

**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-1 1, AS AMENDED***

**B E T W E E N :**

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**RELIANCE INSURANCE COMPANY**

Respondent

**AFFIDAVIT OF GALE RUBENSTEIN**

**(Sworn December 12, 2003)**

I, GALE RUBENSTEIN, of the City of Toronto, in the Province of Ontario **MAKE OATH AND SAY AS FOLLOWS:**

1. I am a partner with the law firm of Goodmans LLP ("Goodmans"), counsel for KPMG Inc. in its capacity as liquidator (the "Liquidator") of Reliance Insurance Company. As such, I have knowledge of the matters hereinafter deposed to, except where stated to be on information and belief and whereso stated I verily believe it to be true.
2. Attached hereto and marked as Exhibit "A" to this my Affidavit are summary invoices rendered by Goodmans to the Liquidator in respect of these proceedings for the periods November 8, 2001 to December 31, 2002 and from January 1, 2003 to September 30, 2003

(the "Periods"). Total fees of \$920,738.20 plus GST were charged by Goodmans for the Periods.

3. Lawyers and staff at Goodmans have expended a total of approximately 2,610.3 hours in connection with this matter during the Periods, allocated as outlined in the summaries of hours and average hourly rates attached hereto and marked as Exhibit "B".

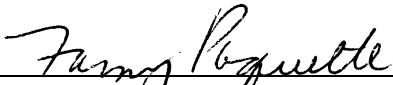
4. The hourly billing rates outlined in Exhibit "B" attached hereto are approximately 15% to 20% less than Goodmans' normal hourly rates which were in effect at the commencement of the liquidation. The discount from current rates is approximately 25% to 35%.

5. Goodmans has had its normal hourly rates and disbursements, including the rates of various of the lawyers who provided services in these proceedings, approved by this Honourable Court in respect of similar services provided in various insolvency and restructuring files including Confederation Life Insurance Company (Court File No. 97-BK-000543).

6. Attached hereto and marked as Exhibit "C" is a description of the areas of concentration of each of Goodmans' personnel who dedicated more than 50 hours to the estate.

7. This Affidavit is sworn in connection with a motion by the Liquidator for, among other things, the approval of the fees and disbursements of the Liquidator and of its counsel, Goodmans, and for no improper purpose.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario on December 12, 2003.

  
\_\_\_\_\_  
Commissioner for taking affidavits

  
\_\_\_\_\_

Gale Rubenstein

**Fanny Paquette, a Commissioner, etc.,  
City of Toronto, for Goodmans LLP,  
Barristers and Solicitors.  
Expires February 18, 2004.**

# GOODMANS

This is Exhibit "A" referred to in the affidavit of **GALE RUBENSTEIN**

Exhibit "A"

250 YONGE STREET  
SUITE 2400  
TORONTO, ONTARIO  
CANADA M5B 2M6  
TEL: 416.979.2211  
FAX: 416.979.1234  
www.goodmans.ca

sworn before me, this 12 day of DECEMBER 20 03

*Fanny Paquette*  
A COMMISSIONER FOR TAKING AFFIDAVITS

February 1, 2003

KPMG Inc.  
Suite 3300, Commerce Court West  
Stn. Commerce Court  
Toronto, Ontario  
M5L 1B2

**Attention: Robert O. Sanderson**

OUR FILE NO. KPMG/016699

Re: Reliance Insurance Company, in Liquidation ("Reliance")

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**TO OUR PROFESSIONAL SERVICES RENDERED** in connection with the above-noted matter for the period November 8, 2001 to December 31, 2002, including the following:

Attendances with respect to the winding-up application of Reliance, including communications with OSFI, Ministry of Finance and representatives of Pennsylvania Liquidator, preparation of orders re: winding-up and appointment of liquidator, preparation for cross-examination of François Gilbert, review of Department of Justice factum, preparation for and attendance at court on winding-up application, and preparation of engagement letter and agent contract;

Attendances with respect to claims and liabilities issues, including preparation of forms of releases and procedures for adjusters, review of various claims, including aviation claims, review and analysis of GAP policies, including policies administered by Groupe PPP, applications for leave to proceed, liaison and communications with adjusters, defence counsel and plaintiffs' counsel, and providing advice on settlement of various claims and settlement documents;

Attendances with respect to reinsurance issues, including collection of reinsurance proceeds, research re assignment of reinsurance contracts and set-off issues;

