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December 21, 2001

To Holders of warranty policies underwritten by Reliance (Canada) and administered by Meridian Warranty Management Inc.

According to our records you are the holder of a warranty policy underwritten by Reliance (Canada) and administered by Meridian Warranty Management Inc. (the "Meridian Program").

On December 3, 2001, the Ontario Superior Court of Justice (the "Court"), on the application of the Attorney General of Canada, granted an order (the "Appointment Order") appointing KPMG Inc. as provisional liquidator (the "Liquidator") of the insurance business in Canada of Reliance Insurance Company ("Reliance (Canada)") and ordered that Reliance (Canada) be wound-up.

Reliance (Canada) is the Canadian branch of Reliance Insurance Company, which is a property and casualty insurer in the United States of America ("Reliance"). Reliance was placed in liquidation in Pennsylvania on October 3, 2001. The Insurance Commissioner for the Commonwealth of Pennsylvania is the court-appointed liquidator of Reliance.

The Liquidator is attempting to find one or more companies who will assume the policy liabilities of Reliance (Canada). With respect to the warranty policies issued under the Meridian Program, the Liquidator has set the objective of finding a new insurance carrier by January 31, 2002. For other policy liabilities, the Liquidator has set the objective of April 30, 2002. The Liquidator may return to Court to extend these dates if it appears necessary. If no other insurance carriers agree to assume the policy liabilities, the Liquidator will institute a process to deal with policyholder claims and may seek approval from the Court to cancel some or all of the in-force policies. The Liquidator will provide you with further information as this matter progresses.

The Liquidator is also working with the Property and Casualty Insurance Compensation Corporation ("PACICC") in connection with the winding-up of Reliance (Canada). We enclose a communication to policyholders from PACICC which explains PACICC's role and coverage in liquidation. You can also get information about PACICC and its coverage from its web site at www.pacicc.com.

The Appointment Order provides that the Liquidator may pay valid claims under warranty policies issued under the Meridian Program to the amount of \$5,000 or the PACICC coverage limit until January 31, 2002 or such later date as the Court may order. The PACICC coverage limit is \$250,000, which is much greater than the applicable policy limits. As a result, most policyholders will be entitled to full coverage by the Liquidator for claims incurred prior to January 31, 2002 or such later date as the Court may order.



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The fact that payments are being made to January 31, 2002 does not obligate the Liquidator to continue to make any payments beyond that date. The Liquidator will report back to the Court on the status of the marketing process and the estate of Reliance (Canada). The Liquidator cannot give you any assurances that payments will continue beyond January 31, 2002.

The Liquidator will advise you of any major developments in the liquidation. In the meantime, if you have any questions with respect to a specific claim, you should consult with your dealer or Meridian Warranty Management Inc. If you have any general questions regarding the liquidation, please address your inquiries in writing to the undersigned and we will deal with them as quickly as possible.

Yours very truly,

**KPMG Inc., in its capacity as Court-appointed
Liquidator of Reliance (Canada)**

E. G. Bossence/tb