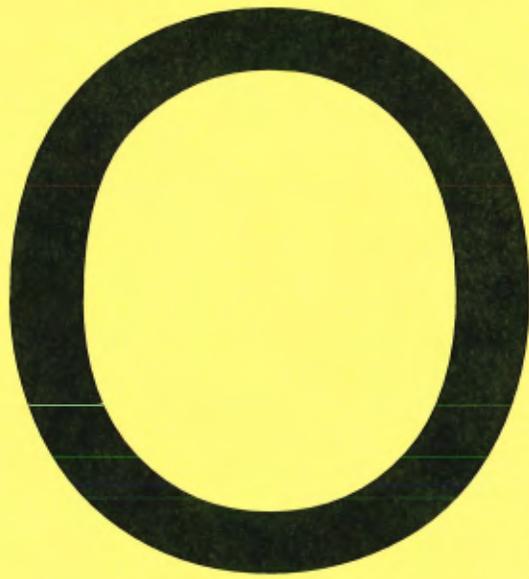
**N**

**SCHEDULE "N"**

**RELIANCE INSURANCE COMPANY**  
(in liquidation)

**LISTING OF KPMG INC. PERSONNEL**  
**HOURS AND AVERAGE HOURLY RATE**  
**THIRTY-FOUR MONTH PERIOD FROM JANUARY 1, 2016 TO OCTOBER 31, 2018**

<u>Name</u>	<u>Rank</u>	<u>Area</u>	<u>HOURS</u>	<u>AVG. HRLY RATE</u>
N. Brearton	Partner	Oversight	102.90	\$855
J. Bradley	Senior Manager	Insolvency/Claims/ Financial Reporting/ Reinsurance/ Transaction oversight	782.50	\$740
Individuals with less than 30 hours			169.20	\$500
			<u>1,054.60</u>	<u>\$558</u>



**SCHEDULE "O"****KPMG Inc.**

(For the Period from January 1, 2016 to October 31, 2018)

NICHOLAS BREARTON – is the President of KPMG Inc., a Chartered Accountant and a Licensed Insolvency Trustee. Commencing on April 1, 2014, Mr. Brearton took over the primary responsibility and oversight for the liquidation as a whole.

JANINE M. BRADLEY – is a Senior Manager of KPMG Inc. She is responsible for the day to day operations of Reliance Canada, overseeing the claims adjudication staff, reviewing and approving all significant reserve adjustments and liaising with PACICC and the U.S. Liquidator concerning claims matters. Ms. Bradley is also responsible for financial reporting and overseeing the accounting department. Ms. Bradley oversees the general administration of the liquidation, including oversight of all financial and internal controls, reinsurance matters, management of the investment portfolio, liaising with the U.S. Liquidator, OSFI and PACICC, human resources and office management. Ms. Bradley was also responsible for the oversight of the potential Assumption Reinsurance Agreement with Westport Insurance Corporation – Canada Branch.

6883522

P

## SCHEDULE "P"

### ESCROW AGREEMENT

THIS AGREEMENT dated the      day of      , 2018,

**B E T W E E N:**

**THE INSURANCE COMMISSIONER OF THE  
COMMONWEALTH OF PENNSYLVANIA**, in her capacity as  
the Statutory Liquidator of Reliance Insurance Company  
(In Liquidation)

(**"U.S. Liquidator"**)

- and -

**KPMG INC.**, in its capacity as liquidator of the insurance business  
in Canada of Reliance Insurance Company (**"Reliance Canada"**)  
and not in its personal capacity

(**"Liquidator"**)

- and -

**KPMG INC.**, in its capacity as escrow agent hereunder

(**"Escrow Agent"**)

**WHEREAS** this agreement (**"Escrow Agreement"**) is entered into pursuant to the Approval and Discharge Order of the Honourable Justice ● made December ●, 2018, a copy of which is attached hereto as Schedule "A", and for the purposes described in the report (**"Report"**) of the Liquidator dated November 27, 2018 and filed in support of the motion seeking the Approval and Discharge Order,

**NOW THEREFORE THIS ESCROW AGREEMENT WITNESSES THAT**, in consideration of the mutual covenants herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto covenant and agree as follows:

1. Terms used herein that are defined in the Report or Approval and Discharge Order and not otherwise defined herein shall have the meaning given to them in the Report or Approval and Discharge Order.

