

**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

May 3, 2002

I. INTRODUCTION

1. This Supplementary Report is supplementary to the Report of the Liquidator dated April 23, 2002 (the "April 23 Report") filed in support of a motion by KPMG Inc., the liquidator (the "Liquidator") of Reliance (Canada) for an Order, among other things, approving the Meridian Transfer Agreement and related relief. Capitalized terms used herein shall have the meaning ascribed to such terms in the April 23 Report.

II. ADJOURNMENT OF THE MOTION

2. This motion was originally returnable on April 29, 2002. On April 29, 2002, counsel for Maritime Road Development Corporation ("MRDC") requested an adjournment of the motion.

3. This Court adjourned the portion of the motion dealing with approval of the Meridian Transfer Agreement. A copy of the Order of this Court dated April 29, 2002, as well as the handwritten endorsement and an unofficial typed version of same, is attached hereto as Schedule "1".

4. On April 30, 2002, counsel for MRDC wrote to the counsel for the Liquidator attaching a list of questions of MRDC to the Liquidator. A copy of the letter and the list of questions is attached hereto as Schedule "2".


5. On May 3, 2002 by 10:30 a.m., the Liquidator provided its answers to the questions to counsel for MRDC. Attached hereto as Schedule "3" is a copy of the response.

III. RECOMMENDATIONS

6. The Liquidator recommends that the Court approve the Meridian Transfer Agreement and grant the relief sought herein.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

KPMG INC., solely in its capacity as the
Liquidator of Reliance Insurance Company -
Canadian Branch

Per: 
Robert O. Sanderson, President



Court File No. 01-CL-4313

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) MONDAY, THE 29TH DAY
)
MR. JUSTICE FARLEY) OF APRIL, 2002

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

ORDER

THIS MOTION, brought by KPMG Inc., the liquidator (the “Liquidator”) of the insurance business in Canada of Reliance Insurance Company (“Reliance (Canada)”), was heard this day at Osgoode Hall , 130 Queen Street West, Toronto, Ontario.

ON READING the Report of the Liquidator dated April 23, 2002, filed, the Order of this Court dated December 3, 2001 appointing the Liquidator (the “Appointment Order”) and the Order of this Court dated January 30, 2002 (the “Meridian Extension Order”),

and on hearing submissions of counsel for the Liquidator, the Property and Casualty Insurance Compensation Corporation and Maritime Road Development Corporation,

1. **THIS COURT ORDERS** that the service of the Notice of Motion and materials herein is good and sufficient service of this motion, that the motion is properly returnable before this Court and that further service thereof upon any interested party other than those parties served be and it is hereby dispensed with.

2. **THIS COURT ORDERS** that paragraphs 8 and 11 of the Appointment Order be and hereby are amended to extend the date of April 30, 2002 set out therein to May 6, 2002 or such later date as this Court may order.

3. **THIS COURT ORDERS** that paragraph 8 of the Appointment Order, amended by the Meridian Extension Order to extend the date of January 31, 2002 to April 30, 2002, be and hereby is further amended to extend the date therein to May 6, 2002 or such later date as this Court may order.

4. **THIS COURT ORDERS** that the balance of this motion be and it is hereby adjourned to May 6, 2002.



A handwritten signature in black ink, appearing to read "J. Reginald", is written over a horizontal line.

ENTERED AT/INSCRIT À TORONTO
ON/BOOK NO:
LE/DANS LE REGISTRE NO:

MAY 1 - 2002

PER/PAR:



Handwritten initials "NB" in black ink.

THE ATTORNEY GENERAL OF CANADA
Applicant
and
RELIANCE INSURANCE COMPANY
Respondent
Court File No: 01-CL-4313

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

ORDER

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

Gale Rubenstein\LSUC # 17088E

Tel: (416) 597-4148
Fax: (416) 979-1234

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

April 29/02

April 29/2002

Maitland Road Developments Corporation has requested an adjournment as to the approval of the hearing agreement so that it may obtain information with a view to satisfying itself as to the beneficial nature of the agreement (and for no other purpose). This is adjourned to Monday May 6, 2002 at 4:30pm (or so soon thereafter as I am available) and in the meantime the payment arrangements will continue until I have given a decision. In the meantime the liquidator will provide reasonable answers to reasonable questions.

J. M. Farley



**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**MOTION RECORD
(returnable April 19, 2002)**

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

Gale Rubenstein (LSUC# 17088E)
Tel: 416-597-4148
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Solicitors for KPMG Inc., the Liquidator of
Reliance (Canada)

Our File No. 01.6699

G26\4434711.1

**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

**ENDORSEMENT OF
THE HONOURABLE MR. JUSTICE FARLEY**

Date: April 29, 2002

Maritime Road Development Corporation has requested an adjournment as to the approval of the Meridian Agreement so that it may obtain information with a view to satisfying itself as to the beneficial values of that agreement (and for no other purpose). This is adjourned to Monday May 6, 2002 at 4:30 pm (or so soon thereafter as I am available) and in the meantime the payment arrangements will continue until I have given a decision. In the meantime the Liquidator will provide reasonable answers to reasonable questions.

J.M. FARLEY, J

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April 30, 2002

BY TELECOPIER

Goodmans LLP
Barristers and Solicitors
2400-250 Yonge Street
Toronto, Ontario
M5B 2M6

Attention: Gale Rubenstein

Dear Madam/Sir:

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

This letter is further to our attendance before The Honourable Mr. Justice Farley on April 29, 2002 in respect of the above referenced matter.

Pursuant to the endorsement of Farley J., we attach a copy of the list of questions of MRDC to the Liquidator. Please note that time constraints prevented us from receiving input on the list from one person who was to provide us with same. As a result, it may be necessary for us to provide you with additional questions tomorrow.

Please provide us with the Liquidator's response in advance of the return of the Liquidator's motion, currently scheduled for Monday, May 6, 2002.

Yours very truly,

Craig J. Hill
CJH/mjs
Attachment

Calgary • Montréal • Ottawa • Toronto • Vancouver



Maritime Road Development Corporation

Questions to the Liquidator

of Reliance Insurance Company

• **The Book of Business**

1. What classes of insurance products remain within the Reliance book of business?
2. How many policies remain within the Reliance book of business apart from the Meridian program, and how many fall within the classes of insurance products referenced above?

• **Deposits**

3. What is the total amount of the deposits available to the Liquidator within the Estate?

• **Claims**

4. What is the total number and dollar amount of the claims of which the Liquidator is presently aware?
5. How are these claims divided amongst the classes of insurance referred to in question 1 above?
6. Of the total number of claims:
 - (a) how many relate to those policies issued by Reliance (Canada); and
 - (b) how many relate to those policies written out of the Reliance (U.S.) office but which may be found to be payable out of the Canadian liquidation?
7. Has the Liquidator performed its own due diligence analysis of the individual claims outstanding against Reliance and/or the insureds under the relevant policies of insurance?
8. Has the Liquidator done any analysis of the potential for claims to be made on policies underwritten in the U.S. for Canadian Insureds?
9. If yes, what does such analysis reveal?
10. If not why not?

- **Reserves**

11. What is the total claims reserve in respect of the claims of which the Liquidator is presently aware?
12. Are all classes of insurance products within the Reliance book capable of actuarially-based loss projections?
13. If the answer to question 12 is No, which classes of insurance products are capable of actuarially-based loss projections and which are not?
14. If the answer to question 12 is Yes, have actuarial projections been performed in respect of such products / policies?
15. If not, why not?
16. What is the total of all actuarially-based loss projections?
17. What is the documentary support for the current actuarial valuation of the Meridian Liabilities of \$10.5 million, as referred to in paragraph III 1 (e) of the Report of the Liquidator dated April 23, 2002? May MRDC have a copy of such documentary support?
18. Within the context of the Liquidation, is there a difference between establishing reserves for the purposes of preserving the ability to make a rateable distribution and establishing a customary insurance claims reserve?
19. Has the Liquidator, for the purpose of maintaining its ability to make a pro rata distribution, "reserved" a proportion of the available deposits sufficient to pay all claims in full?

- **Reinsurance**

20. What percentage of the Reliance book is reinsured? Is reinsurance all treaty reinsurance, or is it a mixture of treaty and facultative?
21. How many treaties are relevant to the claims?
22. Do any of the treaties have "cut-through" clauses?
23. May MRDC have copies of such treaties?
24. Does the Liquidator intend to place reinsurance with respect to future claims? Will such coverage be available?

25. With respect to the Meridian Program, paragraph III 1 (c) of the Report of the Liquidator dated April 23, 2002 states that "the ultimate underwriting risk is borne by Meridian Reinsurers", but Reliance (Canada) is the issuer of the, policies. What documentary support exists in respect of this contention? May MRDC have a copy of such documentary support?

- **Process**

26. Does the Board of Inspectors have a claimants' representative?

27. Would the Liquidator object to having a claimants' representative on the Board of Inspectors?

28. Does the Board of Inspectors have an insureds' representative?

29. Would the Liquidator object to having an insureds' representative on the Board of Inspectors?

30. Is there any urgency in respect of concluding the administration of the Liquidation? If so, what is the nature of such urgency?

- **Other**

31. Will the Liquidator guarantee that the Meridian Agreement will not result in an inability to make a rateable distribution?

32. If, pursuant to paragraph 30 of the Order of Farley J. dated December 3, 2001, the Liquidator seeks the court's approval to arrange for a transfer or reinsurance of all or a portion of the policies of Reliance (Canada) and cancel all or a portion of the outstanding policies of Reliance (Canada), has the Liquidator taken into consideration the costs of such transfer or reinsurance and cancellation, including, but not limited to, the payment of premium(s)?

GOODMANS

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May 3, 2002

Our File No.: 01.6699
DELIVERED

Borden Ladner Gervais LLP
Scotia Plaza
40 King St. W.
Toronto, Ontario
M5H 3Y4

Attention: Craig Hill

Dear Sirs:

**Re: Reliance Insurance Company – Canadian Branch (“Reliance (Canada)”)
- Maritime Road Development Corporation (“MRDC”)**

Further to your letter of April 30, 2002, we attach a list of answers to the questions of MRDC to the Liquidator. We confirm that we have received no further questions.

Yours very truly,

GOODMANS LLP



Gale Rubenstein
GOR/dd

G26\RUBENSTG\4436735.1

Maritime Road Development Corporation

Answers to Questions to the Liquidator

of Reliance (Canada)

NOTE:

- 1. Unless otherwise stated, the responses herein are in respect of the insurance business in Canada of Reliance Insurance Company as defined as “Reliance (Canada)” in the winding-up order.**
- 2. By answering the questions posed by Maritime Road Development Corporation (“MRDC”), the Liquidator is not acknowledging that MRDC has any direct financial interest in the estate of Reliance (Canada) or has any status or standing in the winding-up.**
- 3. The information on which these responses are based has not been audited. In view of the uncertainties surrounding a company in liquidation, the ultimate realization on assets and liabilities will differ from recorded amounts and any differences may be material. Readers are cautioned that the statements and/or information as to financial position may not be appropriate for their purposes.**

- **The Book of Business**

1. *What classes of insurance products remain within the Reliance book of business?*

Assuming the question refers to the classes of insurance on which Reliance (Canada) is exposed to claims, the classes of insurance products remaining within the Reliance (Canada) book of business are:

- property
- accident and sickness
- aircraft
- automobile
- boiler and machinery
- fidelity
- liability
- surety

2. *How many policies remain within the Reliance book of business apart from the Meridian program, and how many fall within the classes of insurance products referenced above?*

Assuming the question refers to policies still in force, there are 11 liability policies, one surety policy and a surety program which is a form of residual value insurance. The surety program has been terminated, but the coverage thereunder still has time to run.

- **Deposits**

3. *What is the total amount of the deposits available to the Liquidator within the Estate?*

We understand this question to be directed to the liquid assets in the estate, being cash and near cash, as opposed to receivables. The cash and near cash in the estate as of March 31, 2002 was approximately \$160 million. This includes monies which were held in trust under the *Insurance Companies Act (Canada)* which have been transferred to the Liquidator. There remains a deposit with the Province of Quebec which the Liquidator is seeking to have transferred, of \$675,000.

- **Claims**

4. *What is the total number and dollar amount of the claims of which the Liquidator is presently aware?*

Reliance (Canada) did not track the face amount of claims on, among other things, statements of claim issued against Reliance (Canada) policyholders. It is not industry practice to do so and the Liquidator does not consider that doing so would be either meaningful or prudent. At December 31, 2001, the books and records of Reliance (Canada) disclosed approximately 1100 claims, with outstanding gross case reserves of approximately \$55 million.

5. *How are these claims divided amongst the classes of insurance referred to in question 1 above?*

The Liquidator is not providing an answer to this question because the Liquidator is concerned that details as to the categories of the reserves might prejudice the defense of claims, both third party claims against policyholders of Reliance (Canada) and first party claims against Reliance (Canada) itself.

6. *Of the total number of claims:*

a) *how many relate to those policies issued by Reliance (Canada);*

The information indicated above is with respect to policies issued by Reliance (Canada);

b) *how many relate to those policies written out of the Reliance (U.S.) office but which may be found to be payable out of the Canadian liquidation?*

The information presently available with respect to policies written out of the Reliance U.S. office indicates potential gross claims liabilities of Cdn \$10 million. ("U.S. Exposures") This information is not final and is based on preliminary work.

7. *Has the Liquidator performed its own due diligence analysis of the individual claims outstanding against Reliance and/or the insureds under the relevant policies of insurance?*

The Liquidator has performed its own due diligence. However, the Liquidator has not conducted a review of every individual claim. The Liquidator has reviewed certain claims. It has also reviewed Reliance (Canada)'s claims handling process and has instituted strict internal controls.

8. *Has the Liquidator done any analysis of the potential for claims to be made on policies underwritten in the U.S. for Canadian Insureds?*

Yes.

9. *If yes, what does such analysis reveal?*

The Liquidator has had ongoing discussions with the U.S. Liquidator to identify U.S. Exposures, and has determined that there is such exposure. The preliminary result of that review is contained in 6(b) above. The Liquidator has also been advised by counsel that there is no clear legal position on whether such claims would be properly admissible in the Canadian estate. The Liquidator will seek the directions of the Court with respect to this matter.

10. *If not, why not?*

Not applicable.

- **Reserves**

11. *What is the total claims reserve in respect of the claims of which the Liquidator is presently aware?*

Please refer to the answer to question 4.

12. *Are all classes of insurance products within the Reliance book capable of actuarially-based loss projections?*

Yes.

13. *If the answer to question 12 is No, which classes of insurance products are capable of actuarially-based loss projections and which are not?*

Not applicable.

14. *If the answer to question 12 is Yes, have actuarial projections been performed in respect of such products/policies?*

Yes.

15. *If not, why not?*

Not applicable.

16. *What is the total of all actuarially-based loss projections?*

As indicated in the solicitation letter provided to prospective purchasers (a copy of which is attached as Schedule "A"), as at June 30, 2002, the actuarially-based loss projections were in the gross amount of approximately \$132 million. The Liquidator has performed further actuarial reviews but is not prepared to share those results at the present time. As part of the sale process, each potential purchaser is expected to arrive at its own conclusions. Attached as Schedule "B" is a letter from Scotia Capital Inc., co-advisor in the sale process, indicating that such disclosure could be prejudicial. The results of the reviews performed by the Liquidator indicate that there is a substantial surplus above the actuarial loss projections. A surplus remains, even taking into account the information presently available with respect to the U.S. Exposures.

17. *What is the documentary support for the current actuarial valuation of the Meridian Liabilities of \$10.5 million, as referred to in paragraph III 1(e) of the Report of the Liquidator dated April 23, 2002? May MRDC have a copy of such documentary support?*

Attached as Schedule "C" is a copy of an actuarial valuation performed by J.S. Cheng & Partners, actuarial consultants. J.S. Cheng & Partners have consented to the release of the attached actuarial report on condition that the following is brought to the attention of the reader:

This report is for KPMG and Reliance Insurance Company only. The sole purpose of this report is to provide an estimate of the future loss and loss adjustment expense liability of the Meridian warranty program as of December 31, 2001. This report is neither intended nor necessarily suitable for any other use. Any use which a third party makes of this report, or any reliance on or decisions to be made based on it, are the responsibility of such third parties. J.S. Cheng & Partners accepts no responsibility for damages, if any, suffered by any third party as a result of decisions made or actions based on this report.

18. *Within the context of the Liquidation, is there a difference between establishing reserves for the purposes of preserving the ability to make a rateable distribution and establishing a customary insurance claims reserve?*

The Liquidator has not proposed a dividend distribution at this time. If there is a transfer of the entire Reliance (Canada) book, there will not be a rateable distribution. However, if there is a rateable distribution, the Liquidator would introduce a greater degree of conservatism with respect to estimating liabilities before making the distribution than would be general insurance industry practice.

19. *Has the Liquidator, for the purpose of maintaining its ability to make a pro rata distribution, “reserved” a proportion of the available deposits sufficient to pay all claims in full?*

As indicated above, based on the information presently available to it, the Liquidator is of the view that there will ultimately be sufficient assets to pay all claims in full. However, it is not making a distribution at this time so that the concept of “reserving a proportion of the available deposits “ is not relevant.

- **Reinsurance**

20. *What percentage of the Reliance book is reinsured? Is reinsurance all treaty insurance, or is it a mixture of treaty and facultative?*

Approximately forty percent of Reliance (Canada)’s gross case reserves as at December 31, 2001 are reinsured. The reinsurance is a mix of treaty and facultative reinsurance.

21. *How many treaties are relevant to the claims?*

There are in excess of 350 treaties.

22. *Do any of the treaties have “cut-through” clauses?*

There are no treaties with “cut-through” clauses.

23. *May MRDC have copies of such treaties?*

Not applicable.

24. *Does the Liquidator intend to place reinsurance with respect to future claims? Will such coverage be available?*

The Liquidator is seeking an assumption reinsurance arrangement with respect to all of the Reliance (Canada) book of business which includes all claims, past and future. If the Liquidator is unsuccessful in placing such assumption reinsurance, the Liquidator will review all other options reasonably available.

25. *With respect to the Meridian Program, paragraph III 1(c) of the Report of the Liquidator dated April 23, 2002 states that “the ultimate underwriting risk is borne by Meridian Reinsurers”, but Reliance (Canada) is the issuer of the policies. What documentary*

support exists in respect of this contention? May MRDC have a copy of such documentary support?

Attached as Schedule "D" are the cover notes for the reinsurance of the Meridian Program. Treaties were not issued. The cover notes represent the arrangement with each of the reinsurers. We also attach a sample of Meridian policies as part of Schedule "D".

- **Process**

26. *Does the Board of Inspectors have a claimants' representative?*

The estate presently has two inspectors, being the U.S. Liquidator and PACICC. PACICC is an insurance industry body which makes voluntary compensation payments to policyholders with valid claims under PACICC-covered policies to the extent the estate does not have sufficient funds to pay such claims. Policyholder claims in respect of which PACICC makes a compensation payment are assigned to PACICC and PACICC asserts these claims in the estate. In addition, by Order dated January 30, 2002, the Superintendent of Financial Institutions is entitled to receive notice of and attend all inspectors' meetings.

27. *Would the Liquidator object to having a claimants' representative on the Board of Inspectors?*

The Liquidator would consider its position with respect to the appointment as inspector of a claimant who holds a valid, allowed claim in the estate of Reliance (Canada), and who is looking to the estate, not the policyholder against whom the claim was made, for payment. The Liquidator would object to the appointment as inspector of a party who has made a claim against a Reliance (Canada) policyholder which has not yet been adjudicated. To be clear, the Liquidator's present understanding is that MRDC is in that category.

28. *Does the Board of Inspectors have an insureds' representative?*

As described in paragraph 26, PACICC asserts policyholder claims in the estate and therefore, to an extent, its interests are aligned with those of the insureds.

29. *Would the Liquidator object to having an insureds' representative on the Board of Inspectors?*

The Liquidator would consider its position if a request were made by an insured to be an inspector, assuming the insured had a valid, allowed claim.

