

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

**IN THE MATTER OF
RELIANCE INSURANCE COMPANY**

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

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

BETWEEN:

THE ATTORNEY GENERAL OF CANADA

Applicant

- and -

RELIANCE INSURANCE COMPANY

Respondent

**REPORT OF KPMG INC., THE LIQUIDATOR OF
RELIANCE INSURANCE COMPANY – CANADIAN BRANCH
July 26, 2010**

(Motion returnable August 3, 2010: Call for Policy Loss Claims))

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

**IN THE MATTER OF
RELIANCE INSURANCE COMPANY**

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

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

BETWEEN:

THE ATTORNEY GENERAL OF CANADA

Applicant

- and -

RELIANCE INSURANCE COMPANY

Respondent

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

July 26, 2010

I. THE MOTION

1. This Report is respectfully filed in support of a motion by KPMG Inc., the liquidator (“Liquidator”) of the insurance business in Canada of Reliance Insurance Company (“Reliance Canada”), for an Order setting the terms and procedure for a call for policyholder loss claims under insurance policies issued by Reliance Canada (“Policy Loss Claims”).

II. BACKGROUND

A. The Reliance Canada Branch

2. Reliance Insurance Company is a property and casualty insurer incorporated in the early 1800's in the Commonwealth of Pennsylvania, in the United States of America.
3. In 1918, Reliance Insurance Company established Reliance Canada as a branch in the City of Toronto to carry on specific insurance business in Canada. Reliance Canada then carried on business in Canada as a branch of a foreign insurance company under the predecessor legislation to the Insurance *Companies Act*, and ultimately under that Act.

B. Liquidation of Reliance Insurance Company/Winding-up of Reliance Canada

4. Reliance Insurance Company began experiencing financial difficulties in the United States in 2000, and suffered a series of rating downgrades.
5. In January 2001, the Insurance Commissioner for the Commonwealth of Pennsylvania ("**Pennsylvania Commissioner**") put Reliance Insurance Company into formal supervision status. By this point, Reliance Canada had stopped issuing new policies and had begun "running off" (winding down) its existing business of already-written policies.
6. In May 2001, the Commonwealth Court of Pennsylvania ("**U.S. Liquidation Court**") issued an Order of Rehabilitation in respect of Reliance Insurance Company, at the request of the Pennsylvania Commissioner.
7. The Pennsylvania Commissioner then determined that Reliance Insurance Company was insolvent and that there would be insufficient assets to pay all policyholders in full. The

Pennsylvania Commissioner accordingly sought an Order from the U.S. Liquidation Court for the liquidation of Reliance Insurance Company.

8. Reliance Insurance Company was ordered to be liquidated by the U.S. Liquidation Court on October 3, 2001, pursuant to Pennsylvania's *Insurance Department Act of 1921*. The Pennsylvania Commissioner of Insurance was appointed liquidator of Reliance Insurance Company ("U.S. Liquidator").
9. On October 4, 2001, the Superintendent of Financial Institutions ("Superintendent") learned of the liquidation Order obtained by the Pennsylvania Commissioner from the U.S. Liquidation Court.
10. On October 5, 2001, pursuant to the *Insurance Companies Act*, the Superintendent took control of the assets in Canada of Reliance Insurance Company together with its other assets held in Canada under the control of its chief agent.
11. By Notice of Application dated November 8, 2001, upon the Superintendent's recommendation, the Attorney-General (Canada) sought an Order for the winding-up of Reliance Canada from this Court.
12. By Orders of this Court made December 3, 2001, the insurance business of Reliance Canada was ordered to be wound up pursuant to the *Winding-up and Restructuring Act* ("*WURA*"), and the Liquidator was appointed for Reliance Canada. A copy of the Order for the winding-up of Reliance Canada is attached as Schedule "A" hereto. A copy of the appointment Order is attached as Schedule "B" hereto.

13. Pursuant to these two Orders, and the *WURA*, 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 Insurance Company, and the two estates in liquidation are distinct.
14. This Court appointed the U.S. Liquidator and the Property and Casualty Insurance Compensation Corporation as Inspectors. By Order dated January 30, 2002, this Court also ordered that the Superintendent may attend meetings of Inspectors, be included in the service list, and attend and be heard in matters before this Court.

C. Reliance Canada's Insurance Business

15. Reliance Canada wrote a very diverse set of policies, including comprehensive general liability, medical malpractice liability, directors' and officers' liability, engineers' and architects' liability, lawyers' errors and omissions liability, miscellaneous errors and omissions liability, automobile liability, automobile warranty, marine cargo and liability, property loss and other programs.
16. While some of Reliance Canada's policies were "claims-made" policies, meaning that claims must be reported during the term of the policy or within a defined period thereafter, a substantial portion of its policies were "occurrence-based". Occurrence-based policies cover liabilities incurred during the policy period but that may not manifest for many years, and therefore known as "long tail" insurance. Much of Reliance Canada's insurance business was of a long tail nature.
17. In addition, Reliance Canada acted as a reinsurer for other insurers. The resulting "assumed reinsurance" contracts or treaties are defined as policies under the *Insurance*

Companies Act, and claims arising from the assumed reinsurance contracts are accorded the same priority as other claims of policyholders under the *WURA*. All but 16 of the reinsureds were reinsured in respect of property loss claims, and no claims can any longer be reported under their treaties. The remaining 16 reinsureds ("**Liability Reinsureds**") were reinsured in respect of liability claims, and may possibly have claims under their treaties.

18. 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 ("**FUML**") a managing general agency. The FUML policies written by Reliance Canada had risk inception between May 1, 1998 and August 31, 1999. The books and records for the FUML business were and are still maintained by FUML in British Columbia.

19. As referenced above, in 2000 Reliance Canada voluntarily stopped writing new policies, effectively beginning the winding down of its business. At the commencement of the Reliance Canada liquidation in December 2001, Reliance Canada had 16 policies still in force, excluding the warranty programs, with the policy term of all the other policies having expired. There were over 1,100 outstanding Policy Loss Claims ("**Open Claims**"), being claims which were reported to Reliance Canada and not yet resolved or settled, and for which Reliance Canada had established an estimate of the amount to resolve or settle ("**Case Reserves**"). In addition, Reliance Canada had "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 it would have to respond, and potential development on the Case Reserves.

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

20. 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. That is, there was no cancellation of policies ordered as a term of the winding-up, claims have continued to be reported to and adjusted by Reliance Canada in the normal course to this day, and there has been no call for Policy Loss Claims, primarily based on the Liquidator's view that, given the long tail nature of certain of Reliance Canada's business, such a call earlier in the liquidation would have resulted in the filing of future or contingent claims of a quantity and magnitude that would have made the claims process disproportionately expensive, inefficient and unproductive.
21. Although there has been no call for Policy Loss Claims to date, the Liquidator has engaged a consulting actuary through the liquidation to actuarially project policy liabilities so that the Liquidator could recommend, and the Court approve, the Interim Dividend Payments (as defined below), and payment of post-liquidation interest (as discussed below). The consulting actuary currently estimates that completion of the run-off would take to 2019, but that the number and amount of payments would decline going forward.

III. CURRENT STATUS OF PAYMENT OF CLAIMS IN THE ESTATE

A. Scheme of Distribution

22. Section 161 of the *WURA Act* sets out the scheme of priorities in the liquidation of insurance companies. Since Reliance Canada was a branch of foreign insurance

company, regard must be had specifically to the foreign insurance company provisions, being subsections 161(6) through (9). For the purposes of this winding-up, the relevant priorities therefore are:

- a) costs of the liquidation;
- b) Policy Loss Claims; and
- c) ordinary creditors' (i.e., non-policy) claims ("**Ordinary Creditor Claims**")

B. Policy Loss Claims

23. There are three categories of Policy Loss Claims in the liquidation of Reliance Canada:

- a) *Claims that have been settled or otherwise resolved.* As at June 30, 2010, approximately 18,400 Policy Loss Claims, with a total value of approximately \$149.4 million¹, have been resolved, through settlement or otherwise, since the beginning of the liquidation. These claims have all been paid in full by way of the Authorized Policy Payments and Interim Dividend Payments (as defined below).

