

**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

KPMG Inc., the provisional liquidator (the "Liquidator") of the insurance business in Canada of Reliance Insurance Company, will make a motion before a Judge presiding over the Commercial List on Tuesday, June 19, 2007, 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 AN ORDER substantially in the form of the draft Order (the "Directions Order") attached as Appendix "1" hereto, and in particular:

- declaring and directing that the amounts set out in the Reinsurance Chart at Schedule “A” to the Directions Order are payable to and shall be paid to the Liquidator by the respective respondents set out therein (collectively, the “Respondents”), without any deduction or reduction on account of set-off or otherwise, and are to be taken into the custody and control of the Liquidator pursuant to section 33 of the *Winding-up and Restructuring Act* (subject, in the case of the scheme administrators of HIH Casualty & General Insurance Limited, to such payment being made by way of distributions in the scheme of arrangement in England in respect of HIH Casualty & General Insurance Limited);
- directing and authorizing the Liquidator to take all such steps as it deems necessary to enforce the respective obligations of the Respondents, including enforcement and/or recognition proceedings in the United Kingdom or any other place where it appears the Respondents may have exigible assets;
- approving and issuing a Letter of Request to the High Court of Justice in England, substantially in the form of Schedule “B” to the Directions Order;
- seeking and requesting the aid and recognition of the High Court of Justice in England and any other Court and any administrative body in the United Kingdom, or elsewhere, to act in aid of and to be complementary to this Court in carrying-out the terms of the Directions Order; and
- ancillary relief.

THE GROUNDS FOR THE MOTION ARE:

1. The amounts as set out in the Reinsurance Chart at Schedule "A" of the Directions Order are payable pursuant to the reinsurance obligations of the respective Respondents.
2. The Respondents have refused to pay such amounts to the Liquidator either on the basis of an asserted entitlement to set-off, against these obligations, amounts which they claim they may be owed as reinsureds under separate treaties issued by Reliance Insurance Company, or for unstated reasons.
3. The Liquidator is in need of this Court's directions as to whether the described amounts are to be taken into the custody and control of the Liquidator pursuant to section 33 of the *Winding-up and Restructuring Act* without any deduction or reduction on account of such set-off or otherwise, and, if so, directions to proceed to enforce its claims to the reinsurance proceeds, and the related relief set out in the Directions Order.
4. Sections 33, 35, 73, 112, 113 and 160 and Part III of the *Winding-up and Restructuring Act*.
5. Section 97 of the *Courts of Justice Act*.
6. Rules 10.01 and 16.04 of the *Rules of Civil Procedure*.
7. It is appropriate to appoint the Attorney in Fact in Canada as representative of the members of the Lloyd's Syndicates who are Respondents in this proceeding;
8. The Orders of this Honourable Court made herein on December 3, 2001.
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 May 23, 2007; and
2. Such further and other material as counsel may advise and this Honourable Court permit.

May 23, 2007

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

Graham D. Smith LSUC#: 26377D
Tel: 416.597.4161
Fax: 416.979.1234

Solicitors for the KPMG Inc., Liquidator of the insurance business in Canada of Reliance Insurance Company

TO: Swiss Re Frankona Reinsurance Limited
30 St. Mary Axe
London, England EC3A 8EP
United Kingdom

AND TO: Swiss Re Germany AG
c/o Swiss Re Frankona Reinsurance Limited
30 St. Mary Axe
London, England EC3A 8EP
United Kingdom

AND TO: Swiss Re Frankona Ruckversicherungs AG
c/o Swiss Re Frankona Reinsurance Limited
30 St. Mary Axe
London, England EC3A 8EP
United Kingdom

AND TO: Markel International Insurance Company Limited
The Markel Building
49 Leadenhall Street
London, England EC3A 2EA
United Kingdom

AND TO: Converium AG
General Guisan-Quai 26
8002 Zürich, Switzerland
and/or
c/o Converium Ltd.
Representative Office
Level 12
71 Fenchurch Street
London, England EC3M 4B5
United Kingdom

AND TO: Thomas Alexander Riddell and John Mitchell Wardrop
in their capacity as the Scheme Administrators of
HIH Casualty and General Insurance Limited
KPMG
8 Salisbury Square
London, England EC4Y 8BB
United Kingdom

AND TO: Nicholas Smith
Attorney in Fact in Canada for Lloyd's Underwriters
1155, rue Metcalfe
Suite 1540
Montréal, Québec
H3B 2V6

As representative of the individual and corporate members of the following Lloyd's Syndicates for the respective identified years of account: Lloyd's Syndicate 138 (1995 year of account), Lloyd's Syndicate 205 (1995 year of account), Lloyd's Syndicate 314 (1995 year of account), Lloyd's Syndicate 435 (1995 year of account), Lloyd's Syndicate 1007 (1995 year of account), Lloyd's Syndicate 340 (1997 year of account), Lloyd's Syndicate 2341 (1997 year of account), Lloyd's Syndicate 53 (1997 year of account), Lloyd's Syndicate 1121 (1997 year of account), Lloyd's Syndicate 205 (1998 year of account), Lloyd's Syndicate 314 (1998 year of account), Lloyd's Syndicate 435 (1998 year of account), Lloyd's Syndicate 1223 (1998 year of account) and Lloyd's Syndicate 79 (1998 year of account)

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

David Chernos
Phone: 416-865-8135
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

Philippe – A. Sarrazin
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

Michael J. MacNaughton
Phone: 416-367-6255
Fax: 416-361-2741

Solicitors for Maritime Road
Development Corporation

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

NOTICE OF MOTION

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

Graham D. Smith LSUC#: 26377D
Tel: 416.597.4161
Fax: 416.979.1234

Solicitors for KPMG Inc., the Liquidator of
Reliance Canada

ON READING the Report of the Liquidator dated May 23, 2007 (the "Report"), and on hearing submissions of counsel for the Liquidator, and for ●, no other party appearing although properly served as appears from the proof of service, filed,

1. **THIS COURT ORDERS** that it declares and directs that the amounts set out in Schedule "A" hereto are payable to and shall be paid to the Liquidator by the respective respondents as set out therein (the "Respondents"), in respect of the respective reinsurance treaties as shown therein, without any deduction or reduction on account of set-off or otherwise, and are to be taken into the custody and control of the Liquidator pursuant to section 33 of the *Winding-up and Restructuring Act*, provided that, however, in the case of the scheme administrators of HHH Casualty & General Insurance Limited, such payment is to be made by way of distributions in the scheme of arrangement in England in respect of HHH Casualty & General Insurance Limited.