30. *Is there any urgency in respect of concluding the administration of the Liquidation? If so, what is the nature of such urgency?*

The Liquidator does not understand the thrust of the question. The Liquidator is not of the view that the interests of stakeholders should be sacrificed to speed. The Liquidator does believe in the importance of conducting the administration in an expeditious manner, considering the importance of minimizing cost to the extent possible while giving the greatest possible degree of certainty to policyholders at the earliest possible time, and with regard to the interest of all stakeholders.

- **Other**

31. *Will the Liquidator guarantee that the Meridian Agreement will not result in an inability to make a rateable distribution?*

The Liquidator is not in the practice of providing guarantees. As indicated in the Liquidator's report, it is possible that the Meridian policyholders would receive 100% of their benefits and other policyholders less than 100%. However, in the Liquidator's view the Meridian Transfer Agreement is fair and equitable to the Meridian policyholders, to the estate as whole and to the remaining policyholders. The Liquidator, in coming to this view, has taken into account:

- a) the costs associated with administering dividend payments on Meridian policy claims if there were a rateable distribution. There would likely be at least two dividends. In many of the other property and casualty liquidations, there have been four or more distributions. The average Meridian claim is approximately \$630. The Liquidator estimates the costs associated with each cheque to be issued as dividends are adjusted would be approximately \$20; and
- b) the costs of ongoing administration of the Meridian policies.

These administration costs taken together with the costs of issuing dividend cheques would, in the Liquidator's view, offset the potential additional amounts available to other policyholders resulting from the Meridian policyholders receiving less than 100%.

The Liquidator is of the view that the completion of the Meridian Transfer Agreement will facilitate the transfer or reinsurance of the balance of Reliance (Canada)'s policies. Further, the Liquidator is of the view that the failure to complete the Meridian Transfer Agreement will prejudice the Liquidator's ability to secure a transaction for the transfer or reinsurance of the balance of the policies.

32. *If, pursuant to paragraph 30 of the Order of Farley J. dated December 3, 2001, the Liquidator seeks the court's approval to arrange for a transfer or reinsurance of all or a portion of the policies of Reliance (Canada) and cancel all or a portion of the outstanding policies of Reliance (Canada), has the Liquidator taken into consideration the costs of such transfer or reinsurance and cancellation, including, but not limited to, the payment of premium(s)?*

Yes.

SCHEDULE "A"

The following memorandum was prepared by Reliance Insurance Company, KPMG Inc., Scotia Capital Inc. and KPMG Corporate Finance Inc. based on publicly available information. The information contained herein is not guaranteed as to accuracy or completeness. This memorandum is for information purposes only and does not constitute an offer to sell or a solicitation to buy the securities referred to herein.

RELIANCE INSURANCE COMPANY (Canada Branch)

OVERVIEW

Reliance Insurance Company ("Reliance") is a federally registered property and casualty insurance company headquartered in Philadelphia, Pennsylvania, United States. Reliance's Canadian branch ("Reliance Canada" or the "Branch") operates from a head office located in Toronto, Ontario, Canada. Major lines of business included property, casualty, professional liability, directors & officers, group and association programs. Reliance Canada has been in run-off since September 2000.

As an alternative to the orderly run-off of Reliance Canada, one of the options being considered is an assumption reinsurance transaction for the net insurance liabilities in consideration for cash. Scotia Capital and KPMG Corporate Finance Inc. (the "Co-Advisors") have been engaged to assist in identifying interested parties and arranging an assumption reinsurance transaction.

The key attractions of this opportunity are:

- a large block of seasoned long-tail claims - the business has been in run-off since September 2000;
- portfolio backed in part by reinsurance from highly rated reinsurers - over 80% of the reinsurance cover is with "A" rated reinsurers;
- skilled and highly experienced claims staff – collectively over 177 years of experience;
- potential expense savings by combining with an existing portfolio; and
- opportunity to manage claims and investment portfolio to maximize returns.

Excluded from this transaction is a small block of insurance liabilities and associated reinsurance and other recoverables relating to the vehicle warranty business administered by Meridian Management Inc.

DESCRIPTION OF BUSINESS

Prior to the commencement of the run-off in September 2000, Reliance Canada historically wrote mainly commercial business including property, general liability and professional liability, and was licensed to transact business in all Canadian provinces and territories.

The Branch largely operated, and continues to operate, independently of Reliance in the United States although it shares certain services, including information technology and selected reinsurance activities. The Branch currently employs 16 people. Claims are handled in Canada by 5 claims examiners with a total of 177 years of cumulative claims experience. The Company's claims staff possesses unique qualifications for dealing with the book of business and may be available for transfer with the book of business.

INSURANCE LIABILITIES (CON'T)

⇒ At June 30, 2001, the breakdown of net unpaid claims of \$71.9 million was as follows (in \$000):

Business Line	Number Claims	Case Reserve	IBNR	Total Reserve	% of Total
Liability					
General	445	\$13,507	\$23,478	\$36,985	51.4%
E&O	162	\$753	\$4,275	\$5,028	7.0%
D&O	34	\$1,953	\$4,313	\$6,266	8.7%
Malpractice	142	\$6,962	\$846	\$7,808	10.9%
Pollution	80	\$1,759	\$1,946	\$3,705	5.2%
Other	8	\$21	\$0	\$21	0.0%
Commercial Property	261	\$3,110	\$1,139	\$4,249	5.9%
Commercial Automobile	57	\$3,013	\$2,956	\$5,969	8.3%
Other	24	\$805	\$1,076	\$1,881	2.6%
	<u>1,213</u>	<u>\$31,883</u>	<u>\$40,029</u>	<u>\$71,912</u>	<u>100.0%</u>

Province or Territory	Case Reserve	IBNR	Total Reserve	% of Total
Ontario	\$19,879	\$25,235	\$45,114	62.7%
Québec:	\$4,742	\$5,728	\$10,470	14.6%
Alberta	\$3,125	\$4,096	\$7,221	10.0%
British Columbia	\$2,469	\$2,992	\$5,461	7.6%
All others	\$1,669	\$1,977	\$3,646	5.1%
	<u>\$31,884</u>	<u>\$40,028</u>	<u>\$71,912</u>	<u>100.0%</u>

REINSURANCE

- ⇒ At June 30, 2001, the amounts recoverable from reinsurers (excluding amounts recoverable related to the Meridian block of business) were as follows (in \$000):

Reinsurer Rating ⁽¹⁾	Unpaid Claims and Adjustment Expenses	Unearned premiums	Total	% of Total
A++	\$26,383	\$33	\$26,416	43.4%
A+	\$8,812	\$190	\$9,002	14.8%
A	\$6,829	\$208	\$7,037	11.6%
A-	\$8,290	\$13	\$8,303	13.6%
B++	\$1	\$0	\$1	0.0%
B+	\$2,738	\$6	\$2,744	4.5%
Not rated and other	\$7,176	\$155	\$7,331	12.1%
	<u>\$60,229</u>	<u>\$605</u>	<u>\$60,834</u>	<u>100.0%</u>

Notes:

(1) Ratings as determined by A.M. Best Co.

- ⇒ The top 5 reinsurers account for 41.3% of the total amounts recoverable.
- ⇒ The top 10 reinsurers account for 58.4% of the total amounts recoverable.

CONTACT INFORMATION

Please feel to contact the Co-Advisors in regards to this opportunity at the numbers listed below:

Scotia Capital Inc

Paul Hodgson (416) 945-4032
 Vikas Sharma (416) 945-4282
 Richard Smith (416) 863-7401

KPMG Corporate Finance Inc.

Christian Plumer (416) 777-8995
 Derek Sutherland (416) 777-3177

SCHEDULE "B"

Scotia Capital Inc.
Scotia Plaza
40 King Street West
Box 4085, Station "A"
Toronto, Ontario
Canada M5W 2X6



Vikas Sharma
Tel: (416) 845-4282
Fax: (416) 862-3010

May 2, 2002

Goodmans LLP
2400-250 Yonge Street
Toronto, ON M5B 2M6

Attention: Gale Rubenstein

Dear Sirs:

As you are aware, Scotia Capital has been engaged by KPMG Inc., provisional liquidator (the "Liquidator") of the business and assets of the Canadian branch Of Reliance Insurance Company ("Reliance Canada"), to assist in identifying interested parties and arranging an assumption reinsurance transaction for the net insurance liabilities of Reliance Canada (excluding the business administered by Meridian Management Inc.). Our mandate is to minimize the cash consideration paid to a party for assuming the net liabilities of Reliance Canada.

You have requested that we review and provide our comments on a letter dated April 30, 2002 addressed to you from Borden Ladner Gervais LLP which contains a list of questions from Maritime Road Development Corporation to the Liquidator. Our only comment relates to question 16 which requests the disclosure of the total actuarially-based loss projections of Reliance Canada. Projections as at June 30, 2001 were provided to prospective purchasers. We are of the opinion that disclosing subsequent actuarially-based loss estimates may effectively put a floor on the cash consideration that will be required to complete a transaction and, accordingly, we believe that such disclosure may be prejudicial to our mandate.

Yours truly,

A handwritten signature in black ink, appearing to read "Vikas Sharma", written over a light grey background.

Vikas Sharma
Director
Mergers & Acquisitions

SCHEDULE "C"

J. S. Cheng  Partners Inc.

January 21, 2002

ACTUARIES AND
CONSULTANTS

Mr. Edward Bossenoe
Partner,
KPMG LLP, Chartered Accountants,
Suite 3300, Commerce Court West,
PO Box 31 Stn Commerce Court,
Toronto, Ontario, M5L 1B2

Dear Ted,

KPMG has engaged J, S. Cheng & Partners (JSCP) to provide a future claim estimate for the Meridian warranty program. We have analyzed the Meridian warranty program, fronted by Reliance Insurance Company as of August 31, 2001 and projected the future loss and loss adjustment expense liability as of December 31, 2001. All calculations in this report are done before reinsurance.

As individual warranty certificate information was not available at the time of our analysis, we employed three independent methodologies to establish a range of liabilities as well as our best estimate.

The three methodologies are:

- (1) Meridian earned loss ratio method (Meridian method) assumes that its premium earning formula is correct and that the future loss ratio is the same as the inception to date loss ratio for each plan type.

Future losses = current loss ratio x Meridian unearned premiums

- (2) Pure premium method assumes that our pre-determined pure premium for each plan type is correct. Our pure premiums are for new car warranties only and they are based on our industry study in 1999/2000. For watercraft, motorcycles, coaches (RV) and all other segments, we used the average premium as our pure premium. This method does not depend on any earning formula.

Future losses = number of warranties sold x pure premium less actual losses paid

- (3) Loss ratio method assumes that new car warranty earned premium is based on JSCP's earned factors, Used car warranty is based on a prorata formula. The JSCP earned factors are lower than Meridian new car warranty earning formula because all warranties are assumed to be issued on the date the new vehicles are registered.

1500 Don Mills Road, Suite 706, Toronto, Ontario M3B 3K4
Telephone; (416) 510-8360 Facsimile: (416) 510-8359
e-mail: jscp@jscheng-actuary.com

Our assumption increases the current loss ratio because the earned premiums are much smaller than Meridian's estimate. Also the unearned premiums are larger than Meridian's estimate. This increases the future loss estimate as a high loss ratio is applied to larger unearned premiums. We did cap all current loss ratio at 200% because our selected pure premiums are seldom over 150% of the average premiums.

Future losses = current JSCP loss ratio x JSCP unearned premiums

Finally, loss adjustment expenses (LAE) are assumed to be 5% of losses.

The results of our analysis are:

	Best Estimate	Range of Estimates
Future losses as of 8/31/01	10,790,000	
Implied ultimate loss ratio	133%	
Paid losses 9/01/01 to 12/31/01	728,000	
Future losses as of 12/31/01	10,062,000	
LAE as of 12/31/01	503,000	
Losses & LAE as of 12/31/01	10,565,000	9,711,000 to 14,551,000

You should be aware that all premiums used by us are net of dealers' commissions. Reliance Insurance Company's unearned premiums include dealer's commissions which are almost equal to the premiums themselves.

Attached is a summary by major segments as well as detailed worksheets for each plan type.

Caveats

We have used data from Meridian Warranty Management Inc. without an independent verification. We assumed that the reports (Underwriting Report) contained complete and accurate data with respect to written premiums (reinsurers' portion) number of warranties and paid losses. We note that Reliance Insurance Company reported \$11,456,000 paid losses as of December 31, 2001. Deducting \$728,000 paid losses from September 1 to December 31, 2001, the implied inception to August 31, 2001 payments should be \$10,728,000. Our data shows \$10,306,000 paid losses i.e. 96% of Reliance's official recorded number. The number of warranties we had is 25,501. Your summary sheet shows 27,500. Part of the difference is due to the inclusion of (1962) void contracts and (16) yet to receive contracts in your figure. Our written premiums were \$15,899,633 while your summary sheet shows \$15,913,091.

We have done as much due diligence as we could given the information available as cross-reference. While the totals we used are reasonably close to official totals available, we could not determine if the classification by warranty term is done properly.

In our judgment, we have employed techniques and assumptions, which are appropriate, and the conclusions presented herein are reasonable, given the information currently available.

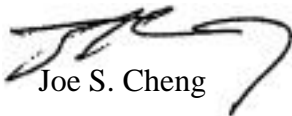
However, the conclusion of this report does not suggest that the final payments after December 31, 2001 cannot exceed the high end of our range of reasonable estimates.

This report is for KPMG and Reliance Insurance Company only. The sole purpose of this report is provide an estimate of the future loss and loss adjustment expense liability of the Meridian warranty program as of December 31, 2001.

This report is neither intended nor necessarily suitable for any other use. Distribution beyond the intended audiences is permitted provided that prior written consent is given by JSCP. Any use which a third party makes of this report, or any reliance on or decisions to be made based on it, are the responsibility of such third parties. JSCP accepts no responsibility for damages, if any, suffered by any third party as a result of decisions made or actions based on this report.

You have our permission to distribute this report (with all worksheets) to any insurer which is being asked to replace Reliance Insurance Company as a fronting company for the Meridian warranty program provided that the recipient is aware that we are available to answer any questions that they might have and all reinsurers except Reliance Insurance Company are considered as third party in this report.

Yours truly,


Joe S. Cheng

RELIANCE INSURANCE COMPANY
Meridian Warranty

Book 1	Certs Sold	Written	LAE Earned	Paid	Unearned Premiums	Future Losses (Meridian)	Future Losses (Pure Prem)	Future Losses (Loss Ratio)	Future Losses (Best Estimate)	Selected Loss Ratio
Premium Plan II	2,829	1,276,841	16,696	2,361,333	144,940	376,608	509,181	752,164	600,000	232%
DFS Auto	474	317,097	2,759	327,162	39,188	50,633	98,683	127,668	100,000	135%
DFS RV/TT	247	134,387	1,420	33,505	55,076	29,290	98,678	42,005	50,000	62%
Total	3,550	1,728,325	20,875	2,722,000	239,204	456,531	706,542	921,838	750,000	201%
Book 2										
Premium Plan II	921	436,908	7,489	682,047	96,327	234,053	303,286	478,791	300,000	225%
Premium Plan II-1A	1,532	939,599	26,370	852,581	271,288	372,132	673,438	990,398	675,000	163%
DFS Auto	4,780	3,132,417	39,940	2,448,737	706,001	758,434	1,279,451	2,775,279	1,300,000	120%
DFS RV/TT	1,721	1,189,483	11,003	387,539	468,597	197,740	803,098	814,791	810,000	101%
DFS MC	204	57,264	1,663	58,352	20,407	35,596	23,744	60,572	40,000	172%
DFS Watercraft	38	16,995	180	4,685	6,036	741	11,639	2,898	10,000	86%
Suzuki Auto	34	23,438	379	10,704	11,583	8,806	8,459	13,255	13,000	101%
Suzuki MC	20	3,454	145	221	1,305	197	3,015	835	2,000	64%
Total	9,250	5,799,557	87,169	4,444,865	1,581,545	1,607,699	3,106,130	5,136,819	3,150,000	131%
Book 3										
Premium Plan II-1A	1,425	889,470	20,961	552,378	391,409	494,471	831,149	1,305,213	840,000	157%
Premium Plan II-1AA	668	444,313	4,881	183,871	286,502	763,633	433,327	615,150	440,000	140%
DFS Auto	7,873	5,239,427	67,912	2,139,995	2,310,705	1,468,305	4,192,171	5,200,735	4,200,000	121%
DFS RV/TT	2,096	1,561,925	11,982	234,191	894,104	309,925	1,324,128	1,270,067	1,270,000	96%
DFS MC	264	73,686	11,551	27,918	39,576	34,288	51,239	76,798	51,000	107%
DFS Watercraft	50	28,270	314	236	13,550	331	28,034	5,458	14,000	50%
Suzuki Auto	228	119,040	1,439	3,328	92,493	6,939	81,795	34,425	60,000	53%
Suzuki MC	97	15,620	524	2,203	8,406	3,967	13,417	24,560	15,000	110%
Total	12,701	8,371,750	109,563	3,144,119	4,036,745	3,081,860	6,955,261	8,532,406	6,890,000	120%
Grand Total (8/31/2001)	25,501	15,899,633	217,607	10,310,984	5,857,493	5,146,090	10,767,933	14,591,062	10,790,000	133%
Claims Paid 9/2001-12/2001						728,000	728,000	728,000	728,000	
Future Losses as of 12/31/2001						4,418,090	10,039,933	13,863,062	10,062,000	
LAE losses as of 12/31/2001 @ 5%						220,904	501,997	693,153	503,100	
Future Losses & LAE as of 12/31/2001						4,638,994	10,541,930	14,556,215	10,565,100	

