

**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 June 26, 2003)

KPMG Inc., liquidator (the "Liquidator") of the insurance business of Reliance Insurance Company in Canada ("Reliance (Canada)") will make a motion before the Honourable Mr. Justice Farley on June 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:
 - (a) extending the date for Policy Payments, payment of Defence Costs and Meridian Payments (all as hereinafter defined) from June 30, 2003 to December 31, 2003, or such later date as this Court may order; and
 - (b) approving a first interim distribution to policyholders and claimants of 25% of their allowed loss claims.
2. Pursuant to orders of this Court, the Liquidator has paid policyholders and claimants the following benefits since the commencement of the liquidation of Reliance (Canada):
 - (a) defence costs (“Defence Costs”)
 - (b) valid claims up to the greater of \$25,000 or the amount, if any, of the voluntary compensation payment of the Property and Casualty Insurance Compensation Corporation (“PACICC”) that may be paid under its memorandum of operations (the “Policy Payments”); and
 - (c) valid claims under the Meridian program up to the greater of \$5,000 or the amount, if any, of PACICC’s voluntary payment (the “Meridian Payments”),(collectively, the “Payments”).
3. This Court has extended the date for making the Payments from time to time, the latest extension being to June 30, 2003.
4. The Liquidator entered into an agreement with 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 consent of the reinsurers of the Meridian program is a condition of the Meridian transaction. The Meridian reinsurers have not yet consented.
5. The Liquidator recommends that this Court extend the date to which the Liquidator may make Meridian payments to December 31, 2003.

6. The Liquidator is also continuing its efforts to determine whether it can complete a transaction with respect to the liabilities under the balance of Reliance (Canada)'s policies (the "Policy Liabilities"). The Liquidator remains of the view that it is appropriate and in the best interest of the estate that Policy Payments and payment of Defence Costs should continue as at present until December 31, 2003, or such further date as this Court may order, while these efforts continue.
7. To alleviate hardship to policyholders whose claims are not satisfied by the Payments, the Liquidator proposes to make an interim distribution of 25% of valid policyholder claims. The Liquidator considers this distribution conservative and appropriate in the circumstances.
8. Rules 1.04, 2.03 and 3.02 of the *Rules of Civil Procedure*.
9. Sections 33, 35, 109 and 162 of the *Winding-up and Restructuring Act*.
10. The Orders of this Honourable Court made herein on December 3, 2001, January 30, 2002, April 29, 2002, May 8, 2002, December 6, 2002 and March 26, 2003.
11. 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 June 20, 2003; and
2. Such further and other material as counsel may advise and this Honourable Court permit.

June 20, 2003

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Schedule "A"

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

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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 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, 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, 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.

ONTARIO SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at TORONTO

ORDER

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ONTARIO SUPERIOR COURT OF JUSTICE
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Proceeding commenced at TORONTO

NOTICE OF MOTION

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