

**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 December 21, 2005)

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 December 21, 2005 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 July 1, 2004 to September 30, 2005 (the “Five 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 Five Quarters; and
  - (c) approving and authorizing a third interim distribution of 15% of valid and allowed loss claims, bringing total distributions to 65% thereof, as claims are allowed.
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 \$25,000;(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 to policyholders and claimants of 25% of

their valid and allowed claims on June 26, 2003.

4. This Court further approved a second interim distribution (the “Second Distribution”) to policyholders and claimants of a further 25% of their valid and allowed claims on September 2, 2004, bringing the total distribution to 50%.
5. 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.
6. To alleviate hardship to policyholders whose claims are not satisfied by the Policy Payments, the Liquidator proposes to make a third interim distribution of 15% of valid loss claims bringing total distributions to 65% on all claims as they are allowed. The Liquidator considers that this distribution is conservative, that it will not prejudice any party and that is appropriate in the circumstances.
7. Rules 1.04, 2.03 and 3.02 of the *Rules of Civil Procedure*.
8. Sections 33, 35, 94, 109, 161 and 162 of the *Winding-up and Restructuring Act*.
9. The Orders of this Honourable Court made herein on December 3, 2001, June 26, 2003, December 18, 2003, June 30, 2004 and September 2, 2004.
10. 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 December 14, 2005;
2. Affidavit of I. George Gutfreund sworn December 14, 2005

3. Affidavit of Gale Rubenstein sworn December 14, 2005; and
4. Such further and other material as counsel may advise and this Honourable Court permit.

December 14, 2005.

**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

Graham Smith\LSUC #26377D  
Tel: (416) 597-4161  
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, 15<sup>th</sup> Floor  
Ottawa, Ontario  
K1A 0H2

**Brian Corbett, Senior Legal 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: 416.361-2741

**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

**AND TO: Alan L. Bromstein**  
Suite 4900, Box 438  
Commerce Court West  
Toronto, Ontario  
M5L 1J3

Solicitor for Royal College of Dental Surgeons of Ontario

**AND TO:** The Colt Companies  
400,10201 Southport Road S.W.  
Calgary, Alberta  
T2W 4X9

**Frank W.B. Morison**  
Phone: 403-258-8000  
Fax: 403-258-5895

**AND TO:** McInnes Cooper  
Summit Place  
1601 Lower Water St.  
Halifax, Nova Scotia  
B3J 2V1

**Jane O'Neill**  
Phone: 902-425-6500  
Fax: 902-425-6350

Solicitors for Secunda Marine Services Limited

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

THE HONOURABLE ) WEDNESDAY, THE 21<sup>ST</sup> DAY  
 )  
MR. JUSTICE FARLEY ) OF DECEMBER, 2005

**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 December 14, 2005 (the "Report"), the Affidavit of Gale Rubenstein sworn December 14, 2005 and the Affidavit of I.



George Gutfreund sworn December 14, 2005, filed, and on hearing submissions of counsel for the Liquidator, and ●, 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 July 1, 2004 to September 30, 2005, 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 July 1, 2004 to September 30, 2005 be and they are hereby approved as submitted.

4. **THIS COURT ORDERS** that the Liquidator is hereby authorized to pay a third interim distribution from the estate of Reliance (Canada) in the amount of 15% of valid and allowed loss claims, where, and to the extent that, such amount, combined with the amount of payment by way of the first and second interim distributions, exceeds the payments authorized by paragraph 8 of the Order of this Court dated December 3, 2001 *inter alia* appointing the Liquidator.

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**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 (LSC # 17088E)  
Tel: 416-597-4148  
Fax: 416-979-1234

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

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

GOODMANS\5251587.1

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

**NOTICE OF MOTION**  
**(Motion Returnable**  
**December 21, 2005)**

**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

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

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

Our File No. 01.6699  
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