RELIANCE INSURANCE COMPANY
Meridian Warranty

Book 1

Program	Plan	Type	Mth	KM (000's)		Expired	Cancelled	Written	Earned	Can. Earned	Can. Unearned	LAE Earned	Visits	Fail	Paid	JSCP Earned Ratio	Meridian Earned Ratio	Pure Premium	Average Premium	Unearned Premiums	Future Losses (Meridian)	Future Losses (Pure Prem)	Future Losses (Loss Ratio)	Loss Cost (Meridian)	Loss Cost (Pure Prem)	Loss Cost (Loss Ratio)	
PremPlanII	New	Comp	72	160	14	7	6	1	4,785	4,189	170	181	109	10	11	4,846	48%	88%	830	342	415	480	6,767	4,951	380	830	700
PremPlanII	New	Comp	84	160	9	7	1	1	3,637	2,534	59	293	93	10	15	4,766	29%	70%	893	404	811	1,525	3,273	5,180	699	893	1,105
PremPlanII	New	Comp	84	200	6	5	0	1	1,814	659	88	197	38	1	2	729	29%	36%	1,117	302	958	1,060	5,970	1,803	298	1,117	422
PremPlanII	New	Full	60	100	182	77	97	8	45,243	40,237	547	1,335	1,149	142	204	64,938	82%	89%	573	249	3,671	5,925	39,348	13,961	389	573	434
PremPlanII	New	Full	60	120	85	34	45	6	27,737	24,473	1,070	702	520	119	168	60,353	67%	88%	798	326	2,562	6,318	7,477	18,256	784	798	925
PremPlanII	New	Full	60	160	180	113	57	10	77,811	62,067	1,098	4,167	1,543	324	491	192,258	65%	80%	1,037	432	11,576	35,858	0	54,174	1,267	1,068	1,369
PremPlanII	New	Full	72	120	217	150	52	15	71,064	57,215	1,630	3,627	2,156	297	459	159,215	42%	81%	813	327	10,221	28,442	17,206	82,731	865	813	1,115
PremPlanII	New	Full	72	160	176	111	57	8	78,959	62,510	1,287	2,665	1,462	260	397	145,867	48%	79%	1,185	449	13,784	32,165	62,693	81,704	1,012	1,185	1,293
PremPlanII	New	Full	84	120	173	154	6	13	67,745	47,008	1,661	3,580	1,987	221	316	102,709	24%	69%	956	392	17,157	37,487	62,679	103,489	810	956	1,192
PremPlanII	New	Full	84	160	474	406	38	30	221,291	153,504	4,217	10,112	3,074	876	1,289	448,710	29%	69%	1,276	467	57,675	168,591	156,114	315,186	1,302	1,276	1,612
PremPlanII	New	Full	84	200	121	102	9	10	49,658	24,837	1,220	2,653	884	122	161	57,047	29%	50%	1,595	410	22,167	50,914	135,948	70,728	892	1,595	1,056
PremPlanII	Used	Comp	12	25	11	0	11	0	4,404	4,404	0	0	0	7	11	6,065	100%	100%	400	400	0	0	0	0	551	551	551
PremPlanII	Used	Comp	24	40	45	0	44	1	27,440	26,784	0	656	0	51	77	40,688	100%	98%	610	610	0	0	0	0	904	904	904
PremPlanII	Used	Comp	36	60	82	0	77	5	50,990	48,170	452	2,820	9	158	211	88,328	100%	94%	622	622	0	0	0	0	1,077	1,077	1,077
PremPlanII	Used	Comp	48	80	28	14	9	5	20,707	16,973	264	3,393	243	30	43	15,051	100%	82%	740	740	340	302	5,669	0	548	740	538
PremPlanII	Used	Full	12	25	12	0	11	1	6,450	6,013	0	438	0	18	29	11,638	100%	93%	538	538	0	0	0	0	970	970	970
PremPlanII	Used	Full	24	40	106	0	98	8	75,551	70,732	2,702	4,818	36	208	347	123,252	100%	94%	713	713	0	0	0	0	1,163	1,163	1,163
PremPlanII	Used	Full	36	60	178	0	168	10	130,897	125,108	2,285	5,790	54	419	693	258,243	100%	96%	735	735	0	0	0	0	1,451	1,451	1,451
PremPlanII	Used	Full	48	80	70	35	32	3	60,891	57,459	681	2,192	600	204	301	121,998	100%	94%	870	870	1,240	2,633	0	0	1,780	1,743	1,743
PremPlanII	Used	Powertrain	6	15	12	0	11	1	2,060	1,776	0	284	0	3	3	1,431	100%	86%	172	172	0	0	633	0	119	172	119
PremPlanII	Used	Powertrain	12	25	27	0	25	2	8,655	7,961	0	694	0	11	13	6,011	100%	92%	321	321	0	0	2,656	0	223	321	223
PremPlanII	Used	Powertrain	24	40	56	0	53	3	23,121	21,965	511	1,156	13	32	42	27,109	100%	95%	413	413	0	0	0	0	484	484	484
PremPlanII	Used	Powertrain	36	60	39	0	35	4	17,986	16,145	434	1,841	11	30	43	26,014	100%	90%	461	461	0	0	0	0	667	667	667
PremPlanII	Used	Powertrain	48	80	13	6	6	1	7,097	6,919	424	80	116	9	10	7,197	100%	97%	546	546	99	103	0	0	562	554	554
PremPlanII	Domestic Extra	Full	36	130	160	0	140	20	68,977	64,255	3,628	4,723	152	292	419	147,157	100%	93%	510	431	0	0	0	0	920	920	920
PremPlanII	Asian Extra	Full	48	120	93	29	61	3	24,240	23,165	56	683	485	65	92	31,663	100%	96%	370	261	391	534	2,747	0	346	370	340
PremPlanII	Asian Extra	Full	48	140	59	18	39	2	19,486	18,712	164	554	311	71	96	31,238	100%	96%	474	330	221	369	0	0	536	529	529
PremPlanII	Asian Extra	Full	48	160	201	96	98	7	78,147	74,849	1,084	1,646	1,651	337	459	176,813	100%	96%	579	389	1,652	3,902	0	0	899	880	880
Total				2829	1364	1286	179	1,276,841	1,070,621	25,733	61,279	16,696	4,327	6,402	2,361,333					144,940	376,608	509,181	752,164				

RELiance INSURANCE COMPANY
Meridian Warranty

Book 1

Program	Plan	Type	Mth	KM (000's)	Sold	Active	Expired	Cancelled	Written	Earned	Can. Earned	Can. Unearned	LAE Earned	Visits	Fail	Paid	JSCP Earned Ratio	Meridian Earned Ratio	Pure Premium	Average Premium	Unearned Premiums	Future Losses (Meridian)	Future Losses (Pure Prem)	Future Losses (Loss Ratio)	Loss Cost (Meridian)	Loss Cost (Pure Prem)	Loss Cost (Loss Ratio)
DFS Auto	New	Deluxe	36	80	1	0	1	0	101	101	0	0	0	0	0	0	100%	100%	78	101	0	0	0	0	0	0	0
DFS Auto	New	Deluxe	48	100	1	0	1	0	119	119	0	0	0	1	1	572	100%	100%	357	119	0	0	0	0	572	572	572
DFS Auto	New	Deluxe	60	100	1	1	0	0	341	198	0	0	12	0	0	0	82%	58%	401	341	143	0	401	0	0	401	0
DFS Auto	New	Deluxe	60	160	2	2	0	0	1,449	774	0	0	21	0	0	0	65%	53%	726	724	674	0	1,452	0	0	726	0
DFS Auto	New	Deluxe	72	120	2	2	0	0	1,235	497	0	0	20	0	0	0	42%	40%	569	618	738	0	1,138	0	0	569	0
DFS Auto	New	Deluxe	72	160	1	1	0	0	393	177	0	0	9	0	0	0	48%	45%	830	393	216	0	830	0	0	830	0
DFS Auto	New	Deluxe	84	160	1	1	0	0	603	229	0	0	8	0	0	0	29%	38%	893	603	374	0	893	0	0	893	0
DFS Auto	New	Deluxe Extd	48	100	2	0	2	0	775	775	0	0	0	0	0	0	100%	100%	510	387	0	0	0	0	0	0	0
DFS Auto	New	Deluxe Extd	60	100	1	0	1	0	374	374	0	0	0	2	3	1,229	82%	100%	573	374	0	0	0	132	1,229	1,229	1,361
DFS Auto	New	Deluxe Extd	60	140	2	1	0	1	1,434	704	152	680	22	2	6	1,181	66%	49%	918	717	49	82	656	620	631	918	900
DFS Auto	New	Deluxe Extd	60	160	1	1	0	0	477	451	0	0	19	0	0	0	65%	95%	1,037	477	25	0	1,037	0	0	1,037	0
DFS Auto	New	Deluxe Extd	72	100	2	0	2	0	882	882	0	0	0	1	2	930	37%	100%	732	441	0	0	534	465	732	1,018	1,018
DFS Auto	New	Deluxe Extd	72	120	4	1	3	0	2,106	2,006	0	0	16	11	18	6,966	42%	95%	813	527	100	347	0	2,452	1,828	1,741	2,354
DFS Auto	New	Deluxe Extd	72	140	1	1	0	0	821	671	0	0	16	3	4	1,122	45%	82%	999	821	150	251	0	903	1,373	1,122	2,025
DFS Auto	New	Deluxe Extd	72	160	1	1	0	0	606	505	0	0	17	5	8	2,908	48%	83%	1,185	606	101	582	0	627	3,490	2,908	3,535
DFS Auto	New	Deluxe Extd	84	120	2	2	0	0	1,371	1,253	0	0	37	1	1	537	24%	91%	956	685	118	51	1,375	1,736	294	956	1,136
DFS Auto	New	Deluxe Extd	84	140	1	1	0	0	796	503	0	0	13	2	3	767	26%	63%	1,116	796	294	449	349	1,176	1,216	1,116	1,943
DFS Auto	New	Deluxe Extd	84	160	3	3	0	0	2,946	2,224	0	0	46	4	7	2,193	29%	76%	1,276	982	722	712	1,635	4,196	968	1,276	2,130
DFS Auto	New	Powertrain	72	100	1	1	0	0	147	104	0	0	14	0	0	0	37%	71%	476	147	42	0	476	0	0	476	0
DFS Auto	New	Powertrain	84	140	1	1	0	0	350	130	0	0	7	0	0	0	26%	37%	725	350	220	0	725	0	0	725	0
DFS Auto	New	PWT Extd	48	100	1	0	1	0	290	290	0	0	0	0	0	0	100%	100%	332	290	0	0	0	0	0	0	0
DFS Auto	New	PWT Extd	60	100	1	1	0	0	297	281	0	0	19	1	1	343	82%	95%	372	297	15	18	29	74	361	372	417
DFS Auto	New	PWT Extd	60	120	1	1	0	0	343	296	0	0	17	0	0	0	67%	86%	519	343	46	0	519	0	0	519	0
DFS Auto	New	PWT Extd	60	140	1	0	1	0	445	445	0	0	0	2	3	1,182	66%	100%	597	445	0	0	0	306	1,182	1,182	1,488
DFS Auto	New	PWT Extd	60	160	2	1	1	0	1,439	1,315	0	0	17	3	3	3,293	65%	91%	674	719	123	308	0	1,002	1,800	1,646	2,147
DFS Auto	New	PWT Extd	72	120	1	1	0	0	346	320	0	0	19	0	0	0	42%	93%	528	346	26	0	528	0	0	528	0
DFS Auto	New	PWT Extd	72	140	1	0	1	0	375	375	0	0	0	0	0	0	45%	100%	649	375	0	0	649	0	0	649	0
DFS Auto	New	PWT Extd	84	140	1	1	0	0	425	157	0	0	7	0	0	0	26%	37%	725	425	268	0	725	0	0	725	0
DFS Auto	New	Supreme	36	80	1	0	1	0	97	97	0	0	0	0	0	0	100%	100%	78	97	0	0	0	0	0	0	0
DFS Auto	New	Supreme	48	100	2	0	1	1	585	336	46	249	3	0	0	0	100%	57%	357	292	0	0	714	0	0	357	0
DFS Auto	New	Supreme	60	100	9	7	0	2	2,646	1,459	121	368	97	1	1	475	82%	55%	401	294	820	267	3,135	102	82	401	64
DFS Auto	New	Supreme	60	120	5	4	0	1	1,985	1,384	307	136	71	2	2	198	67%	70%	559	397	464	66	2,595	97	53	559	59
DFS Auto	New	Supreme	60	140	6	5	0	1	3,571	1,788	0	552	61	13	19	4,954	66%	50%	643	595	1,231	3,410	0	2,459	1,394	826	1,236
DFS Auto	New	Supreme	60	160	17	15	0	2	11,201	6,171	310	614	187	32	43	17,669	65%	55%	726	659	4,416	12,643	0	7,798	1,783	1,039	1,498
DFS Auto	New	Supreme	72	100	7	7	0	0	3,154	1,962	0	0	88	0	0	0	37%	62%	512	451	1,192	0	3,587	0	0	512	0
DFS Auto	New	Supreme	72	120	11	9	0	2	4,725	2,314	375	711	112	4	5	12,45	42%	49%	569	430	1,700	915	5,015	1,734	196	569	271
DFS Auto	New	Supreme	72	140	7	6	0	1	3,743	1,846	113	253	68	2	2	284	45%	49%	699	535	1,644	253	4,612	346	77	699	90
DFS Auto	New	Supreme	72	160	12	11	0	1	8,403	4,024	0	1,157	123	12	18	8,155	48%	48%	830	700	3,223	6,531	1,799	8,695	1,224	830	1,404
DFS Auto	New	Supreme	84	120	7	6	0	1	4,065	1,494	39	608	54	1	1	17	24%	37%	669	581	1,963	22	4,667	55	6	669	10
DFS Auto	New	Supreme	84	140	10	9	0	1	6,874	2,506	351	432	76	3	4	2,796	26%	36%	781	687	3,935	4,390	5,016	7,875	719	781	1,067
DFS Auto	New	Supreme	84	160	12	12	0	0	8,355	3,616	0	0	106	11	13	4,158	29%	43%	893	696	4,739	5,449	6,561	10,286	801	893	1,204
DFS Auto	New	Supreme Extd	48	100	2	0	2	0	820	820	0	0	0	4	4	912	100%	100%	510	410	0	0	0	0	0	456	456
DFS Auto	New	Supreme Extd	60	100	10	1	9	0	5,285	5,261	0	0	19	14	18	3,751	82%	100%	573	528	24	17	1,979	806	377	573	456
DFS Auto	New	Supreme Extd	60	120	5	2	3	0	3,074	2,774	0	0	30	9	10	3,531	67%	90%	798	615	300	382	459	1,732	783	798	1,052
DFS Auto	New	Supreme Extd	60	140	4	3	1	0	2,583	2,472	0	0	56	4	4	1,599	66%	96%	918	646	111	72	2,073	840	418	918	610
DFS Auto	New	Supreme Extd	60	160	13	8	5	0	9,642	8,754	0	0	135	57	74	24,397	65%	91%	1,037	742	889	2,478	0	6,713	2,067	1,877	2,393
DFS Auto	New	Supreme Extd	72	100	8	3	4	1	4,718	4,413	486	186	70	7	8	2,022	37%	94%	732	590	118	54	3,834	3,392	260	732	677
DFS Auto	New	Supreme Extd	72	120	17	12	3	2	10,340	8,743	864	434	228	24	41	14,689	42%	85%	813	608	1,164	1,956	0	12,038	979	864	1,572
DFS Auto	New	Supreme Extd	72	140	2	1	1	0	1,394	1,314	0	0	17	1	1	49	45%	94%	999	697	80	3	1,949	59	26	999	54
DFS Auto	New	Supreme Extd	72	160	7	6	0	1	5,016	3,838	384	297	106	13	21	5,299	48%	77%	1,185	717	881	1,217	2,996	5,190	931	1,185	1,499
DFS Auto	New	Supreme Extd	84	120	9	7	0	2	6,742	4,944	661	1,040	133	10	15	2,717	24%	73%	956	749	758	416	5,887	8,786	348	956	1,278
DFS Auto	New	Supreme Extd	84	140	6	6	0	0	4,631	3,859	0	0	99	12	14	5,269	28%	83%	1,116	772	773	1,055	1,427	6,836	1,054	1,116	2,017
DFS Auto	New	Supreme Extd	84	160	22	19	0	3	19,307	13,705	1,404	1,283	313	52	74	19,790	29%	71%	1,276	878	4,319	6,237	8,282	27,500	1,183	1,276	2,150
DFS Auto	Used	Deluxe	24	20	1	0	1	0	846	846	0	0	0	0	0	0	100%	100%	846	846	0	0	0	0	0	0	0
DFS Auto	Used	Deluxe	24	40	8	0	8	0	6,752	6,752	0	0	0	13	18	8,800	100%	100%	844	844	0	0	0	0	1,100	1,100	1,100
DFS Auto	Used	Deluxe	36	40	2	0	2	0	2,256	2,256	0	0	0	2	4	1,552	100%	100%	1,128	1,128	0	0	0	0	776	776	776
DFS Auto	Used	Deluxe	36	60	18	0	17	1	16,070	15,989	441	81	17	59	93	28,401	100%	99%	893	893	0	0	0	0	1,578	1,578	1,578
DFS Auto	Used	Deluxe	36																								

RELIANCE INSURANCE COMPANY
Meridian Warranty

Book 1

Program	Plan	Type	Mth	KM				Cancelled	Written	Earned	Can. Earned	Can. Unearned	LAE			Paid	JSCP Earned Ratio	Meridian Earned Ratio	Pure Premium	Average Premium	Unearned Premiums	Future Losses (Meridian)	Future Losses (Pure Prem)	Future Losses (Loss Ratio)	Loss Cost (Meridian)	Loss Cost (Pure Prem)	Loss Cost (Loss Ratio)
				Sold	Active	Expired	000's						Visits	Fail	Visits												
DFS Auto	Used	Powertrain	36	75	3	0	1	2	1,989	1,390	771	599	19	3	3	2,208	100%	70%	663	663	0	0	0	0	736	736	736
DFS Auto	Used	Preferred	12	10	1	0	1	0	481	481	0	0	0	0	0	0	100%	100%	481	481	0	0	0	0	0	0	0
DFS Auto	Used	Preferred	24	20	5	0	5	0	3,017	3,017	0	0	0	1	2	534	100%	100%	603	603	0	0	0	0	107	107	107
DFS Auto	Used	Preferred	24	40	11	0	10	1	5,430	4,891	18	539	1	11	13	5,911	100%	90%	494	494	0	0	0	0	537	537	537
DFS Auto	Used	Preferred	24	60	2	0	2	0	1,245	1,245	0	0	0	0	0	0	100%	100%	623	623	0	0	0	0	0	0	0
DFS Auto	Used	Preferred	36	40	5	0	5	0	4,077	4,077	0	0	0	0	0	0	100%	100%	815	815	0	0	0	0	0	0	0
DFS Auto	Used	Preferred	36	60	27	0	22	5	23,604	20,863	2,129	2,741	33	33	46	21,845	100%	88%	874	874	0	0	1,754	0	809	874	809
DFS Auto	Used	Preferred	36	75	2	0	2	0	2,091	2,091	0	0	0	6	8	3,464	100%	100%	1,046	1,046	0	0	0	0	1,732	1,732	1,732
DFS Auto	Used	Supreme	6	6.5	1	0	1	0	301	301	0	0	0	1	4	1,000	100%	100%	301	301	0	0	0	0	1,000	1,000	1,000
DFS Auto	Used	Supreme	12	20	2	0	2	0	1,794	1,794	0	0	0	6	13	6,985	100%	100%	897	897	0	0	0	0	3,492	3,492	3,492
DFS Auto	Used	Supreme	24	20	2	0	2	0	1,119	1,119	0	0	0	3	3	1,868	100%	100%	560	560	0	0	0	0	934	934	934
DFS Auto	Used	Supreme	24	40	13	0	12	1	10,228	9,883	438	345	11	26	34	13,482	100%	97%	787	787	0	0	0	0	1,037	1,037	1,037
DFS Auto	Used	Supreme	24	60	2	0	2	0	2,355	2,355	0	0	0	6	7	2,984	100%	100%	1,178	1,178	0	0	0	0	1,492	1,492	1,492
DFS Auto	Used	Supreme	36	40	7	0	7	0	8,027	8,027	0	0	0	21	26	17,122	100%	100%	1,147	1,147	0	0	0	0	2,446	2,446	2,446
DFS Auto	Used	Supreme	36	60	13	0	11	2	14,812	14,107	1,218	705	18	20	32	9,508	100%	95%	1,139	1,139	0	0	5,299	0	731	1,139	731
DFS Auto	Used	Supreme	36	75	3	0	3	0	5,024	5,024	0	0	0	14	23	9,254	100%	100%	1,675	1,675	0	0	0	0	3,085	3,085	3,085
Total					474	184	247	43	317,097	260,526	12,427	17,383	2,759	604	846	327,162				39,188	50,633	98,663	127,668				

