

**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 March 26, 2003)

KPMG Inc., liquidator (the "Liquidator") of Reliance (Canada) (as hereinafter defined) will make a motion before the Honourable Mr. Justice Farley on March 26, 2003 at 10:00 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 March 31, 2003 to December 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 a branch.
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, the date of April 30, 2002 with respect to Policy Payments, payment of Defense Costs and Meridian Payments was extended to March 31, 2003.

11. By Order dated May 8, 2002, this Court approved an agreement between the Liquidator and St. Paul Guarantee Insurance Company, formerly London Guarantee Insurance Company (“St. Paul Guarantee”), pursuant to which St. Paul Guarantee would assume Reliance (Canada)’s liabilities under the Meridian program (the “Meridian Transaction”).

12. The Liquidator had anticipated that the Meridian Transaction would close by September 30, 2002. However, it did not close by that date because certain reinsurers had not provided their consent to the transaction. By Order dated December 6, 2002, this Court extended the date to which the Liquidator could make Meridian Payments to March 31, 2003 or such later date as this Court may Order.

13. The reinsurers have still not provided their consent. The Liquidator is recommending that this Court extend the date to which the Liquidator may make Meridian Payments to June 30, 2003 or such further date as this Court may order, pending continued discussions with the reinsurers.

14. The Liquidator is also continuing its efforts to determine whether it can complete a transaction with respect to the balance of Reliance (Canada)’s policies. 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 June 30, 2003, or such further date as this Court may order, while these efforts continue.

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

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

17. The Orders of this Honourable Court made herein on December 3, 2001, January 30, 2002, April 29, 2002, May 8, 2002 and December 6, 2002.

18. 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 March 21, 2003; and
2. Such further and other material as counsel may advise and this Honourable Court permit.

March 21, 2003

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

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

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

TO: Torys
Suite 3000, Maritime Life Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1N2

Peter B. Birkness
Phone: 416-865-8135
Fax: 416-865-7380

David P. Chernos
Phone: 416-865-8246
Fax: 416-865-7380

Solicitors for the Property and Casualty Insurance Compensation Corporation

AND TO: Blaney McMurtry LLP
1400 - 20 Queen Street West
Toronto, Ontario
M5H 2V3

Deborah S. Grieve
Phone: 416-593-2951
Fax: 416-593-5437

Solicitors for the Insurance Commissioner of the Commonwealth of Pennsylvania as
Liquidator of Reliance Insurance Company

AND TO: Office of the Superintendent of Financial Institutions
Kent Square
255 Albert Street, 15th Floor
Ottawa, Ontario
K1A 0H2

Brian Corbett, Senior Counsel, Legal Services
Phone: 613-990-4127
Fax: 613-952-5031

AND TO: Enfield Adair LLP
One Queen Street East
Suite 810
Toronto, Ontario
M5C 2W5

Lawrence G. Theall
Phone: 416-863-1230
Fax: 416-863-1241

AND TO: Borden Ladner Gervais LLP
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

Craig J. Hill
Phone: 416-367-6156
Fax: 416-361-7301

Bruce R. Reynolds
Phone: 416-367-6255
Fax: 416-361-2741

Solicitors for Maritime Road
Development Corporation

AND TO: McMillan Binch
Barristers and Solicitors
Suite 3800
South Tower, Royal Bank Plaza
Toronto, Ontario
M5J 2J7

Dan MacDonald
Phone: 416-865-7169
Fax: 416-865-7048

Solicitors for Danieli Corus Construction Services Inc., Successor in interest to
Hoogovens Construction Services

**ONTARIO SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) WEDNESDAY, THE 26TH DAY
)
MR. JUSTICE FARLEY) OF MARCH, 2003

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RELIANCE INSURANCE COMPANY

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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 March 21, 2003, filed, the Order of this Court dated December 3, 2001 appointing the Liquidator (the “Appointment Order”) and the Order of this Court dated January 30, 2002, the Order of this Court dated April 29, 2002, the Order of this Court dated May 8, 2002 and the Order of this Court dated December

6, 2002 (collectively the “Extension Orders”), and on hearing submissions of counsel for the Liquidator, 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 Extension Orders to extend the date of April 30, 2002 to March 31, 2003, be and hereby are further amended *nunc pro tunc* to extend the date of March 31, 2003 to June 30, 2003 or such later date as this Court may order.

3. **THIS COURT ORDERS** that paragraph 9 of the Appointment Order, amended by the Extension Orders to extend the date of January 31, 2002 to March 31, 2003, be and hereby is further amended *nunc pro tunc* to extend the date of March 31, 2003 to June 30, 2003 or such later date as this Court may order.

**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)