

**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 7, 2006)

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 is a summary invoice rendered by Goodmans to the Liquidator in respect of these proceedings for the period

October 1, 2005 to September 30, 2006 (the "Four Quarters"). Goodmans charged total fees of \$184,933.00 plus GST for the Four Quarters.

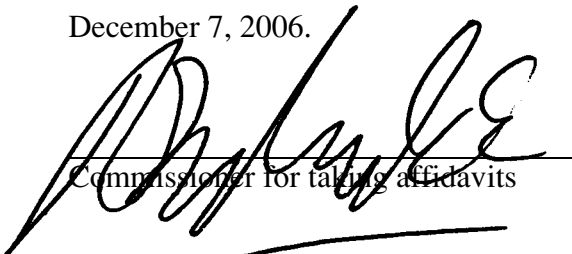
3. As shown by the summary of hours and hourly rates for the Four Quarters, attached as Exhibit "B" hereto, lawyers and staff at Goodmans have expended a total of approximately 495.8 hours in connection with this matter during the Four Quarters, allocated approximately as outlined in Exhibit "B".

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 market 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 7, 2006.



Commissioner for taking affidavits

ROBERT J. CHADWICK



Gale Rubenstein

October 1, 2006

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")

TO OUR PROFESSIONAL SERVICES RENDERED in connection with the above-noted matter for the period October 1, 2005 to September 30, 2006, including the following:

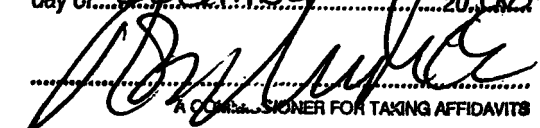
Attendances with respect to claims and liabilities issues, including settlement of claims, preparation of settlement documents, liaison and communications with adjusters, defence and plaintiffs' counsel, and applications for leave to proceed;

Attendances with respect to reinsurance issues, including preparation and attendance on appeal with respect to recognition of a U.K. solvent scheme of arrangement by Cavell Insurance Company ("Cavell") and conditions of recognition, communications with Cavell representatives, analysis of potential valuation of the claim, communications and co-ordination with U.K. counsel for the Liquidator and monitoring status of U.K. solvent scheme proceeding, reinsurance collections, commutations and settlement negotiations;

Attendances with respect to U.S. issues, including cross-border issues, protocol between Canadian and U.S. estates, set-off issues and non-booked claims;

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 third interim distribution, analysis of issues re post-liquidation interest, liaison with inspectors, amendment of PACICC loan and services agreement, confidentiality and due diligence issues and issues re third party administration of claims.

This is Exhibit....."A".....referred to in the
affidavit of.....Gale Rubenstein
sworn before me, this.....7th.....
day of.....December.....20, 2006


A COMMISSIONER FOR TAKING AFFIDAVITS
ROBERT S. CHAGNIER

OUR FEE:	\$184,933.00
DISBURSEMENTS:	\$ 4,498.01
GST:	<u>\$ 12,589.89</u>
TOTAL:	<u>\$202,020.90</u>

GOODMANS LLP

E. & O. E.

GOODMANS\5376310.1

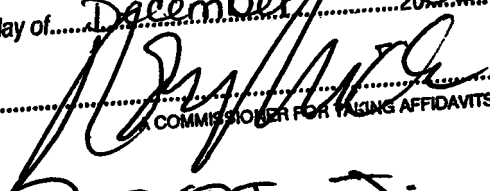
Exhibit "B"

**RELIANCE INSURANCE COMPANY
(in liquidation)**

**LISTING OF GOODMAN'S LLP PERSONNEL
HOURS AND AVERAGE HOURLY RATE
TWELVE MONTH PERIOD ENDED SEPTEMBER 30, 2006**

<u>Name</u>	<u>Rank</u>	<u>Area</u>	<u>HOURS</u>	<u>AVG. HRLY RATE</u>
Rubenstein, Gale	Partner	Insolvency	50.3	\$505
Smith, Graham	Partner	Litigation	312.1	\$425
Paquette, Fanny	Law Clerk	Insolvency	52.8	\$165
Individuals with less than 30 hours			<u>80.6</u>	<u>\$226</u>
			<u>495.8</u>	<u>\$373</u>

GOODMANS\5374734.1

This is Exhibit "B" referred to in the
affidavit of Gale Rubenstein
sworn before me, this 7th
day of December 2006

A COMMISSIONER FOR TAKING AFFIDAVITS
ROBERT J.
CHAWICK.

GOODMANS LLP

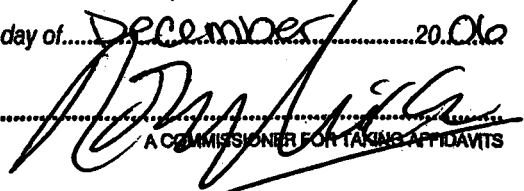
GENERAL LIQUIDATION RESPONSIBILITY

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 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, cross-border issues, non-booked claims, distribution issues, issues relating to the passing of accounts, post-liquidation interest issues and issues regarding third party administration of claims.

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, prepared materials and appeared on an appeal with respect to recognition of a U.K. solvent scheme of arrangement, dealt with set-off issues and non-booked claims, prepared an analysis re post-liquidation interest, prepared materials and attended at the Ontario Court on the motion for the passing of accounts, approval of professional fees and third interim distribution, and prepared an agreement re third party administration of claims.

This is Exhibit "C" referred to in the
affidavit of Gale Rubenstein
sworn before me, this 7th
day of December 2006

A COMMISSIONER FOR TAKING AFFIDAVITS
ROBERT J. CHADWICK.

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)