

**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 September 2, 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 September 2, 2004 at 10:00 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:
  - (a) passing the accounts of the Liquidator for the period October 1, 2003 to June 30, 2004 (the "Three Quarters"), as reflected in the financial statements of Reliance (Canada);

- (b) approving the professional fees of the Liquidator and of its counsel (the “Professional Fees”) for the Three Quarters;
  - (c) authorizing the Liquidator to pay up to \$25,000 on valid claims under the Meridian program; and
  - (d) approving and authorizing a second interim distribution to policyholders and claimants of 25% of their valid and allowed loss claims, bringing total distributions to 50% thereof.
2. Such further and other relief as this Honourable Court may deem just.

**THE GROUNDS FOR THE MOTION ARE:**

1. 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;
  - (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; 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,
- (collectively, the “Policy Payments”).
2. This Court has extended the date for making the Policy Payments from time to time, the latest extension being until further Order of the Court.
3. This Court approved a first interim distribution (the “First Distribution”) to policyholders and claimants of 25% of their valid and allowed claims on June 26, 2003. The Liquidator therefore now pays policyholders and claimants the higher of the Policy Payments and the First Distribution.

4. The Liquidator is confident that all policyholders will receive full payment on all valid claims. However, there are uncertainties and the Liquidator is not in a position to make full payment at this time.
5. To alleviate hardship to policyholders whose claims are not satisfied by the Policy Payments, the Liquidator proposes to make a second interim distribution of 25% of valid loss claims bringing total distributions to 50%. The Liquidator considers that this distribution is conservative, that it will not prejudice any party and that is appropriate in the circumstances.
6. Rules 1.04, 2.03 and 3.02 of the *Rules of Civil Procedure*.
7. Sections 33, 35, 94, 109, 161 and 162 of the *Winding-up and Restructuring Act*.
8. The Orders of this Honourable Court made herein on December 3, 2001, June 26, 2003 and December 18, 2003.
9. 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 August 25, 2004;
2. Affidavit of Robert O. Sanderson sworn August 25, 2004
3. Affidavit of Gale Rubenstein sworn August 25, 2004; and
4. Such further and other material as counsel may advise and this Honourable Court permit.

August 25, 2004.

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as Liquidator of Reliance Insurance Company

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Schedule "A"

Court File No. 01-CL-4313

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

THE HONOURABLE ) THURSDAY, THE 2<sup>nd</sup> DAY  
 )  
MR. JUSTICE FARLEY ) OF SEPTEMBER, 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-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., 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 August 25, 2004 (the "Report"), the Affidavit of Gale Rubenstein sworn August 25, 2004 and the Affidavit of Robert

O. Sanderson sworn August 25, 2004, filed, and on hearing submissions of counsel for the Liquidator, no one else appearing although properly served as appears from the proof of service, filed:

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 is hereby dispensed with.

2. **THIS COURT ORDERS** that the accounts of the Liquidator for the period October 1, 2003 to June 30, 2004, as reflected in the financial statements of Reliance (Canada) attached to the Report, be and they are hereby passed and approved as submitted.

3. **THIS COURT ORDERS** that the fees and disbursements of the Liquidator and of its counsel, Goodmans LLP, for the period October 1, 2003 to June 30, 2004 be and they are hereby approved as submitted.

4. **THIS COURT ORDERS** that the Liquidator is hereby authorized to pay up to \$25,000 on valid claims under the Meridian program, until further order of this Court.

5. **THIS COURT ORDERS** that the Liquidator is hereby authorized to pay a second interim distribution from the estate of Reliance (Canada) in the amount of 25% of valid and allowed policyholder loss claims, where, and to the extent that, such amount combined with the amount of payment by way of the first interim distribution exceeds the payments authorized by either paragraph 8 of the Order of this Court dated December 3, 2001 *inter alia* appointing the Liquidator or paragraph 4 hereinabove.

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

Proceeding commenced at Toronto

**ORDER**

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Liquidator of Reliance (Canada)

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

**NOTICE OF MOTION**

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