

**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

**AFFIDAVIT OF GALE RUBENSTEIN**

**(Sworn December 14, 2005)**

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 – Canadian Branch. 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 period July 1,

2004 to September 30, 2005 (the "Five Quarters"). Goodmans charged total fees of \$432,757.00 plus GST for the Five Quarters.

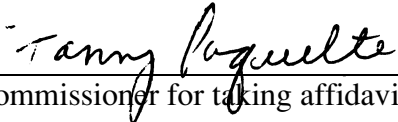
3. As shown by the summaries of hours and hourly rates for each of the Five Quarters, attached hereto and marked as Exhibit "B", its lawyers and staff at Goodmans have expended a total of approximately 1,130.1 hours in connection with this matter during the Five Quarters, allocated as outlined in the summaries of hours and average hourly rates attached hereto and marked as Exhibit "B".

4. At the commencement of the liquidation, Goodmans agreed to a discount from its then current market rates of approximately 15% to 20%, with rates not to be increased for one year. In fact, rates were not increased for the first two years of the liquidation, but were raised by 4.79%, effective October 1, 2003, reflecting the change in the Consumer Price Index over the two-year period. The discount from current rates is approximately 20% to 30%.

5. Attached hereto and marked as Exhibit "C" is a description of the areas of concentration of each of Goodmans' personnel who dedicated more than 30 hours to the estate.

6. 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 14, 2005.

  
Commissioner for taking affidavits

  
Gale Rubenstein

**Fanny Paquette, a Commissioner, etc.,  
City of Toronto, for Goodmans LLP.  
Barristers and Solicitors.  
Expires February 16, 2007.**

October 1, 2004

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

**Attention: Robert O. Sanderson**

This is Exhibit.....A.....referred to in the  
affidavit of.....Gale Rubenstein.....  
sworn before me, this.....14<sup>th</sup>.....  
day of.....December.....20.....

.....Fanny Paquette.....  
A COMMISSIONER FOR TAKING AFFIDAVITS

**Fanny Paquette, a Commissioner, etc.  
City of Toronto, for Goodmans LLP.  
Barristers and Solicitors.  
Expires February 16, 2007.**

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 July 1, 2004 to September 30, 2004, including the following:

Attendances with respect to claims and liabilities issues, including settlement of claims, U.S. directors and officers claims, liaison and communications with adjusters, defence and plaintiffs' counsel, policyholders and claimants;

Attendances with respect to reinsurance issues; and

Attendances with respect to liquidation issues, including preparation of motion materials and attendance at Ontario Court re passing of accounts, approval of the professional fees of the Liquidator and of its counsel and authorizing a second interim distribution, issues re payment of post-liquidation interest, liaison with inspectors, and entering into arrangements with Royal Bank of Canada for investment of assets.

<b>OUR FEE:</b>	<b>\$130,663.50</b>
<b>DISBURSEMENTS:</b>	<b>\$ 2,407.58</b>
<b>GST:</b>	<b><u>\$ 9,314.99</u></b>
<b>TOTAL:</b>	<b><u>\$142,386.07</u></b>

**GOODMANS LLP**

E. & O. E.

GOODMANS\5235632.1

January 1, 2005

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 October 1, 2004 to December 31, 2004, including the following:

Attendances with respect to claims and liabilities issues, including settlement of claims and preparation of settlement documents, liaison and communications with adjusters, defence and plaintiffs' counsel, U.S. directors and officers claims and applications for leave to proceed;

Attendances with respect to reinsurance issues;

Attendances with respect to liquidation issues, including employee issues, preparation of motion materials and attendance at Ontario Court re approval of arrangements entered into with Royal Bank of Canada; and

Attendances with respect to U.S. issues, including establishment of a protocol between the Canadian and U.S. estates with respect to claims.