2. **THIS COURT ORDERS** that it directs and authorizes the Liquidator to take all such steps as the Liquidator deems necessary to enforce the respective obligations of the Respondents, including enforcement and/or recognition proceedings in the United Kingdom or any other place where it appears the Respondents may have exigible assets.

3. **THIS COURT ORDERS** that it hereby approves and issues the Letter of Request to the High Court of Justice in England being Schedule "B" to this Order.

4. **THIS COURT ORDERS** that it respectfully seeks and requests the aid and recognition of the High Court of Justice in England and any other Court and any administrative body in the United Kingdom, or elsewhere, to act in aid of and to be complimentary to this Court in carrying out the terms of this Order.

5. **THIS COURT ORDERS** that the Attorney in Fact for Canada for Lloyd's Canada be and is hereby appointed to represent for all purposes in this motion the individual and corporate members of the following Lloyd's Syndicates for the respective identified years of account: Lloyd's Syndicate 138 (1995 year of account), Lloyd's Syndicate 205 (1995 year of account), Lloyd's Syndicate 314 (1995 year of account), Lloyd's Syndicate 435 (1995 year of account), Lloyd's Syndicate 1007 (1995 year of account), Lloyd's Syndicate 340 (1997 year of account), Lloyd's Syndicate 2341 (1997 year of account), Lloyd's Syndicate 53 (1997 year of account), Lloyd's Syndicate 1121 (1997 year of account), Lloyd's Syndicate 205 (1998 year of account), Lloyd's Syndicate 314 (1998 year of account), Lloyd's Syndicate 435 (1998 year of account), Lloyd's Syndicate 1223 (1998 year of account) and Lloyd's Syndicate 79 (1998 year of account).

6. **THIS COURT ORDERS** that the service of the Notice of Motion and materials made 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.

SCHEDULE "A"
REINSURANCE CHART

Respondents	Amount Due by Respondent for Losses Insured by Reliance Canada	Reinsurance Treaty Reference	Schedule to Report
Swiss Re Frankona Ruckversicherungs AG	\$25,000.00	AR 6557-93	Schedule "F"
Swiss Re Frankona Ruckversicherungs AG	\$75,000.00	AR 6558-93	Schedule "G"
Swiss Re Frankona Ruckversicherungs AG	\$68,417.88	AR 6559-93	Schedule "H"
Swiss Re Frankona Reinsurance Limited	\$755,583.20 (U.S.)	AR 6427-99	Schedule "I"
Swiss Re Germany AG	\$755,583.20 (U.S.)	AR 6427-99	Schedule "I"
The Scheme Administrators of HIH Casualty & General Insurance Limited	\$604,466.56 (U.S.)	AR 6427-99	Schedule "I"
Converium AG	\$604,466.56 (U.S.)	AR 6427-99	Schedule "I"
The individual and corporate members of the following Lloyd's Syndicates for the respective identified years of account:			
Lloyd's Syndicate 205 (year of account 1998)	\$453,349.93 (U.S.)	AR 6427-99	Schedule "I"
Lloyd's Syndicate 79 (year of account 1998)	\$377,791.60 (U.S.)	AR 6427-99	Schedule "I"
Lloyd's Syndicate 138 (year of account 1995)	\$1,637.02	CT 1131-96	Schedule "J"

Respondents	Amount Due by Respondent for Losses Insured by Reliance Canada	Reinsurance Treaty Reference	Schedule to Report
Lloyd's Syndicate 205 (year of account 1995)	\$61,483.82	CT 1131-96	Schedule "J"
Lloyd's Syndicate 314 (year of account 1995)	\$24,594.66	CT 1131-96	Schedule "J"
Lloyd's Syndicate 435 (year of account 1995)	\$129,116.30	CT 1131-96	Schedule "J"
Lloyd's Syndicate 1007 (year of account 1995)	\$73,781.15	CT 1131-96	Schedule "J"
Lloyd's Syndicate 340 (year of account 1997)	\$856,406.80	757/ZT970616	Schedule "K"
Lloyd's Syndicate 2341 (year of account 1997)	\$95,178.70	757/ZT970616	Schedule "K"
Lloyd's Syndicate 53 (year of account 1997)	\$512,366.36	757/ZT970616	Schedule "K"
Lloyd's Syndicate 1121 (year of account 1997)	\$292,756.78	757/ZT970616	Schedule "K"
Lloyd's Syndicate 205 (year of account 1998)	\$57,150.00 (U.S.)	AR 10254	Schedule "L"
Lloyd's Syndicate 314 (year of account 1998)	\$22,725.00 (U.S.)	AR 10254	Schedule "L"
Lloyd's Syndicate 435 (year of account 1998)	\$119,700.00 (U.S.)	AR 10254	Schedule "L"
Lloyd's Syndicate 1223 (year of account 1998)	\$22,725.00 (U.S.)	AR 10254	Schedule "L"
Markel International Insurance Company Limited	\$57,150.00 (U.S.)	AR 10254	Schedule "L"

SCHEDULE "B"

Court File No. 01-CL-4313

**ONTARIO
SUPERIOR COURT OF JUSTICE
- COMMERCIAL LIST****IN THE MATTER OF
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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**

BETWEEN:

THE ATTORNEY GENERAL OF CANADA

Applicant

- and -

RELIANCE INSURANCE COMPANY

Respondent

LETTER OF REQUEST

To the High Court of Justice in England, Chancery Division, Companies Court.