¹ Amounts expressed as "millions" are rounded.

- b) *Open Claims (including claims that had been reported to Reliance Canada before or after the commencement of the winding-up).* As at June 30, 2010, there were 130 Open Claims, with outstanding gross Case Reserves of \$30.4 million. Case Reserves are adjusted during the liquidation as additional information on the estimated value of the claims becomes known during the course of their being adjusted and processed.
- c) *Claims not yet reported.* There may be policy losses not yet reported to Reliance Canada in respect of occurrence-based policies. (Claims under claims-made policies would all have had to have been reported by now, pursuant to the terms of those policies.)

24. From the beginning of the winding-up of Reliance Canada, by way of the appointment Order (at Schedule "B" hereto), this Court permitted payment of various Policy Loss Claims (including covered defence costs) within certain thresholds ("**Authorized Policy Payments**") as these claims were settled and allowed over the course of the liquidation. Further, as the liquidation progressed, on the Liquidator's recommendations this Court has approved several interim distributions ("**Interim Dividend Payments**") on Policy Loss Claims in the estate of Reliance Canada, culminating with this Court's Order of April 8, 2008 bringing the total authorized level of distributions to 100% of the principal amount of Policy Loss Claims.
25. The Orders authorizing the Interim Dividend Payments on allowed Policy Loss Claims (to the extent such claims had not already been paid by way of the Authorized Policy Payments), and their respective distribution amounts, were as follows:

- June 26, 2003: 25%
- September 2, 2004: 25%
- December 21, 2005: 15%
- December 15, 2006: 15%
- April 8, 2008: 20%

Copies of these Orders authorizing the respective Interim Dividend Payments are attached as Schedules "C" to "G" hereto, respectively.

26. Given the projected ultimate surplus in the estate of Reliance Canada, following the cumulative authorizations taking the payment level on Policy Loss Claims to 100¢ on the dollar, the Liquidator sought directions as to the issue of payment of "post-liquidation interest" on claims allowed in the liquidation.
27. Specifically, directions were required on the issues of whether surplus was to be applied to post-liquidation interest on any allowed claims in the winding-up and, if so, whether this was in priority to the ultimate release of any assets to the U.S. Liquidator under Part III of the *WURA*, on what claims, at what rate, and on what calculation methodology.
28. The issue was a complex one, without precedent. Following the appointment of representative counsel for appropriate interests and a contested hearing, this Court gave its ruling on the various questions regarding post-liquidation interest, and the Order of July 14, 2009 setting out the Court's directions was made, a copy of which is attached as Schedule "H".

29. On December 16, 2009, the Court granted an Order authorizing distributions (payment) of the post-liquidation interest in accordance with its directions Order. A copy of that Order is attached as Schedule "I".

30. The Liquidator, accordingly, now pays authorized defence costs and Policy Loss Claims at 100% of their valid and allowed amounts, plus applicable post-liquidation interest in accordance with the Court's ruling.

C. Ordinary Creditors

31. Once the cumulative authorized distribution on Policy Loss Claims was at 100 cents on the dollar, and the Liquidator being of the view that there were funds in the Reliance Canada estate for the payment of Ordinary Creditor Claims, the Liquidator sought the authority of the Court to make a call for Ordinary Creditor Claims.

32. Pursuant to the Court's Order of June 24, 2008, a copy of which is attached as Schedule "J", a call for Ordinary Creditor Claims was made.

33. On December 17, 2008, this Court approved a distribution to holders of Ordinary Creditor Claims of 100% of the allowed value, up to a cumulative total of \$100,000.00.

34. To date, only one such Ordinary Creditor Claim has been filed, being one in a nominal amount. It was allowed and paid, with post-liquidation interest.

IV. FUTURE OF THE ESTATE AND RECOMMENDED CALL FOR POLICY LOSS CLAIMS

35. As discussed in the Liquidator's Report to the Court dated December 16, 2009, with respect to the future of the Reliance Canada estate, there are a number of options available to the Liquidator, including continuing the run-off of the Reliance Canada business indefinitely, undertaking a marketing program for the policy liabilities, and undertaking a call for Policy Loss Claims (and/or an allowance and disallowance process) to assist in bringing closure to the liquidation.
36. As previously reported, the Liquidator has on a number of occasions pursued marketing programs for the policy liabilities; however, these efforts did not result in a transaction. Recent market conditions have not been suitable for implementing another marketing program for the policy liabilities. In addition, there are significant costs associated with implementing a marketing process.
37. Given the passage of time and the maturing of the book of business, the Liquidator advised in its Report to the Court dated December 16, 2009 that it expected that it would recommend a call for Policy Loss Claims in 2010 in order to assist in the bringing of closure to the estate.
38. The Liquidator is now recommending a call for Policy Loss Claims for the following reasons:
- The last claims-made policy of Reliance Canada had a policy period that expired March 31, 2007 (with an extended reporting period expiring May 30, 2007), and so any claims under claims-made policies can no longer be reported;

- The long tail exposure under Reliance Canada occurrence-based policies is now at a maturity level such that the likelihood that any asserted claims or prospective or potential claims under those policies would be known to insureds has significantly increased, along with the likelihood that there would be significantly fewer future or contingent claims;
- The Liquidator still employs experienced Reliance Canada claims personnel and other staff with significant corporate memory and understanding of the policies issued by Reliance Canada and of the types of claims that may be made under these policies pursuant to a call for claims;
- The Liquidator is of the view that it is in the best interests of the estate to have greater certainty at this point at least as to the “universe” of Policy Loss Claims, including knowing whether there are any claims being asserted of a future or contingent nature, or any claims at all other than those already reported to and known to Reliance Canada and the Liquidator.

39. Achieving greater certainty will assist in the determination whether to continue the run-off mode for policy liabilities or whether a claims determination process would be appropriate, will provide data to inform the actuarial exercise of valuating the ultimate expenses and surplus in the estate, and will assist the Liquidator in determining if policy buy-backs, commutation of Reliance Canada’s reinsurance and/or a marketing program would be in the interests of the estate and its stakeholders.

40. The Liquidator recommends 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, and recommends that no decision yet be made whether to provide for a specific process for the allowance and disallowance of Policy Loss Claims. Once there is clarity whether there are any claims asserted beyond those already being adjusted or litigated in the run-off mode, as well as clarity as to the magnitude and complexity of the policy liabilities, the Liquidator will consider the options and develop its recommendations as to the process and methodology to deal with the Policy Loss Claims that are filed in response to the call for claims.

V. PROCEDURE FOR CALL FOR POLICY LOSS CLAIMS

A. Claims Filing Date

41. The Liquidator recommends that December 17, 2010 be fixed under Section 74 of the *WURA* as the last day on which Policy Loss Claims may be sent in (i.e., that any Proof of Claim for Policy Loss Claims must be post-marked by midnight, December 17, 2010). This will give a claimant sufficient time to become aware of and consider the call for claims and submit his, her or its Proof of Claim for Policy Loss Claims ("POC").

B. Solicitation of Claims

42. The Liquidator proposes that a package ("**General Proof of Claim Package**") substantially in the form attached as Schedule "K" hereto be sent to the approximately 9,200 policyholders of occurrence-based policies, other than the policyholders of the FUML business, at the last known addresses as shown on the books and records of Reliance Canada.