Attendances with respect to liquidation issues, including strategy issues, communications with various stakeholders, including certain policyholders and PACICC, preparation of stakeholder letters, PACICC coverage issues, preparation of loan and services agreement with PACICC, employee issues, including review of employee severance and preparation of termination letters and employee contracts, tax issues, preparation of motion materials and attendance at Ontario Court for various court applications, including transfer of funds and securities on deposit with Quebec regulator to the Liquidator, approval of Meridian Transfer Agreement and extensions of dates for policy payments, payment of defense costs and Meridian payments, responding to questions raised by Maritime Road Development Corporation and their request for adjournment

of motion for approval of Meridian Transfer Agreement, and attendances re: sale of furniture and art at Reliance premises;

Attendances with respect to U.S. issues, including U.S. claims issues, communications with U.S. Liquidator, identification of non-booked claims and arrangements with respect thereto;

Attendances with respect to protocol, including preparation of protocol letter with U.S. Liquidator and communications with U.S. Liquidator; and

Attendances with respect to sale process, including preparation of engagement letter with Scotia Capital Inc. and KPMG Corporate Finance to provide financial advisory services, communications with potential purchasers, review of letters of intent and offers from potential purchasers, consulting with inspectors, financial advisors and U.S. Liquidator with respect thereto, preparation of assumption reinsurance agreement re: Meridian warranty program and preparation of confidentiality agreement.

**OUR FEE:** \$633,367.80

**DISBURSEMENTS:** \$20,024.40

**GST:** \$ 45,639.72

**TOTAL:** \$699,031.92

**GOODMANS LLP**

E. & O. E.

# GOODMANS

This is Exhibit "A" referred to in the  
affidavit of GALE RUBENSTEIN  
sworn before me, this 17  
day of DECEMBER 20 03

Exhibit "A"

250 YONGE STREET  
SUITE 2400  
TORONTO, ONTARIO  
CANADA M5B 2M6  
TEL: 416.979.2211  
FAX: 416.979.1234  
www.goodmans.ca

Fanny Piquette  
A COMMISSIONER FOR TAKING AFFIDAVITS

November 17, 2003

KPMG Inc.  
Suite 3300, Commerce Court West  
Stn. Commerce Court  
Toronto, Ontario  
M5L 1B2

Attention: Robert O. Sanderson

OUR FILE NO. KPMG/016699

Re: Reliance Insurance Company, in Liquidation

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**TO OUR PROFESSIONAL SERVICES RENDERED** in connection with the above-noted matter for the period January 1, 2003 to September 30, 2003, including the following:

Attendances with respect to claims and liabilities issues, including applications for leave to proceed, liaison and communications with adjusters, defence counsel and plaintiffs' counsel, advising on settlement documents, review and analysis of GAP policies and preparation of opinion with respect thereto, preparation of motion materials and attendance at Ontario Court with respect to the appointment of litigation administrators, and administration of aviation claims;

Attendances with respect to reinsurance issues, including set-off issues and collection of reinsurance proceeds;

Attendances with respect to liquidation issues, including preparation of lease re premises of Reliance, preparation of motion materials and attendance at Ontario Court on various court applications, including extension of dates for policy payments, payment of defence costs and Meridian payments and distribution and liaison with inspectors;

Attendances with respect to U.S. issues, including U.S. claims issues, identification of non-booked claims and communications with U.S. Liquidator; and

Attendances with respect to sale process, including meetings with PACICC and U.S. Liquidator, preparation of escrow agreement and governing agreement with respect to the transfer of policyholder liabilities.

# GOODMANS

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<b>OUR FEE:</b>	\$287,370.40
<b>DISBURSEMENTS:</b>	\$ 9,651.88
<b>GST:</b>	<u>\$ 20,673.05</u>
<b>TOTAL:</b>	<u>\$317,695.33</u>
<b>GOODMANS LLP</b>	

E. & O. E.

G26\4500071.1

RELIANCE INSURANCE COMPANY  
(in liquidation)

LISTING OF GOODMAN'S LLP PERSONNEL      Exhibit "B"  
HOURS AND AVERAGE HOURLY RATE  
THIRTEEN MONTH PERIOD ENDED DECEMBER 31, 2002

This is Exhibit <sup>"B"</sup> referred to in the  
affidavit of GALE RUBENSTEIN  
sworn before me, this 12  
day of DECEMBER 2003  
Fanny Paquette  
A COMMISSIONER FOR TAKING AFFIDAVITS