RELIANCE INSURANCE COMPANY
Meridian Warranty

Book 1

Program	Plan	Type	Mth	KM (000's)	Sold	Active	Expired	Cancelled	Written	Earned	Can. Earned	Unearned	LAE Earned	Visits	Fail	Paid	JSCP Earned Ratio	Meridian Earned Ratio	Pure Premium	Average Premium	Unearned Premiums	Future Losses (Meridian)	Future Losses (Pure Prem)	Future Losses (Loss Ratio)	Loss Cost (Meridian)	Loss Cost (Pure Prem)	Loss Cost (Loss Ratio)
DFS RV/TT	New	Coach	60	999	33	32	0	1	9,262	3,871	136	234	277	3	5	1,318	65%	42%	281	281	5,156	1,755	7,955	704	93	281	61
DFS RV/TT	New	Coach	72	999	4	4	0	0	1,304	520	0	0	33	3	3	496	48%	40%	326	326	784	748	808	532	311	326	257
DFS RV/TT	New	Coach	84	80	1	1	0	0	1,894	900	0	0	10	2	4	700	27%	48%	1,894	1,894	994	773	1,194	1,933	1,473	1,894	2,633
DFS RV/TT	New	Coach	84	999	127	113	0	14	57,943	17,013	1,753	4,444	737	25	27	9,810	29%	29%	456	456	36,486	21,038	48,102	24,271	243	456	268
DFS RV/TT	New	Coach & Chassis	60	80	3	1	0	2	3,563	1,258	988	2,129	28	2	3	477	82%	35%	1,188	1,188	175	66	3,087	103	181	1,188	193
DFS RV/TT	New	Coach & Chassis	60	100	2	1	0	1	992	615	282	161	25	1	1	96	82%	62%	496	496	216	34	897	21	65	496	58
DFS RV/TT	New	Coach & Chassis	72	100	1	1	0	0	1,699	1,430	0	0	17	2	2	785	37%	84%	1,699	1,699	269	148	914	1,316	933	1,699	2,101
DFS RV/TT	New	Coach & Chassis	84	80	8	5	0	1	5,694	3,163	406	504	71	5	5	874	27%	56%	712	712	2,027	560	4,822	2,412	179	712	411
DFS RV/TT	New	Coach & Chassis	84	100	4	4	0	0	3,453	2,197	0	0	50	2	2	723	27%	64%	863	863	1,256	413	2,729	1,996	284	863	680
DFS RV/TT	New	Coach & Chassis	84	120	10	9	0	1	11,847	4,865	293	869	82	7	10	2,299	24%	41%	1,185	1,185	6,112	2,889	9,551	7,437	519	1,185	974
DFS RV/TT	New	Coach & Chassis	84	160	2	2	0	0	2,559	958	0	0	15	2	3	518	29%	37%	1,279	1,279	1,601	866	2,040	1,281	692	1,279	899
DFS RV/TT	Used	Powertrain	36	40	1	0	1	0	1,010	1,010	0	0	0	0	0	0	100%	100%	1,010	1,010	0	0	0	0	0	0	0
DFS RV/TT	Used	Coach	24	999	1	0	1	0	350	350	0	0	0	0	0	0	100%	100%	350	350	0	0	0	0	0	0	0
DFS RV/TT	Used	Coach	36	999	33	0	28	5	13,152	12,211	873	941	47	18	20	8,059	100%	93%	399	399	0	0	5,109	0	244	399	244
DFS RV/TT	Used	Coach & Chassis	12	20	1	0	1	0	846	846	0	0	0	0	0	0	100%	100%	846	846	0	0	0	0	0	0	0
DFS RV/TT	Used	Coach & Chassis	24	20	3	0	2	1	2,362	2,099	317	262	11	5	5	1,578	100%	89%	787	787	0	0	783	0	526	787	526
DFS RV/TT	Used	Coach & Chassis	36	20	2	0	1	1	2,529	975	235	1,553	3	0	0	0	100%	39%	1,264	1,264	0	0	2,528	0	0	1,264	0
DFS RV/TT	Used	Coach & Chassis	36	40	6	0	5	1	7,336	7,060	1,040	276	16	13	13	5,602	100%	96%	1,223	1,223	0	0	1,736	0	934	1,223	934
DFS RV/TT	Used	Coach & Chassis	36	60	5	0	4	1	6,594	4,624	0	1,971	0	1	1	171	100%	70%	1,319	1,319	0	0	6,424	0	34	1,319	34
Total					247	173	43	29	134,387	65,964	6,323	13,346	1,420	91	104	33,505					55,076	29,290	98,678	42,005			

RELIANCE INSURANCE COMPANY
Meridian Warranty

Book 2

Program	Plan	Type	Mth	KM (000's)	Sold	Active	Expired	Cancelled	Written	Earned	Can. Earned	Can. Unearned	LAE Earned	Visits	Fail	Paid	JSCP Earned Ratio	Meridian Earned Ratio	Pure Premium	Average Premium	Unearned Premiums	Future Losses (Meridian)	Future Losses (Pure Prem)	Future Losses (Loss Ratio)	Loss Cost (Meridian)	Loss Cost (Pure Prem)	Loss Cost (Loss Ratio)
PremPlanII	New	Comp	72	160	5	3	1	1	1,923	1,234	25	302	36	6	7	2,343	14%	64%	830	385	388	736	1,805	3,325	616	830	1,134
PremPlanII	New	Comp	84	160	4	4	0	0	1,657	1,105	0	0	46	12	14	4,463	9%	67%	893	414	552	2,227	0	3,000	1,672	1,116	1,866
PremPlanII	New	Full	60	100	30	22	8	0	6,760	5,486	0	0	283	14	20	10,222	33%	81%	573	225	1,274	2,374	6,968	9,078	420	573	643
PremPlanII	New	Full	60	120	21	15	6	0	6,563	5,126	0	0	177	15	17	4,440	22%	78%	798	313	1,436	1,244	12,318	10,200	271	798	697
PremPlanII	New	Full	60	160	59	49	8	2	24,621	16,455	296	693	551	86	121	39,659	21%	67%	1,037	417	7,472	18,009	21,524	38,917	977	1,037	1,332
PremPlanII	New	Full	72	120	84	75	3	6	27,209	18,570	925	988	944	74	95	35,917	15%	68%	813	324	7,651	14,798	32,375	46,116	604	813	977
PremPlanII	New	Full	72	160	62	55	3	4	28,738	17,019	700	1,189	584	87	127	46,430	14%	59%	1,185	464	10,530	28,728	27,040	49,686	1,212	1,185	1,550
PremPlanII	New	Full	84	120	124	114	2	8	47,189	25,605	1,020	1,983	1,120	120	159	67,822	10%	54%	956	381	19,601	51,919	50,722	84,725	966	956	1,230
PremPlanII	New	Full	84	160	191	179	1	11	90,587	53,196	2,468	2,641	1,920	280	417	145,381	9%	59%	1,276	474	34,749	94,967	98,335	163,988	1,258	1,276	1,620
PremPlanII	New	Full	84	200	32	30	0	2	13,895	5,501	137	678	210	21	26	6,876	9%	40%	1,595	434	7,716	9,644	44,164	25,153	516	1,595	1,001
PremPlanII	Used	Comp	12	25	1	0	1	0	834	834	0	0	0	1	1	203	100%	100%	834	834	0	0	0	0	203	203	203
PremPlanII	Used	Comp	24	40	21	0	20	1	13,472	12,722	0	751	0	24	28	11,270	100%	94%	642	642	0	0	2,202	0	537	642	537
PremPlanII	Used	Comp	36	60	26	0	23	3	16,343	14,314	82	2,030	2	49	62	24,735	97%	88%	629	629	0	0	0	707	951	951	979
PremPlanII	Used	Comp	48	80	6	5	0	1	4,810	4,080	307	351	88	10	14	6,688	73%	85%	802	802	379	621	0	2,484	1,218	1,115	1,529
PremPlanII	Used	Full	12	25	7	0	7	0	3,445	3,445	0	0	0	4	5	2,647	100%	100%	492	492	0	0	0	0	378	378	378
PremPlanII	Used	Full	24	40	33	0	32	1	24,109	23,561	0	548	0	76	104	54,666	100%	98%	731	731	0	0	0	0	1,657	1,657	1,657
PremPlanII	Used	Full	36	60	60	2	54	4	48,064	46,055	420	2,002	47	165	234	90,854	97%	96%	801	801	8	16	0	2,596	1,514	1,514	1,558
PremPlanII	Used	Full	48	80	27	26	0	1	25,781	22,548	141	964	415	89	123	56,782	73%	87%	955	955	2,269	5,715	0	13,965	2,315	2,103	2,620
PremPlanII	Used	Powertrain	6	15	6	0	6	0	1,603	1,603	0	0	0	5	6	4,626	100%	100%	267	267	0	0	0	0	771	771	771
PremPlanII	Used	Powertrain	12	25	6	0	6	0	1,770	1,770	0	0	0	4	4	4,925	100%	100%	295	295	0	0	0	0	821	821	821
PremPlanII	Used	Powertrain	24	40	18	0	18	0	8,478	8,478	0	0	0	6	8	4,178	100%	100%	471	471	0	0	0	0	232	232	232
PremPlanII	Used	Powertrain	36	60	8	0	8	0	3,728	3,728	0	0	0	5	5	2,077	97%	100%	466	466	0	0	1,651	59	260	466	267
PremPlanII	Used	Powertrain	48	80	3	3	0	0	1,531	1,385	0	0	47	0	0	0	73%	90%	510	510	146	0	1,531	0	0	510	0
PremPlanII	Domestic Extra	Full	36	130	23	0	23	0	9,949	9,949	0	0	0	51	74	24,080	90%	100%	510	433	0	0	0	2,020	1,047	1,047	1,135
PremPlanII	Asian Extra	Full	48	120	11	11	0	0	3,022	2,765	0	0	176	10	13	4,092	52%	91%	370	275	257	380	0	2,885	407	372	634
PremPlanII	Asian Extra	Full	48	140	13	13	0	0	4,483	4,083	0	0	207	12	21	5,717	52%	91%	474	345	400	559	445	4,280	483	474	769
PremPlanII	Asian Extra	Full	48	160	40	40	0	0	16,344	14,844	0	0	636	44	66	20,954	52%	91%	579	409	1,499	2,117	2,206	15,606	577	579	914
Total					921	646	230	45	436,908	325,461	6,521	15,120	7,489	1270	1771	682,047					96,327	234,053	303,286	478,791			

SCHEDULE "D"



Reliance Insurance Company
200 King Street West
Suite 1906, P.O. Box 61
Toronto, Ontario
Canada

10th August 1999

COVER NOTE

We thank you for your instructions and confirm that we have placed this insurance on your behalf as detailed below. Please check the details and advise us immediately should they not conform to your request.

RISK REF: XA000040Y003

ADMINISTRATOR: Meridian Warranty Management Inc.
625 Cochrane Drive
Suite 907
Markham Ontario,
L3R 9RP

It is also noted that such function is sub-delegated to:-

Nicole Demers and Associates
1600 Henri-Bourassa Ouest
Suite 544
Montreal
Quebec

REINSURED: RELIANCE INSURANCE COMPANY
200 King Street, Suite 1906,
Toronto
Ontario M511 3T4
Canada

TYPE: MOTOR VEHICLE EXTENDED WARRANTY CONTRACTUAL
LIABILITY QUOTA SHARE REINSURANCE

FORM
COVERAGE: J(1) Wording to be agreed Leading Reinsurer only. To reimburse the Reinsured for all sums which they become legally obligated to pay by reason of losses arising from Vehicle Service Contracts issued by the Meridian Warranty Management Inc. during the period of this reinsurance.

PERIOD: Continuous period commencing 1st May 1999
Period hereon contracts issued 12 months from 1st May 1999

REINSURERS HEREON HEREBY TENDER PROVISIONAL NOTICE
OF CANCELLATION TO BE EFFECTIVE 30TH APRIL 2000



-2-

LIMIT PER VEHICLE SERVICE

CONTRACT: Original aggregate limit per Vehicle Service Contract reads:

“The total liability of the Insurer for each occurrence covered under any accepted Approved Service Contract shall not exceed the purchase price of the vehicle and be limited to a maximum amount of \$25,000.

LIMIT HEREON 100% of all losses arising out of Vehicle Service Contracts hereon including Loss Adjustment Expenses (LAE) and agreed allocated loss expenses

SITUATED: Canada and U.S.A. when incidental.

CONDITIONS: Reinsurers will be subject to terms, conditions, interpretations, waivers, modifications and alterations of Company’s policies that are the subject of this Agreement.

1. Cancellation Clause 90 days at anniversary only being May 1st 2000 and subsequent anniversaries thereafter. The exception will be in a jurisdiction where statute or insurance regulation requires a longer period of cancellation in which instance such longer period for that jurisdiction shall apply.
2. The Terms and Conditions of any Original Coverage of any Vehicle Service Contract afforded hereunder must be agreed by Reinsurers.
3. Monthly statistics to be presented to Reinsurers within 60 days of the end of the month in which the Vehicle Service Contracts are received in the lock box.
4. Claims Bordereaux to be agreed by Reinsurers.
5. Premiums to be paid to Reinsurers within 60 days of the end of the month in which the Vehicle Service Contracts are received in the lock box.
6. Premium Income Limit: \$9,000,000 net hereon.
7. Period of individual service contracts bound shall be a maximum of 84 months for new vehicle coverage and 48 months for used vehicle coverage.
8. Reinsurers reserve the right to inspect and/or audit all records.
9. Rating Schedule and Plans to be developed by Reinsurers.



CONDITIONS
CONT'D:

10. Claims Administrator to receive a claims processing fee of \$25 for each claim paid or to be agreed Lead reinsurer hereon, payable in first instance from the claims handling fund. Under this Condition the “Claim handling fund” is defined as the “aggregate of monies collected as Loss Adjustment Expenses (LAE)”
11. Loss Adjustment Expenses (LAE): An additional \$25 per contract shall be paid into the LAE. This LAE shall remain with the cedent. At expiration of all liability hereon Underwriters cedent will allow release of all surplus funds to the Administrator.
12. Extra Contractual Obligation Clause (100%).
13. Loss in Excess of Policy Limits Clause (100%).
14. Reinsurers and Reinsured acknowledge and recognise that certain limited Authority under the MGA/ Administration Agreement has been granted to Meridian Warranty Management Inc. (The MGA and/or Administrator). The Administrator is provided with sole authority to settle all claims hereon, although Reinsurers may at their sole discretion associate themselves with any or all claims. Reinsurers have the right to direct the Reinsured to withdraw the Authority granted to the Administrator to administer claims hereon in the event the said Administrator is incapable and/or deemed unfit and/or unsatisfactory to Reinsurers to administer the said business. The Reinsured may only change the Administrator with permission granted by Reinsurers hereon, which shall not be unreasonably withheld.
15. Ultimate Net Loss Clause.
16. Access to Records Clause.
17. Non-Marine London Market War Exclusion Clause 1978.
18. Agency Clause.
19. Amendments Clause.
20. Intermediary Clause.
21. Arbitration Clause.
22. Currency Clause (Canadian \$).



CONDITIONS
CONT'D:

24. F.E.T. Clause.
25. Insolvency Clause.
26. Off-Set Clause.
27. Taxes Clauses.
28. Service of Suit Clause.
29. Salvage and Subrogation Clause.
30. Profit Commission Hereon:
Reinsurers hereon shall receive 20% profit commission on the "Loss Reserve Fund". For the purposes of this clause, profit shall be defined as "Loss Reserve Fund" minus incurred claim, LAE and agreed allocated loss expenses. Such profit commission to be paid 90 days after the expiry of all liability hereon or upon mutually agreed commutation by the Reinsured and Reinsurers hereon.
31. Original Profit Commission:
Profit Commission: An 80% profit commission will be paid to the Administrator on the difference between 80% loss ratio on the net absolute premium and the lesser actual loss ratio at expiry of all liability hereon to the Administrator(s) in respect of each individual Private Label program in isolation or entity to be agreed by Underwriters only. Minimum premium \$100,000 hereon.
32. "Net Retained Premium" is defined as the sum of the premium paid for each Vehicle Service Contract as agreed by Reinsurers.
33. The Loss Reserve Fund will be credited monthly with the 12 month Treasury Bill rate, or equivalent on the monthly outstanding balance.
34. All original documentation to be approved/ agreed by Reinsurers hereon.
35. Five (5) year "Rolling Agreement" to be agreed by Reinsurers.
36. Electronic Data Recognition Exclusion to be applied on all contracts.



CONDITIONS
CONT'D:

- 37. The Reinsured hereon will set up a "Loss Reserve Fund" on behalf of Reinsurers hereon. Such "Loss Reserve Fund" shall equate to eighty percent of the Net Retained Premiums plus investment income. Loss Payments hereunder will be paid to the Reinsured from the said "Loss Reserve Fund" until said fund is exhausted. Upon exhaustion of the "Loss Reserve Fund", Reinsurers will be required to post and maintain an escrow account equal to an estimated three (3) months of average claims payments.
- 38. AXA Insurance agrees to account premiums via its Canadian company.

ORDER HEREON: 100%

PREMIUM: 100% of the Net Retained Premium.

SECURITY: 100% with AXA Insurance Inc., Toronto, Canada

FOR THE REINSURED'S INFORMATION: The Brokerage/ Fee reads 5% of Net Retained premium and up to a \$14 fee per Vehicle Service Contract in respect of the DFS Advantage program. The fee is paid in addition to the NRP hereon and is remitted by the Administrator.

FirstCity Insurance Brokers receive 50% of the designated fee above. The DFS Advantage program fee summary (for 100%) is as follows:

Auto	\$14 per Contract
RV's	\$14 per Contract
Travel Trailers	3.50% of NRP to a cap of \$14
POP-UPS	\$7 per Contract
Motorcycles	10% of NRP Capped at \$12
Marine	Various percentages of NRP mostly capped at \$12

AUTHORISED SIGNATORY
FIRSTCITY INSURANCE FOR
FINANCIAL & PROFESSIONAL RISKS
E & OE



**COVER NOTE
1981418**

INTERNATIONAL INSURANCE
BROKERS AT LLOYD'S SINCE 1862

International Division
William Byas House
14-18 St. Clare Street
London
EC3N 1JX
Tel: 0171 481 0101
Fax: 0171 480 5305

*Blown
2*

**Reliance Insurance Company
200 King Street West
Suite 1906
Toronto
Ontario M5H 3TA
Canada**

12th January 1999

Dear Sirs,

In accordance with your instructions, we have effected Reinsurance with Underwriters on terms and conditions as detailed herein. Please examine this document carefully and if either the cover does not comply with your requirements or the security is unacceptable, please advise us immediately.

This cover note is subject to the terms and conditions of the wording to be issued.

Yours faithfully,

K. L. Barker



**COVER NOTE
1981418**

INTERNATIONAL INSURANCE
BROKERS AT LLOYD'S SINCE 1862

International Division
William Byas House
14-18 St. Clare Street
London
EC3N 1JX
Tel: 0171 481 0101
Fax: 0171 480 5305

TYPE: MOTOR VEHICLE EXTENDED WARRANTY CONTRACTUAL LIABILITY REINSURANCE.

FORM COVERAGE: J(1) Wording to be agreed by Reinsurers hereon. To reimburse the Reinsured for all sums which they become legally obligated to pay by reason of losses arising from Vehicle Service Contracts issued by the Meridian Warranty Management Inc. during the period of this reinsurance.

ADMINISTRATOR: MERIDIAN WARRANTY MANAGEMENT INC.

REINSURED: RELIANCE INSURANCE COMPANY.
200 King Street, Suite 1906.
Toronto.
Ontario M5H 3T4.
Canada.

PERIOD: Continuous period commencing 1st May 1998.
Period hereon, contracts issued 12 months from 1st May 1998.

REINSURERS HEREON HEREBY TENDER PROVISIONAL NOTICE OF CANCELLATION TO BE EFFECTIVE 31ST APRIL 1999.

LIMIT PER VEHICLE SERVICE CONTRACT: Original aggregate limit per Vehicle Service Contract reads:-

"The total liability of the Insurer for each occurrence covered under any accepted Approved Service Contract shall not exceed the purchase price of the vehicle and be limited to a maximum amount of \$25,000.



**COVER NOTE
1981418**

INTERNATIONAL INSURANCE
BROKERS AT LLOYD'S SINCE 1862

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William Byas House
14-18 St. Clare Street
London
EC3N 1JX
Tel: 0171 481 0101
Fax: 0171 480 5305

LIMIT HEREON: 100% of all losses arising out of Vehicle Service Contracts hereon including Loss Adjustment Expenses (LAE) and agreed allocated loss expenses.

EXCESS OF

The aggregate of 80% of the Net Retained Premiums plus derived investment income to be known as "The Loss Reserve Fund".

SITUATED: Canada and U.S.A. when incidental.

CONDITIONS: Reinsurers hereon will be subject to terms, conditions, interpretations, waivers, modifications and alterations of Company's policies that are the subject of this Agreement.

- (1) Cancellation Clause 90 days at anniversary only being May 1st 1999 and subsequent anniversaries thereafter. The exception will be in a jurisdiction where statute or insurance regulation requires a longer period of cancellation in which instance such longer period for that jurisdiction shall apply.
- (2) The Terms and Conditions of any Original Coverage of any Vehicle Service Contract afforded hereunder must be agreed by Reinsurers hereon prior to issuance.
- (3) Monthly statistics to be presented to Reinsurers hereon within 45 days of the end of the month in which the Vehicle Service Contracts are received in the lock box.
- (4) Claims Bordereaux to be agreed by Reinsurers hereon.
- (5) Premiums to be paid to Reinsurers hereon within 60 days of the end of the month in which the Vehicle Service Contracts are received in the lock box.