43. The Liquidator also proposes that the General Proof of Claim Package be sent to the Liability Reinsureds at their last known addresses as shown on the books and records of Reliance Canada.
44. Because the FUML policies were written such that it may not be obviously apparent to policyholders that the policies are Reliance Canada policies, the Liquidator proposes that a package ("FUML Proof of Claim Package") substantially in the form attached as Schedule "L" hereto, be sent to the approximately 97,500 FUML policyholders, at the last known addresses as shown on FUML's books and records.
45. As well, the Liquidator proposes that the General Proof of Claim Package be sent to the brokers or managing general agents that brokered or managed insurance programs for Reliance Canada's business, at their last known address as set out in the books and records of Reliance Canada, but with a modified cover letter, substantially in the form of Schedule "M" hereto, requesting that if they are aware of any persons or entities having Policy Loss Claims, that have not been settled and paid in full, that they forward the General Proof of Claim Package to such person or entity.
46. The Liquidator recommends that the call for Policy Loss Claims require filing of those Policy Loss Claims that have already been reported to Reliance Canada, i.e., the Open Claims. It is important to achieve greater certainty as to the entire universe of the Policy Loss Claims so that the Liquidator knows which claims – even if already reported – are in fact still being asserted and pursued, and at what value. The Liquidator proposes that in the case of an Open Claim, the General Proof of Claim Package be sent to the policyholder or claimant or their representative, as the case may be, but with a modified

cover letter, substantially in the form of Schedule "N" hereto, that provides that a POC must be filed in respect of an Open Claim.

47. Over 20,000 claims-made policies were issued by Reliance Canada over the years. At this point, there are only 60 Open Claims under claims-made policies issued by Reliance Canada and the last of the policy periods under the claims-made business ended March 31, 2007.
48. The claims-made policies by their terms provide for coverage only for a claim that was made within their coverage period. The Liquidator is of the view that it is not necessary, and in fact that it would be prohibitively expensive, to send individual notices of the proposed call for Policy Loss Claims in respect of claims-made policies (other than in the case of Open Claims, as discussed above), although the Liquidator does propose that the Public Notices (as defined in paragraph 52) call for Policy Loss Claims under all policies.
49. Insurance policies potentially provide coverage for others in addition to the policyholder. The Liquidator therefore proposes that the Public Notices call for Policy Loss Claims that any potential beneficiary of a Reliance Canada policy may assert.
50. Under various provincial statutes, certain claimants against an insured of an insurance company may have a claim directly against the insurer: for example, by virtue of the existence of the insurance or by virtue of a judgment not being satisfied by the insured. The Liquidator is advised by counsel that it is not clear whether such a claim would fall within the scope of the words "holders of policies of a class of insurance specified in the order of the Superintendent under Part XIII of the *Insurance Companies Act*", as

specified in subsection 161(6) of the *WURA*. However, in order to achieve greater certainty as to a comprehensive universe and database of all potential claimants of Policy Loss Claims, the Liquidator proposes that the call for Policy Loss Claims include a call for any claim arising out of a policy, although the call does not mean or imply that such a claim necessarily is payable as a claim under the policy or in the winding-up or that it bears any particular priority if it is payable.

C. Recommendations

51. In summary, the Liquidator recommends that individual notice of the proposed call for Policy Loss Claims be sent to the following at their last known address as set out in the books and records of Reliance Canada:

- Those policyholders or claimants with Open Claims;
- Holders of occurrence-based policies (including the FUMML policies);
- Liability Reinsureds;
- Brokers and managing general agents.
- Those policyholders or claimants with Open Claims.

The Liquidator recommends that these notices be sent, by ordinary mail, by August 17, 2010.

52. The Liquidator also recommends giving comprehensive general notice of the call for Policy Loss Claims by way of public notices ("**Public Notices**") as follows:

- Publication of a notice substantially in the form of Schedule "O" attached ("**General (English) Publication**"), in the national edition of *The Globe and Mail* newspaper and in the *The Toronto Star*, twice: on or before September 10, 2010, and after September 30, 2010 but on or before November 10, 2010;

- Publication of a notice substantially in the form of Schedule "O" attached as translated into French ("**General (French) Publication**") in *La Presse*, twice: on or before September 10, 2010, and after September 30, 2010 but before November 10, 2010;
- Publication of a notice substantially in the form of Schedule "P" attached (the "**FUML Publication**") in *The Vancouver Sun*, on or before September 10, 2010;
- Publication of the General (English) Publication, General (French) Publication and the FUML Publication in the *Canada Gazette* and the official Gazette of each of the Provinces, on or before November 10, 2010;
- Posting of the General (English) Publication, General (French) Publication and the FUML Publication on the website maintained by the Liquidator at www.relianceinsurance.ca, on or before August 17, 2010;
- Publication of the General (English) Publication, General (French) Publication and the FUML Publication in the *Canadian Underwriter* (an insurance industry publication) on or before September 15, 2010.

53. The Liquidator proposes to also send, to any party who makes a request to the Liquidator for same by December 17, 2010, a General Proof of Claim Package or FUML Proof of Claim Package, as the case may be, by ordinary mail, fax or email to the address, fax number or email address (as the case may be) provided by the requesting party, within 7 business days of the request being received.

D. Non-Booked Claims

54. In the liquidation of Reliance Insurance Company, the U.S. Liquidator conducted a call for claims as authorized and directed by the U.S. Liquidation Court. Claims in that liquidation were required to be filed by December 31, 2003.
55. As previously reported to this Court, a process has long been in place for the U.S. Liquidator to identify any claims filed with him that may be valid claims against Reliance Canada ("**Non-Booked Claims**"); i.e., arising under policies written outside Canada and

not reported in the books of Reliance Canada. This included any Non-Booked Claims identified as a result of the call for claims by the U.S. Liquidator.

56. By virtue of the process followed by the U.S. Liquidator, the Liquidator is satisfied that a comprehensive process has been in place to identify any Non-Booked Claims, and to report such claims to the Liquidator, and that there is no need to publish notice of the proposed call for Policy Loss Claims outside Canada.

E. Acknowledgment of Receipt of POC

57. Because of the potential quantity of claims that may be filed in the estate, given the breadth and volume of underwriting by Reliance Canada, the Liquidator is of the view that it is appropriate to minimize any risk of dispute or any uncertainty as to whether a POC was in fact sent in pursuant to the call for Policy Loss Claims. Accordingly, the Liquidator proposes that the Liquidator send to the filing claimant at the address supplied in the filed POC an Acknowledgment of Filing substantially in the form of Schedule "Q" attached, and that if the filing claimant does not receive such Acknowledgment of Filing within one month of submitting the POC and notify the Liquidator of such non-receipt within 6 weeks of submitting the POC, the POC shall be deemed not to have been sent in or filed in accordance with the call for Policy Loss Claims.

F. Obligations between Reliance Insurance Company and Reliance Canada

58. There are potential obligations between the estates of Reliance Insurance Company and of Reliance Canada arising from arrangements between them and activities carried out for the other's benefit, which will be addressed in due course in the liquidation. The

Liquidator proposes that, for clarity, any such claims by the Liquidator of Reliance Insurance Company be explicitly exempted from the proposed call for Policy Loss Claims.

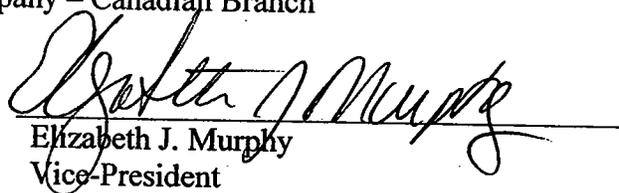
VI. SUMMARY

59. The Liquidator is of the view that the proposed call for claims process will afford a fair and reasonable opportunity for all those with Policy Loss Claims to file their claims.
60. The U.S. Liquidator supports the Liquidator's recommendations in this motion.
61. For all the foregoing reasons, the Liquidator therefore respectfully recommends that this Court authorize the proposed call for Policy Loss Claims, and grant the related relief, as sought in the Notice of Motion herein.

ALL OF WHICH IS RESPECTFULLY SUBMITTED,

KPMG INC., Liquidator of Reliance Insurance
Company – Canadian Branch

Per:


Elizabeth J. Murphy
Vice-President

A



Court File No. 01-CL-4313

**ONTARIO
SUPERIOR COURT OF JUSTICE**

COMMERCIAL LIST

THE HONOURABLE)
MR. JUSTICE FARLEY) MONDAY THE 3RD 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.