WHEREAS:

1. This Court is the court properly exercising insolvency law jurisdiction under and pursuant to the *Winding-up and Restructuring Act*, R.S.C. 1985, c. W-11, as amended, in respect of the winding-up and liquidation of the insurance business in Canada of Reliance Insurance Company ("Reliance Canada");
2. By Order of the Commonwealth Court of Pennsylvania of October 3, 2001 (the "U.S. Liquidation Order"), Reliance Insurance Company and the former subsidiaries which had

been previously merged into the Company as listed in paragraph 27 of the U.S. Liquidation Order, and defined therein as Reliance Insurance Company (In Liquidation) ("Reliance U.S."), were placed into insolvent liquidation. A copy of the U.S. Liquidation Order is attached as Appendix "1" hereto;

3. On December 3, 2001, this Court ordered that Reliance Canada be wound-up under section 10.1 of the *Winding-up and Restructuring Act*. A copy of the winding-up Order is attached as Appendix "2" hereto;
4. By further Order on December 3, 2001, this Court appointed KPMG Inc. as provisional liquidator (the "Liquidator") of Reliance Canada including assets held in Canada under the control of its chief agent, and including without limitation all amounts received or receivable in respect of its insurance business in Canada. A copy of this appointment Order is attached as Appendix "3" hereto;
5. This Court granted the Order (the "Directions Order") to which this Letter of Request forms a Schedule and is part thereof. The Directions Order was granted pursuant to, *inter alia*, sections 33, 35, 73, 112, 113 and 160 and Part III of the *Winding-up and Restructuring Act* and section 97 of the *Courts of Justice Act*, R.S.O. 1990, c. C 43, as amended, copies of which statutory provisions are attached as Appendix "4" hereto, and pursuant to the above-mentioned appointment Order and winding-up Order (Appendixes "2" and "3" hereto, respectively);
6. The Directions Order was granted upon motion duly brought by the Liquidator and heard by this Court, at which those reinsurers of Reliance Canada as set out in the Directions Order (the "Respondents") were entitled to attend and be heard, and at which they were represented or failed to attend, as the case may be, as set out in the Directions Order;
7. The Directions Order, of which this Letter of Request forms a part, declares and directs that, *inter alia*, the amounts set out in Schedule "A" thereto are payable and shall be paid to the Liquidator by the respective Respondents without any deduction or reduction on account of set-off or otherwise, and are to be taken into the custody and control of the

Liquidator pursuant to section 33 of the *Winding-up and Restructuring Act*, provided that, however, in the case of the scheme administrators of HIH Casualty & General Insurance Limited, such payment is to be made by way of distributions in the scheme of arrangement in England in respect of HIH Casualty & General Insurance Limited;

8. The Liquidator has satisfied this Court that in order to discharge its obligations and in order to get in, preserve and realize the assets of Reliance Canada for the benefit of the creditors and, in particular, to take steps to enforce the Directions Order, it is just and convenient that this Letter of Request should issue,

THIS COURT HEREBY respectfully requests the assistance of the High Court of Justice in England, pursuant to the provisions of sections 234 and 426 of the *Insolvency Act, 1986* of Great Britain, by ordering:

- (i) that the Respondents pay to the Liquidator the respective amounts set out in the Directions Order shown as against each of them as owing to Reliance Canada, without any deduction or reduction on account of set-off or otherwise, provided that, however, in the case of the scheme administrators of HIH Casualty & General Insurance Limited, such payment is to be made by way of distributions in the scheme of arrangement in England in respect of HIH Casualty & General Insurance Limited;
- (ii) that the costs of any necessary application in respect of such assistance be provided for at the discretion of the High Court of Justice in England; and
- (iii) such further or other relief as the High Court of Justice in England thinks fit.

THIS LETTER OF REQUEST is issued by and forms part of the Order of this Court made ●,
2007

Superior Court of Justice – Commercial List
7th Floor
330 University Avenue
Toronto, Ontario, Canada
M5G 1E3

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LETTER OF REQUEST

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

Graham D. Smith LSUC#: 26377D
Tel: 416.597.4161
Fax: 416.979.1234

Solicitors for KPMG Inc., the Liquidator
of Reliance Canada

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

This is Exhibit "D" referred to in the
affidavit of Francois Gilbert

sworn before me, this 8th
day of November, 2001

M. Diane Koken,
Insurance Commissioner of the
Commonwealth of Pennsylvania,
Plaintiff

Candy Schaffel
A COMMISSIONER FOR TAKING AFFIDAVITS

v.

Reliance Insurance Company,
Defendant

: No. 269 M.D. 2001
:

RECEIVED AND FILED
PROCLAMATION
COMMONWEALTH COURT
OF PENNSYLVANIA
OCT 3 1 23 PM '01

ORDER OF LIQUIDATION

AND NOW, this 3rd day of October, 2001, upon consideration of the Petition of M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her capacity as Rehabilitator of Reliance Insurance Company for Liquidation in accordance with Article V of the Insurance Department Act of 1921, as amended, 40 P.S. §211, et seq. and the Consent thereto, it is hereby **ORDERED** and **DECREED** that said Petition is **GRANTED**.

It is further **ORDERED** and **DECREED** that:

1. The rehabilitation of Reliance Insurance Company ("Reliance" or the "Company") commenced under this Court's Order of May 29, 2001 is hereby **TERMINATED**.

2. Reliance is hereby found to be and is declared **INSOLVENT**, as that term is defined in 40 P.S. §§ 221.3, and as provided in 40 P.S. §§ 221.14(1) and 221.19.

3. Commissioner M. Diane Koken and her successors in office (the "Commissioner") are hereby **APPOINTED** Liquidator of Reliance and the Liquidator or her designees (the "Liquidator") are directed immediately to take possession of Reliance's property, business and affairs as Liquidator, and to liquidate Reliance in accordance with Article V of the Insurance Department Act of 1921, as amended (40 P.S. §§211 et seq.) (the "Act"), and to take such action as the interest of the policyholders, creditors or the public may require.

4. The Liquidator is hereby **VESTED** with all the powers, rights, and duties authorized under the Act and other applicable law.