**COVER NOTE
1981418**

INTERNATIONAL INSURANCE
BROKERS AT LLOYD'S SINCE 1862

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Tel: 0171 481 0101
Fax: 0171 480 5305

- (6) Premium Income Limit: \$1,500,000 hereon.
- (7) Period of individual service contracts bound shall be a maximum of 84 months for new vehicle coverage and 48 months for used vehicle coverage.
- (8) Reinsurers hereon reserve the right to inspect and/or audit all records.
- (9) Rating Schedule and Plans to be developed by Reinsurers hereon.
- (10) Claims Administrator to receive a claims processing fee of \$25 for each claim paid or to be agreed by Reinsurers hereon, payable in first instance from the claims handling fund.
- (11) Loss Adjustment Expenses (LAE): An additional \$35 per contract shall be paid into the LAE. This LAE shall be deposited with Reinsurers hereon. At expiration of all liability hereon Underwriters will allow release of all surplus funds to the Administrator.
- (12) Extra Contractual Obligation Clause (100%).
- (13) Loss in Excess of Policy Limits Clause (100%).



**COVER NOTE
1981418**

INTERNATIONAL INSURANCE
BROKERS AT LLOYD'S SINCE 1862

International Division
William Byas House
14-18 St. Clare Street
London
EC3N 1JX
Tel: 0171 481 0101
Fax: 0171 480 5305

- (14) Reinsurers and Reinsured acknowledge and recognise that certain limited Authority under the MGA/Administration Agreement has been granted to Meridian Warranty Management Inc. (The MGA and/or Administrator). The Administrator is provided with sole authority to settle all claims hereon, although Reinsurers hereon may at their sole discretion associate themselves with any or all claims. Reinsurers hereon have the right to direct the Reinsured to withdraw the Authority granted to the Administrator to administer claims hereon in the event the said Administrator is incapable and/or deemed unfit and/or unsatisfactory to Reinsurers hereon to administer the said business. The Reinsured may only change the Administrator with permission granted by Reinsurers hereon, which shall not be unreasonably withheld.
- (15) Ultimate Net Loss Clause.
- (16) Access to Records Clause.
- (17) Non-Marine London Market War Exclusion Clause 1978.
- (18) Agency Clause.
- (19) Amendments Clause.
- (20) Intermediary Clause
- (21) Arbitration Clause.
- (22) Currency Clause (Canadian \$)
- (23) Errors and omissions Clause.
- (24) Federal Excise Tax Clause.
- (25) Insolvency Clause.
- (26) Off-Set Clause.



**COVER NOTE
1981418**

INTERNATIONAL INSURANCE
BROKERS AT LLOYD'S SINCE 1862

International Division
William Byas House
14-18 St. Clare Street
London
EC3N 1JX
Tel: 0171 481 0101
Fax: 0171 480 5305

- (27) Taxes Clause.
- (28) Service of Suit Clause.
- (29) Salvage and Subrogation Clause.
- (30) Profit Commission:
Reinsurers hereon shall receive 20% profit commission on the "Loss Reserve Fund" . For the purposes of this clause, profit shall be defined as "Loss Reserve Fund" minus incurred claims, LAE and agreed allocated loss expenses. Such profit commission to be paid 90 days after the expiry of all liability hereon or upon mutually agreed commutation by the Reinsured and Reinsurers hereon.
- (31) "Net Retained Premium" is defined as the sum of the premium paid for each Vehicle Service Contract as agreed by Reinsurers hereon.
- (32) The Loss Reserve Fund will be credited monthly with the 12 month Treasury Bill rate, or equivalent on the monthly outstanding balance.
- (33) All original documentation to be approved/agreed by Reinsurers hereon.
- (34) Five (5) year "Rolling Agreement" as attached or to be agreed by Reinsurers hereon.
- (35) Reinsurers hereon appoint Risk Consultants & Actuaries Ltd. as Reinsurers consultant. Risk Consultants & Actuaries Ltd. will be responsible to Reinsurers for:
 - a) Full rating analysis.
 - b) Quarterly report to Reinsurers hereon.
 - c) Systems audits as and when Reinsurers specify.
- (36) Within 45 days of the close of each quarter, electronic data as specified to be sent to Underwriters designated Consultant.



**COVER NOTE
1981418**

INTERNATIONAL INSURANCE
BROKERS AT LLOYD'S SINCE 1862

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Tel: 0171 481 0101
Fax: 0171 480 5305

(37) Electronic date recognition exclusion to be applied on all contracts issued after 30th June 1998.

ORDER HEREON: 100% of the foregoing.

PREMIUM: 20% of the Net Retained Premium.

INFORMATION: On file with Byas Mosley & Company Limited.

SECURITY: 47.50% Lloyd's Underwriters
(as per schedule attached)
52-50% AXA Provincial Insurance Plc.

For: BYAS, MOSLEY & CO. LTD
International Division

A handwritten signature in black ink, appearing to read 'P. D. Duckling'.

Associate Director
P. D. DUCKLING.

SEVERAL LIABILITY-NOTICE

The subscribing reinsurers' obligations under contracts of reinsurance to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing reinsurers are not responsible for the subscription of any co-subscribing reinsurer who for any reason does not satisfy all or part of its obligations.

LSW 1001 (Reinsurance)



**COVER NOTE
1981418**

INTERNATIONAL INSURANCE
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International Division
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London
EC3N 1JX
Tel: 0171 481 0101
Fax: 0171 480 5305

INDIVIDUAL LLOYD'S UNDERWRITERS PERCENTAGES, SYNDICATE NUMBERS
AND PSEUDONYMS

25.00% 947 SIM

7.50% 807 SDM

5.00% 1206 CAP

5.00% 954 BDK

2.29% 376 JHV

2.71% 2376 JHV

47.50%

Block 1

POLICY NO.

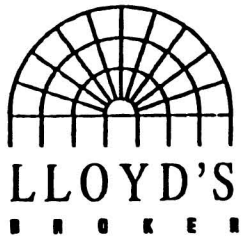
631
BYA

ASSURED:

LIMIT:

PERIOD:

Byas Mosley & Co Ltd
International Division



For L.P.S.O. use

For L.I.R.M.A. use

For I.L.U. use

Byas Mosley & Co Ltd
International Division

631
BYA

POLICY NO I96 1418		REF NO		
UNIQUE MARKET REFERENCE		SLIP REGISTRATION		
		ILU	LIRMA	
BINDING AUTHORITY REGISTRATION NO. & DATE		RISK CODE(S)		
		WA		
		TERMS OF SETTLEMENT		
D.T.I. CODE 5	TOC TRIBUNAL	SEIT DUE DATE	DEF	ADJ
ASSURED/ACCOUNT RI Reliance Insurance Company		<i>per declarations</i>		
		ADJUST SCHEME		
		<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO		
CURRENCY USD NUS US	COUNTRY OF ORIGIN CANADA		VAT Z	
OVERSEAS BROKER (NAME AND ADDRESS)				
/				
		GROSS PREMIUM		
CURRENCY CAN \$	SIGNED LINE %	IN ALL	WAR ONLY	
TOTAL	100%	FDO		
LILOYD'S	100%	FDO		
ILU				
LIRMA				
OTHER COS				
B/	FOR FUTURE USE			
C.P.A.	SERIAL NO.	CERTIFICATE NOS.		
YES NO				
EC CCI	EC ESTABLISHMENT	EC SERVICES	EC N/A	
BUREAU SCHEME NO.		BROKERS COVER NO.		
WRITTEN LINES	% ORDER PART OF WHOLE	ORDER	CLOSED FOR	
		100%	100%	

Leading Underwriters Agreement (N.M.A.), Leading Underwriters Agreement 1981 (London Market Non-Marine Companies). Increases in sum insured up to written lines plus 10% t.b.a. L/U only. P.T.'s & Annual Resignings t.b.i. first three Underwriters only. Off slips, signing slips and premium adjustments t.b.i. (if required) by L/U only. Renewals to be signed on NMA 2409/L7 LIRMA Renewal Pol. (or as applicable) if required. C.C.S.A. 1960, 1965 amendment Clause (authorisation forms) and all amendments thereto.

Byas Mosley & Co Ltd
International Division

631 BYA

TYPE: MOTOR VEHICLE EXTENDED WARRANTY CONTRACTUAL LIABILITY QUOTA SHARE TREATY.

FORM COVERAGE: J(1) Wording to be agreed Leading Reinsurer only. To reimburse the Reinsured for all sums which they become legally obligated to pay by reason of losses arising from Vehicle Service Contracts issued by the Meridian Warranty Management Inc. during the period of this reinsurance.

ADMINISTRATOR: MERIDIAN WARRANTY MANAGEMENT INC.

REINSURED: RELIANCE INSURANCE COMPANY.
200 King Street, Suite 1906.
Toronto.
Ontario M5H 3T4.
Canada. *TERM AMENDED TO EFFECT COVERAGE NOV. 1/95*

PERIOD: Continuous period commencing to be agreed Leading Reinsurer. Period hereon, contract commencing 1st November 1996. *SEE PAGE 5 ITEM 36*

LIMIT PER VEHICLE SERVICE CONTRACT: Original aggregate limit per Vehicle Service Contract reads:-

The total liability of the Insurer for each occurrence covered under any accepted Approved Service Contract shall not exceed the purchase price of the vehicle and be limited to a maximum amount of \$25,000.

LIMIT HEREON; 100% of all losses arising out of Vehicle Service Contracts hereon including Loss Adjustment Expenses (LAE) and agreed allocated loss expenses.

SITUATED: Canada and U.S.A. when incidental.

631
BYA

CONDITIONS:

Reinsurers will be subject to terms, conditions, interpretations, waivers, modifications and alterations of Company's policies that are the subject of this Agreement.

- (1) Cancellation Clause 90 days at anniversary only being November 1st 1997 and subsequent anniversaries thereafter. The exception will be in a jurisdiction where statute or insurance regulation requires a longer period of cancellation in which instance such longer period for that jurisdiction shall apply.
- (2) The Terms and Conditions of any Original Coverage of any Vehicle Service Contract afforded hereunder must be agreed Leading Reinsurer only prior to issuance.
- (3) Monthly statistics to be presented to Leading Reinsurer within 45 days of the end of the month in which the Vehicle Service Contracts are received in the lock box.
- (4) Claims Bordereaux' to be agreed Leading Underwriter and LCO.
- (5) Premiums to be paid to Reinsurers within 60 days of the end of the month in which the Vehicle Service Contracts are received in the lock box.
- (6) Premium Income Limit: \$2,000,000 hereon.
- (7) Period of individual service contracts bound shall be a maximum of 84 months for new vehicle coverage and 48 months for used vehicle coverage.
- (8) Reinsurers reserve the right to inspect and/or audit all records.
- (9) Rating Schedule and Plans to be developed by Leading Reinsurer.
- (10) Loss Adjustment Expenses (LAE):
Claims Administrator to receive a claims processing fee of \$25 for each claim paid or to be agreed Lead Reinsurer hereon, payable in first instance from the claims handling fund.

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BYA

- (11) Claims Handling Fund (CHF): An additional \$17.50 per contract shall be paid into the CHF. This CHF shall be deposited into an interest bearing Trust Account held by Byas Mosley & Co. Ltd. At expiration of all liability hereon Underwriters will allow release of all surplus funds to the Administrator.
- (12) Extra Contractual Obligation Clause (100%).
- (13) Loss in Excess of Policy Limits Clause (100%).
- (14) Reinsurers and Reinsured acknowledge and recognise that certain limited Authority under the MGA/Administration Agreement has been granted to Meridian Warranty Management Inc. (The MGA and/or Administrator). The Administrator is provided with sole authority to settle all claims hereon, although Reinsurers may at their sole discretion associate themselves with any or all claims. Reinsurers have the right to direct the Reinsured to withdraw the Authority granted to the Administrator to administer claims hereon in the event the said Administrator is incapable and/or deemed unfit and/or unsatisfactory to Reinsurers to administer the said business. The Reinsured may only change the Administrator with permission granted by Reinsurers hereon, which shall not be unreasonably withheld.
- (15) Ultimate Net Loss Clause.
- (16) Access to Records Clause.
- (17) Non-Marine London Market War Exclusion Clause 1978.
- (18) Agency Clause.
- (19) Amendments Clause.
- (20) Intermediary Clause
- (21) Arbitration Clause.
- (22) Currency Clause.(Canadian \$).
- (23) Errors and Omissions Clause.

631
BYA

- (24) F.E.T. Clause.
- (25) Insolvency Clause.
- (26) Off-Set Clause.
- (27) Taxes Clause.
- (28) Service of Suit Clause.
- (29) Salvage and Subrogation Clause.
- (30) Profit Commission:
Reinsurers hereon shall receive 20% profit commission on the "Loss Reserve Fund" . For the purposes of this clause, profit shall be defined as "Loss Reserve Fund" minus incurred claims, LAE and agreed allocated loss expenses. Such profit commission to be paid 90 days after the expiry of all liability hereon or upon mutually agreed commutation by the Reinsured and Reinsurers hereon.
- (31) "Net Retained Premium" is defined as the sum of the premium paid for each Vehicle Service Contract as agreed by Reinsurers.
- (32) Investment Management policy to be agreed by Leading Reinsurer to match Reliance Insurance Company's own investment return or so deemed.
- (33) All original documentation to be approved/agreed by Leading Reinsurers hereon.
- (34) Five (5) year "Rolling Agreement" as attached or to be agreed Leading Reinsurer hereon.
- (35) Reinsurers hereon appoint William N. Mercer Inc. as Reinsurers consultant. William M. Mercer Inc. will be responsible to Reinsurers for:
 - a) Full rating analysis.
 - b) Quarterly report to Reinsurers hereon.
 - c) Systems audits as and when Leading Reinsurer specifies.
- (36) Coverage hereon is extended to include business bound for period 1st November 1995 to 31st October 1996 (Premium hereon approx \$15,000).

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BYA

(37) The Reinsured hereon will set up a "Loss Reserve Fund" held in a "Trust Fund" on behalf of Reinsurers hereon. Such "Loss Reserve Fund" shall equate to eighty percent of the Net Retained Premiums plus investment income. Loss Payments hereunder will be paid to the Company from the said "Loss Reserve Fund" until said fund is exhausted. Upon exhaustion of the "Loss Reserve Fund", Reinsurers will be required to post and maintain an escrow account equal to an estimated three (3) months of average claims payments.

ORDER HEREON: 100%

PREMIUM: As original.

INFORMATION: On file with Byas Mosley & Co. Ltd.

Fax from Meridian dated 16/10/96.

Attaching to Reinsurance Agreement No: 196/1418

Noted and agreed this Off Slip attaches to Master Facility 96IIWF27783 under the Year of Account Scheme

The lines, syndicate numbers and references of those Underwriters overleaf attach to LPSO Signing Number and Date 61051*24-07-1996 establishing the Year of account for declaration and related entries.

ATTACHING TO AND FORMING PART OF SLIP NO. 196/1418

REINSURED: RELIANCE INSURANCE COMPANY

WRITTEN	SIGNED	UNDERWRITERS	REFERENCE
10.00%	12.500%	CBK 947 2947	QY218F96A45X <i>Handwritten initials</i>
2.50%	3.125%	FCD 923 2923	QY218F96B45X <i>Handwritten initials</i>
5.50%	6.875%	RAE 219	3389640145LA <i>RAE 29</i>
7.00%	8.750%	RGB 490 2490	9649429A0XNN <i>Handwritten initials</i>
6.00%	7.500%	JHV 376 2376	472N29934DTA <i>Handwritten initials</i>
10.00%	12.500%	JRR 47	34407F97A010 <i>Handwritten initials</i>
5.00%	6.250%	SAM 727	5N706CO980 <i>Handwritten initials</i>
5.00%	6.250%	ROS 227 CMP 2227	52203KRAMX2N <i>Ros 5/9</i>
5.00%	6.250%	SJC 1003 2003	NW34732VOWA <i>Handwritten initials</i>
3.00%	3.750%	MFN 1027 2027	96222934A000 <i>Handwritten initials</i>
2.50%	3.125%	PDA 506 2506	T5482283196
4.00%	5.000%	PJG 79	705FFIMS001A <i>Handwritten initials</i>
4.00%	5.000%	HLM 529	B3HL02982OXO
2.00%	2.500%	COX 590 2591	NWUFCOFG0227
5.00%	6.250%	WLW 807	E3309609059P <i>Handwritten initials</i>

1.50%

1.875%

BDK

994

961CO594E

2.00%

2.500%

AEG

991

0469096AX000

80.00%

100.00%

DFS

ADVANTAGE



Underwritten by:
Reliance Insurance Company
 200 King Street West, Suite 1906
 Toronto, Ontario M5H 3T4

Endorsed by:
 Deutsche Financial Services
 A Division of Deutsche Bank Canada

DFS POLICY NO.
MBC 4177584

NEW & USED MOTORCYCLE, SNOWMOBILE & PERSONAL WATERCRAFT MECHANICAL BREAKDOWN INSURANCE DECLARATIONS

POLICYHOLDER (Registered Owner)							
Mr. Ms. Mrs. Miss		Surname			First Given Name		Initials
Address				Apt./Townhouse No.		Telephone ()	
City			Province		Postal Code		
VEHICLE/WATERCRAFT INFORMATION							
Year	Make	Model	CC/HP	Odometer Reading	Rate Class	Product Code	
VIN Number			Manuf.'s In- Service Date			Purchase Price	
Trailer Information		Year	Make	Model	Serial Number		Number of Axles <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3
Lienholder				Telephone ()			
Address			City		Province	Postal Code	
COVERAGE INFORMATION							

PRODUCT TYPE (Please initial the boxes below) \$50 Deductible

<input type="checkbox"/> (6) Personal Watercraft	<input type="checkbox"/> (7) All Terrain Vehicles	<input type="checkbox"/> (8) Motorcycles (off-road only)	<input type="checkbox"/> (9) Motorcycles (on-road only)	<input type="checkbox"/> (10) Snowmobiles
NEW PLANS		USED PLANS		
<input type="checkbox"/> 24 MONTHS/ UNLIMITED MILEAGE <input type="checkbox"/> 36 MONTHS/ UNLIMITED MILEAGE <input type="checkbox"/> 48 MONTHS/ UNLIMITED MILEAGE <input type="checkbox"/> 60 MONTHS/ UNLIMITED MILEAGE <input type="checkbox"/> 72 MONTHS/ UNLIMITED MILEAGE <input type="checkbox"/> TRAILER PACKAGE \$ _____ POLICY AMOUNT \$ _____ GST \$ _____ PST \$ _____ TOTAL SALES PRICE \$ _____		<input type="checkbox"/> 12 MONTHS/ UNLIMITED MILEAGE <input type="checkbox"/> 24 MONTHS/ UNLIMITED MILEAGE <input type="checkbox"/> TRAILER PACKAGE \$ _____ POLICY AMOUNT \$ _____ GST \$ _____ PST \$ _____ TOTAL SALES PRICE \$ _____		

SAMPLE

Please Note - This Policy has been effected with Reliance Insurance Company, (hereinafter called the Insurer) through Meridian Warranty Management Inc. (the Administrator) 512 King Street East, Suite 302, Toronto, Ontario M5A 1M1

I hereby certify that I have read and understand the terms and conditions of this Mechanical Breakdown Insurance Policy, including the exclusions and limitations to coverage contained herein, and have selected the Term and coverage as indicated by my initials above. I certify that this watercraft or vehicle will not be used commercially, registered commercially or display a commercial sticker regardless of use during the plan term.

_____ Policyholder's Signature _____ Date Signed (Policy Purchase Date)

ISSUING DEALER

As the authorized representative of the dealer, I certify that this watercraft or vehicle, has not been used commercially, for rental or demonstrative purposes prior to this sale and is eligible for coverage. (Used Only) This policy was written for a unit sold by myself on the same day of sale.

_____ Issuing Dealer Signature _____ Date Signed (Policy Purchase Date)

Dealer Name _____ Dealer # _____ City _____ Province _____

AUTHORIZATION MUST BE OBTAINED FROM THE ADMINISTRATOR PRIOR TO COMMENCEMENT OF ANY COVERED REPAIRS OR RENTAL OF A REPLACEMENT VEHICLE. HAVE YOUR REPAIR FACILITY CONTACT

MERIDIAN WARRANTY MANAGEMENT INC.
 (The Administrator)
 Telephone: 1-800-838-7354

Purchase of this insurance policy is not required in order to purchase a watercraft or vehicle or obtain watercraft or vehicle financing. If this policy has been financed, above Lienholder shall be entitled to any refunds resulting from cancellation.