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.

RECEIVED
 COURT OF QUEBEC
 DEC 08 2001
 REGISTRE

Viktorov

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

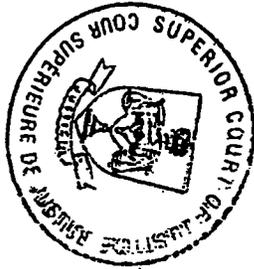
WINDING-UP ORDER

LAX O'SULLIVAN SCOTT LLP
Suite 1920
145 King Street West
Toronto, Ontario M5H 1J8

Charles F. Scott LSUC# 14534N
Brooke Shulman LSUC # 41032N
Tel: (416) 646-7997
Fax: (416) 598-3730

Solicitors for the Applicant

B



Court File No. 01-CL-4313

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE)
MR. JUSTICE FARLEY) MONDAY THE 3RD 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

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).

- 3 -

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).

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

- 5 -

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

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.

- 7 -

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,

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

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

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 or 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

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;

- 12 -

- (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;

- 13 -

- (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

- 14 -

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).

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.

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.

DEC 08 2005
PER/PLR: [Signature]

Viktor A. Leukh
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

LAX O'SULLIVAN SCOTT LLP
Suite 1920
145 King Street West
Toronto, Ontario M5H 1J8

Charles F. Scott LSUC# 14534N
Brooke Shulman LSUC # 41032N
Tel: (416) 646-7997
Fax: (416) 598-3730

Solicitors for the Applicant

C

Court File No. 01-CL-4313



**ONTARIO SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) THURSDAY, THE 26th DAY
MR. JUSTICE FARLEY) OF JUNE, 2003

**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, brought by KPMG Inc., liquidator (the "Liquidator") of the insurance business in Canada of Reliance Insurance Company ("Reliance (Canada)"), was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the Report of the Liquidator dated June 20, 2003, filed, the Order of this Court dated December 3, 2001 appointing the Liquidator (the "Appointment Order") and the Orders of this Court dated January 30, 2002, April 29, 2002, May 8, 2002, December 6, 2002

and March 26, 2003 (collectively the "Extension Orders"), and on hearing submissions of counsel for the Liquidator and counsel for Maritime Road Development Corporation, no one else appearing although properly served as appears from the proof of service filed:

1. **THIS COURT ORDERS** that the service of the Notice of Motion and materials herein is good and sufficient service of this motion, that the motion is properly returnable before this Court and that further service thereof upon any interested party other than those parties served be and is hereby dispensed with.

2. **THIS COURT ORDERS** that paragraphs 8, 9 and 11 of the Appointment Order, amended by the Extension Orders, are hereby further amended *nunc pro tunc* to extend the date of June 30, 2003 to December 31, 2003 or such later date as this Court may order.

3. **THIS COURT ORDERS** that the Liquidator is hereby authorized to pay a first interim distribution from the estate of Reliance (Canada) in the amount of 25% of valid and allowed policyholder loss claims, where such amount exceeds the payments authorized by paragraphs 8 and 9 of the Appointment Order.



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

JUN 26 2003

PER/PAR:

NB

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

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

Gale Rubenstein\LSUC # 17088E

Tel: (416) 597-4148
Fax: (416) 979-1234

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

G26\NRUBENSTG\4486124.2

Court File No. 01-CL-4313

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

THE HONOURABLE) THURSDAY, THE 2nd DAY
MR. JUSTICE FARLEY) OF SEPTEMBER, 2004

**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, brought by KPMG Inc., liquidator (the "Liquidator") of the insurance business in Canada of Reliance Insurance Company ("Reliance (Canada)"), was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the Report of the Liquidator dated August 25, 2004 (the "Report"), the Affidavit of Gale Rubenstein sworn August 25, 2004 and the Affidavit of Robert O. Sanderson sworn August 25, 2004, filed, and on hearing submissions of counsel for the

Liquidator, no one else appearing although properly served as appears from the proof of service, filed:

- 1. **THIS COURT ORDERS** that the service of the Notice of Motion and materials herein is good and sufficient service of this motion, that the motion is properly returnable before this Court and that further service thereof upon any interested party other than those parties served be and is hereby dispensed with.
- 2. **THIS COURT ORDERS** that the accounts of the Liquidator for the period October 1, 2003 to June 30, 2004, as reflected in the financial statements of Reliance (Canada) attached to the Report, be and they are hereby passed and approved as submitted.
- 3. **THIS COURT ORDERS** that the fees and disbursements of the Liquidator and of its counsel, Goodmans LLP, for the period October 1, 2003 to June 30, 2004 be and they are hereby approved as submitted.
- 4. **THIS COURT ORDERS** that the Liquidator is hereby authorized to pay up to \$25,000 on valid claims under the Meridian program, until further order of this Court.
- 5. **THIS COURT ORDERS** that the Liquidator is hereby authorized to pay a second interim distribution from the estate of Reliance (Canada) in the amount of 25% of valid and allowed policyholder loss claims, where, and to the extent that, such amount combined with the amount of payment by way of the first interim distribution exceeds the payments authorized by either paragraph 8 of the Order of this Court dated December 3, 2001 *inter alia* appointing the Liquidator or paragraph 4 hereinabove.

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

SEP 07 2004

PER/PAR: 



DAVID EVANS
REGISTRAR

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

ORDER

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

Gale Rubenstein\LSUC # 17088E

Tel: (416) 597-4148

Fax: (416) 979-1234

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

GOODMANS\PAQUETT\F5046595.1

E

Schedule "E"

Court File No. 01-CL-4313

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

THE HONOURABLE)
MR. JUSTICE FARLEY) WEDNESDAY, THE 21st DAY
OF DECEMBER, 2005

**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, brought by KPMG Inc., liquidator (the "Liquidator") of the insurance business in Canada of Reliance Insurance Company ("Reliance (Canada)"), was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the Report of the Liquidator dated December 14, 2005 (the "Report"), the Affidavit of Gale Rubenstein sworn December 14, 2005 and the Affidavit of I. George Gutfreund sworn December 14, 2005, filed, and on hearing submissions of counsel for

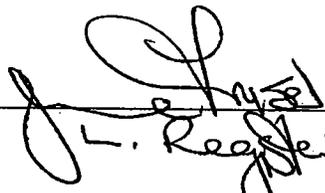
the Liquidator, and Maritime Road Development Corporation, although properly served as appears from the proof of service, filed:

1. **THIS COURT ORDERS** that the service of the Notice of Motion and materials herein is good and sufficient service of this motion, that the motion is properly returnable before this Court and that further service thereof upon any interested party other than those parties served be and is hereby dispensed with.

2. **THIS COURT ORDERS** that the accounts of the Liquidator for the period July 1, 2004 to September 30, 2005, as reflected in the financial statements of Reliance (Canada) attached to the Report, be and they are hereby passed and approved as submitted.

3. **THIS COURT ORDERS** that the fees and disbursements of the Liquidator and of its counsel, Goodmans LLP, for the period July 1, 2004 to September 30, 2005 be and they are hereby approved as submitted.

4. **THIS COURT ORDERS** that the Liquidator is hereby authorized to pay a third interim distribution from the estate of Reliance (Canada) in the amount of 15% of valid and allowed loss claims, where, and to the extent that, such amount, combined with the amount of payment by way of the first and second interim distributions, exceeds the payments authorized by paragraph 8 of the Order of this Court dated December 3, 2001 *inter alia* appointing the Liquidator.