ASSETS OF THE ESTATE

5. The Commissioner, as Liquidator, is vested with title to all property, assets, contracts and rights of action ("assets") of Reliance, of whatever nature and wherever located, whether held directly or indirectly, as of the date of the filing of the Petition for Liquidation. All assets of Reliance are hereby found to be in custodia legis of this Court; and this

Court specifically asserts, to the fullest extent of its authority, (a) in rem jurisdiction over all assets of the Company wherever they may be located and regardless of whether they are held in the name of the Company or any other name; (b) exclusive jurisdiction over all determinations of the validity and amount of claims against Reliance; and (c) exclusive jurisdiction over the determination of the distribution priority of all claims against Reliance.

6. The filing or recording of the Order with the clerk of the Commonwealth Court or with the recorder of deeds of the county in which the principal business of Reliance is conducted, or the county in which its principal office or place of business is located, shall impart the same notice as a deed, bill of sale or other evidence of title duly filed or recorded with that recorder of deeds would have imparted.

7. All banks, investment bankers, companies, other entities or other persons having in their possession assets which are, or may be, the property of Reliance, shall, unless otherwise instructed by the Liquidator, deliver the possession of the same immediately to the Liquidator, and shall not disburse, convey, transfer, pledge, assign, hypothecate, encumber or in any manner dispose of the same without the prior written consent of, or unless directed in writing by, the Liquidator.

8. All persons and entities are enjoined from disposing of or destroying any records pertaining to any transactions between Reliance and any party.

9. The amount recoverable by the Liquidator from any reinsurer shall not be reduced as a result of this Order of Liquidation,

regardless of any provision in a reinsurance contract or other agreement. Payment made directly by the reinsurer to an insured or other creditor of Reliance shall not diminish the reinsurer's obligation to Reliance, except to the extent provided by law.

10. All agents, brokers, and other persons having sold policies of insurance issued by Reliance shall account for and pay all unearned commissions and all premiums, collected and uncollected, for the benefit of Reliance directly to the Liquidator, within 30 days of notice of this Order. No agent, broker, reinsurance intermediary or other person shall disburse or use monies which come into their possession and are owed to, or are claimed by, Reliance for any purpose other than payment to the Liquidator.

11. If requested by the Liquidator, all attorneys employed or retained by Reliance or performing legal services for Reliance as of the date of this Order shall, within 30 days of such request, report to the Liquidator the name, company claim number (if applicable) and status of each matter they are handling on behalf of Reliance. Said report shall include the full caption, docket number and name and address of opposing counsel in each case and an accounting of any funds received from or on behalf of Reliance for any purpose and in any capacity.

12. Any entity furnishing telephone, water, electric, sewage, garbage, delivery, trash removal, or utility services to Reliance shall maintain such service and create a new account for the Liquidator as of the date of this Order upon instruction by the Liquidator.

13. Any entity (including any affiliate of Reliance) which has custody or control of any data processing information and records (including but not limited to source documents, all types of electronically stored information, master tapes or any other recorded information) relating to Reliance, shall transfer custody and control of such records in a form readable by the Liquidator to the Liquidator as of the date of this Order, unless instructed to the contrary by the Liquidator.

14. Any entity (including any affiliate of Reliance) furnishing claims processing or data processing services to Reliance shall maintain such services and transfer any such accounts to the Liquidator as of the date of this Order, unless instructed to the contrary by the Liquidator.

15. Reliance, its affiliates, and their officers, directors, trustees, employees, consultants, agents, and attorneys, shall: surrender peacefully to the Liquidator the premises where Reliance conducts its business; deliver all keys or access codes thereto and to any safe deposit boxes; advise the Liquidator of the combinations or access codes of any safe or safekeeping devices of Reliance or any password or authorization code or access code required for access to data processing equipment; and shall deliver and surrender peacefully to the Liquidator all of the assets, books, records, files, credit cards, and other property of Reliance in their possession or control, wherever located, and otherwise advise and cooperate with the Liquidator in identifying and locating any of the foregoing.

16. Except for contracts of insurance and for reinsurance, all executory contracts to which Reliance is a party as of the date of this Order

may be affirmed or disavowed by the Liquidator within 90 days of the date of this Order.

CONTINUATION AND CANCELLATION OF COVERAGE

17. All policies and contracts of insurance, whether issued within this Commonwealth or elsewhere, in effect on the date of this Order shall continue in force only with respect to risks in effect at that time, for the lesser of the following: (a) thirty days from the date of this Order; (b) until the normal expiration of the policy or contract providing insurance coverage; (c) until the insured has replaced the insurance coverage with equivalent insurance with another insurer or otherwise terminated the policy; or (d) until the Liquidator has effected a transfer of the policy obligation pursuant to Section 221.23(8). All policies or contracts of insurance issued by Reliance are hereby cancelled and terminated for all purposes effective thirty days from the date of this Order.

WORKERS COMPENSATION AND PERSONAL INJURY PROTECTION CLAIMS

18. For a period not to exceed 90 days from entry of this Order, the Liquidator is authorized but not obligated, in her sole discretion, to make arrangements for the continued payment in full of the claims under policies of workers compensation and under policies providing personal injury protection (PIP) by making the facilities, computer systems, books, records and arrangements with third party administrators (to the extent possible) of Reliance available for the processing and payment of such

claims, to any affected guaranty association (or other entity that is the functional equivalent) and to states and state officials holding statutory deposits for the benefit of such workers compensation and PIP claimants, provided, however, that such guaranty associations, states or state officials shall provide or make available the funds to make the actual payment of such claims. In circumstances where a guaranty association certifies in writing to the Liquidator that it does not have the immediate ability to fund the payment of workers compensation and PIP claims that are its obligation by law, the Liquidator is authorized to advance the funds, if available, from Reliance to pay such claims on a temporary basis for a period not to exceed 90 days, provided that the guaranty association enters into a written agreement that such advances shall be treated as a distribution pursuant to 40 P.S. §221.36. The Liquidator shall have the discretion to accept such interim assurances as she deems adequate in lieu of a formal agreement.