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2. Pursuant to the Approval and Discharge Order, and subject to the making of the payments authorized by the Approval and Discharge Order and this Escrow Agreement, the Liquidator shall, immediately upon Closing, place the sum remaining in the estate of Reliance Canada (“**Escrowed Amount**”) into an account at a mutually acceptable chartered bank (“**Bank**”) in the City of Toronto, Province of Ontario, Canada. The Escrow Agent shall immediately cause the Escrowed Amount to be converted into U.S. currency, at the best available rate, and shall as soon as practicable invest the Escrowed Amount in U.S. Treasury Bills or as may be otherwise agreed from time to time between the Escrow Agent and the U.S. Liquidator, acting reasonably. Any interest earned on the Escrowed Amount shall be for the benefit of the U.S. Liquidator and the U.S. Liquidator shall be fully liable for any taxes including without limitation any income tax in respect thereof.
3. Any taxes determined to be owing with respect to Reliance Canada or the estate of Reliance Canada, and any withholding taxes or other taxes, or any other amount related thereto, payable on account of the Escrowed Amount, and any charges, costs or fees with respect to the trust account, shall be a first charge against and be paid out of the Escrowed Amount.
4. Any amounts received from reinsurers, prior to termination of this Escrow Agreement on its terms, on account of balances that were due to Reliance Canada, shall be paid into the account at the Bank and form part of the Escrowed Amount.
5. The Escrow Agent shall authorize and direct the Bank to provide periodic statements, no less than monthly, to both the Escrow Agent and the U.S. Liquidator with respect to the Escrowed Amount.
6. The Liquidator agrees and covenants to promptly file and in a timely way pursue completion of all necessary filings and applications contemplated by this Escrow Agreement. In particular, the Liquidator shall use its best efforts to secure final tax clearance certificates in respect of Reliance Canada for tax years through December 31, 2018, and undertakes to provide the U.S. Liquidator with regular

- 3 -

updates on its efforts, but no less than quarterly. Subject to the making of all payments contemplated herein, when the Liquidator has received final tax clearance certificates satisfactory to it, acting reasonably, the Escrow Agent shall, within 5 business days of the receipt of final tax clearance certificates, pay by wire transfer the final balance of the Escrowed Funds to the U.S. Liquidator, or as the U.S. Liquidator may direct, or arrange for the transfer to the U.S. Liquidator of any securities held in the trust account or as the U.S. Liquidator may direct (“**Surplus Payment**”).

7. In consideration of, and following the payment of the Surplus Payment, the U.S. Liquidator releases, and shall be irrevocably deemed to release, without further steps or documentation, the Escrow Agent and KPMG Inc. in its personal capacity, and all their respective officers, directors, employees, shareholders, representatives and agents, as the case may be, from any claims the U.S. Liquidator may have in connection with, relating to, or arising from this Escrow Agreement, other than in respect of any fraud, negligence, misrepresentation, wilful conduct or breach of duty.
8. The parties hereto shall sign such further and other documents, cause such meetings and communications to be held, and take or cause to be taken such further action as may be necessary or desirable in order to give full effect to this Escrow Agreement and every part hereof. Each party shall bear its own costs with respect to such actions.
9. This Escrow Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
10. The parties hereto agree that this Escrow Agreement may be signed in counterparts, each of which, when executed and delivered, shall be an original and all of which together shall constitute one and the same Escrow Agreement.

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11. For the avoidance of doubt, it is hereby agreed and declared that the parties hereto shall not incur any personal liability in relation to this Escrow Agreement or any other document or agreement made between them.
12. This Escrow Agreement terminates upon the complete distribution of the Escrowed Amount and the Surplus Payment.
13. This Escrow Agreement and the rights and obligations hereunder shall not be assignable or transferable to any party without the prior written consent of the other parties hereto. Any attempt to assign or transfer this Escrow Agreement shall be null and void.
14. This Escrow Agreement is for the sole benefit of the parties hereto, and their permitted assigns, and nothing herein expressed or implied shall give or be construed to give any legal or equitable rights to any other person.
15. Any communications under or regarding this Escrow Agreement shall be directed as follows:

If to the U.S. Liquidator:

David S. Brietling, Chief Liquidation Officer  
Reliance Insurance Company, in liquidation  
Three Parkway, 5<sup>th</sup> floor  
Philadelphia, PA 19102  
[david.brietling@relianceinsurance.com](mailto:david.brietling@relianceinsurance.com)

with a copy to

Marilyn K. Kincaid, Liquidation Counsel  
Reliance Insurance Company, in liquidation  
Three Parkway, 5<sup>th</sup> floor  
Philadelphia, PA 19102  
[marilyn.kincaid@relianceinsurance.com](mailto:marilyn.kincaid@relianceinsurance.com)

If to the Liquidator:

- 5 -

KPMG Inc.  
Bay Adelaide Centre  
333 Bay Street, Suite 4600  
Toronto, Ontario  
M5H 2S5

Attention: Nicholas Brearton, President  
E-Mail: nbrearton@kpmg.ca

If to the Escrow Agent:

KPMG Inc.  
Bay Adelaide Centre  
333 Bay Street, Suite 4600  
Toronto, Ontario  
M5H 2S5

Attention: Nicholas Brearton, President  
E-Mail: nbrearton@kpmg.ca

**DULY EXECUTED, AS OF THE DATE FIRST ABOVE WRITTEN, BY:**

**THE INSURANCE COMMISSIONER OF  
THE COMMONWEALTH OF  
PENNSYLVANIA**, in her capacity as the  
Statutory Liquidator of Reliance Insurance  
Company (In Liquidation)

Per: \_\_\_\_\_

Name: David S. Brietling

Title: Chief Liquidation Officer

**KPMG INC.**, in its capacity as Liquidator of  
Reliance Canada and not in its personal capacity

Per: \_\_\_\_\_

Name: Nicholas Brearton

Title: President

- 6 -

**KPMG INC.**, in its capacity as Escrow Agent  
hereunder

Per: \_\_\_\_\_

Name: Nicholas Brearton

Title: President

**SCHEDULE "A"**

**[ISSUED APPROVAL AND DISCHARGE ORDER]**

3

Court File No. 01-CL-4313

**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**

**B E T W E E N:**

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**RELIANCE INSURANCE COMPANY**

Respondent

**AFFIDAVIT OF GRAHAM SMITH  
(Sworn November 27, 2018)**

I, GRAHAM SMITH, of the City of Markham, in the Province of Ontario, **MAKE OATH AND SAY:**

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

January 1, 2016 to October 31, 2018 (the “**Period**”). Total fees and disbursements for the Period were \$628,102.03, plus HST.

3. As shown by the summary of hours and hourly rates for the Period, attached as Exhibit “**B**” hereto, which summary I believe to be accurate, lawyers and staff at Goodmans expended a total amount of 795.6 hours in connection with this matter during the Period, allocated approximately as outlined in Exhibit “**B**”.

4. Attached hereto and marked as Exhibit “**C**” is a description of the areas of concentration for each of Goodmans’ personnel who dedicated more than 30 hours to the estate during the period.

5. To the best of my knowledge, the normal rates charged by Goodmans are comparable to the rates charged by other large law firms in the Toronto market for the provision of similar services.

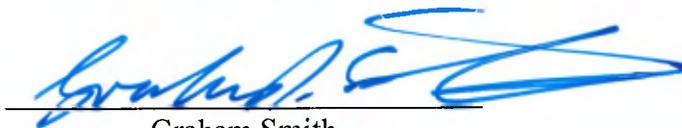
6. At the commencement of the liquidation, Goodmans agreed to discount from its then current market rates of approximately 15% to 20%, with rates not to be increased for one year. In fact, rates were not increased for the first two years of the liquidation, but were raised by 4.79%, effective October 1, 2004, reflecting the change in the Consumer Price Index over the two year period, and a further 5.6% effective January 1, 2008, reflecting the change in the Consumer Price Index from January 1, 2006. Effective July 1, 2008, rates were increased to 90% of current market rates as they are set from time to time, as a result of reaching the 100% distribution level. The discount from current market rates is approximately 10%.