# GOODMANS

-2-

<b>OUR FEE:</b>	<b>\$72,524.00</b>
<b>DISBURSEMENTS:</b>	<b>\$ 1,142.07</b>
<b>GST:</b>	<b><u>\$ 5,141.23</u></b>
<b>TOTAL:</b>	<b><u>\$78,807.30</u></b>

**GOODMANS LLP**

E. & O. E.

GOODMANS\5235661.1

April 1, 2005

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 January 1, 2005 to March 31, 2005, including the following:

Attendances with respect to claims and liabilities issues, including settlement of claims and preparation of settlement documents, liaison and communications with adjusters, defence and plaintiffs' counsel, U.S. directors and officers claims and applications for leave to proceed;

Attendances with respect to reinsurance issues, including proposed scheme of arrangement by foreign reinsurer including determination of financial interest of Reliance Canada, review of treaties and scheme materials, preparation for and attendance at motion at Ontario Court and research with respect to enforcement of foreign insolvency orders;

Attendances with respect to general liquidation issues, including set-off issues; and

Attendances with respect to U.S. issues, including U.S. non-booked claims.

# GOODMANS

-2-

<b>OUR FEE:</b>	\$110,687.00
<b>DISBURSEMENTS:</b>	\$ 1,995.43
<b>GST:</b>	<u>\$ 7,869.77</u>
<b>TOTAL:</b>	<b><u>\$120,552.20</u></b>

**GOODMANS LLP**

E. & O. E.

GOODMANS\5235674.1



July 1, 2005

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 April 1, 2005 to June 30, 2005, including the following:

Attendances with respect to claims and liabilities issues, including settlement of claims and preparation of settlement documents, liaison and communications with adjusters, defence and plaintiffs' counsel, U.S. directors and officers claims and applications for leave to proceed;

Attendances with respect to reinsurance issues, including preparation of motion materials and attendances at Ontario Court with respect to scheme of arrangement by foreign reinsurer; and

Attendances with respect to U.S. issues, including U.S. non-booked claims.

<b>OUR FEE:</b>	\$78,031.50
<b>DISBURSEMENTS:</b>	\$ 2,729.54
<b>GST:</b>	<u>\$ 5,635.51</u>
<b>TOTAL:</b>	<b><u>\$86,396.55</u></b>

**GOODMANS LLP**

E. & O. E.

GOODMANS\5235681.1

October 1, 2005

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 July 1, 2005 to September 30, 2005, including the following:

Attendances with respect to claims and liabilities issues, including settlement of claims and preparation of settlement documents, liaison and communications with adjusters, defence and plaintiffs' counsel, U.S. directors and officers claims and applications for leave to proceed;

Attendances with respect to reinsurance issues, including appeal and preparation of factum; and

Attendances with respect to U.S. issues, including cross-border issues and U.S. non-booked claims.

<b>OUR FEE:</b>	\$40,851.00
<b>DISBURSEMENTS:</b>	\$ 507.11
<b>GST:</b>	<u>\$ 2,895.08</u>
<b>TOTAL:</b>	<b><u>\$44,253.19</u></b>

GOODMANS LLP

E. & O. E.

GOODMANS\5236768.1

This is Exhibit B referred to in the  
affidavit of Gale Rubenstein  
sworn before me, this 17th  
day of December 2005

Fanny Paquette  
A COMMISSIONER FOR TAKING AFFIDAVITS

Fanny Paquette, a Commissioner, etc.,  
City of Toronto, for Goodmans LLP.  
Barristers and Solicitors.  
Expires February 16, 2007.

**RELIANCE INSURANCE COMPANY  
(in liquidation)**

**LISTING OF GOODMAN'S LLP PERSONNEL  
HOURS AND AVERAGE HOURLY RATE  
THREE MONTH PERIOD ENDED SEPTEMBER 30, 2004**

<u>Name</u>	<u>Rank</u>	<u>Area</u>	<u>HOURS</u>	<u>AVG. HRLY RATE</u>
Rubenstein, Gale	Partner	Insolvency	72.6	\$505
Wiener, Kenneth	Partner	Corp./Comm.	98.1	\$460
Smith, Graham	Partner	Litigation	57.9	\$425
Bell, Scott	Associate	Research	46.0	\$245
Paquette, Fanny	Law Clerk	Insolvency	36.4	\$165
Individuals with less than 30 hours			<u>46.2</u>	<u>\$150</u>
			<u>357.2</u>	<u>\$365</u>