NOTICE AND PROCEDURES FOR FILING CLAIMS

19. The Liquidator shall give notice by first-class mail to all persons which or who may have claims against Reliance, contingent or otherwise, as disclosed by its books and records, and advising claimants to file with the Liquidator their claims together with proper proofs thereof on or before the date (which shall be no earlier than one year from the date of the notice) the Liquidator shall specify therein. The Liquidator shall also cause a notice to be published in newspapers of general circulation where Reliance has its principal places of business, as well as in the national edition of the Wall Street Journal, (a) specifying the last day for the filing of claims; (b) advising all persons of the procedure by which all persons may

present their claims to the Liquidator; (c) advising all persons of the Liquidator's office wherein they may present their claim; and (d) advising all persons of their right to present their claim or claims to the Liquidator. Any and all persons, firms, or corporations having or claiming to have any accounts, debts, claims or demands against Reliance, contingent or otherwise, or claiming any right, title, or interest in any funds or property in the possession of the Liquidator are required to file with the Liquidator at the location designated in the above-described notices, on or before the date specified by the Liquidator as the last date upon which to file a claim (which shall be no earlier than one year from the date of the notice), a properly completed proof of claim or be thereafter barred as claimants against any assets in the hands of the Liquidator, unless a late filing is permitted under 40 P.S. §221.37. No person shall participate in any distribution of the assets of Reliance unless such claims are filed and presented in accordance with and within the time limit established by the Liquidator, subject to the provisions for the late filing of claims in 40 P.S. §221.37.

EXPENSES, PAYMENTS AND LAWSUITS

20. Without filing a petition for distribution, the Liquidator shall have the discretion to pay as costs and expenses of administration, pursuant to 40 P.S. §221.44, the actual, reasonable and necessary costs of preserving or recovering assets of Reliance and the costs of goods or services provided to and approved by Reliance (In Rehabilitation) or this Court during the period of Rehabilitation and that are unpaid as of the date of this Order. The rights and liabilities of Reliance and of its creditors,

policyholders, trustees, shareholders, members, and all other persons interested in this estate shall be determined in accordance with the Act as of the date of the filing of the Petition for Liquidation.

21. Reliance, its affiliates, or their directors, officers, trustees, employees, attorneys, brokers, consultants, agents, insureds, creditors, and any other persons, wherever located, are enjoined from: (a) the transaction of further business; (b) transferring, selling, concealing, terminating, canceling, destroying, disbursing, disposing of or assigning any assets, funds or other property of any nature; (c) any interference, in any manner, with Commissioner M. Diane Koken or her successors, or any of her designees in liquidating Reliance's business and affairs; (d) any waste of Reliance's assets or property; (e) the dissipation and transfer of bank accounts and negotiable instruments; (f) the institution or further prosecution of any actions in law or equity on behalf of or against Reliance; (g) the obtaining of preferences, judgments, attachments, garnishments or liens against Reliance's assets, property and policyholders; (h) the levy of execution process against Reliance and its assets, property and policyholders; (i) the negotiation or execution of any agreement of sale or deed conveying personal or real property for nonpayment of taxes or assessments or for any other purpose; (j) withholding from the Liquidator or her designees or removing, concealing, transferring or destroying books, accounts, documents, policies or policy related documents or other records relating to Reliance's business; (k) making any assessments or indirectly collecting such assessments by setting them off against amounts otherwise payable to Reliance; (l) attempting to collect unpaid premiums, deductibles

or self insured retentions from Reliance's insureds; and (m) the taking of any other action which might lessen the value of Reliance's assets or property, prejudice the rights and interests of policyholders and creditors, or interfere in the administration of the proceeding.

22. Unless the Liquidator consents thereto in writing, no action at law or equity, or arbitration or mediation, shall be brought against Reliance or the Liquidator, whether in this Commonwealth or elsewhere, nor shall any such existing action be maintained or further prosecuted after the date of this Order. All actions, including arbitrations and mediations, currently pending against Reliance in the courts of the Commonwealth of Pennsylvania or elsewhere are hereby stayed. All actions, arbitrations and mediations, against Reliance or the Liquidator shall be submitted and considered as claims in the liquidation proceeding.

23. All proceedings in which Reliance is obligated to defend a party in any court of this Commonwealth are hereby stayed for ninety (90) days from the date this Order. The Liquidator, pursuant to 40 P.S. §221.5(a), her designees and/or the Pennsylvania Property and Casualty Insurance Guaranty Association may petition this Court for extensions as needed in the exercise of their respective discretion. With respect to suits and other proceedings in which Reliance is obligated to defend a party, pending outside the Commonwealth of Pennsylvania and in federal courts of the United States, this Order constitutes the request of this Court for comity in the imposition of a 90-day stay by such courts or tribunals, and that those courts afford this order deference by reason of this Court's responsibility for

and supervisory authority over the rehabilitation of Reliance, as vested in this Court by the Pennsylvania Legislature. The Liquidator is authorized to cooperate in assisting any guaranty association in any jurisdiction to enforce any stay of any action provided for in any relevant law of another state. Any person that fails to honor a stay ordered by this Court or violates any provision of this Order, where such person has a claim against Reliance, shall have their claim subordinated to all other claims in the same class, with no payment being made with respect to such claim until all others in the same class have been paid in full, in addition to any other remedies available at law or in equity.

24. No judgment or order against Reliance or its insureds entered after the date of filing of the Petition for Liquidation, and no judgment or order against Reliance entered at any time by default or by collusion, need be considered as evidence of liability or quantum of damages by the Liquidator.

25. No action or proceeding in the nature of an attachment, garnishment, or execution shall be commenced or maintained in this Commonwealth or elsewhere against Reliance or the Liquidator, or their assets.

26. All secured creditors or parties, pledges, lienholders, collateral holders or other person claiming secured, priority or preferred interests in any property or assets of Reliance are hereby enjoined from taking any steps whatsoever to transfer, sell, assign, encumber, attach,

dispose of, or exercise, purported rights in or against any property or assets of Reliance except as provided in 40 P.S. §221.43.

27. All references to "Reliance" herein shall include the former subsidiaries which were previously merged into Reliance Insurance Company with approval of the Commissioner, including Reliance National Indemnity Company, Reliance National Insurance Company, United Pacific Insurance Company, Reliance Direct Company, Reliance Surety Company, Reliance Universal Insurance Company, United Pacific Insurance Company of New York and Reliance Insurance Company of Illinois.