SWORN BEFORE ME at the City of  
Toronto, in the Province of Ontario on  
November 27, 2018:



Commissioner for taking affidavits

AMANDA BERTUCCI



Graham Smith

A

This is Exhibit "A" referred to in the Affidavit of  
Graham Smith, sworn before me this 27 day of  
November, 2018.

  
\_\_\_\_\_  
A Commissioner for Taking Affidavits, etc.  
AMANDA BERTUCCI

November 12, 2018

KPMG Inc.  
 4600 – 333 Bay Street  
 Toronto, Ontario M5H 2S5

**Attention: Janine Bradley**

OUR FILE NO. KPMG/016699

Re: Reliance Insurance Company, in Liquidation

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**TO OUR PROFESSIONAL SERVICES RENDERED** in connection with the above-noted matter for the period January 1, 2016 to October 31, 2018, including the following:

Attendances with respect to tobacco claims, including correspondence, meetings and discussions with counsel;

Attendances with respect to environmental claims, including meetings and telephone conferences with insured and counsel and review of environmental remediation issues;

Attendances with respect to numerous other claims and liabilities issues, including resolution of claims, notice of disallowance issues, discussions with U.S. Liquidator re: claims, communications with policyholders, adjusters, defence and plaintiffs' counsel;

Reporting to Court and passing of accounts (April 1, 2014 – December 15, 2015);

Attendances with respect to U.S. issues, including preparing for and attending meetings and telephone conferences with the U.S. Liquidator, correspondence with counsel;

Attendances with respect to potential assumption reinsurance transaction; non-disclosure agreements; negotiations; preparation of transaction documentation; preparation of materials for Court approval; research, analysis and documentation re: requirements for release of surplus, transfer of reinsurance, tax issues, liquidation termination; escrow agreements; and attendances with Inspectors.

<b>OUR FEE:</b>	\$623,984.15
<b>DISBURSEMENTS:</b>	\$ 4,117.88
<b>HST:</b>	\$ 81,636.82

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Goodmans<sup>LLP</sup>

-2-

**TOTAL:**

**\$709,738.85**

**GOODMANS LLP**

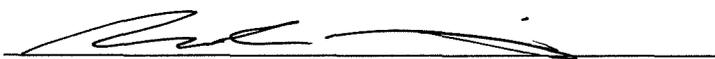


E. & O. E.

6870934

**B**

This is Exhibit "B" referred to in the Affidavit of  
Graham Smith, sworn before me this 27 day of  
November, 2018.

  
A Commissioner for Taking Affidavits, etc.  
AMANDA BERTUCCI

**RELIANCE (CANADA)**  
**(in Liquidation)**

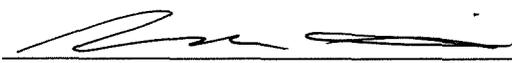
**GOODMANS LLP PERSONNEL**  
**HOURS AND AVERAGE HOURLY RATES**  
**FOR THE PERIOD JANUARY 1, 2016 TO OCTOBER 31, 2018**

<u>Name</u>	<u>Rank</u>	<u>Area</u>	<u>HOURS</u>	<u>AVG. HRLY RATE</u>
Smith, Graham	Partner	Litigation	655.8	\$858
Individuals with less than 30 hours			<u>139.8</u>	<u>\$440</u>
			<u>795.6</u>	<u>\$784</u>

GOODMANS\6878504.1

C

This is Exhibit "C" referred to in the Affidavit of  
Graham Smith, sworn before me this 27 day of  
November, 2018.

  
\_\_\_\_\_  
A Commissioner for Taking Affidavits, etc.  
AMANDA BERTUCCI

**GOODMANS LLP**

**GRAHAM SMITH** is a partner in the litigation section. He advised on strategy issues, communications with Inspectors and the U.S. Liquidator, and is involved with all major areas of the liquidation. He dealt with numerous litigation matters, acted as liaison with policyholders, adjusters, defence counsel and plaintiffs' counsel, and provided advice and prepared documentation on the resolution of various claims. He also advised on claims issues and potential resolution of the tobacco claims. His other major responsibilities in the relevant period were advising and assisting in the negotiation of the assumption reinsurance transaction and the preparation of relevant documents for court directions and approval. He was called to the Bar in 1986.