IN CONSIDERATION of the payment of the premium including all applicable surcharges by **The Reliance Insurance Company**, and in reliance upon the statements and selections made by the **Insured** in the **Declaration Page** of this **Policy**, and subject to the following terms, conditions, exclusions and limitations of this **Mechanical Breakdown Insurance**, available **Insurance Coverage** may summarized as follows:

TERRITORIAL LIMITS

This **Mechanical Breakdown Insurance** shall cover the **Vehicle/Watercraft** only when it is in **Canada** or in the **Continental United States and Alaska**.

DEFINITIONS

Administrator means the individual or corporation. **We** have appointed to administer this **Mechanical Breakdown Insurance**. The **Administrator** is not a party to this **Policy**.

Cost means the usual and fair charges for parts and labor needed to perform repairs covered by this **Policy**. Replacement parts will be of the same kind and quality as the covered parts, and may include new or rebuilt parts.

Declarations Page means the numbered document which must be attached to and forms part of this **Policy**. It lists information regarding **You**, **Your Vehicle/Watercraft**, **Coverages** selected and other vital information. Please review the **Declarations Page** to confirm this information is correct. If this information is not correct, immediately call the **Administrator**.

Insurance Coverage means the term and coverage **You** have purchased for **Your Vehicle/Watercraft** as shown in the **Coverages** section of the **Declarations Page**. It lists the **Coverages** provided to **You** for **Your Vehicle/Watercraft** under this **Policy**. If not attached, immediately call the **Administrator**.

Lienholder means the person or company that has advanced the money for the purchase of this **Policy**.

Mechanical Breakdown (Breakdown) means the failure of a covered part under normal service. A covered part has failed when it can no longer perform the function for which it was designed solely because of its

condition and not because of the action or inaction of any non-covered parts.

Policy means this **Mechanical Breakdown Insurance**, as printed on the **Declarations Page**, which **You** have purchased from **Us** to protect **Your Vehicle/Watercraft** described on the **Declarations Page**.

Policy Purchase Date means the date the **Policy** was purchased for **Your New or Used Vehicle/Watercraft**.

Repair Facility means the agent/dealer **You** purchased **Your Vehicle/Watercraft** from or a fully licensed and approved **Repair Facility**.

Vehicle/Watercraft In-Service Date means the date **Your New Vehicle/Watercraft** was put into retail, demonstrator or fleet service.

We, Us and Our means the **Insurer** named on this **Policy**.

You and Your means the person named as the **Policyholder** on the **Declarations Page** of this **Policy**.

Your Vehicle means the New or Used motorcycle, moped, scooter, all-terrain vehicle or snowmobile described in the **Declarations Page** of this **Policy**.

Your Watercraft means the **New or Used Personal Watercraft** and the jet drive system described in the **Declarations Page** of this **Policy**.

TERMS OF COVERAGES

This **POLICY** is between **You** and **US**, and is subject to all the Terms and Conditions contained herein.

1. POLICY PERIOD

- a) **New Vehicle/Watercraft: Your New Vehicle/Watercraft** is covered from the Manufacturers' Original **In-Service Date** as shown on the **Declarations Page**. The **Coverage** ends when the **Vehicle/Watercraft** reaches the time limit and/or kilometrage (if applicable) as selected on the **Declarations Page**.
- b) **Used Vehicle/Watercraft: Your Used Vehicle/Watercraft** is covered from the **Policy Purchase Date** as shown on the **Declarations Page**. The **Coverage** ends when **Your Used Vehicle/Watercraft** reaches the time limit and/or kilometrage (if applicable) as shown on the **Declarations Page**.

2. COVERAGE

Coverage afforded under this **Policy** begins on the **Policy Purchase Date** as shown on the **Declarations Page**. No **Coverage** is afforded for **Breakdowns** occurring prior to the **Policy Purchase Date** as shown on the **Declarations Page**. The **Coverage** afforded **You** for **Your Vehicle/Watercraft** is determined by the **Coverage** information Section shown on the **Declarations Page** and more fully described in the **Schedule of Coverages**.

3. DEDUCTIBLE

You will be responsible to pay for a portion of the covered repair **Cost(s)**. The **Deductible** is subject to all applicable taxes. Should a covered **Breakdown** take more than one visit to repair, only one **Deductible** will apply for that **Breakdown**. The **Deductible** does not apply to items under other benefits in the **Schedule of Coverages**.

4. LIMITS OF LIABILITY

- a) **Per Repair Visit - Our** liability for anyone (1) repair visit shall in no event exceed the trade-in value of **Your Vehicle/Watercraft** at the time of said repair visit.
- b) **Aggregate** -The total of all benefits paid or payable while this **Policy** is in force shall not exceed the retail price **You** paid for **Your Vehicle/Watercraft** (excluding tax, title, and license fees).

5. EXCLUSIONS

THIS POLICY WILL NOT PROVIDE COVERAGE FOR:

- a) Repairs performed outside the boundaries of the 48 contiguous states of the United States, Alaska, and Canada.
- b) Damage to a covered part by a non-covered part is not covered.
- c) Damage to non-covered part by a non-covered part is not covered.
- d) Damage caused by use which is not normal, personal use of **Your Vehicle/Watercraft**. This would include without limitation: Continuing to drive **Your Vehicle/Watercraft** when it needs repairs, negligence, commercial use, not performing proper maintenance, services, and repairs as outlined in **Your Vehicle/Watercraft** owners manual, sludge, improper levels of coolants or lubricants, the use of improper contaminated or dirty fuel lubricants, or coolants and the use of improper or non-equivalent parts. **You** are also not covered for abnormal use including towing, pulling, or plowing, unless **Your Vehicle/Watercraft** is equipped and used in the proper manner recommended by the owner's manual for **Your Vehicle/Watercraft**.
- e) Use of equipment or accessories not installed by the manufacturer or authorized Dealer, or improper installation of these items by the manufacturer or Dealer.

- f) Repairs required as a result of (a) failure to properly care or maintain the product; (b) road hazards, theft, vandalism, fire, accident, abuse, negligence or Act of God; (c) failure to properly operate the product; (d) modification or any alteration to the product not recommended or approved by the manufacturer; (e) using the product for speed events such as races or acceleration trials; (f) rust, cosmetic or paint changes; electrolysis or corrosion; (g) freezing or ice damage; (h) any damage resulting from water or submersion in water, inadequate or improper haul-out; (i) reverse polarity; (j) overheating (regardless of cause), deterioration, condensation and contamination; (k) the failure or loosening of external fasteners and/or bolts; (l) collision damage (m) storage; (n) aquatic growth, seaweed, algae barnacles, and zebra mussels.
- g) Any loss caused by negligence, misuse, abuse, racing, commercial use, delivery, or livery purposes, or from any other cause whatsoever, except as provided in the **Schedule of Coverages** section.
- h) If a part simply wears out, it is not covered. Many parts on **Your Vehicle/Watercraft** wear out over time in the normal use of **Your Vehicle/Watercraft**. This is not a defect in materials or workmanship and is not covered. These parts include, but are not limited to, **Your** muffler, resonator, and exhaust pipe. Additionally, overtime, the compression on **Your Vehicle/Watercraft** may decrease due to normal wear. The repair or replacement of valves or rings to correct lowered compression or on consumption from normal wear alone, is not covered.
- i) Scheduled maintenance is not covered. **Your Vehicle/Watercraft** has many parts which must either be-replaced or checked for wear on a regular basis. This normal maintenance is not covered. These maintenance parts and services include: All rubber parts (except on seals), tires, brake pads, shifter mechanism, shoes, rotors, and drum cables, clutch plates, clutch assembly and cables, hoses, belts, fuses, bulbs, lamps, relays, spark plugs (and tune-ups), spark plug wires, chains, battery, adjustments, replacement of filters, lubricants, coolants, suspension slides, ski wear bars, drive belts, final drive train and tracks, caliper pads, points, oil filter and clamps, miscellaneous and shop supplies, condensers, and any other maintenance part or service outlined in the owner's manual for **Your Vehicle/Watercraft**.
- j) Appearance, trim, non-moving chassis or body parts are not covered. This plan covers the failure of mechanical parts and specifically does not cover the failure of any appearance trim, chassis, or body part of **Your Vehicle/Watercraft**. Some examples of these parts include: paint and trim items, fenders, wheels, upholstery and chrome parts, lenses and windshields.
- k) Events or expenses which are covered by something other than this plan, such as: The maximum original terms of the express manufacturer's limited warranty to the first buyer of **Your Vehicle/Watercraft**, a Dealer's or Repairer's guarantee, all insurance policy, recalls or campaigns, government or court orders, decrees, or settlements.
- l) Damage as a result of sand, dirt, water, rust, and/or other obstacles.

SCHEDULE OF COVERAGES

Replacement parts may be new, remanufactured or replacement parts or like kind and quality.

MECHANICAL BREAKDOWN

We will pay for **Your** reasonable **Costs** to repair or replace any **Breakdown** of a part listed below for **Your Coverage**, provided that the **Repair Facility/You** contact the **Administrator** for authorization prior to any such repair or replacement being made to **Your Vehicle** or **Watercraft**.

COMPONENTS NOT LISTED ARE NOT COVERED

FOR MOTORCYCLES, MOPEDS, SCOOTERS AND ALL TERRAIN VEHICLES (ATV's)

- 1. ENGINE COMPONENTS:** All internally lubricated parts. Valve covers; intake and exhaust manifolds; oil pump; water pump; fan motor; reed valves; and engine mounts; internally lubricated parts of the turbo charger limited to the turbine vane's, shaft, bushings and waste gate. The turbocharger housing, cylinder head(s), engine block/crankcase and cylinder barrels if damaged as a result of the failure of an internally lubricated covered engine component.
- 2. TRANSMISSION COMPONENTS:** All internally lubricated parts contained within the transmission case; all gears; bearings; internal drive gears; internal selector mechanism, and transmission mounts. Transmission case if damaged as a result of the failure of an internally lubricated transmission component.
- 3. PRIMARY DRIVE COMPONENTS:** All internally lubricated parts (except clutch and hub assemblies) contained within the primary drive case; all gears; bearings; internal drive gears and chains; internal selector mechanism. Primary drive case if damaged as a result of the failure of a covered primary drive component.
- 4. DRIVE AXLE ASSEMBLY COMPONENTS (Shaft driven vehicles and ATVs):** Differential housing; transaxle housing; final drive housing; all internally lubricated parts of the foregoing; axle shafts; constant velocity joints; universal joints; drive shafts; locking hubs; hub bearings, locking rings; supports, retainers, bearings and rear hubs (if damaged as a result of the failure of a covered Drive Axle component).
- 5. FRONT AND REAR SUSPENSION COMPONENTS:** All internally lubricated parts contained within the front fork tubes and front hub; swing arm bearings or bushings; front and rear wheel bearings; frame; swing arm; upper and lower control arms, ball joints; king pins and bushings; and spindle. Front fork tubes and front hub if damaged as a result of the failure of a covered suspension component.
- 6. STEERING COMPONENTS:** Upper and lower steering stem hearings and bushings; axle; steering stein; handle bar; steering stem nut; and tie rod ends. Steering stein shaft if damaged as a result of the failure of a covered steering component.
- 7. BRAKE COMPONENTS:** Brake backing plates; brake hubs; disc rotors, disc calipers; master cylinder assembly; hydraulic lines and fittings, drum brake actuating cam, and securing hardware.
- 8. ELECTRICAL COMPONENTS:** Coil(s); manually operated switches; rectifiers; starter; starter solenoids; stator; rotors; magneto; alternator/generator, voltage regulator; electronic ignition control modules, electronic fuel injection control module and its sensors; wiring harness; and cooling fan motor.
- 9. GAUGES:** All factory instrumentation (mechanical and electronic) and electronic instrument sensors.
- 10. FUEL SYSTEM COMPONENTS:** Fuel delivery pump; Fuel tank; petcock; fuel lines and fittings.
- 11. TOURING BIKES (Minimum 2 Year Manufacturer's Limited Warranty):**
 - a) Digital dash components.
 - b) Control cables - parts coverage only - no labor to install.
 - c) Factory installed sound systems (Speakers excluded).
- 12. SEALS AND GASKETS (NEW VEHICLES ONLY):** Seals and gaskets are covered for those components listed above on plans sold on New Vehicles only.

ADDITIONAL PLAN COVERAGES FOR MOTORCYCLE, MOPEDS, SCOOTERS, AND ALL TERRAIN VEHICLES (ATV)

SUBSTITUTE VEHICLE AND TRANSPORTATION: If **Your Vehicle** has a covered breakdown, **We** will repay **Your** out-of-pocket substitute transportation costs. The amount **We** will repay **You** depends upon how long it takes to repair **Your Vehicle**, as shown in the national flat rate book that the repair shop normally uses. The most **We** will repay **You** each time **Your Vehicle** has a covered breakdown:

LABOR HOURS	MAXIMUM REPAYMENT
0.1-8.0	\$20.00
8.1-16.0	\$40.00
16.1-24.0	\$60.00
24.1-32.0	\$80.00
32.1-40.0	\$100.00
40.1 or more	\$120.00

Your substitute **Vehicle** coverage begins when the covered repairs begin. If the repair shop is waiting for parts while **Your Vehicle** is in for covered repairs, **You** may apply up to three (3) days of **Your** substitute **Vehicle** benefit to the time spent waiting for those parts. This only applies to covered parts that were not in stock when **You** brought **Your Vehicle** in, and that require extra time to obtain. **We** do not cover **You** for more time spent waiting for parts, nor for other delays beyond the control of the repair shop. Before **We** can repay **You**, **You** must give **Us** valid receipts from the company which rents **You** a substitute **Vehicle**.

PICK-UP & DELIVERY: Pick-up and delivery reimbursement is available when a mechanical breakdown to a covered component disables **Your Vehicle**. Pick-up and delivery charges up to \$35 will be reimbursed. **OPTIONAL TRAILER PACKAGE:** Optional trailer **Coverage** only applies if **You** have paid the issuing dealer an optional trailer surcharge. The components listed below are covered by the plan. Components not listed below are not covered.

OPTIONAL TRAILER PACKAGE (NEW & USED VEHICLES)

- A. BRAKE COMPONENTS.** Master cylinder, hydraulic brake actuator, and backing plate.
- B. FRAME COMPONENTS.** Axle(s), brackets, bunks, couplers, fenders, hubs, roller cradles, spring hangers, welds, winch stand, and suspension springs.

FOR NEW AND USED SNOWMOBILES

- 1. ENGINE COMPONENTS:** All internally lubricated parts including: pistons, piston rings, & pins, crankshaft and main bearings, connecting rods and rod bearings, cylinder head(s). Engine block and cylinder barrels if damaged as a result or a mechanical failure of one of the above parts, intake manifold, reed valves and reed blocks, rotary valves, exhaust manifold, and motor mounts.
- 2. COOLING SYSTEM COMPONENTS:** Water pump, cooling fan motor, fan shaft and bearings, heat exchanger, radiator (excluding physical damage).
- 3. OIL INJECTION COMPONENTS:** Oil injection drive gear, oil tank, oil level sensor, oil lines, oil injection pump, oil injection metering system.
- 4. FUEL SYSTEM COMPONENTS:** Fuel tank, choke cable(s), fuel pump, fuel injection metering system, fuel injector(s).
- 5. PRIMARY DRIVE COMPONENTS:** Stationary and moveable sheaves, spider (wearable parts are not covered at any time), outer cap and bushings.
- 6. SECONDARY DRIVE COMPONENTS:** Stationary and movable sheaves, cam assembly (wearable parts are not covered at anytime), secondary (jack) shaft and bearings.
- 7. CHAIN CASE COMPONENTS:** All internally lubricated parts within the chain case including upper and lower chain sprockets, automatic and manually adjustable tensioners, roller chain, silent chain, chain case, reverse gears and gearbox (excluding shifter mechanism).
- 8. STEERING COMPONENTS:** Inner and outer tie rod ends, drag link/steering link ends, spindle bushings.
- 9. BRAKE COMPONENTS:** Disc, hydraulic calipers, mechanical calipers, master cylinder, brake hoses. **BRAKE PADS ARE NOT COVERED AT ANYTIME.**
- 10. ELECTRICAL COMPONENTS (NEW VEHICLES ONLY):** Alternator, starter assembly (electric only), manually operated switches, wiring harnesses, ignition coil(s), rectifier, stator assembly, rotor assembly, CDI control box/electronic ignition control module, electronic fuel injection control module and voltage regulator.
- 11. GAUGES:** All factory instrumentation (mechanical and electronic), electronic instrument sensors, and speedometer drive pinion and gear.
- 12. SEALS AND GASKETS (NEW VEHICLES ONLY):** Seals and gaskets are covered for those components listed above on plans sold on New Snowmobiles only.

ADDITIONAL PLAN COVERAGES FOR SNOWMOBILES:

PICK-UP & DELIVERY: Pick-up and delivery reimbursement is available when a breakdown to a covered component disables **Your Vehicle**. Pick-up and delivery charges up to \$35 will be reimbursed. **OPTIONAL TRAILER PACKAGE:** Optional trailer **Coverage** only applies if **You** have paid the Issuing Dealer an optional trailer surcharge. The components listed below are covered by the plan. Components not listed below are not covered.

OPTIONAL TRAILER PACKAGE (NEW & USED VEHICLES)

- A. BRAKE COMPONENTS.** Master cylinder, hydraulic brake actuator, and backing plate.
- B. FRAME COMPONENTS.** Axle(s), brackets, bunks, couplers, fenders, hubs, roller cradles, spring hangers, welds, winch stand and suspension springs.

FOR NEW AND USED PERSONAL WATERCRAFTS

- 1. ENGINE COMPONENTS:** All internally lubricated parts including: pistons, rings, and pins; crankshaft and main bearings; connecting rods and rod bearings; reed valves and reed blocks; cylinder heads and intake manifold (Rotax engine only). Crankcase if damaged as a result of the failure of a covered component.
- 2. LUBRICATING SYSTEM COMPONENTS:** Complete oil injection system; oil pump; oil injection drive gear; oil tank, oil cap; oil level sensor and oil lines.
- 3. DRIVE LINE SYSTEM COMPONENTS:** Drive shaft; bearings; bushings; and flywheel.
- 4. PUMP SYSTEM COMPONENTS:** All internally lubricated parts within pump; bearings; and bushings. Pump housing if damaged as a result of the failure of a covered component.
- 5. CONTROLS COMPONENTS:** Starter and choke primer switches; run and stop switches; throttle control handle; throttle cable; trim switch; and ignition switch. **KEY AND TUMBLER ARE EXCLUDED.**

- m) Unauthorized repairs performed by other than authorized dealers and repairs required as a result of parts used other than those recommended by the manufacturer or Us.
- n) Additional service work requested by You other than necessary to satisfy the plan covered repairs.
- o) Bodily injury or property damage arising or allegedly arising out of a defect in the design, manufacture, materials or workmanship of a covered component.
- p) Gauges if there has been any tampering or alteration.
- q) Repair or replacement of any component covered by insurance or manufacturer's limited warranty or recall policies after the limited warranty expires.
- r) Loss caused by detonation, overheating, pre-ignition, or lean or improper fuel mixture unless caused by the failure of covered oil injection components. Loss caused by foreign substance in the fuel, an improper manual fuel/oil mixture, and use of fuel and/or oil not recommended by the manufacturer. Carburetors are not covered.
- s) Charges for installation of appropriate carburetor jets or gears to meet local altitude requirements or to increase performance.
- t) Removal and/or replacement of boat bulkheads, deck, hull, gear, equipment, or any material for necessary access to the **Vehicle/Watercraft**.
- u) Similar repairs to the same component within a 90 day period.
- v) Replacement of seals and gaskets due to seepage or overheating. Minor loss of fluid is not a **Mechanical Breakdown**.
- w) Any failure resulting from the trailer or other method of transporting the **Vehicle/Watercraft**.
- x) Loss of use of the **Vehicle/Watercraft**, loss of time, inconvenience, commercial use, or consequential damages.
- y) Mechanical failures that exist at the time of retail sale, whether or not the failure would be otherwise addressable by the plan.
- z) Repair cost or expenses if the **Mechanical Breakdown** is directly or indirectly caused by overheating regardless of the cause or by the failure to maintain proper quality of levels of coolants or lubricants.
- aa) Any failure or damage where the cause is due to submersion or ingestion (regardless of the cause).
- bb) Failure or loosening of external bolts and/or fasteners.
- cc) The plan is not responsible for damages or loss resulting from faulty or negligent repair work or from the installation of defective parts.
- dd) Any **Mechanical Breakdown** which occurs due to the **Vehicle** being operated below temperatures as recommended by the manufacturer.
- ee) Repair to pistons, rings and/or pins due to a carbon or "coking" condition, or wear and tear.
- ff) Repair to valves due to a carbon, dished, tuliped or stuck condition, or and tear.
- gg) Damage as a result of impact or grounding.
- hh) Loss caused by external water inlets, or outlets and/or internal water passages being restricted, or motor/drive mounted too high.
- ii) Any and all damage to hull, or parts of **Vehicle/Watercraft** not a part of the covered components.
- jj) Loss of use of the **Vehicle/Watercraft**, loss of time, inconvenience, use, or consequential damages.
- kk) Any mechanical failure due to normal wear or abuse, or if the **Vehicle/Watercraft** is used without adequate snow or on open water.