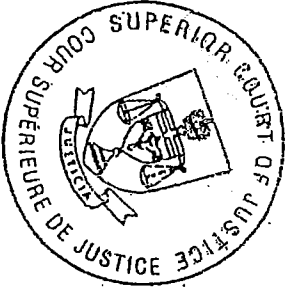
28. This Order shall be effective on the date of entry specified above and supercedes this Court's Order of May 29, 2001.

29. Further, this Order supercedes any order entered by this Court prior to 12:00 noon, October 3, 2001.

The Rehabilitator, through its counsel, is hereby directed to forthwith, serve a copy of this order upon all parties listed on the master service list via fax and/or e-mail and U.S. mail, if necessary. The Rehabilitator, through its counsel, is directed to file with the court in the Office of the Prothonotary, 9th Floor the Widener Building, 1339 Chestnut Street, Philadelphia, PA 19107, by 1:00 p.m. October 9, 2001 an affidavit, that service, as outlined above, has been effectuated.


JAMES GARDNER COLINS, Judge

Court File No. 01-CL-4313



**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE
MR. JUSTICE FARLEY

) MONDAY THE 3RD DAY
)
) OF DECEMBER, 2001
)
)

**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**

BETWEEN:

THE ATTORNEY GENERAL OF CANADA

Applicant

- and -

RELIANCE INSURANCE COMPANY

Respondent

WINDING-UP ORDER

THIS APPLICATION made by the Applicant was heard this day without a jury at Toronto, in the presence of counsel for the Applicant, for the Respondent, for KPMG Inc., and for the Property and Casualty Insurance Compensation Corporation ("PACICC"), no one opposing.

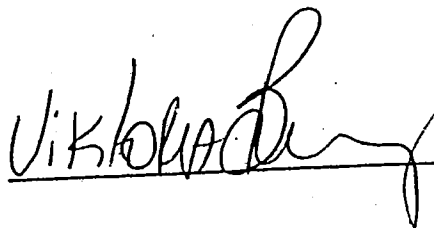
ON READING the Notice of Application and the evidence filed by the parties, and on hearing submissions of counsel for the parties

1. THIS COURT ORDERS AND DECLARES that the Respondent Reliance Insurance Company is a foreign insurance company within the meaning of the *Insurance Companies Act* to which the *Winding-up and Restructuring Act* applies, and that the insurance business in Canada of the Respondent ("Reliance (Canada)") may be wound-up by this Court pursuant to Section 10.1 of the *Winding-up and Restructuring Act*.
2. THIS COURT FURTHER DECLARES that it has made no finding that Reliance (Canada) is insolvent.
3. THIS COURT ORDERS that Reliance (Canada) shall be wound-up by this Court pursuant to the *Winding-up and Restructuring Act*.
4. THIS COURT ORDERS AND DECLARES that the winding-up hereunder of Reliance (Canada) shall be deemed to commence November 8, 2001.
5. THIS COURT ORDERS that no suit, action or other proceeding shall be proceeded with or commenced against Reliance (Canada) or Reliance Insurance Company, except with leave of this Court and subject to such terms as this Court may impose.
6. THIS COURT ORDERS that every judgment, attachment, sequestration, distress, execution or like process put into force against Reliance (Canada) or Reliance Insurance Company, or the estate or effects thereof, after the commencement of the winding-up is void and of no effect.

CHANCERY
MONTREAL REGISTERED NO.

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Court File No: 01-CL-4313

RELIANCE INSURANCE COMPANY
Respondent

THE ATTORNEY GENERAL OF CANADA
Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

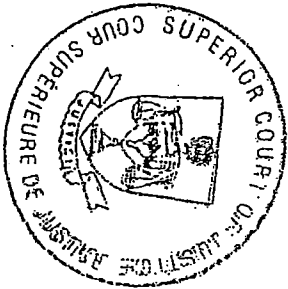
Proceeding commenced at Toronto

WINDING-UP ORDER

LAX O'SULLIVAN SCOTT LLP
Suite 1920
145 King Street West
Toronto, Ontario M5H 1J8

Charles F. Scott LSUC# 14534N
Brooke Shulman LSUC # 41032N
Tel: (416) 646-7997
Fax: (416) 598-3730

Solicitors for the Applicant



Court File No. 01-CL-4313

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE
MR. JUSTICE FARLEY

) MONDAY THE 3RD DAY
)
) OF DECEMBER, 2001
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**IN THE MATTER OF
RELIANCE INSURANCE COMPANY**

**AND IN THE MATTER OF THE
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WINDING-UP AND RESTRUCTURING ACT, R.S.C. 1985, C.W-11, AS AMENDED**

BETWEEN:

THE ATTORNEY GENERAL OF CANADA

Applicant

- and -

RELIANCE INSURANCE COMPANY

Respondent

ORDER

THIS APPLICATION made by the Applicant was heard this day without a jury at Toronto, in the presence of counsel for the Applicant, for the Respondent, for KPMG Inc., and for the Property and Casualty Insurance Compensation Corporation ("PACICC"), no one opposing.

ON READING the Notice of Application and the evidence filed by the parties,
and on hearing submissions of counsel for the parties:

1. THIS COURT ORDERS that the service of the Notice of Application and the materials herein be and it is hereby good and sufficient notice thereof and that any further service of the Notice of Application and materials herein be and it is hereby dispensed with.
2. THIS COURT ORDERS that KPMG Inc. be and is hereby appointed as provisional liquidator (the "Liquidator") of the insurance business in Canada of the Respondent, including the assets in Canada of the Respondent, together with its other assets held in Canada under the control of its chief agent, including, without limitation, all amounts received or receivable in respect of its insurance business in Canada ("Reliance (Canada)").
3. THIS COURT ORDERS that the giving of security by the Liquidator upon its appointment as liquidator be dispensed with.
4. THIS COURT ORDERS that all moneys belonging to Reliance (Canada) received by or on behalf of the Liquidator and its agents shall be paid into a chartered bank to the account of the Liquidator immediately after the receipt thereof and an account or accounts shall be opened immediately, provided, however, that the Liquidator shall have the discretion to deposit funds to and use the bank accounts currently in the name of or operated by Reliance (Canada).
5. THIS COURT ORDERS that any cheques or drafts in respect of policies, issued by Reliance (Canada) prior to the making of the winding-up order herein and which are presented for payment thereafter, may be paid out of the estate and effects of Reliance (Canada).