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

Proceeding commenced at Toronto

**AFFIDAVIT OF  
GRAHAM SMITH  
(sworn November 27, 2018)**

**GOODMANS LLP**  
Barristers & Solicitors  
333 Bay Street, Suite 3400  
Toronto, Ontario M5H 2S7  
**Gale Rubenstein (LSO#17088E)**  
grubenstein@goodmans.ca  
**Graham D. Smith (LSO# 26377D)**  
gsmith@goodmans.ca

Tel: 416-979-2211  
Fax: 416-979-1234

Lawyers for KPMG Inc.,  
Liquidator of Reliance Canada  
6870840  
File No. 01.6699

4

Court File No. 01-CL-4313

**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**

**B E T W E E N:**

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**RELIANCE INSURANCE COMPANY**

Respondent

**AFFIDAVIT OF NICHOLAS BREARTON**  
**(Sworn November 27, 2018)**

I, NICHOLAS BREARTON, of the City of Toronto, in the Province of Ontario,

**MAKE OATH AND SAY:**

1. I am the President of KPMG Inc., the liquidator (the “**Liquidator**”) of Reliance Insurance Company – Canadian Branch. As such, I have knowledge of the matters hereinafter deposed to.

2. Attached hereto as Exhibit "A" to this my Affidavit is a summary invoice from the Liquidator to the estate in respect of these proceedings for the period January 1, 2016 to October 31, 2018 (the "Period"). Total fees and disbursements for the Period were \$747,106.77, plus HST.

3. As shown by the summary of hours and hourly rates for the Period, attached as Exhibit "B" hereto, which summary I believe to be accurate, personnel of the liquidator expended a total of 1,054.60 hours in connection with this matter during the Period, allocated approximately as outlined in Exhibit "B".

4. Attached hereto as Exhibit "C" is a description of the areas of concentration of each of the Liquidator's personnel who dedicated more than 30 hours to the estate during the Period.

5. To the best of my knowledge, the normal rates charged by the Liquidator are comparable to the rates charged by other large accounting firms in the Toronto market for the provision of similar services.

6. At the commencement of the liquidation, the Liquidator 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, an additional 2.4%, effective October 1, 2004, 3.4%, effective October 1, 2005, 3% effective October 1, 2006 and 2.6% effective October 1, 2007, reflecting the changes in the Consumer Price Index. Effective July 1, 2008, rates were increased to 90% of current market rates as they are set from time to time, as a result of reaching the 100% distribution level. The discount from current market rates is approximately 10%.

7. The Liquidator retained Goodmans LLP (“**Goodmans**”) as its legal counsel in relation to these proceedings. Goodmans performed various activities in connection with its retainer.

8. Attached as Exhibit “A” to the Affidavit of Graham Smith sworn November 27, 2018 filed in support of the within motion, is a summary invoice from Goodmans to the Liquidator for the Period. Goodmans rendered services throughout these proceedings in a manner consistent with instructions received from the Liquidator.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, on November 27, 2018.



Commissioner for taking affidavits

GRAHAM D. SMITH.



Nicholas Brearton

A

This is Exhibit "A" referred to in the Affidavit of Nicholas Brearton, sworn before me this 27<sup>th</sup> day of November, 2018.



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A Commissioner for Taking Affidavits, etc.

November 20, 2018

Reliance Insurance Company, in Liquidation  
 Bay Adelaide Centre  
 Suite 4600, 333 Bay Street  
 Toronto ON M5H 2S5

GST/HST #122363153

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**BILL OF COSTS**

To our professional services rendered in connection with the above-noted matter for the period January 1, 2016 to October 31, 2018:

- Review and approval of financial statements and related analysis for the quarters ending, March 31<sup>st</sup> 2016, June 30<sup>th</sup>, 2016, September 30<sup>th</sup>, 2016, December 31<sup>st</sup>, 2016, March 31<sup>st</sup> 2017, June 30<sup>th</sup>, 2017, September 30<sup>th</sup>, 2017, December 31<sup>st</sup>, 2017, March 31<sup>st</sup> 2018, June 30<sup>th</sup>, 2018 and September 30<sup>th</sup>, 2018;
- Review and approval of Management Reports for the quarters ending March 31<sup>st</sup> 2016, June 30<sup>th</sup>, 2016, September 30<sup>th</sup>, 2016, December 31<sup>st</sup>, 2016, March 31<sup>st</sup> 2017, June 30<sup>th</sup>, 2017, September 30<sup>th</sup>, 2017, December 31<sup>st</sup>, 2017, March 31<sup>st</sup> 2018, June 30<sup>th</sup>, 2018 and September 30<sup>th</sup>, 2018;
- Review and approval of investment transactions;
- Ongoing liaison with the U.S. Liquidator, including the potential return of surplus funds from the Canadian estate to the U.S. estate, discussions as to the status of the financial position of the estate including reinsurance collections and investment alternatives, IT systems administration, run-off strategies, and obtaining additional information required for the proper administration and strategy of the Canadian estate, and matters of mutual interest;
- Emails, receipt, review, discussions and attendances at meetings with estate legal counsel to review ongoing estate matters including, reinsurance collections issues (including setoff issues), claims settlement issues and the wind up of the estate;
- Continued monitoring of the Reliance staff, including providing appropriate direction and assistance, and approvals;
- Meetings, discussions, review of assumptions and analysis of runoff scenarios projecting the runoff of the estate;
- Continuing to deal with policyholder and claimants' telephone calls, e-mails and correspondence requesting specific information pertaining to the liquidation or their specific claims;
- Performing a number of detailed claims review, discussion of potential outcomes with claims staff and attendance at meetings with the U.S. Liquidator's claims staff to review same;

- Continued to review existing claims bordereaux in order to stratify claims as to dollar amounts and lines of business;
- Review of new reported claims, discussions with claims adjudication staff and approving set up of appropriate reserves;
- Continued review and approval of defense and adjustment costs and authorizing payment of same;
- Continued monitoring and supervision of claims adjudication staff, approval of reserve changes, approval of claims settlements, approval of claims settlement costs and authorization of payment of same;
- Continued follow-up on reinsurance billings and collections;
- Responding to requests of reinsurers to perform claims audits and for commutations, development of and execution of confidentiality agreements, obtaining requested claim files from storage and responding to their queries;
- Continued liaison with U.S. Liquidator as to international reinsurance collections and commission expenses associated therewith;
- Providing information and analysis for the Inspectors as required;
- Preparation of appropriate accounting information and filing of appropriate non-tax statutory returns;
- Preparation of the December 31<sup>st</sup>, 2016 and the December 31<sup>st</sup>, 2017 tax returns and tax accrual estimations for the financial statements;
- Discussions surrounding tax considerations and tax issues surrounding the estate;
- Updating of the Reliance Canada website for the benefit of policyholders, claimants and creditors to enable them to obtain access to current information as to the status of the liquidation and their claims therein;
- Performed detailed reviews of internal controls to ensure that the financial and operational controls are functioning as set forth in the Policies and Procedures;
- Preparation of the Liquidator's Report with respect to a motion before the Ontario Superior Court of Justice on April 19, 2016;
- Preparation of the Liquidator's Main Report with respect to an approval and discharge motion before the Ontario Superior Court of Justice, scheduled to be heard December 6, 2018;
- Preparation of Notice of Disallowance of Claims and review of Notice of Appeals filed;
- Ongoing discussions and meetings with certain policyholders regarding potential settlements;
- Review of reinsurance treaties including direct communication with reinsurers;
- Oversight over the investment portfolio, including regular meetings with investment advisors from RBC Asset Management;

- Extensive discussions and meetings with the U.S. Liquidator considering alternative strategies for bringing the Liquidation to a close;
- Extensive discussions, correspondences and meetings with Swiss Re and various other parties, regarding the potential assumption reinsurance transaction, including preparation of due diligence materials, oversight of due diligence, responding to information requests and drafting of correspondences and agreements;
- Various meetings and discussions with the U.S. Liquidator, PACICC and OSFI regarding the potential assumption reinsurance transaction;
- Overall administration of the estate and the Reliance staff, dealing with day-to-day administrative issues, responding to policyholder, claimants and creditor inquiries and attendance at all meetings, proceedings and/or Court appearances as required.