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

DEC 21 2005

PER/PAR 

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

ORDER

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

Gale Rubenstein (LSUC # 17088E)
Tel: 416-597-4148
Fax: 416-979-1234

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

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

GOODMANS\5251587.1

F

Schedule "F"

Court File No. 01-CL-4313

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

THE HONOURABLE MR.)
JUSTICE CUMMING)
FRIDAY, THE 15th DAY
OF DECEMBER, 2006



**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, brought 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 December 8, 2006 (the "Report"), the Affidavit of Gale Rubenstein sworn December 7, 2006 and the Affidavit of Robert O. Sanderson sworn December 8, 2006, filed, and on hearing submissions of counsel for the

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

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

Gale Rubenstein (LSUC # 17088E)
Tel: 416-597-4148
Fax: 416-979-1234

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

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

GOODMANS/SMITH/GS372367.2
File No. 016699

G

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

THE HONOURABLE)
MR. JUSTICE MORAWETZ) TUESDAY, THE 8TH DAY
) OF APRIL, 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, brought 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 April 1, 2008 (the "Report"), the Affidavit of Gale Rubenstein sworn April 1, 2008 and the Affidavit of Robert O. Sanderson

sworn April 1, 2008, filed, and on hearing 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 of the Notice of Motion and materials herein is good and sufficient service of this motion, that the motion is properly returnable before this Court and that further service thereof upon any interested party other than those parties served be and is hereby dispensed with.

2. **THIS COURT ORDERS** that the accounts of the Liquidator for the period October 1, 2006 to December 31, 2007 (the "Period"), as reflected in the financial statements of Reliance (Canada) attached to the Report, be and they are hereby passed and approved as submitted.

3. **THIS COURT ORDERS** that the fees and disbursements of the Liquidator and of its counsel, Goodmans LLP, for the Period be and they are hereby approved as submitted.

4. **THIS COURT ORDERS** that the Liquidator is hereby authorized to pay a fifth interim distribution from the estate of Reliance (Canada) in the amount of 20% of valid and allowed loss claims, where, and to the extent that, such amount, combined with the amount of payment by way of the first, second, third and fourth interim distributions, exceeds the payments authorized by paragraph 8 of the Order herein of the Honourable Mr. Justice Farley dated December 3, 2001 that, *inter alia*, appointed the Liquidator (the "Appointment Order").

5. **THIS COURT ORDERS** that the Appointment Order is hereby varied such that the payments authorized by paragraphs 8, 9 and 11 thereof (as may have been varied or amended by further Orders of this Court) are authorized to be paid up to the lesser of (i) the full amount of

the relevant valid claim, or, in the case of paragraph 11, the amount of reasonable legal and other costs, and (ii) the applicable limits of the relevant policy.

ENREGISTRÉ / ENREGISTRÉ À TORONTO
ON / BOUQUIN
LE / DANS LE REGISTRE NO.:

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

APR 08 2008

PER/PAR: PQ

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

**ORDER
(April 8, 2008)**

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

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

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

File No. 016699

Н



Schedule "H"

70

Court File No. 01-CL-4313

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE
JUSTICE C. CAMPBELL

) TUESDAY, THE 14TH
)
) DAY OF JULY, 2009

**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., in its capacity as Liquidator ("Liquidator") of the insurance business in Canada of Reliance Insurance Company ("Reliance Canada"), for advice and directions in respect of post-liquidation interest on claims in the winding-up of Reliance Canada, was heard April 16 and 17, 2009, at 330 University Avenue, Toronto, Ontario.

ON READING the report of the Liquidator dated January 5, 2009 ("Preliminary Report"), filed, the supplementary report of the Liquidator dated February 10, 2009 ("Supplementary Report"), filed, the Affidavit of Art Mullin sworn March 5, 2009, filed, and upon hearing the submissions of counsel for the Liquidator, counsel for the Insurance Commissioner for the Commonwealth of Pennsylvania, as Liquidator of Reliance Insurance Company ("U.S. Liquidator"), representative counsel for the Over-Limits Claimants (as defined in the Order of this Court dated January 29, 2009), and representative counsel for the Under-Limits Claimants (as defined in the Order of this Court dated January 29, 2009),

1. **THIS COURT ORDERS, ADVISES AND DIRECTS** that the following four questions posed to the Court by the Liquidator:

Question 1: Does subsection 95(2) of the *Winding-up and Restructuring Act*, R.S.C. 1985, c. W-11 ("*WURA*") apply to the winding-up of Reliance Canada, so that interest on allowed claims in the winding-up of Reliance Canada is payable pursuant to subsection 95(2), in the case where there is a surplus, in priority to any release to Reliance Insurance Company of the balance of any assets that the Court may ultimately approve under subsection 161(10) of the *WURA*?

Question 2: If the answer to Question 1 is yes, on what basis is post-liquidation interest to be determined? That is, on which type of claims is it payable, at what rate, is it simple or compounded, from what date(s) does it run, and are interim payments that were made on claims to be first applied toward the interest payable on the claim and then to the principal amount of the claim or first toward the principal amount of the claim?

Question 3: If the answer to Question 1 is no, is interest payable in the winding-up of Reliance Canada on allowed claims on some basis other than subsection 95(2) of the *WURA*, in the case where there is a surplus, in priority to any release to Reliance Insurance Company of the balance of any assets that the Court may approve under subsection 161(10) of the *WURA*?

Question 4: If the answer to Question 1 is no, and the answer to Question 3 is yes, on what basis is post-liquidation interest to be determined?

are respectively answered as follows:

Question 1: Yes: subsection 95(2) of the *WURA* applies to the winding-up of Reliance Canada, so that interest on allowed claims in the winding-up of Reliance Canada is payable pursuant to subsection 95(2), in the case where there is a surplus, in priority to any release to Reliance Insurance Company (represented by the U.S. Liquidator) of the balance of any assets that the Court may be ultimately approve under subsection 161(10) of the *WURA*.

Question 2: The proper construction and application of subsection 95(2) results in payment of post-liquidation interest to the Over-limits Claimants, but not to the Under-limits Claimants. The interest is to be calculated as simple interest (i.e., not compounded), at an annual rate of 5%, on the unpaid portion of each Over-limits Claimant's allowed claim from the time such claim was settled and allowed (or, (a) in the case of a Disputed Claim (as defined in the Preliminary Report), from the time since the commencement of the winding-up that it would have been eligible for pre-judgment interest, but for the winding-up, but not earlier than the commencement of the winding-up, and (b) in the case of an ordinary creditor claim that was already payable as of the commencement of the winding-up, from the commencement of the winding-up) until such portion was paid.

Any payments made to Over-limits Claimants by way of Interim Dividend Payments and/or Authorized Policy Payments (as those terms are defined in the Preliminary Report) during the course of winding-up are to be treated as being allocated first toward any post-liquidation interest payable on the claim of an Over-limits Claimant, and then to the principal portion of such claim.

Questions 3-4: In light of the recommended answers to Questions 1 and 2 above, it is not necessary to answer Questions 3 and 4.



G. Argyropoulos, Registrar
Superior Court of Justice

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

NOV 24 2009

PER / PAR: 

Joanne Nicoara
Registrar, Superior Court of Justice

THE ATTORNEY GENERAL OF
CANADA

and RELIANCE INSURANCE COMPANY

Applicant

Respondent

Commercial List Court File No: 01-CL-4313

ONTARIO
SUPERIOR COURT OF JUSTICE
-- COMMERCIAL LIST

Proceeding commenced at Toronto

ADVICE AND DIRECTIONS ORDER
(Post-liquidation Interest Motion)

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

Graham D. Smith (LSUC# 26377D)
Lauren Butti (LSUC#47083W)
Tel: (416) 979-2211
Fax: (416) 979-1234

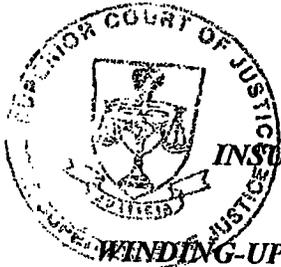
Solicitors for KPMG Inc.,
Liquidator of Reliance Canada



Court File No. 01-CL-4313

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

THE HONOURABLE MR.) WEDNESDAY, THE 16TH DAY
JUSTICE CUMMING) OF DECEMBER, 2009



**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, brought 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 December 9, 2009 (the "Report"), the Affidavit of Gale Rubenstein sworn December 9, 2009 and the Affidavit of Elizabeth J. Murphy sworn December 9, 2009, filed, and on hearing 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 of the Notice of Motion and materials herein is good and sufficient service of this motion, that the motion is properly returnable before this Court and that further service thereof upon any interested party other than those parties served be and is hereby dispensed with.