6. THIS COURT ORDERS that the amount recoverable from, due or owed by any reinsurer to Reliance (Canada) shall be paid to the Liquidator and shall not be reduced as a result of this Order or the winding-up order, notwithstanding any terms or contractual agreement to the contrary, and that any payment made directly by a reinsurer to an insured or other creditor or claimant of Reliance (Canada) or Reliance Insurance Company shall not diminish or reduce or affect such reinsurer's obligation to Reliance (Canada).

7. THIS COURT ORDERS that the Liquidator is authorized to cure such defaults and effect such arrangements as may be required to reinstate such reinsurance affecting the operations of Reliance (Canada), as the Liquidator deems to be in the interest and for the protection of policyholders, creditors and claimants of Reliance (Canada).

8. THIS COURT ORDERS that the Liquidator may pay all valid policyholder claims, including claims in respect of unearned premiums, to the amount of \$25,000 or the amount, if any, of the voluntary compensation payment of PACICC which may be paid under the terms of its Memorandum of Operations (the "PACICC Voluntary Compensation Payment") until April 30, 2002 or such later date as this Court may order, subject to paragraph 9 hereof, and such payments shall be deemed for all purposes to have been payments made on account of claims in the course of the liquidation of Reliance (Canada).

9. THIS COURT ORDERS that the Liquidator may pay all valid claims including claims in respect of unearned premiums under the Meridian and other warranty and surety programs to the amount of \$5,000 or the amount, if any, of the PACICC Voluntary Compensation Payment until January 31, 2002 or such later date as this Court may order, and such payments shall be deemed for all purposes to have been payments made on account of claims in the course of the liquidation of Reliance (Canada).

10. THIS COURT ORDERS that the Liquidator may, after consultation with the Inspectors, make such other payments as the Liquidator in the Liquidator's discretion deems advisable in the circumstances in respect of policies of Reliance (Canada) and such payments shall be deemed for all purposes to have been payments made on account of claims in the course of the liquidation of Reliance (Canada).

11. THIS COURT ORDERS that in addition to the payments referred to in paragraphs 8 and 10, until April 30, 2002 or such later date as this Court may order, the Liquidator may pay and continue to pay all reasonable legal and other costs, incurred to and including April 30, 2002, which Reliance (Canada) is obligated to pay for defending any insureds against losses under Reliance (Canada)'s policies in accordance with the applicable policy ("Defence Costs"), subject to the applicable terms and limits of such policies. For greater certainty, all payments of Defence Costs shall be deemed for all purposes to have been payments made on account of claims in the course of the liquidation of Reliance (Canada) and to form part of the expenses of the liquidation as a first charge on the assets of the estate. However, if the applicable policy so provides, such payments shall be taken into account in determining the amount which would otherwise be distributed to the respective policyholders and claimants, or otherwise paid on account of Defence Costs, as the case may be, at such time as any further distributions or similar arrangements are made in respect of their policies.

12. THIS COURT ORDERS that any payments made by the Liquidator pursuant to paragraphs 5, 8, 9, 10 and 11 hereof, other than payments made pursuant to clerical errors (the "Payments"):

- (a) shall be deemed to be payments made on account of claims in the liquidation of Reliance (Canada) and shall be deducted from the amount which would otherwise

be distributed at such time as further distributions or similar arrangements are made in respect of such claims;

- (b) shall be deemed to have been made in accordance with this Order;
- (c) in respect of any policy shall not obligate the Liquidator to make further payments in respect thereof; and
- (d) which may have exceeded the ultimate amount which the Liquidator determines is available for distribution to the respective policyholders and claimants, or available for payment of Defence Costs, as the case may be, (collectively, the "Overpayments") shall be deemed not to be preferences and shall not be repayable by the recipients or policyholders.

Neither the Liquidator nor the Liquidator's agents, advisers or employees shall be liable to any person in respect of the Overpayments.

13. THIS COURT ORDERS that PACICC, which shall designate from time to time one or more persons as its representative, and the Insurance Commissioner of the Commonwealth of Pennsylvania in her capacity as Liquidator of the Respondent or her designee are appointed inspectors (collectively the "Inspectors") to assist and advise the Liquidator in the winding-up of Reliance (Canada).

14. THIS COURT ORDERS that the Inspectors may apply to this Court on motion for directions concerning any matter relating to the liquidation of Reliance (Canada).

15. THIS COURT ORDERS that each claim in respect of which PACICC makes a PACICC Voluntary Compensation Payment (a "Compensated Claim") shall be deemed to be and

shall hereby be assigned in its entirety to PACICC without specific assignment or further steps required. PACICC shall be entitled to assert each Compensated Claim in the Liquidation. Reliance (Canada) is hereby deemed to have acquiesced to the assignment of Compensated Claims provided for herein and to have received a copy of the deed of assignment. PACICC and the Liquidator shall be deemed to be and shall hereby be released and forever discharged from any and all claims, actions, losses and liabilities which any person has or may have at present or in the future with respect to each Compensated Claim.

16. THIS COURT ORDERS that, notwithstanding the provisions of paragraph 15, the Liquidator may make funds in the estate available to PACICC from time to time to be used by PACICC to make PACICC Voluntary Compensation Payments pursuant to the terms and conditions of the loan and services agreement made effective as of the date hereof between the Liquidator and PACICC, which is hereby approved.

17. THIS COURT ORDERS that the Liquidator is authorised and empowered to act as administrator of insurance coverage on behalf of third parties who assume all or part of the insurance risk, and to be paid the fees earned by Reliance (Canada), pursuant to the terms of the contracts between Reliance (Canada) and such third parties.

