

**ONTARIO SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**IN THE MATTER OF  
RELIANCE INSURANCE COMPANY**

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

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

B E T W E E N:

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**RELIANCE INSURANCE COMPANY**

Respondent

**NOTICE OF MOTION**  
(returnable December 6, 2002)

KPMG Inc., liquidator (the "Liquidator") of Reliance (Canada) (as hereinafter defined) will make a motion before the Honourable Mr. Justice Farley on December 6, 2002, at 9:30 a.m., or as soon after that time as the motion can be heard, at 393 University Avenue, Toronto.

**PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

**THE MOTION IS FOR:**

1. An Order substantially in the form attached as Schedule "A" hereto; and
2. Such further and other relief as this Honourable Court may deem just.

**THE GROUNDS FOR THE MOTION ARE:**

1. The Liquidator is seeking an Order extending the date for Policy Payments, payment of Defence Costs and Meridian Payments (all as hereinafter defined) from December 31, 2002 to March 31, 2003, or such later date as this Court may order.
2. Reliance Insurance Company (“Reliance”) is a property and casualty insurer in the United States of America, domiciled in the Commonwealth of Pennsylvania. Reliance has carried on business in Canada as a “foreign company” within the meaning of the *Insurance Companies Act* through its branch since 1918.
3. Reliance was ordered to be liquidated by Order of the Commonwealth Court of Pennsylvania dated October 3, 2001, under the Pennsylvania *Insurance Department Act of 1921*.
4. By Order of this Court made December 3, 2001, the insurance business in Canada of Reliance Insurance Company (“Reliance (Canada)”) was ordered wound-up pursuant to the provisions of the *Winding-up and Restructuring Act*.
5. By further Order of this Court made December 3, 2001 (the “Appointment Order”), KPMG Inc. was appointed provisional liquidator of Reliance (Canada).
6. Paragraph 8 of the Appointment Order provides that the Liquidator may pay all valid policyholder claims, including claims in respect of unearned premiums, to certain limits (the “Policy Payments”) until April 30, 2002 or such later date as the Court may order.
7. Paragraph 9 of the Appointment Order provides that the Liquidator may pay all valid claims, including claims in respect of unearned premiums, under the Meridian Warranty program and other warranty and surety programs up to certain limits (the “Meridian Payments”) until January 31, 2002 or such later date as the Court may order.
8. Paragraph 11 of the Appointment Order provides that the Liquidator may pay and continue to pay all reasonable legal and other costs, incurred to and including April 30, 2002 that Reliance (Canada) is obligated to pay for defending any insureds against losses under Reliance (Canada)’s policies in accordance with the applicable policy subject to the terms and limits of such policies (the “Defense Costs”).

9. Paragraph 30 of the Appointment Order provides that the Liquidator may, with the approval of this Court, arrange for the transfer or reinsurance of all or a portion of the policies of Reliance (Canada) or cancel all or a portion of the outstanding policies of Reliance (Canada).

10. By Order of this Court dated January 30, 2002, the date of January 31, 2002 for Meridian Payments was extended to April 30, 2002. By further Orders of this Court dated April 29, 2002 and May 8, 2002, respectively, the date of April 30, 2002 with respect to Policy Payments, payment of Defense Costs and Meridian Payments (collectively, the "Payments") was extended first to May 6, 2002 and then to December 31, 2002. By Order dated May 8, 2002, this Court also approved an agreement between the Liquidator and London Guarantee Insurance Company ("London Guarantee"), pursuant to which London Guarantee would assume Reliance (Canada)'s liabilities under the Meridian program (the "Meridian Transaction").

11. The Liquidator had anticipated that the Meridian Transaction would close by September 30, 2002. However, it has not closed yet because certain reinsurers have not yet provided their consent to the transaction as contemplated thereunder. The Liquidator remains optimistic that the Meridian transaction will ultimately close and is hopeful that this will occur no later than March 31, 2003.

12. The Liquidator is of the view that it is in the best interest of the estate that the Meridian Payments continue to March 31, 2003.

13. The Liquidator considers it appropriate and in the best interest of the estate that Policy Payments and payment of Defense Costs should continue as at present until March 31, 2003 or such further date as this Court may order.

14. Rules 1.04, 2.03 and 3.02 of the *Rules of Civil Procedure*.

15. Sections 33, 35, 109 and 162 of the *Winding-up and Restructuring Act*.

16. The Orders of this Honourable Court made herein on December 3, 2001, January 30, 2002, April 29, 2002 and May 8, 2002.

17. Such further and other grounds as counsel may advise and this Honourable Court permit.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

1. The Report of the Liquidator dated December 2, 2002; and
2. Such further and other material as counsel may advise and this Honourable Court permit.

December 2, 2002

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**ONTARIO SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE ) FRIDAY, THE 6<sup>TH</sup> DAY  
 )  
MR. JUSTICE FARLEY ) OF DECEMBER, 2002

**IN THE MATTER OF  
RELIANCE INSURANCE COMPANY**

**AND IN THE MATTER OF THE  
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B E T W E E N:

**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 2, 2002, filed, the Order of this Court dated December 3, 2001 appointing the Liquidator (the "Appointment Order"), the Order of this Court dated January 30, 2002 (the "Meridian Extension Order"), the Order of this Court dated April 29, 2002 (the "Second Extension Order"), and the Order of this

Court dated May 8, 2002 (the "Third Extension Order"), on hearing submissions of counsel for the Liquidator, and in the presence of ●, no one opposing.

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 and 11 of the Appointment Order, amended by the Second Extension Order and the Third Extension Order to extend the date of April 30, 2002 first to May 6, 2002 and then to December 31, 2002, respectively, be and hereby are further amended *nunc pro tunc* to extend the date of December 31, 2002 to March 31, 2003 or such later date as this Court may order.

3. **THIS COURT ORDERS** that paragraph 9 of the Appointment Order, amended by the Meridian Extension Order, the Second Extension Order and the Third Extension Order to extend the date of January 31, 2002 to April 30, 2002, then to May 6, 2002 and then to December 31, 2002, respectively, be and hereby is further amended *nunc pro tunc* to extend the date of December 31, 2002 to March 31, 2003 or such later date as this Court may order.

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**ONTARIO SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**ORDER**

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Liquidator of Reliance (Canada)

**ONTARIO SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**  
Proceeding commenced at TORONTO

**NOTICE OF MOTION**

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