2. **THIS COURT ORDERS** that the accounts and activities of the Liquidator for the period January 1, 2008 to September 30, 2009 (the "Period"), as reflected in the financial statements of Reliance Canada attached to the Report, be and they are hereby passed and approved as submitted.

3. **THIS COURT ORDERS** that the fees and disbursements of the Liquidator and of its counsel, Goodmans LLP, for the Period, and the fees and disbursements of Elizabeth Pillon and James Grout in their capacity as representative counsel appointed by the Order of this Court made January 29, 2009, be and they are hereby approved as submitted.

4. **THIS COURT ORDERS** that for the purposes of this Order the following terms shall have the following respective meanings:

- (a) "Over-limits Claimants" shall mean holders of (i) policy loss claims which claims were not paid in full as their policy loss claims were settled and allowed in the liquidation, (ii) ordinary creditor claims that were payable at the commencement of the liquidation, and (iii) Disputed Claims, as defined below;

- (b) "Disputed Claims" shall mean alleged policy loss claims in litigation that are ultimately determined in favour of the claimant and would, but for the liquidation, have been eligible for pre-judgment interest;
- (c) "Interim Dividend Payments" shall mean distributions authorized by this Court on policy loss claims and ordinary creditor claims;
- (d) "Authorized Policy Payments" shall mean those payments authorized by this Court on policy loss claims within certain thresholds as they were allowed and settled during the course of the liquidation.

5. **THIS COURT ORDERS** that the Liquidator is hereby authorized to pay a distribution from the estate of Reliance Canada, in payment of the interest entitlement pursuant to subsection 95(2) of the *Winding-up and Restructuring Act*, and declares that such payment is the only entitlement for post-liquidation interest pursuant to said subsection 95(2) or otherwise. The interest shall be paid on the unpaid portion of each Over-limits Claimant's allowed claim according to the following methodology:

- (i) The interest shall be calculated from the time such claim was settled and allowed (or, (a) in the case of a Disputed Claim, from the time since the commencement of the winding-up that the Disputed Claim would have been eligible for pre-judgment interest, but for the winding-up, but not earlier than the commencement of the winding-up, and (b) in the case of an ordinary creditor claim that was already payable as of the commencement of the winding-up, from the commencement of the winding-up) until such portion was paid;

- (ii) The interest shall be simple interest at an annual rate of 5%;
- (iii) Any payments made to Over-limits Claimants by way of Interim Dividend Payments and/or Authorized Policy Payments during the course of the winding-up are allocated first toward any interest payable hereunder on the claim, and then to the principal portion of the claim.

Dec. 16, 2009 Peter A. Cumming J.

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

DEC 16 2009

PER / PAR: TV

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
(December 16, 2009)**

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

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

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

File No. 016699

J



Commercial List Court File No. 01-CL-4313

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

THE HONOURABLE MR.) TUESDAY, THE 24TH 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.

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.

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.

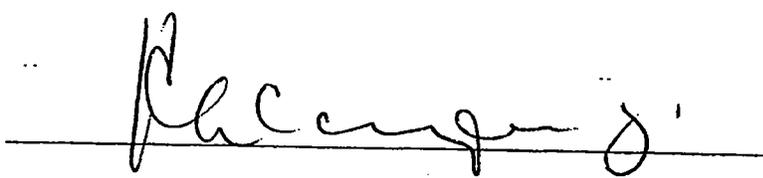
8. **THIS COURT ORDERS** that any ordinary creditor claimants wishing to appeal a Disallowance Notice must serve the Liquidator with a Notice of Appeal, substantially in the form attached as Schedule "E" hereto, by prepaid ordinary mail, fax transmission or courier, within thirty (30) days from the date 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 30th 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 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

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 30th 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.

This Notice is being given pursuant to the Order of the Ontario Superior Court of Justice dated the 24th 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

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

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 24th 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

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

and RELIANCE INSURANCE COMPANY

Commercial List Court File No: 01-CL-4313

Applicant Respondent

**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

K

SCHEDULE "K"

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

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 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: xxxx@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

Per: Janine M. Bradley
Senior Manager



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

PROOF OF CLAIM FOR POLICY LOSS CLAIM

IN THE MATTER OF THE WINDING-UP OF RELIANCE INSURANCE COMPANY- CANADIAN
BRANCH ("Reliance Canada")

Deadline for filing with the Liquidator is December 17, 2010

READ ALL MATERIALS CAREFULLY BEFORE COMPLETING THIS FORM – PLEASE PRINT
CAREFULLY

Policyholder Name:	_____
Policy Number:	_____
Date of Policy:	_____
Address 1:	_____
Address 2:	_____
City:	_____
Province:	_____
Postal Code:	_____
Country:	_____
Daytime Telephone #:	_____
Claim Number: (if previously filed)	_____
Date of Loss:	_____

Is this claim for a contingent claim? () Yes () No

In the space below, please give a concise statement of the facts giving rise to your claim. Attach additional sheets if required.

AMOUNT OF CLAIM (OR ESTIMATED AMOUNT IF A CONTINGENT CLAIM): \$ _____

Does a lawyer or other representative represent you? Yes () No () If YES, provide the representative's name, address & telephone number: _____

I, _____ (name of policyholder, insured or claimant, or representative) residing in the _____ (City, town, etc.)

of _____ in the Province of _____

DO HEREBY CERTIFY:

That I am a policyholder, insured or claimant in respect of a policy of Reliance Canada (or that I am

_____ (state title or position) of _____

(name of corporate policyholder, insured or claimant).

Dated at _____ this _____ day of _____ 2010.

Witness

Signature

INSTRUCTIONS FOR COMPLETION OF THE PROOF OF CLAIM FOR POLICY LOSS CLAIM
("POC")

It is important that the POC is correctly completed and submitted by December 17, 2010. The following points are set out to assist you:

- (a) **You must file a POC for any existing, new, future, contingent, known or unknown, reported or unreported, liquidated or unliquidated claim under or arising out of a policy of Reliance Canada.**

Contingent claims include those which, in accordance with the terms and conditions of a policy, are with respect to an 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 the policyholder or an insured thereunder. This therefore includes any potential claim for which the policyholder, insured or claimant believes a reserve should be made. Policyholders, insureds or claimants in respect of policies which have expired may still have a contingent claim.

- (b) The POC must be completed in its entirety.
- (c) The POC must be completed by the policyholder, insured or claimant, or by some other person on behalf of the policyholder, insured or claimant who must state his or her authority and the capacity in which he or she is acting.
- (d) The POC must be completed and signed by an individual and not by a corporation. The signature of the individual completing the form must be witnessed.
- (e) **A SEPARATE POC MUST BE SUBMITTED FOR EACH POLICY LOSS CLAIM.**
- (f) You are required to provide a calculation or estimate of the claim, the basic details of how and when the claim arose and the date on which you first became aware of the claim.
- (g) 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.
- (h) The completed POC must be mailed by ordinary mail to the Liquidator at the address below, post-marked no later than **midnight, December 17, 2010**:

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

- (i) **If you do not receive an Acknowledgment of Filing within one month of submitting the POC to the Liquidator, you must advise the Liquidator, in writing, of such non-receipt, or else the POC will be deemed for all purposes not to have been sent in or filed.**

THE FILING DEADLINE ESTABLISHED BY THE ONTARIO SUPERIOR COURT OF JUSTICE FOR PROOFS OF CLAIM FOR POLICY LOSS CLAIMS IN THE LIQUIDATION OF RELIANCE CANADA IS DECEMBER 17, 2010.