Name	Rank	Area	HOURS	AVG. HRLY RATE
Rubenstein, Gale	Partner	Insolvency	514.10	\$480
Smith, Graham	Partner	Litigation	469.20	\$404
Gormley, Daniel	Partner	Commercial	108.60	\$404
Paquette, Fanny	Sr. Clk	Insolvency	99.30	\$158
Altaras, Michele	Assoc.	Insolvency	94.10	\$336
Zimmerman, Susan	Partner	Research	81.20	\$391
Bell, Scott	Assoc.	Research	71.10	\$236
Vanderwal, Amy	Assoc.	Insolvency	51.00	\$188
Individuals with less than 50 hours			309.50	\$154
			1,798.10	\$352

RELIANCE INSURANCE COMPANY  
(in liquidation)

LISTING OF GOODMAN'S LLP PERSONNEL  
HOURS AND AVERAGE HOURLY RATE  
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2003

Exhibit "B"

This is Exhibit <sup>"B"</sup> referred to in the  
affidavit of GALE RUBENSTEIN  
sworn before me, this <sup>12</sup>  
day of DECEMBER 2003  
Fanny Kaputle  
A COMMISSIONER FOR TAKING AFFIDAVITS

<u>Name</u>	<u>Rank</u>	<u>Area</u>	<u>HOURS</u>	<u>AVG. HRLY RATE</u>
Rubenstein, Gale	Partner	Insolvency	237.00	\$480
Smith, Graham	Partner	Litigation	177.10	\$404
Gormley, Daniel	Partner	Commercial	63.80	\$404
Altaras, Michele	Assoc.	Insolvency	50.80	\$336
Individuals with less than 50 hours			283.50	\$209
			<u>812.20</u>	<u>\$354</u>



EXHIBIT "C"  
GOODMANS LLP

This is Exhibit....."C".....referred to in the  
affidavit of...GALE RUBENSTEIN  
sworn before me, this...12.....  
day of.....DECEMBER.....20.03  
.....  
Fanny Paquette  
A COMMISSIONER FOR TAKING AFFIDAVITS

**GENERAL LIQUIDATION RESPONSIBILITY**

**GALE RUBENSTEIN** is a partner in the insolvency area. She oversees all legal matters and is involved in all major areas of the liquidation. Her particular areas of concentration during the periods included strategy issues, communications with various stakeholders, including certain policyholders and PACICC, and with the U.S. Liquidator. She also advised with respect to claims and liabilities issues, reinsurance issues, set-off issues, U.S. issues, protocol with the U.S. Liquidator, the sale process with respect to the Meridian warranty program and policyholder liabilities, and distribution issues, and attended before the Honourable Mr. Justice Farley of the Ontario Superior Court at various court applications.

**MICHELE ALTARAS** is an associate in the insolvency area. She prepared letters to stakeholders, including Meridian warranty program policyholders, prepared motion materials for various court applications, including the transfer of funds and securities on deposit with the Quebec Regulator to the Liquidator, the extensions of dates for policy payments, payment of defence costs and Meridian payments, and the appointment of independent claims administrators, and acted on the collection of reinsurance proceeds.

**AMY VANDERWAL** is an associate in the insolvency area. Her primary responsibilities were with respect to reinsurance issues, including research regarding assignment of reinsurance contracts and subrogation.

**FANNY PAQUETTE** is a senior law clerk in the insolvency area. She drafted basic court documents and prepared other materials in connection with various court applications and attended to service of motion materials. She also monitored the U.S. Bankruptcy Court website re the U.S. proceedings and had responsibility for internal accounting control and meeting the requirements of the Liquidator with respect to accounting and billings.

**LITIGATION**

**GRAHAM SMITH** is a partner in the litigation section. His primary responsibilities were with respect to litigation support. He acted as liaison with adjusters, defence counsel and plaintiffs' counsel, acted on applications for leave to proceed and provided advice on settlement of various claims and settlement documents.

**COMMERCIAL**

**DAN GORMLEY** is a partner in the commercial law section. He advised with respect to the protocol with the U.S. Liquidator and with respect to the sale process and drafted the transfer agreements with respect to the transfer of the Meridian warranty program and policyholder liabilities.

**RESEARCH**

**SUSAN ZIMMERMAN** and **SCOTT BELL** are in the research section. Susan Zimmerman is the Director of Research and Scott Bell is an associate in the research area. They provided research support with respect to reinsurance and U.S. issues.

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

Proceeding commenced at Toronto

**AFFIDAVIT OF**  
**GALE RUBENSTEIN**

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

Gale Rubenstein\LSUC# 17088E

Tel: 416.979.2211

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Solicitors for KPMG Inc., the Liquidator of  
Reliance Life Insurance Company