

**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**

BETWEEN:

THE ATTORNEY GENERAL OF CANADA

Applicant

- and -

RELIANCE INSURANCE COMPANY

Respondent

AFFIDAVIT OF GALE RUBENSTEIN

(Sworn December 9, 2009)

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 where so 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

January 1, 2008 to September 30, 2009 (the "Period"). Goodmans charged total fees of \$648,216.50 plus GST for the Period.

3. As shown by the summary of hours and hourly rates for the Period, attached as Exhibit "B" hereto, lawyers and staff at Goodmans have expended a total of approximately 1,396 hours in connection with this matter during the Period, 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, and a further 5.6% effective January 1, 2008, reflecting the change in the Consumer Price Index from January 1, 2006. Effective July 1, 2008, rates were increased to 90% of current market rates as they are set from time to time, as a result of reaching the 100% distribution level. The discount from current market rates is approximately 10%.

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 9, 2009.

Fanny Paquette

Commissioner for taking affidavits

Gale Rubenstein

Gale Rubenstein

Fanny Paquette, a Commissioner, etc.,
City of Toronto, for Goodmans LLP,
Barristers and Solicitors.
Expires February 16, 2010.

This is Exhibit "A" referred to in the
affidavit of Gale Rubenstein
sworn before me, this 9th
day of December 2009.

Fanny Paquette

A COMMISSIONER FOR TAKING AFFIDAVITS

October 1, 2009

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

Fanny Paquette, a Commissioner, etc.,
City of Toronto, for Goodmans LLP,
Barristers and Solicitors.
Expires February 16, 2010.

Attention: Elizabeth J. Murphy

OUR FILE NOS. KPMG/016699, 063080, 083770

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

TO OUR PROFESSIONAL SERVICES RENDERED in connection with the above-noted matter for the period January 1, 2008 to September 30, 2009, including the following:

Attendances with respect to claims and liabilities issues, including settlement of claims, preparation of settlement documents, liaison and communications with policyholders, adjusters, defence and plaintiff's counsel, applications for leave to proceed, and issues re pre-judgment and post-judgment interest;

Attendances with respect to liquidation issues, including preparation of motion materials and attendance at Ontario Superior Court of Justice re passing of accounts, approval of the professional fees of the Liquidator and of its counsel and authorizing a fifth interim distribution, post-liquidation interest issues, attendances on preparation of court materials and attendance at Ontario Superior Court of Justice on motion for advice and directions on issue of post-liquidation interest, including preliminary directions for appointment of representative counsel, preparation of motion materials and attendance at Ontario Superior Court of Justice re call for claims from ordinary creditors and re distribution to PACICC and ordinary creditors, liaison with inspectors and attendance at management committee meetings;

Attendances with respect to U.S. issues, including reinsurance collections and cross-border issues, meetings with U.S. representatives and set off-issues;

Attendances with respect to litigation issues, including Reliance Insurance Company v. Meridian Warranty Management Inc. and George Bilyk;

Attendances with respect to reinsurance issues, including Swiss Re appeal and leave to appeal and costs issues, including preparation of bill of costs, submissions and factum, review of law re

possibility of assigning reinsurance contracts in connection with possible sale of branch, and preparation of materials re reinsurance commutation;

OUR FEE:	\$648,216.50
DISBURSEMENTS:	\$ 14,574.63
GST:	<u>\$ 33,088.84</u>
TOTAL:	<u>\$695,879.97</u>

GOODMANS LLP

E. & O. E.

5786327

RELIANCE (CANADA)
(in Liquidation)

LISTING OF GOODMAN'S LLP PERSONNEL
HOURS AND AVERAGE HOURLY RATES
FOR THE PERIOD JANUARY 1, 2008 TO SEPTEMBER 30, 2009

<u>Name</u>	<u>Rank</u>	<u>Area</u>	<u>HOURS</u>	<u>AVG. HRLY RATE</u>
Smith, Graham	Partner	Litigation	844.0	\$568
Creery, Monica	Associate	Litigation	32.2	\$505
Butti, Lauren	Associate	Litigation	228.6	\$439
Paquette, Fanny	Law Clerk	Insolvency	124.0	\$205
Individuals with less than 30 hours			<u>167.4</u>	<u>\$158</u>
			<u>1,396.2</u>	<u>\$464</u>

\5786181

This is Exhibit "B" referred to in the
 affidavit of Eral Rubenstein
 sworn before me, this 9th
 day of December 2009
Fanny Paquette
 A COMMISSIONER FOR TAKING AFFIDAVITS

Fanny Paquette, a Commissioner, etc.,
 City of Toronto, for Goodmans LLP,
 Barristers and Solicitors.
 Expires February 16, 2010.

GOODMANS LLP

LITIGATION

GRAHAM SMITH is a partner in the litigation section. He dealt with litigation and acted as liaison with policyholders, 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, attended management committee meetings, advised on set-off issues, prepared motion materials and attended at the Superior Court of Justice on various motions. He also advised with respect to post-liquidation interest issues, cross-border issues, and reinsurance issues, including the appeal by certain reinsurers, and liaised with the U.S. Liquidator.

MONICA CREERY is an associate in the litigation section. She performed legal research in connection with the possible sale of the branch.

LAUREN BUTTI is an associate in the litigation section. She prepared materials for motions for advice and directions by the Liquidator to the Superior Court of Ontario on the issue of post-liquidation interest, including preliminary directions for the appointment of representative counsel, and prepared costs submissions on the appeal by certain reinsurers in respect of litigation enforcing reinsurance obligations..

GENERAL LIQUIDATION RESPONSIBILITY

FANNY PAQUETTE is a senior law clerk in the insolvency area. She drafted court documents and prepared materials in connection with motions to the Superior Court of Justice 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.

V5786344

This is Exhibit... "C"referred to in the
affidavit of... Gale Rubenstein
sworn before me, this... 9th
day of... December2009.....

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

Fanny Paquette, a Commissioner, etc.,
City of Toronto, for Goodmans LLP.
Barristers and Solicitors.
Expires February 16, 2010.

THE ATTORNEY GENERAL OF CANADA

and

RELIANCE INSURANCE COMPANY

Applicant

Respondent

Commercial List Court File No: 01-CL-4313

**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

Graham Smith\LSUC #26377D
Tel: 416.597.4161
Fax: 416.979.1234

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

THE ATTORNEY GENERAL OF CANADA
Applicant

RELIANCE INSURANCE COMPANY
Respondent

Court File No: 01-CL-4313

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

Proceeding commenced at TORONTO

MOTION RECORD
(Motion Returnable December 16, 2009)

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

Graham Smith (LSUC# 26377D)
Tel: 416-597-4161
Fax: 416-979-1234

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

Our File No. 01.6699