SCHEDULE "L"

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

To: Policyholders, insureds and claimants with Policy Loss Claims under or arising out of policies of Reliance Insurance Company - Canadian Branch ("Reliance Canada") and issued through Family Underwriting Management Limited.

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").

For the period from May 1, 1998 to August 31, 1999, Reliance Canada wrote residential insurance protection and excess automobile insurance in the province of British Columbia through a managing general agency known as **Family Underwriting Management Limited**. The books and records of Reliance Canada indicate that you were a policyholder of this insurance.

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, **including in respect of the policies written through Family Underwriting Management Limited**. The Court has fixed **December 17, 2010** as the last day for policyholders and claimants with Policy Loss Claims to send in their claims for loss under or arising out of a Reliance Canada policy.

If you have any claims for loss under or arising out of a policy of Reliance Canada (including a policy written through Family Underwriting Management Limited), 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 and does not notify the Liquidator of such non-receipt within 6 weeks of sending the POC, the POC shall be deemed 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 POC package, please see our website at 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: xxxx@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

Per: Janine M. Bradley
Senior Manager

Does a lawyer or other representative represent you? Yes () No () If YES, provide the representative's name, address & telephone number: _____

I, _____ (name of policyholder, insured or claimant, or representative) residing in the _____ (City, town, etc.)

of _____ in the Province of _____

DO HEREBY CERTIFY:

That I am a policyholder, insured or claimant in respect of a policy of Reliance Canada (or that I am _____ (state title or position) of _____ (name of corporate policyholder, insured or claimant).

Dated at _____ this _____ day of _____ 2010.

Witness

Signature

INSTRUCTIONS FOR COMPLETION OF THE PROOF OF CLAIM FOR POLICY LOSS CLAIM
("POC")

It is important that the POC is correctly completed and submitted by December 17, 2010. The following points are set out to assist you:

- (a) **You must file a POC for any existing, new, future, contingent, known or unknown, reported or unreported, liquidated or unliquidated claim under or arising out of a policy of Reliance Canada.**

Contingent claims include those which, in accordance with the terms and conditions of a policy, are with respect to an 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 the policyholder or an insured thereunder. This therefore includes any potential claim for which the policyholder, insured or claimant believes a reserve should be made. Policyholders, insureds or claimants in respect of policies which have expired may still have a contingent claim.

- (b) The POC must be completed in its entirety.
- (c) The POC must be completed by the policyholder, insured or claimant, or by some other person on behalf of the policyholder, insured or claimant who must state his or her authority and the capacity in which he or she is acting.
- (d) The POC must be completed and signed by an individual and not by a corporation. The signature of the individual completing the form must be witnessed.
- (e) **A SEPARATE POC MUST BE SUBMITTED FOR EACH POLICY LOSS CLAIM.**
- (f) You are required to provide a calculation or estimate of the claim, the basic details of how and when the claim arose and the date on which you first became aware of the claim.
- (g) 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.
- (h) The completed POC must be mailed by ordinary mail to the Liquidator at the address below, post-marked no later than **midnight, December 17, 2010**:

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

- (i) **If you do not receive an Acknowledgment of Filing within one month of submitting the POC to the Liquidator, you must advise the Liquidator, in writing, of such non-receipt, or else the POC will be deemed for all purposes not to have been sent in or filed.**

THE FILING DEADLINE ESTABLISHED BY THE ONTARIO SUPERIOR COURT OF JUSTICE FOR PROOFS OF CLAIM FOR POLICY LOSS CLAIMS IN THE LIQUIDATION OF RELIANCE CANADA IS DECEMBER 17, 2010.

M

SCHEDULE "M"

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

To: Brokers and Managing General Agents 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 a Proof of Claim for Policy Loss Claim ("POC"), for any loss under or arising out of a Reliance Canada policy.

Attached please find a copy of the POC package, which has been sent to:

- All policyholders and claimants with reported claims, which have not been settled, and
- All holders of occurrence-based policies, at their last known addresses.

If you are aware of any persons or entities having a claim 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), please forward a copy of the attached POC package to such persons or entities. All POC's must be submitted to the Liquidator at the address noted below by ordinary mail, and must be postmarked no later than midnight on **December 17, 2010**. A separate POC must be submitted for each separate Policy Loss Claim.

A POC does not have to be filed for Policy Loss Claims which have been settled and paid in full.

If you have any questions or require an additional POC package, please see our website at 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 : xxxx@kpmg.ca

Please note that neither this Notice, the filing of a POC 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

Per: Janine M. Bradley
Senior Manager

Does a lawyer or other representative represent you? Yes () No () If YES, provide the representative's name, address & telephone number: _____

I, _____ (*name of policyholder, insured or claimant, or representative*)
residing in the _____ (*City, town, etc.*)
of _____ in the Province of _____

DO HEREBY CERTIFY:

That I am a policyholder, insured or claimant in respect of a policy of Reliance Canada (or that I am
_____ (*state title or position*) of _____
(*name of corporate policyholder, insured or claimant*).

Dated at _____ this _____ day of _____ 2010.

Witness

Signature

INSTRUCTIONS FOR COMPLETION OF THE PROOF OF CLAIM FOR POLICY LOSS CLAIM ("POC")

It is important that the POC is correctly completed and submitted by December 17, 2010. The following points are set out to assist you:

- (a) **You must file a POC for any existing, new, future, contingent, known or unknown, reported or unreported, liquidated or unliquidated claim under or arising out of a policy of Reliance Canada.**

Contingent claims include those which, in accordance with the terms and conditions of a policy, are with respect to an 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 the policyholder or an insured thereunder. This therefore includes any potential claim for which the policyholder, insured or claimant believes a reserve should be made. Policyholders, insureds or claimants in respect of policies which have expired may still have a contingent claim.

- (b) The POC must be completed in its entirety.
- (c) The POC must be completed by the policyholder, insured or claimant, or by some other person on behalf of the policyholder, insured or claimant who must state his or her authority and the capacity in which he or she is acting.
- (d) The POC must be completed and signed by an individual and not by a corporation. The signature of the individual completing the form must be witnessed.
- (e) **A SEPARATE POC MUST BE SUBMITTED FOR EACH POLICY LOSS CLAIM.**
- (f) You are required to provide a calculation or estimate of the claim, the basic details of how and when the claim arose and the date on which you first became aware of the claim.
- (g) 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.
- (h) The completed POC must be mailed by ordinary mail to the Liquidator at the address below, post-marked no later than **midnight, December 17, 2010**:

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

- (i) **If you do not receive an Acknowledgment of Filing within one month of submitting the POC to the Liquidator, you must advise the Liquidator, in writing, of such non-receipt, or else the POC will be deemed for all purposes not to have been sent in or filed.**

THE FILING DEADLINE ESTABLISHED BY THE ONTARIO SUPERIOR COURT OF JUSTICE FOR PROOFS OF CLAIM FOR POLICY LOSS CLAIMS IN THE LIQUIDATION OF RELIANCE CANADA IS DECEMBER 17, 2010.

N

SCHEDULE "N"

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

To: Policyholders, insureds and claimants with reported Policy Loss Claims which have not been settled and paid in full ("Open 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 have an Open Claim.

Although you have an Open Claim, it is important for the Liquidator to know which claims, even if already reported, are in fact still being asserted and pursued, and at what value. **As such, you must complete the attached Proof of Claim for Policy Loss Claim ("POC") for each such claim 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.**

Additionally, if you have any other claims for loss under or arising out of a policy of Reliance Canada (including any new, future, contingent, known or unknown, reported, unreported, liquidated or unliquidated claims), you must complete a separate POC for each such Open Claim 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 Proof of Claim for Policy Loss Claim, 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 about this notice or your Open Claim, or require an additional POC package, please see our website at 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
E-mail Inquiry: xxxx@kpmg.ca

You may also contact Ian McConnell of Reliance Canada at (416) 323-7632.