**RELIANCE INSURANCE COMPANY  
(in liquidation)**

**LISTING OF GOODMAN'S LLP PERSONNEL  
HOURS AND AVERAGE HOURLY RATE  
THREE MONTH PERIOD ENDED DECEMBER 31, 2004**

<u>Name</u>	<u>Rank</u>	<u>Area</u>	<u>HOURS</u>	<u>AVG. HRLY RATE</u>
Rubenstein, Gale	Partner	Insolvency	32.4	\$505
Wiener, Kenneth	Partner	Corp./Comm.	35.1	\$460
Smith, Graham	Partner	Litigation	68.4	\$425
Individuals with less than 30 hours			<u>59.5</u>	<u>\$185</u>
			<b><u>195.4</u></b>	<b><u>\$370</u></b>

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**RELIANCE INSURANCE COMPANY  
(in liquidation)**

**LISTING OF GOODMAN'S LLP PERSONNEL  
HOURS AND AVERAGE HOURLY RATE  
THREE MONTH PERIOD ENDED MARCH 31, 2005**

<u>Name</u>	<u>Rank</u>	<u>Area</u>	<u>HOURS</u>	<u>AVG. HRLY RATE</u>
Rubenstein, Gale	Partner	Insolvency	190.1	\$505
Smith, Graham	Partner	Litigation	49.9	\$425
Individuals with less than 30 hours			<u>36.3</u>	<u>\$130</u>
			<u>276.3</u>	<u>\$400</u>

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**RELIANCE INSURANCE COMPANY  
(in liquidation)**

**LISTING OF GOODMAN'S LLP PERSONNEL  
HOURS AND AVERAGE HOURLY RATE  
THREE MONTH PERIOD ENDED JUNE 30, 2005**

<u>Name</u>	<u>Rank</u>	<u>Area</u>	<u>HOURS</u>	<u>AVG. HRLY RATE</u>
Smith, Graham	Partner	Litigation	94.3	\$425
Individuals with less than 30 hours			<u>15.6</u>	<u>\$ 50</u>
			<b><u>109.9</u></b>	<b><u>\$370</u></b>

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**RELIANCE INSURANCE COMPANY  
(in liquidation)**

**LISTING OF GOODMAN'S LLP PERSONNEL  
HOURS AND AVERAGE HOURLY RATE  
THREE MONTH PERIOD ENDED SEPTEMBER 30, 2005**

<u>Name</u>	<u>Rank</u>	<u>Area</u>	<u>HOURS</u>	<u>AVG. HRLY RATE</u>
Smith, Graham	Partner	Litigation	163.8	\$425
Individuals with less than 30 hours			<u>27.5</u>	<u>\$305</u>
			<b><u>191.3</u></b>	<b><u>\$410</u></b>

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# GOODMANS LLP

## 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 Five Quarters included strategy issues, communications with various stakeholders and with the U.S. Liquidator. She advised with respect to claims and liabilities issues, reinsurance issues, U.S. protocol and non-booked claims, distribution issues, issues relating to the passing of accounts, post-liquidation interest issues, investment issues, and issues regarding third party administrators.

**FANNY PAQUETTE** is a senior law clerk in the insolvency area. She drafted basic court documents and prepared materials in connection with applications to the Ontario Court and attended to service of motion materials. She also 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. He provided litigation support and acted as liaison with adjusters, defence counsel and plaintiffs' counsel, acted on applications for leave to proceed, provided advice and prepared settlement documentation on the settlement of various claims, and dealt with the proposed scheme of arrangement by a foreign reinsurer, including attendances at Ontario Court motions and appeal.

## CORPORATE/COMMERCIAL

**KEN WIENER** is a partner in the corporate/commercial area. He reviewed and prepared agreements and had responsibility for the arrangements entered into with Royal Bank of Canada with respect to the investment of assets.

## RESEARCH

**SCOTT BELL** is an associate in the research section. He provided research with respect to the issue of payment of post-liquidation interest.

GOODMANS\5236785.1

This is Exhibit..... C ..... referred to in the  
affidavit of..... Gale Rubenstein .....  
sworn before me, this..... 14<sup>th</sup> .....  
day of..... December ..... 20.....05.....  
.....  
Fanny Paquette  
A COMMISSIONER FOR TAKING AFFIDAVITS

**Fanny Paquette, a Commissioner, etc.,  
City of Toronto, for Goodmans LLP,  
Barristers and Solicitors.  
Expires February 16, 2007.**



**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  
M5H 2M6

Gale RubensteinLSUC #17088E  
Tel: 416.597.4148  
Fax: 416.979.1234

Graham SmithLSUC #26377D  
Tel: 416.597.4161  
Fax: 416.979.1234

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