

**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

**NOTICE OF MOTION
(Returnable June 30, 2004)**

KPMG Inc., liquidator (the “Liquidator”) of the insurance business of Reliance Insurance Company in Canada (“Reliance (Canada)”) will make a motion before the Honourable Mr. Justice Farley on June 30, 2004 at 9:30 a.m., or as soon after that time as the motion can be heard, at 393 University Avenue, Toronto.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An Order substantially in the form attached as Schedule “A” hereto; and
2. Such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. The Liquidator is seeking an Order:
 - (a) extending the date for Policy Payments, payment of Defence Costs and Meridian Payments (all as hereinafter defined) until further order of this Court; and
 - (b) authorizing the Liquidator either to pay claims payable in foreign currencies in the appropriate foreign currency in circumstances where the Liquidator is legally entitled to do so or at the Bank of Canada noon spot rate of exchange for exchanging such currency to Canadian currency as of November 8, 2001, the date the liquidation is deemed to have commenced (the "Commencement Exchange Rate").
2. Pursuant to orders of this Court, the Liquidator has paid policyholders and claimants the following benefits since the commencement of the liquidation of Reliance (Canada):
 - (a) defence costs ("Defence Costs");
 - (b) valid claims up to the greater of \$25,000 or the amount, if any, of the voluntary compensation payment of the Property and Casualty Insurance Compensation Corporation ("PACICC") that may be paid under its memorandum of operations (the "Policy Payments"); and
 - (c) valid claims under the Meridian program up to the greater of \$5,000 or the amount, if any, of PACICC's voluntary payment (the "Meridian Payments"),(collectively, the "Payments").
3. This Court has extended the date for making the Payments from time to time, the latest extension being to June 30, 2004.
4. The Liquidator entered into an agreement with St. Paul Guarantee Insurance Company, formerly London Guarantee Insurance Company ("St. Paul Guarantee") pursuant to which St. Paul Guarantee would assume Reliance (Canada)'s liabilities under the Meridian program. The consent of the reinsurers of the Meridian program was a condition of the Meridian transaction. The Meridian reinsurers did not consent.

5. The Liquidator concluded that the completion of the Meridian transaction was no longer of benefit to the estate.
6. The Liquidator recommends that this Court extend until further order of this Court, the date to which the Liquidator may make Meridian Payments.
7. The Liquidator remains of the view that it is appropriate and in the best interest of the estate to continue Policy Payments and payment of Defence Costs as at present until further order of this Court.
8. By order granted on December 18, 2003, this Court ordered claims payable in foreign currency shall be converted to Canadian currency at the Commencement Exchange Rate.
9. The Liquidator is now of the view that it would be preferable from the perspective of the estate if the Liquidator has the discretion either to pay claims payable in foreign currencies in those currencies where legally entitled to do so, or in Canadian currency converted at the Commencement Exchange Rate.
10. Rules 1.04, 2.03 and 3.02 of the *Rules of Civil Procedure*.
11. Sections 33, 35, 109 and 162 of the *Winding-up and Restructuring Act*.
12. Section 275 of the *Bankruptcy and Insolvency Act*.
13. The Orders of this Honourable Court made herein on December 3, 2001, January 30, 2002, April 29, 2002, May 8, 2002, December 6, 2002, March 26, 2003, June 26, 2003 and December 18, 2003.
14. Such further and other grounds as counsel may advise and this Honourable Court permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. The Report of the Liquidator dated June 22, 2004; and

2. Such further and other material as counsel may advise and this Honourable Court permit.

June 25, 2004

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

Gale Rubenstein\LSUC #17088E
Tel: (416) 597-4148
Fax: (416) 979-1234

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

□
TO: Torys
Suite 3000, Maritime Life Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1N2

Peter B. Birkness
Phone: 416-865-8135
Fax: 416-865-7380

David P. Chernos
Phone: 416-865-8246
Fax: 416-865-7380

Solicitors for the Property and Casualty Insurance Compensation Corporation

AND TO: Blaney McMurtry LLP
1400 - 20 Queen Street West
Toronto, Ontario
M5H 2V3

Deborah S. Grieve
Phone: 416-593-2951
Fax: 416-593-5437

Solicitors for the Insurance Commissioner of the Commonwealth of Pennsylvania
as Liquidator of Reliance Insurance Company

AND TO: Office of the Superintendent of Financial Institutions
Kent Square
255 Albert Street, 15th Floor
Ottawa, Ontario
K1A 0H2

Brian Corbett, Senior Counsel, Legal Services
Phone: 613-990-4127
Fax: 613-952-5031

AND TO: Borden Ladner Gervais LLP
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

Craig J. Hill
Phone: 416-367-6156
Fax: 416-361-7301

Michael MacNaughton
Phone: 416-367-6646
Fax: 416-682-2837

Bruce R. Reynolds
Phone: 416-367-6255
Fax: 416-361-2741

Solicitors for Maritime Road
Development Corporation

AND TO: **McMillan Binch**
Barristers and Solicitors
Suite 3800
South Tower, Royal Bank Plaza
Toronto, Ontario
M5J 2J7

Dan MacDonald
Phone: 416-865-7169
Fax: 416-865-7048

Solicitors for Danieli Corus Construction Services Inc., Successor in interest to
Hoogovens Construction Services

**ONTARIO SUPERIOR COURT OF
JUSTICE
COMMERCIAL LIST**
Proceeding commenced at TORONTO

NOTICE OF MOTION

GOODMANS LLP
Barristers & Solicitors
250 Yonge Street, Suite 2400
Toronto, Ontario M5B 2M6
Gale Rubenstein (LSUC# 17088E)
Tel: 416-597-4148
Fax: 416-979-1234
Solicitors for KPMG Inc.,
Liquidator of Reliance (Canada)
Our File No. 01.6699
GOODMANS\5030157.1

**ONTARIO SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) WEDNESDAY, THE 30TH DAY
)
MR. JUSTICE FARLEY) OF JUNE, 2004

**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-1 1, 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., liquidator (the "Liquidator") of the insurance business in Canada of Reliance Insurance Company ("Reliance (Canada)"), was heard this day at 393 University Avenue, Toronto, Ontario.

ON READING the Report of the Liquidator dated June 22, 2004, filed, the Order of this Court dated December 3, 2001 appointing the Liquidator (the "Appointment Order") and the Order of this Court dated December 18, 2003 (the "December 18, 2003 Order"), and on

hearing submissions of counsel for the Liquidator, no other party appearing, although properly served as appears from the proof of service filed:

1. **THIS COURT ORDERS** that 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 is hereby dispensed with.

2. **THIS COURT ORDERS** that paragraphs 8, 9 and 11 of the Appointment Order, as amended by further orders of this Court, are hereby further amended *nunc pro tunc* to extend the date of June 30, 2004 until further order of this Court.

3. **THIS COURT ORDERS** that the December 18, 2003 Order is hereby amended to authorize the Liquidator either to pay claims payable in foreign currencies:

- a) in those foreign currencies in circumstances where the Liquidator is otherwise legally entitled to do so; or
- b) in Canadian currency, converted at the Bank of Canada noon spot rate of exchange for exchanging such currencies to Canadian currency on November 8, 2001.

**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
M5B 2M6

Gale Rubenstein\LSUC # 17088E

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

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

GOODMANS\5029018.1