

**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 15, 2006)**

KPMG Inc., liquidator (the “Liquidator”) of the insurance business of Reliance Insurance Company in Canada (“Reliance (Canada)”) will make a motion to this Court on December 15, 2006 at 10:00 a.m., or as soon after that time as the motion can be heard, at 330 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, 2005 to September 30, 2006 (the “Four 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 Four Quarters; and
  - (c) approving and authorizing a fourth interim distribution of 15% of valid and allowed loss claims, bringing total distributions to 80% 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. This Court further approved a third interim distribution (the “Third Distribution”) to policyholders and claimants of a further 15% of their valid and allowed claims on October 21, 2005, bringing the total distribution to 65%.
6. 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.
7. 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 80% 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.
8. Rules 1.04, 2.03 and 3.02 of the *Rules of Civil Procedure*.
9. Sections 33, 35, 94, 109, 161 and 162 of the *Winding-up and Restructuring Act*.
10. The Orders of this Honourable Court made herein on December 3, 2001, June 26, 2003, December 18, 2003, June 30, 2004, September 2, 2004, and December 21, 2005.
11. 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 8, 2006;
2. Affidavit of Robert O. Sanderson sworn December 8, 2006
3. Affidavit of Gale Rubenstein sworn December 7, 2006; and
4. Such further and other material as counsel may advise and this Honourable Court permit.

December 8, 2006.

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

THE HONOURABLE ) FRIDAY, THE 15th DAY  
)  
) OF DECEMBER, 2006

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**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 330 University Avenue, Toronto, Ontario.

**ON READING** the Report of the Liquidator dated December 8, 2006 (the “Report”), the Affidavit of Gale Rubenstein sworn December 7, 2006 and the Affidavit of Robert O. Sanderson sworn December 8, 2006, filed, and on hearing submissions of counsel for the

Liquidator, and ●, no other party 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, 2005 to September 30, 2006, 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, 2005 to September 30, 2006 be and they are hereby approved as submitted.

4. **THIS COURT ORDERS** that the Liquidator is hereby authorized to pay a fourth 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, second and third 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**

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

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

**NOTICE OF MOTION  
(Motion Returnable  
December 15, 2006)**

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Our File No. 01.6699  
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