6. MAINTENANCE REQUIREMENTS

Read this section carefully. Failure to maintain **Your Vehicle/Watercraft** according to the service and maintenance schedule as outlined below may result in **Coverage** being restricted or voided under this **Policy**.

NEW VEHICLE/WATERCRAFT - To keep this **Policy** in force, the maximum term of the **Vehicle/Watercraft** Manufacturer's warranty must be kept in force and **Your New Vehicle/Watercraft** must be serviced regularly; due to the harsh climatic conditions in Canada, it is highly recommended that the severe driving maintenance schedule recommended by the **Vehicle/Watercraft** manufacturer be adhered to.

USED VEHICLE/WATERCRAFT - Every 6 months or 10,000 km, or whichever occurs first, according to **Your** manufacturer's recommended maintenance requirements, all maintenance must be performed by an approved **Repair Facility**.

NOTE: You must keep records of all servicing of **Your New or Used Vehicle/Watercraft** and keep receipts that show the dates and list in detail each of the service performed and maintenance parts replaced.

7. TRANSFER OF YOUR POLICY

- a) You may transfer **Your Policy** to someone to whom You sell or otherwise transfer **Your Vehicle/Watercraft** while this **Policy** is still in force. This can only be done if the transfer request is made within thirty (30) days of the sale or transfer of **Your Vehicle/Watercraft** and the \$50.00 Transfer Fee is paid. This **Policy** cannot be transferred if the title transfer of **Your Vehicle/Watercraft** passes through an entity other than the subsequent owner or if **Your Vehicle/Watercraft** is sold or traded to a dealership, leasing agency or entity/individual in the business of selling **Vehicle/Watercrafts**. This **Policy** can only be transferred once and this transfer must be initiated by the original **Policyholder**.
- b) The following must be submitted to the **Administrator** within thirty (30) days of the change in ownership to the subsequent individual purchaser:
 - Original **Policy** and **Declarations Page**.
 - Name and address of new owner, kilometrage and date of purchase.
 - Fifty (\$50) dollars plus applicable taxes for transfer fee made payable to the **Administrator**.
- c) Any remaining manufacturer's warranty must also be transferred at the same time as **Vehicle/Watercraft** ownership transfer. Copies of all maintenance records showing actual oil changes and manufacturer's recommended maintenance records must be transferred to the new owner. These maintenance records must be maintained along with similar documentation for future maintenance work that will have to be performed in accordance with the Maintenance Requirements of this **Policy**. If necessary, these documents will be verified by the **Administrator** at the time a claim occurs.

8. CANCELLATION OF YOUR POLICY

- a) You may cancel this **Policy** by making a request to the issuing dealer. The date of the request will be required.
- b) We may cancel this **Policy** for non-payment of the premium, for intentional misrepresentation or fraud in obtaining this **Policy**, if You have violated any of the Terms and conditions set forth in this **Policy**, or for misrepresentation in the submission of a claim.
- c) If this **Policy** has been financed, the **Lienholder** may cancel this **Policy** for non-payment, or if **Your Vehicle/Watercraft** is declared a total loss or is repossessed.
- d) If this **Policy** is canceled within sixty (60) days after the **Policy Purchase Date** and no claims have been authorized, You will be reimbursed the full premium paid for this **Policy**. If this **Policy** is canceled after the first sixty (60) days following the **Policy Purchase Date** or if a claim has been authorized, We will refund an amount of the **Policy** premium according to the pro-rata method reflecting the greater of the days in force or the kilometers driven based on the term of the plan selected and the date coverage begins, less a \$50.00 cancellation fee plus applicable taxes.

9. APPRAISAL

This **Policy** is subject to the appraisal proceedings as stipulated in the Insurance Act for the jurisdiction where the **Policy** is written.

10. OTHER INSURANCE

This **Policy** provides coverage only in excess of other applicable and valid policies of insurance (including all warranties and service contracts) which the **Policyholder** has, or upon which the **Policyholder** can recover from third parties.

11. CHANGES

No changes may be made in the **Policy** unless approved by Us in writing. None of Our representatives has the authority to change or waive any provision of this **Policy**.

12. CONFORMITY TO STATUTE

If the law in Your province is inconsistent with any of the conditions of this **Policy**, We will comply with the requirements of Your province endorsement.

13. REPRESENTATIONS

By acceptance of this **Policy**, You agree that the statements on the **Declarations Page** are Your agreements and representations and that this **Policy** is issued in reliance upon the truth of those statements.

14. OUR RIGHT TO RECOVER PAYMENT

If We make any payments under this **Policy**, You agree that We hold all rights of recovery for those payments against anyone, due to, but not limited to, a safety recall campaign, or any repair required by any court, regulatory agency, decree or settlement. You will do nothing to harm those rights. If You have a right to recover against another party, Your rights shall become Our rights. You shall do whatever is necessary to enable Us to enforce these rights. If we pay for repairs under this **Policy** and You are also repaid for the same repairs by someone else, Your payment will become Our property up to the amount that We paid for the repair.

6. STEERING COMPONENTS: Steering control assembly; steering gate; rudder and nozzle. **CABLES EXCLUDED.**
7. FUEL SYSTEM COMPONENTS: Fuel tank; petcock; fuel cap; and fuel lines. **CARBURETORS ARE EXCLUDED.**
8. ELECTRICAL COMPONENTS (NEW WATERCRAFT ONLY): Alternator; starter; starter solenoid flywheel; ignition coils; rectifier; stator assembly; CDI box; electronic ignition module; voltage regulator; electrically operated gauges; power trim motor; wiring harnesses and power trim housing.
9. SEALS & GASKETS (NEW WATERCRAFT ONLY): Seals and gaskets are covered for those components covered by the plan.

ADDITIONAL PLAN COVERAGES FOR PERSONAL WATERCRAFTS:

PICK-UP AND DELIVERY: Pick-up and delivery reimbursement is available when a Mechanical Breakdown to a covered component disables **Your** personal **Watercraft**. Pick-up and delivery charges to a maximum of \$50.00 will be reimbursed. Reimbursable pick-ups and delivery must be made by a licensed pick-up company or a licensed **Repair facility**.

OPTIONAL TRAILER PACKAGE: Optional trailer **Coverage** only applies if **You** have paid the Issuing Dealer an optional trailer surcharge. The components listed below are covered by the plan. Components not listed below are not covered.

TRAILER PACKAGE (NEW & USED WATERCRAFT)

(A) BRAKE COMPONENTS: Master cylinder, hydraulic brake actuator, and backing plate. (B) FRAME COMPONENTS: Axle(s) brackets, bunks, couplers, fenders, hubs, roller cradles, spring hangers, welds, winch stand and suspension springs.

OTHER TERMS AND CONDITIONS

- The sections and paragraph headings used in this **Mechanical Breakdown Insurance** are used for convenience only and do not in any way affect the meaning of the language of the paragraphs.
- This **Mechanical Breakdown Insurance** is the entire understanding between **You** and **Us** and there are no warranties, representations or agreements that are not expressly set forth herein.
- None of the terms and conditions of this **Mechanical Breakdown Insurance** may be changed, waived or modified by **Us** unless **We** do so in writing.
- The repair or replacement of Covered Components is **Your** sole and exclusive remedy under this **Mechanical Breakdown Insurance** or in the event of its breach.
- If any provision of this **Mechanical Breakdown Insurance** is found to be invalid by a governmental authority, the remainder of this **Mechanical Breakdown Insurance** shall survive as if the invalid provision never existed.
- This **Mechanical Breakdown Insurance** and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the Insured's Province of Domicile, and any litigation by either party involving the same shall be commenced in the Provincial Court of said Province or in a Court of competent jurisdiction in the Province, which forum is agreed upon and accepted by all parties. Any claim, controversy or dispute arising out of the terms and/or conditions of this **Mechanical Breakdown Insurance** or the performance, or alleged non-performance or defective performance of any of the terms thereof, shall be submitted to arbitration under the Arbitration Act currently in force within the Insured's Province of Domicile, such arbitration to be conducted before a single arbitrator within said Province.

POLICYHOLDER'S GUIDE TO FILING A CLAIM

IF YOUR VEHICLE/WATERCRAFT INCURS A BREAKDOWN, TAKE THE FOLLOWING STEPS TO FILE A CLAIM:

In the event of a **Breakdown** or component failure, plan **Coverage** will be provided by the issuing dealer at their place of business. If the dealer retires from business, or **You** move out of the area, or have a claim while traveling, or **Your** issuing dealer is unable to perform the required repairs, go to **Your** nearest Repair facility and request **Coverage** under the plan. Plan **Coverage** obtained from other than an authorized Repair facility is not reimbursable unless approved by **Us** before the service is performed. All claims must be authorized by **Us** prior to starting the repair.

In the event of a **Mechanical Breakdown**, follow these procedures:

- Cease operating the **Vehicle/Watercraft** to prevent further damage. Failure to do this will cause any additional repair costs to be paid by **You**.
- Return the **Vehicle/Watercraft** to a Repair facility. The **Repair facility** will inspect and diagnose the cause of failure, and estimate the **Cost** of parts and labor to complete the repair. If a **Mechanical Breakdown** is not covered by the plan, costs incurred for disassembly or diagnostic work is **Your** responsibility.

3) **You** or the Repair facility must call **Us** prior to starting the repair. Depending on the circumstances, **We** reserve the right to inspect, investigate, or demand proof of maintenance before performance of repairs. In the event of irreconcilable dispute between **Us** and the **Repair Facility**, **We** shall have the right to take possession and remove **Your Vehicle/Watercraft** and move it to another dealer.

4) Provide proof of maintenance (if requested by the dealer or **Us**).

5) **You** must perform at **Your** expense, and prove that **You** have so performed the maintenance recommended by the manufacture of the unit. Failure to perform the manufacturers recommended maintenance will result in a loss of **Your** benefits under this plan. It is important that **You** save all invoices or repair orders showing dates, kilometers, and services performed.

6) Permit inspection of the **Vehicle/Watercraft** before performance of repairs.

7) Cooperate in investigation of the **Mechanical Breakdown**.

8) Review and sign the service repair order acknowledging completion of the covered repairs and pay the dealer the applicable \$50 Deductible and non-covered charges.

NOTICE TO INSURER

This Insurance has been effected in accordance with the authorization granted to the undersigned by Reliance Insurance Company ascertained by reference to Contract No. 95-71091 and has been certified by the Insurer. In any action to enforce the obligations of the Insurer liable hereunder, can be made upon Reliance Insurance Company, whose address is 200 King Street West, Suite 1906, P.O. Box 61, Toronto, Ontario M5H 3T4

NOTICE

Any notice to the **Insurer** may be validly given to the undersigned. In witness whereof this document has been signed as authorized by the **Insurer**, by Meridian Warranty Management Inc.

Per _____

The **Insured** is requested to read this document and if incorrect, return it immediately for alteration. In the event of an occurrence likely to result in a claim under this Insurance, immediate notice should be given to:

Meridian Warranty Management Inc. (Administrator)
512 King Street East, Suite 302
Toronto, Ontario M5A 1M1
1-800-838-7354



Reliance Insurance Company

200 King Street West, Suite 1906
Toronto, Ontario
M5H 3T4

NEW / USED VEHICLE SERVICE CONTRACT

The mechanical service obligations of the Dealer under this Contract are covered by a Policy of Insurance issued by Reliance Insurance Company. In the event that a claim is not paid after proof of loss has been filed, you may apply directly to Reliance Insurance Company for the mechanical protection afforded by this Contract.

PREMIUM PLAN II

REGISTRATION N° : 19271

1. DEALER

NAME		ADDRESS	
CITY	PROVINCE	POSTAL CODE	TELEPHONE

2. VEHICLE OWNER / LEASEHOLDER (APPLICANT)

NAME (FAMILY \ FIRST)		ADDRESS	
CITY	PROVINCE	POSTAL CODE	TELEPHONE
			HM: () WK: ()

3. VEHICLE DESCRIPTION

VEHICLE IDENTIFICATION N°			CLASS
MAKE	MODEL	YEAR	TOTAL DISTANCE TRAVELLED AT SERVICE CONTRACT SALE DATE
			KM <input type="checkbox"/> MI <input type="checkbox"/>
CAR <input type="checkbox"/>	TRANSMISSION AUTOMATIC <input type="checkbox"/>	CYLINDERS 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>	EQUIPMENT SURCHARGES DIESEL <input type="checkbox"/> TURBO <input type="checkbox"/> 4X4 <input type="checkbox"/>
TRUCK <input type="checkbox"/>	STANDARD <input type="checkbox"/>	6 <input type="checkbox"/> 8 <input type="checkbox"/> 10 <input type="checkbox"/>	COMMERCIAL <input type="checkbox"/> TURBO DIESEL <input type="checkbox"/> AWD <input type="checkbox"/>
MULTI PURPOSE <input type="checkbox"/>	3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/>	12 <input type="checkbox"/>	SPRCHG <input type="checkbox"/> TWIN TURBO <input type="checkbox"/> AWS <input type="checkbox"/>

4. CONTRACT PERIOD

TERM SELECTED: _____ MONTH _____ KILOMETERS

5. NEW AND USED VEHICLE - CONTRACT COVERAGE

NEW <input type="checkbox"/>	DOMESTIC EXTRA <input type="checkbox"/>	VOLKSWAGEN EXTRA <input type="checkbox"/>	ASIAN EXTRA <input type="checkbox"/>	USED <input type="checkbox"/>
Class / NEW	Class / USED	Class / USED	Class / USED	Class / USED
POWER TRAIN (see clauses B.1 to B.7) <input type="checkbox"/>	COMPREHENSIVE (see clauses B.1 to B.14) CONVENIENCE OPTION (Comprehensive Coverage only - see clauses C.1 to C.2) <input type="checkbox"/>	FULL (see clause A) <input type="checkbox"/>		
DEDUCTIBLE: 100.00 \$ <input type="checkbox"/>		50.00 \$ <input type="checkbox"/>	50.00 \$ with Reducing Deductible Option <input type="checkbox"/>	

6. PREMIUM

VEHICLE SELLING PRICE	CONTRACT SELLING PRICE	SURCHARGES / OPTIONS	TOTAL CONTRACT SELLING PRICE	G.S.T.	P.S.T.	TOTAL
\$ _____	_____	_____	_____	_____	_____	_____
(before taxes)						

7. LIENHOLDER

I, THE UNDERSIGNED HOLDER OF THIS SERVICE CONTRACT REGISTRATION HEREBY AUTHORIZE THE FOLLOWING LENDER:

1. TO RECEIVE ANY REFUNDS FOR CREDIT TO MY ACCOUNT IN THE EVENT THIS CONTRACT IS CANCELLED; AND
2. TO CANCEL THE CONTRACT IN THE EVENT I DEFAULT.

NAME _____ ADDRESS _____

SERVICE CONTRACT SALE DATE	VEHICLE ORIGINAL IN SERVICE DATE
MONTH _____ DAY _____ YEAR _____	MONTH _____ DAY _____ YEAR _____

APPLICANT SIGNATURE _____ AUTHORIZED DEALER SIGNATURE _____

We certify that the information above is, to the best of our knowledge, true. I, contract holder, have read the terms and conditions of this contract application and I understand and accept all of the provisions herein. I agree to maintain the covered VEHICLE in accordance with the maintenance requirements herein and keep all receipts of such service. I understand that an authorization from the ADMINISTRATOR must be received before any repairs are performed under this service contract. Coverage is not afforded to the VEHICLE's features listed in section three (3) above unless the corresponding box(es) is (are) checked and additional fees are paid.

FOR INFORMATION / CLAIMS / TRANSFER / CANCELLATION, CONTACT THE ADMINISTRATOR, MERIDIAN WARRANTY MANAGEMENT INC. - 1-888-830-9484 (Toll Free Canada or USA).

**PREMIUM PLAN II
NEW AND USED VEHICLE COVERAGE
TERMS AND CONDITIONS**

I. DEFINITIONS

Administrator means the individual or corporation We have appointed to administer this Service Contract. The Administrator is not a party to this Service Contract.

Cost means the usual and fair charges (based on a maximum of the current Chilton time guide) for parts and labour needed to perform repairs covered by this Service Contract. Replacement parts will be of the same kind and quality as the covered parts, and may include new or rebuilt parts.

Covered Components For New Vehicles - means any original part that fails on Your Vehicle as a result of Mechanical Breakdown or Failure, except for those parts listed in Exclusions. For Used Vehicles - means the parts covered under Plan selected as shown on the Service Contract Registration and described in the "Covered Components - Used Vehicles" section.

Mechanical Breakdown or Failure means the inability of any covered part(s) to perform the function(s) for which it was designed, due to defects in materials or workmanship. Mechanical Breakdown does not include the gradual reduction in operating performance where a Failure has not occurred.

Plan means the kilometrage, term and coverage You have purchased for Your Vehicle.

Repair Shop means the dealer You purchased Your Vehicle from or a fully licensed and approved repair facility.

Service Contract once accepted by the Administrator, provides the coverage selected only to You for the Vehicle and for the term and kilometrage selected as indicated on the Service Contract Registration.

Service Contract Registration means the numbered document on the first page of this Service Contract that contains information about You, Your Vehicle and the Plan You have purchased.

Service Contract Sale Date means the date the Service Contract was purchased.

Vehicle In-Service Date means the date Your New Vehicle was put into retail, demonstrator or fleet service.

Vehicle Sale Date means the date Your New or Used Vehicle was purchased.

We, Us and Our means the dealer named on the Service Contract Registration that sold You this Service Contract.

You and Your means the person named as the Contract Holder on the Service Contract Registration page of this Service Contract.

Your Vehicle means the New or Used Vehicle described in the Service Contract Registration page of this Service Contract.

II. TERMS OF COVERAGE

To know which parts of Your Vehicle are covered, look in the Covered Components section for a description of coverage afforded by this Service Contract.