Our fee	\$ 743,591.65
Disbursements	<u>3,515.12</u>
	747,106.77
HST	<u>97,123.87</u>
Total	<u>\$ 844,230.64</u>

6883250

**B**

This is Exhibit "B" referred to in the Affidavit of,  
Nicholas Brearton sworn before me this 27<sup>th</sup> day of  
November, 2018.



\_\_\_\_\_  
A Commissioner for Taking Affidavits, etc.

**RELIANCE INSURANCE COMPANY**  
**(in liquidation)**

**LISTING OF KPMG INC. PERSONNEL**  
**HOURS AND AVERAGE HOURLY RATE**  
**THIRTY-FOUR MONTH PERIOD FROM JANUARY 1, 2016 TO OCTOBER 31, 2018**

<u>Name</u>	<u>Rank</u>	<u>Area</u>	<u>HOURS</u>	<u>AVG. HRLY RATE</u>
N. Brearton	Partner	Oversight	102.90	\$855
J. Bradley	Senior Manager	Insolvency/Claims/ Financial Reporting/ Reinsurance/ Transaction oversight	782.50	\$740
Individuals with less than 30 hours			169.20	\$500
			<u>1,054.60</u>	<u>\$558</u>

C

This is Exhibit "C" referred to in the Affidavit of Nicholas Brearton, sworn before me this 27<sup>th</sup> day of November, 2018.

  
\_\_\_\_\_  
A Commissioner for Taking Affidavits, etc.

**Exhibit C****KPMG Inc.**

(For the Period from January 1, 2016 to October 31, 2018)

NICHOLAS BREARTON – is the President of KPMG Inc., a Chartered Accountant and a Licensed Insolvency Trustee. Commencing on April 1, 2014, Mr. Brearton took over the primary responsibility and oversight for the liquidation as a whole.

JANINE M. BRADLEY – is a Senior Manager of KPMG Inc. She is responsible for the day to day operations of Reliance Canada, overseeing the claims adjudication staff, reviewing and approving all significant reserve adjustments and liaising with PACICC and the U.S. Liquidator concerning claims matters. Ms. Bradley is also responsible for financial reporting and overseeing the accounting department. Ms. Bradley oversees the general administration of the liquidation, including oversight of all financial and internal controls, reinsurance matters, management of the investment portfolio, liaising with the U.S. Liquidator, OSFI and PACICC, human resources and office management. Ms. Bradley was also responsible for the oversight of the potential Assumption Reinsurance Agreement with Westport Insurance Corporation – Canada Branch.

6883522

THE ATTORNEY GENERAL OF CANADA  
Applicant

RELIANCE INSURANCE COMPANY  
and  
Respondent

Court File No: 01-CL-4313

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

Proceeding commenced at Toronto

**AFFIDAVIT OF**  
**NICHOLAS BREARTON**  
**(Sworn November 27, 2018)**

**GOODMANS LLP**

Barristers & Solicitors  
333 Bay Street, Suite 3400  
Toronto, Ontario M5H 2S7

**Gale Rubenstein(LSO #17088E)**  
grubenstein@goodmans.ca

**Graham D. Smith (LSO# 26377D)**  
gsmith@goodmans.ca

Tel: 416-979-2211

Fax: 416-979-1234

Lawyers for KPMG Inc.,  
Liquidator of Reliance (Canada)  
6882494  
File No. 01.6699

**THE ATTORNEY GENERAL OF CANADA**  
Applicant

and

**RELIANCE INSURANCE COMPANY**  
Respondent

Court File No: 01-CL-4313

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

Proceeding commenced at TORONTO

**MOTION RECORD OF KPMG INC.,**  
**THE LIQUIDATOR**  
**(Approval and Discharge Motion)**

**Goodmans LLP**  
Barristers & Solicitors  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, ON M5H 2S7

**Gale Rubenstein** LSO #17088E  
grubenstein@goodmans.ca  
**Graham D. Smith** LSO #26377D  
gsmith@goodmans.ca  
Tel: (416) 979-2211  
Fax: (416) 979-1234

Lawyers for KPMG Inc.,  
Liquidator of Reliance Canada