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

Per: Janine M. Bradley
Senior Manager

Does a lawyer or other representative represent you? Yes () No () If YES, provide the representative's name, address & telephone number: _____

I, _____ (name of policyholder, insured or claimant, or representative) residing in the _____ (City, town, etc.)

of _____ in the Province of _____

DO HEREBY CERTIFY:

That I am a policyholder, insured or claimant in respect of a policy of Reliance Canada (or that I am _____ (state title or position) of _____ (name of corporate policyholder, insured or claimant).

Dated at _____ this _____ day of _____ 2010.

Witness

Signature

INSTRUCTIONS FOR COMPLETION OF THE PROOF OF CLAIM FOR POLICY LOSS CLAIM
("POC")

It is important that the POC is correctly completed and submitted by December 17, 2010. The following points are set out to assist you:

- (a) **You must file a POC for any existing, new, future, contingent, known or unknown, reported or unreported, liquidated or unliquidated claim under or arising out of a policy of Reliance Canada.**

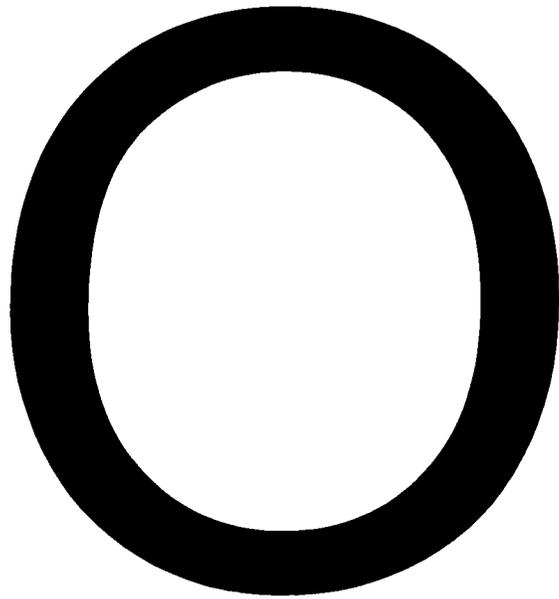
Contingent claims include those which, in accordance with the terms and conditions of a policy, are with respect to an occurrence prior to the expiry of the policy, the specifics of which are not yet available or within the knowledge of the policyholder or claimant and/or in respect of which no claim has yet been made against the policyholder or an insured thereunder. This therefore includes any potential claim for which the policyholder, insured or claimant believes a reserve should be made. Policyholders, insureds or claimants in respect of policies which have expired may still have a contingent claim.

- (b) The POC must be completed in its entirety.
- (c) The POC must be completed by the policyholder, insured or claimant, or by some other person on behalf of the policyholder, insured or claimant who must state his or her authority and the capacity in which he or she is acting.
- (d) The POC must be completed and signed by an individual and not by a corporation. The signature of the individual completing the form must be witnessed.
- (e) **A SEPARATE POC MUST BE SUBMITTED FOR EACH POLICY LOSS CLAIM.**
- (f) You are required to provide a calculation or estimate of the claim, the basic details of how and when the claim arose and the date on which you first became aware of the claim.
- (g) 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.
- (h) The completed POC must be mailed by ordinary mail to the Liquidator at the address below, post-marked no later than **midnight, December 17, 2010**:

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

- (i) **If you do not receive an Acknowledgment of Filing within one month of submitting the POC to the Liquidator, you must advise the Liquidator, in writing, of such non-receipt, or else the POC will be deemed for all purposes not to have been sent in or filed.**

THE FILING DEADLINE ESTABLISHED BY THE ONTARIO SUPERIOR COURT OF JUSTICE FOR PROOFS OF CLAIM FOR POLICY LOSS CLAIMS IN THE LIQUIDATION OF RELIANCE CANADA IS DECEMBER 17, 2010.



SCHEDULE "O"**IN THE MATTER OF THE WINDING-UP OF THE INSURANCE BUSINESS IN
CANADA OF RELIANCE INSURANCE COMPANY- CANADIAN BRANCH ("Reliance
Canada")****IMPORTANT NOTICE TO POLICYHOLDERS, INSURED AND CLAIMANTS WITH
POLICY LOSS CLAIMS**

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

The Liquidator of Reliance Canada hereby gives notice that the Court has fixed **December 17, 2010** as the last day for policyholders, insureds or claimants with Policy Loss claims to submit to the Liquidator their claims for loss under or arising out of a Reliance Canada policy. 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 a Proof of Claim for Policy Loss Claim ("POC") and submit it to the Liquidator in accordance with the procedure set by the Court by Order made August 3, 2010.

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.

For further information or for a POC package, please contact KPMG Inc. as set out below, or visit www.relianceinsurance.ca.

This Notice is being given pursuant to the Order of the Court made August 3, 2010.

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

General Inquiry Line: (416) 777-8333
Email Inquiry: • @kpmg.ca

P

SCHEDULE "P"**IN THE MATTER OF THE WINDING-UP OF THE INSURANCE BUSINESS IN CANADA OF RELIANCE INSURANCE COMPANY- CANADIAN BRANCH ("Reliance Canada") AND IN CONNECTION WITH FAMILY UNDERWRITING MANAGEMENT LIMITED****IMPORTANT NOTICE TO POLICYHOLDERS, INSURED AND CLAIMANTS WITH POLICY LOSS CLAIMS**

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

For the period from May 1, 1998 to August 31, 1999 (the "Period"), Reliance Canada wrote residential insurance protection and excess automobile insurance in the province of British Columbia through a managing general agency known as Family Underwriting Management Limited ("FUML").

The Liquidator of Reliance Canada hereby gives notice that the Court has fixed **December 17, 2010** as the last day for policyholders, insureds or claimants with Policy Loss Claims to send in their claims for loss under or arising out of a Reliance Canada policy (including a policy written through FUML). 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 a Proof of Claim for Policy Loss Claim ("POC") and submit it to the Liquidator in accordance with the procedure set by the Court by Order made August 3, 2010.

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.

For further information or for a POC package, please contact KPMG Inc. in writing as set out below, or visit www.relianceinsurance.ca.

This Notice is being given pursuant to the Order of the Court made August 3, 2010.

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

General Inquiry Line: (416) 777-8333
Email Inquiry: • @kpmg.ca

Q



SCHEDULE "Q"

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

**ACKNOWLEDGMENT OF FILING OF
PROOF OF CLAIM FOR POLICY LOSS CLAIM ("POC")**

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

Date: [•]
To: [Insert Policyholder, Insured, Claimant or Representative]
Address: [Insert Address of Policyholder, Insured, Claimant or Representative]
Policy #: [Insert Policy number]
POC date: [Insert date POC was filed]

Pursuant to the Order of the Ontario Superior Court of Justice made August 3, 2010, this Acknowledgment of Filing confirms the receipt of the above-referenced Proof POC filed with the Liquidator of Reliance Canada.

Please note that this Acknowledgment of Filing does not mean or imply that the 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: Janine M. Bradley
Senior Manager

V5870233

THE ATTORNEY GENERAL OF CANADA and **RELIANCE INSURANCE COMPANY**

Applicant

Respondent Commercial List Court File No: 01-CL-4313

ONTARIO
SUPERIOR COURT OF JUSTICE
- COMMERCIAL LIST

Proceeding commenced at TORONTO

REPORT OF KPMG INC., THE
LIQUIDATOR OF RELIANCE
INSURANCE COMPANY – CANADIAN
BRANCH
July 26, 2010

GOODMANS LLP
Barristers & Solicitors
333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

Graham D. Smith LSUC#: 26377D
Tel: 416.597.4161
Fax: 416.979.1234

Solicitors for KPMG Inc., Liquidator of Reliance
Insurance Company – Canadian Branch

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
(Motion Returnable August 3, 2010:
Call for Policy Loss Claims)

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

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

Lawyers for KPMG[†]Inc.,
Liquidator of Reliance Insurance Company –
Canadian Branch