- A. HOW LONG YOUR VEHICLE IS COVERED.** Once this Service Contract Registration has been reviewed and accepted by the Administrator.
- NEW VEHICLES** Your New Vehicle Is covered from the Vehicle In-Service Date shown on the Service Contract Registration and zero kilometers on the odometer, the coverage ends when Your New Vehicle reaches the time limit or the term kilometrage as shown on the Service Contract Registration, whichever occurs first. If, however, You purchased a Contract with a term of 72 months, the coverage commences on the Service Contract Sale Date and ends either after 72 months or when the odometer reaches the kilometer reading as selected by You, as shown on the Service Contract Registration, whichever comes first.
- USED VEHICLES** - Once this Service Contract Registration has been reviewed and accepted by the Administrator, Your Used Vehicle is covered from the Vehicle Sale Date and odometer reading shown on the Service Contract Registration. This Service Contract does not cover repairs to Your Used Vehicle that occurred prior to the Service Contract Sale Date or the odometer reading on the Service Contract Registration. The Coverage ends when Your Used Vehicle reaches the time limit or kilometer limit whichever occurs first, as
- **Asian Extra** - on the "Asian Extra" program, coverage commences on the Service Contract Sale date and expires either 48 months after the Service Contract Sale Date, or when the odometer reaches the kilometer limitation selected by You, as shown on the Service Contract Registration, whichever occurs first, regardless of the odometer reading on the Vehicle on the Service Contract Sale Date.
 - **Domestic Extra** - on the "Domestic Extra" program, coverage commences on the Service Contract Sale date and expires either 36 months after the Service Contract Sale Date, or when the odometer reaches the kilometer limitation selected by You, as shown on the Service Contract Registration, whichever occurs first, regardless of the odometer reading on the Vehicle on the Service Contract Sale Date.
 - **Volkswagen Extra** - on the "Volkswagen Extra" program, coverage commences on the Service Contract Sale date and expires either 48 months after the Service Contract Sale Date, or when the odometer reaches the kilometer limitation selected by You, as shown on the Service Contract Registration, whichever occurs first, regardless of the odometer reading on the Vehicle on the Service Contract Sale Date.
- B. WHAT YOU MUST DO TO KEEP YOUR VEHICLE COVERED.** Read this section carefully. If you fail to maintain Your Vehicle according to the service and maintenance schedule as outlined below, coverage under this Service Contract could be restricted or voided.
- NEW VEHICLES** - To keep this Service Contract in force, You must keep the maximum term of the Vehicle Manufacturer's warranty in force and have Your New Vehicle regularly serviced; due to the harsh climatic conditions in Canada. We highly recommend that the severe driving maintenance schedule advised by the Vehicle manufacturer be adhered to. You must keep records of all servicing of Your Vehicle and keep receipts that show the dates, mileage, services and repairs.
- USED VEHICLES** - Every 6 months or 10,000 kms, whichever occurs first, and/or meets manufacturers recommended maintenance requirements. You must have an approved automotive service centre perform manufacturer's recommended maintenance requirements. You must keep repair orders issued by the repair facility performing the required services on Your Used Vehicle. Be sure that each repair order shows the date, odometer reading and lists in detail each of the services performed and maintenance parts replaced.
- C. OUR LIABILITY TO YOU IS LIMITED.** The most We are liable to You per Failure is the actual cash value of Your Vehicle just before the Failure or, over the life of this Service Contract, the original purchase price of Your Vehicle.
- D. DEDUCTIBLE** You will be responsible to pay for a portion of each covered repair Cost; the amount You are responsible for is shown on the Registration Page. The deductible is subject to all applicable taxes. If you selected the Reducing Deductible Option (not applicable to \$100 deductible), the fifty (\$50) deductible will be waived provided that you have covered repairs done at the dealership where you purchased this contract. The deductible does not apply to Towing and Rental coverages.

III. COVERED COMPONENTS

- A. FULL COVERAGE" - NEW / USED VEHICLES.** Once this Service Contract Registration has been reviewed and accepted by the Administrator, Your Vehicle Is covered for the Cost of repair or replacement of any original part that fails on Your Vehicle as a result of Mechanical Breakdown or Failure, except for those parts and circumstances listed in Exclusions. This coverage also includes Towing and Rental coverage as provided under Section D. below.
- B. POWERTRAIN / COMPREHENSIVE" NEW / USED VEHICLES.** Once this Service Contract Registration has been reviewed and accepted by the Administrator, Your Vehicle Is covered for the Cost of repair or replacement of parts in the section corresponding to the Coverage of the Plan You have purchased that fall under normal, personal use as a result of Mechanical Breakdown or Failure. Not every part of Your Vehicle is covered by this Service Contract, see "Exclusions". For a complete list of the covered parts, read the section describing the coverage You have purchased. Parts not listed or described are not covered by that Plan. This coverage also includes Towing and Rental coverage as provided under Section D. below

POWERTRAIN COVERAGE

1. **ENGINE** (Gasoline, Diesel): Engine block, freeze plugs, cylinder block and all internal lubricated parts including crankshaft, main bearings, pistons and piston rings, connecting rods and rod bearings, wrist pins, camshaft, cam bearings, cam case, cylinder head and valve covers, valves, valve guides, valve springs/keepers, valve seats, lifters/followers, push rods, rocker arms, shafts and bushings, cam plug, rotary engine and internally lubricated parts including apex and apex oil seals, eccentric shaft and bearings. Timing belts, chains, gears, tensioners, housing and cover, motor mounts, torque struts, crank pulley, harmonic balancer, serpentine belt tensioner, intake and exhaust manifold, oil pan, oil pump and engine oil cooler.
2. **TRANSMISSION** (Standard or Automatic): Transmission case, ring gear, flywheel, flexplate, torque converter, vacuum modulator, transmission mounts, servo and governor covers, clutch master and slave cylinders, all internal lubricated mechanical parts including valve body assembly, front pump assembly, clutches, bands and drums, governor, bearings, gears, shift forks and synchros, planetaries and hard parts, hydraulic lines and fittings, trans cooler (if factory Installed).
3. **TRANSFER CASE**: Transfer case housing, mounts and bearings, gears and planetaries, drive chains, vacuum or electric motors.
4. **DRIVE AXLE** (Front or Rear): Drive axles, wheel bearings and hubs, constant velocity joints, universal joints, crown and pinion, pinion bearings, side bearings, posi-unit, spider gears, drive shafts, steady bearings and yokes.
5. **TURBOCHARGER / MECHANICAL COMPRESSOR**: Housing and all internal mechanical parts, waste gate actuator.
6. **SEALS AND GASKETS**: Coverage applies to the Failure of seals and gaskets for all Plans as listed above. Leakage and seepage due to aging of seals and/or gaskets is considered normal wear and tear and is NOT covered.
7. **FLUIDS**: Coverage applies for replacement of all necessary fluids and lubricants lost due to mechanical breakdown caused by the failure of a covered component.

COMPREHENSIVE COVERAGE -Includes POWERTRAIN PLAN above PLUS the following parts for New / Used Vehicles:

8. **FUEL SYSTEM**: Fuel pump, fuel injectors, control units, fuel injection sensors, fuel regulator.
9. **COOLING SYSTEM**: Radiator, cooling fan motor, water pump and pulley.
10. **STEERING**: Steering gear box, manual rack and pinion, power steering rack and pinion, control valve, boots, power steering pump, power steering cooler, steering pulley, high pressure hoses, return hoses, steering lines and fittings, main shaft and steering column, intermediate shaft and coupling, Inner rack ends & boots, idler arms, pitman arm, centre drag link, steering speed sensor.
11. **BRAKES**: Master cylinder and reservoir, wheel cylinder, combination valve, vacuum/hydraulic assist booster, front & rear calipers, metal lines and fittings, backing plate, self adjuster and return springs, parking brake linkage and cables.
12. **SUSPENSION**: Upper and lower control arms & bushings, torsion bars and bushings, upper and lower ball joints, king pins, spindle, steering knuckle, front and rear sway bar/stabilizer, torsion bar mounts and bushings, non-electric front and rear MacPherson strut assembly, control arm shafts, radius arms and bushings, strut rod, bearings and bushings, strut bearing and plate.
13. **CLIMATE CONTROL SYSTEM**: Compressor, pressure lines, clutch assembly and pulley, accumulator, receiver dryer, evaporator, condenser, P.O.A. valve, ice tube, pressure cut-off switch, heater core and control valve.
Note: If the Climate Control System has R12 refrigerant, R12 will be used for replacement while supplies last. If R12 is not available, the system will be converted to use R-134A refrigerant or equivalent, if replacement is due to failure of a covered component. If due to a non-covered component, the consumer is responsible.
14. **ELECTRICAL SYSTEM**: Starter motor, solenoids, starter drive, starter relay, alternator, voltage regulator, crank sensor, ignition module, ignition coil, ignition pickup coil, wiring harnesses, heater motor and fan, front windshield wiper motor, wiper cycle control units.

- C. CONVENIENCE OPTION** - (available with COMPREHENSIVE PLAN only):
1. **ELECTRICAL SYSTEM**: Power window motor(s) and regulator(s), power door lock motor(s) and regulator(s), power antennae motor, power trunk lock actuator, power sun roof motor, soft top convertible motor. Factory Installed AM / FM stereo cassette.
Note: For all the coverages above, coverage is limited to original manufacturer installed audio equipment (coverage is afforded for the removal and repair, not the replacement of the primary chassis).
 2. **ABS BRAKING SYSTEM**: Pressure accumulator, hydraulic pump, valve body, wheel sensors, electronic control module.
- D. ADDITIONAL BENEFITS**
1. **TOWING**. If Your Vehicle has a covered Failure, We will reimburse You up to \$65. for transporting Your New/Used Vehicle to a Repair Shop. Before We can repay You, You must send Us valid receipts from the company that tows Your Vehicle.
 2. **RENTAL CAR**. If Your Vehicle has a covered Failure, We will reimburse You for a rental car in the amount of \$40. per day for a maximum of six (6) days for New Vehicles (\$240) and three (3) days for Used and Asian Extra. Domestic Extra and Volkswagen Extra Vehicles (\$120) while Your Vehicle is being repaired, provided Your Vehicle is inoperable overnight or longer. Before We can repay You, You must send Us valid receipts from the company that rents You a car.

**PREMIUM PLAN II
NEW AND USED VEHICLE COVERAGE
TERMS AND CONDITIONS**

E. EXCLUSIONS

Not every part of Your Vehicle is covered by this Service Contract. Events and circumstances that are not covered and parts that are not covered are:

1. **UNAUTHORIZED REPAIRS.** Your Vehicle is not covered for repairs done without receiving prior approval from the Administrator or for repairs done by private parties (including You), repair facilities not authorized by the Administrator or by unlicensed repair facilities.
2. **MAINTENANCE PARTS.** We do not cover normal maintenance items/procedures such as, engine tune-ups, spark plugs, spark plug wires, glow plugs, filters, brake pads, brake shoes, brake linings, suspension alignment, wheel balancing, hoses, belts and wiper blades, lubricants, coolants and fluids, and any other maintenance services and parts described in the Manufacturer's maintenance schedule for the covered Vehicle.
3. **SURCHARGED COMPONENTS.** If appropriate surcharges have not been applied, failure of components directly related to surcharged coverage will be regarded as non-covered components under the terms and conditions of this Service Contract.
4. **OTHER PARTS NOT COVERED.** We do not cover speakers, non-factory installed audio equipment and telephones, bright metal, sheet metal, bumpers, ornamentation mouldings, carpet, upholstery paint, exhaust system, emission control devices, brake rotor brake drums, MacPherson strut cartridge insert or shock absorbers, batteries, battery cables, lenses, light bulbs, sealed beams, glass, tires, wheel covers, wheel rims, interior trim, carburetor, throttle body assembly, manual clutch components, convertible tops, glass, plastic or framing. The repair of valves and/or rings for the purpose of raising the engine's compression when a Mechanical Breakdown or Failure has not occurred.
5. **LEAKAGE AND SEEPAGE** due to aging of seals and/or gaskets is considered normal wear and tear and is NOT covered.
6. **IMPROPER USE.** Damage caused by abnormal use of Your Vehicle is not covered. This includes damage caused by, without limitation:
 - to continuing to drive Your Vehicle when it needs repairs,
 - not performing regular maintenance as recommended by the Vehicle Manufacturer
 - negligence or misuse of Your Vehicle.
 - lack of proper and necessary amounts of fluids, coolants or lubricants.
7. **OVERHEATING.** Your Vehicle is not covered for damage caused by overheating due to the Failure of a part not listed in the Insurance Coverage You have purchased. Additionally, if the overheating is caused by Failure of a covered part, this Mechanical Repair Insurance does not cover damage You could have vented.
8. **COMMERCIAL USE:** An additional surcharge, labelled Commercial, is required for all vehicles used for the purpose other than touring, private transportation of passengers and those which are used solely or partially for any form of commercial activities, business and/or vehicle registered under a company name, otherwise the vehicle is not covered. A vehicle registered or sold in the name of a commercial enterprise is eligible only if it is used exclusively by one individual or individual's family and is not used for one or more of the purposes described below. Other vehicles not eligible under any circumstances include: daily weekly or monthly rentals, dealer's loaners or vehicles on short (12 months or less) lease, taxis, limousines, shuttle services, delivery services, towing, driving schools, hauling or repair operations, construction or job site activities, police or emergency services, principally off-road usage, racing or competitive driving, logging activities, snow removal, route work road service or repair work, vehicles equipped with permanently affixed equipment.
9. **TOWING:** You are not covered for damage resulting from towing a trailer or other Vehicle unless Your Vehicle is equipped for this use by the Vehicle Manufacturer.
10. **MANUFACTURER'S SPECIFICATIONS:** Your Vehicle is not covered for damage caused by the Failure of an otherwise covered part if it does not meet the Vehicle Manufacturer's specifications and/or the system has been altered or modified beyond the recommendations or specifications of the Vehicle Manufacturer.
11. **ODOMETER:** Your Vehicle is not covered for any repair if the odometer has been tampered with, altered or has become inoperative, unless the Administrator has been notified within seven days from the time of the Failure that the odometer is not functional and has been replaced or repaired. Documentation of the repair date and the odometer reading, before and after the repair must be sent and accepted by the Administrator.
12. **DAMAGES OR FAILURE BEYOND OUR CONTROL.** Damages or Failure due to things beyond Our control are not covered. This includes without limitation: acts of God, collision, accident, theft, vandalism, fire, submersion, weather, improper repairs, corrosion (failure of a covered component due to corrosion of electrical wiring or connections is not covered), contamination and chemical damage.
13. **INCIDENTAL OR CONSEQUENTIAL DAMAGES.** Your Vehicle is not covered for incidental or consequential expenses such as loss of time or use of Your Vehicle, freight charges, inconvenience, commercial loss, personal injury, property damage, transportation, food or lodging.
14. **DELAYS OF PERFORMANCE.** Your Vehicle is not covered and We are not liable for delays in performance or Failure to perform in whole or in part under the terms of this Application for Insurance due to labour dispute, strike, shortages, acts of war, civil commotion, accident, flood, or other cause beyond Our control.
15. **SECONDARY COVERAGE.** We do not cover repairs that are covered by the Vehicle Manufacturer's warranty manufacturer recalls, factory bulletins or any policy adjustment that the Vehicle Manufacturer has acknowledged and will repair at their expense. No coverage is provided for any warranty imposed by law Repairer's Guarantee, another Mechanical Repair Insurance or any Insurance policy. If We make any payments under this Mechanical Repair Insurance, You agree that We hold all rights of recovery for those payments against anyone, due to, but not limited to, a safety recall or campaign, or any repair required by any court, regulatory agency decree or settlement. You will do nothing to harm those rights. If We pay for repairs under this Mechanical Repair Insurance and You are also repaid for the same repairs by someone else, Your repayment will become Our property up to the amount that We paid for the repair.
16. **YEAR 2000.** We do not cover any faults, damage or consequential loss arising directly or indirectly from the failure of any computer data processing equipment, microchip or similar device or any computer software, whether Your property or not, to treat any date from the 1st of January 1999 onwards as the correct date and/or correctly to manipulate other information or process other commands using such date.

IV. PROCEDURES TO FOLLOW IN THE EVENT OF A MECHANICAL BREAKDOWN OR FAILURE/ TRANSFER OF CONTRACT/CANCELLATION/ CHANGES

1. FAILURE OR BREAKDOWN:

In the event Mechanical Breakdown or Failure, do not continue to operate Your Vehicle if doing so can cause additional damage. Any operation of the Vehicle that results in further damage, related to the original Mechanical Breakdown or Failure, shall be considered Your failure to protect the Vehicle and shall not be covered under this Document of insurance. You are required to safely pull Your Vehicle off the road and shut off the engine immediately when either of lights or gauges indicates a problem.

- (1) IF YOU HAVE A MECHANICAL BREAKDOWN OR FAILURE You may take Your Vehicle to the selling Agent/Dealer or call the Administrator for assistance in finding a Repair Facility at **1-888-830-9494**. Do not continue to operate Your Vehicle if doing so will cause additional damage. You will also need to:
 - (2) Show the Repair Facility a copy of this Document of Insurance. ** ask the Repair Facility to call the Administrator to report the claim PRIOR TO DOING ANY REPAIR. The Repair Facility will need to obtain an AUTHORIZATION NUMBER in order to receive payment for the Cost of the repair. A copy of the invoice showing the AUTHORIZATION NUMBER must be sent to the Administrator in order for the payment to be made.
 - (3) Allow the Repair Facility to take apart and inspect the failed systems to determine the cause and the full extent of the Failure. If the repairs are covered and the Chilton time guide allows for it, so is the Cost of the disassembly. If the repairs are not covered or Chilton does not allow for it, neither is the cost of disassembly.
 - (4) We reserve the right to inspect Your Vehicle before any repairs are made.
2. **TRANSFERS.** You can transfer this Mechanical Repair Insurance to the first subsequent owner of Your Vehicle during the life of this Mechanical Repair Insurance if, within 10 days of the change of ownership, You send to the Administrator:
 - (1) The receipts that show Your Vehicle has had all required maintenance and servicing.
 - (2) A copy of the documents showing the change in title and transfer of the manufacturer's warranty if a Vehicle Manufacturers transfer is necessary
 - (3) A \$50 transfer fee, plus GST
Only one transfer will be allowed during the life of this Mechanical Repair Insurance.
3. **CANCELLATION.** We cannot cancel this Mechanical Repair Insurance except for fraud, material misrepresentation, improper use of Your Vehicle, or non-payment by You. This Mechanical Repair Insurance may be cancelled by You under the following conditions:
 - (1) If this Mechanical Repair Insurance is cancelled within the first 30 days, You will receive the entire price of the Mechanical Repair Insurance provided that no claims have been paid or are pending, in which case, You will receive a pro rata refund based on the lesser percentage of time or kilometers remaining on Your Mechanical Repair Insurance less a \$25 Administration fee.
 - (2) After 30 days, You may cancel this Mechanical Repair Insurance by mailing it to the Administrator, along with a notarized affidavit that states the odometer reading on Your Vehicle at the date of the request. You will receive a pro rata portion of the price of this Mechanical Repair Insurance, based on the lesser percentage of time or kilometrage remaining on Your Mechanical Repair Insurance, less a \$25 cancellation administration fee.
 - (3) If Your Vehicle or this Mechanical Repair Insurance has been financed through a lender, in the event of a repossession, Your rights to this Mechanical Repair Insurance transfer to the lienholder.
4. If You lose Your copy of this Mechanical Repair Insurance, replacements may be obtained from the Administrator for a fee of \$50.00.
5. **OTHER TERMS AND CONDITIONS**
The sections and paragraph headings used in this Service Contract are used for convenience only and do not in any way affect the meaning of the language of the paragraphs.

This Service Contract Is the entire understanding between You and Us and there are no warranties, representations or agreements that are not expressly set forth herein.

None of the terms and conditions of this Service Contract may be changed, waived or modified by Us unless We do so in writing.

The repair or replacement of Covered Components is Your sole and exclusive remedy under this Service Contract or in the event of its breach.

If any provision of this Service Contract Is found to be Invalid by a governmental authority, the remainder of the Service Contract shall survive as if the invalid provision never existed.

This Service Contract and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the Province of Ontario, Canada, and any litigation by either party involving the same shall be commenced in the Court of Queen's Bench of Ontario, Judicial District of Toronto, which forum is agreed upon and accepted by all parties. Any claim, controversy or dispute arising out of the terms and/or conditions of this Service Contract or the performance, or alleged non-performance or defective performance of any of the terms thereof, shall be submitted to arbitration under the Arbitration Act currently in force within the Province of Ontario, Canada, such arbitration to be conducted before a single arbitrator within the City of Toronto, Ontario.

Request for claims information and/or Insurer authorizations and approvals should be directed to the program administrator who can be reached at ft following address and phone numbers:

ADMINISTERED BY.

Meridian Warranty Management Inc.
625 Cochrane Drive, Suite 907
Markham, Ontario
L3R 9R9
(905) 305-1000

TOLL FREE: 1-888-830-9494