

**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

- and -

RELIANCE INSURANCE COMPANY

Respondent

**NOTICE OF MOTION
(returnable April 8, 2008)**

KPMG Inc., liquidator (the "Liquidator") of the insurance business of Reliance Insurance Company in Canada ("Reliance (Canada)") will make a motion to this Court on Tuesday, April 8, 2008 at 10:00 a.m., or as soon after that time as the motion can be heard, at 330 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:

- (a) passing 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);
 - (b) approving the professional fees of the Liquidator and of its counsel (the "Professional Fees") for the Period; and
 - (c) approving and authorizing a fifth interim distribution of 20% of valid and allowed loss claims, bringing total distributions to 100% thereof, as claims are allowed, and related relief.
2. Such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. 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;
 - (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; and
 - (c) valid claims under the Meridian program up to \$25,000;(collectively, the "Policy Payments").
2. This Court has extended the date for making the Policy Payments from time to time, the latest extension being until further Order of the Court.

3. This Court approved a first interim distribution to policyholders and claimants of 25% of their valid and allowed claims on June 26, 2003.
4. This Court further approved a second interim distribution to policyholders and claimants of a further 25% of their valid and allowed claims on September 2, 2004, bringing the total distribution to 50%.
5. This Court further approved a third interim distribution to policyholders and claimants of a further 15% of their valid and allowed claims on October 21, 2005, bringing the total distribution to 65%.
6. This Court further approved a fourth interim distribution to policyholders and claimants of a further 20% of their valid and allowed claims on December 15, 2006, bringing the total distribution to 80%.
7. The Liquidator considers that the proposed fifth interim distribution to policyholders and claimants of a further 20% of their valid and allowed claims, bringing the total distribution to 100%, will not prejudice any party and that it is appropriate in the circumstances.
8. Rules 1.04, 2.03 and 3.02 of the *Rules of Civil Procedure*.
9. Sections 33, 35, 94, 109, 161 and 162 of the *Winding-up and Restructuring Act*.
10. The Orders of this Honourable Court made herein on December 3, 2001, June 26, 2003, December 18, 2003, June 30, 2004, September 2, 2004, December 21, 2005, and December 15, 2006.
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 April 1, 2008;
2. Affidavit of Robert O. Sanderson sworn April 1, 2008;
3. Affidavit of Gale Rubenstein sworn April 1, 2008; and
4. Such further and other material as counsel may advise and this Honourable Court permit.

April 1, 2008.

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

THE HONOURABLE) TUESDAY, THE 8TH DAY
)
MADAM JUSTICE PEPALL) 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, and for ●, 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.

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)**

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Liquidator of Reliance (Canada)

File No. 016699