18. THIS COURT ORDERS that the Liquidator is entitled forthwith to possession of all of Reliance (Canada)'s books, accounts, securities, documents, papers, computer programs and data, registers and records of any kind ("Books and Records") and that Reliance (Canada), its present and former shareholders, directors, officers, employees, salespeople and agents, accountants, auditors, solicitors, trustees, and every person having knowledge of this Order and having possession or control of such Books and Records, do forthwith deliver over to the Liquidator or to the Liquidator's agent all such Books and Records.

19. THIS COURT ORDERS that all persons, including, without limitation, employees, brokers, legal counsel, insurance agents, third party administrators, or salespeople having access to or knowledge of the affairs of Reliance (Canada) do co-operate with the Liquidator in providing information or documents necessary or incidental to the liquidation of Reliance (Canada).

20. THIS COURT ORDERS that any entity which has custody or control of any data processing information and records (including but not limited to source documents, all types of electronically stored information, master tapes or any other recorded information) relating to Reliance (Canada), shall transfer custody and control of such records in a form readable by the Liquidator to the Liquidator as of the date of this Order, unless instructed to the contrary by the Liquidator.

21. THIS COURT ORDERS that any entity furnishing claims processing or data processing services to Reliance (Canada) shall maintain such services and transfer any such accounts to the Liquidator as of the date of this Order, unless instructed to the contrary by the Liquidator.

22. THIS COURT ORDERS that Reliance (Canada) and its Chief Agent, officers, trustees, employees, consultants, agents, and legal counsel shall: surrender peacefully to the Liquidator the premises where Reliance (Canada) conducts its business; deliver all keys or access codes thereto and to any safe deposit boxes; advise the Liquidator of the combinations or access codes of any safe or safekeeping devices of Reliance (Canada) or any password or authorization code or access code required for access to data processing equipment; and shall deliver and surrender peacefully to the Liquidator all of the assets, books, records, files, credit cards, and other property of Reliance (Canada) in their possession or control, wherever located,

and otherwise advise and cooperate with the Liquidator in identifying and locating any of the foregoing.

23. THIS COURT ORDERS that all persons, firms, corporations and other entities having agreements, whether written or oral, with Reliance (Canada) for the supply of goods or services, be and they are hereby enjoined from terminating, accelerating, suspending, modifying, determining or cancelling such agreements without the written consent of the Liquidator or leave of this Court, and that all such parties shall continue to comply with their obligations under such agreements or otherwise on terms currently provided so long as the Liquidator pays the normal prices or charges for such goods or services incurred after the date of this Order in accordance with usual payment terms or as may hereafter be negotiated by the Liquidator from time to time.

24. THIS COURT ORDERS that all persons, firms, corporations and other entities be and they are hereby enjoined from disturbing or interfering with the occupation, possession or use by the Liquidator of any premises occupied or leased by Reliance (Canada) as at November 8, 2001 except upon further Order of this Court. From November 8, 2001 and for the period of time that the Liquidator occupies any leased premises, the Liquidator shall pay occupation rent to each lessor based upon the regular monthly base rent that was previously paid by Reliance (Canada) in respect of the premises so occupied or as may hereafter be negotiated by the Liquidator from time to time.

25. THIS COURT ORDERS that all persons, firms, corporations and other entities be and they are hereby enjoined from disturbing or interfering with computer software, hardware, support and data services or with utility services, including, but not limited to, the furnishing of oil, gas, heat, electricity, water, telephone service (including at present telephone numbers used by Reliance (Canada)) or any other utilities of like kind furnished to Reliance (Canada) and they

are hereby enjoined from discontinuing or altering any such utilities or services to the Liquidator except upon further order of this Court, so long as the Liquidator pays the normal prices or charges for such goods and services incurred after November 8, 2001 as the same become due in accordance with usual payment terms or as may hereafter be negotiated by the Liquidator from time to time.

26. THIS COURT ORDERS that, without limiting the generality of the foregoing, and except upon further order of this Court having been obtained on at least 7 days' notice to the Liquidator:

- (a) all persons, firms, corporations and other entities be and they are hereby restrained from terminating, cancelling or otherwise withdrawing any licences, permits, approvals or consents with respect to or in connection with Reliance (Canada) as they were on November 8, 2001;
- (b) any and all proceedings or steps taken or that may be taken, wheresoever taken, by any person, firm, corporation or entity, including, without limitation, any of the policyholders or creditors of Reliance (Canada), suppliers, co-insurers, reinsurers, contracting parties, depositors, lessors, tenants, co-venturers or partners (hereinafter, in this paragraph "Claimants") against or in respect of Reliance (Canada) shall be and hereby are stayed and suspended;
- (c) the right of any Claimant to make demands for payment on or in respect of any guarantee or similar obligation or to make demand or draw down under any letters of credit, bonds or instruments of similar effect, issued by or on behalf of Reliance (Canada), to take possession of, to foreclose upon or to otherwise deal

with any property, wheresoever located, of Reliance (Canada) whether held directly or indirectly, as principal or nominee, beneficially or otherwise, or to continue any actions or proceedings in respect of the foregoing, is hereby restrained;

- (d) the right of any Claimant to assert, enforce or exercise any right (including, without limitation, any right of dilution, buy-out, divestiture, forced sale, acceleration, termination, suspension, modification or cancellation or right to revoke any qualification or registration), option or remedy available to it including a right, option or remedy arising under or in respect of any agreement (including, without limitation, any contract, debt instrument, guarantee, option, co-ownership agreement or any agreement of purchase or sale but not including any eligible financial contract, as defined in the *Winding-up and Restructuring Act*) to which Reliance (Canada) is a party, arising out of, relating to or triggered by the occurrence of any default or non-performance by Reliance (Canada) or the making or filing of these proceedings, or any allegation contained in these proceedings, is hereby restrained; and
- (e) all Claimants are restrained from exercising any extra judicial remedies against Reliance (Canada), including, without limitation, the registration or re-registration of any securities owned by Reliance (Canada) into the name of such persons, firms, corporations or entities or their nominees, the exercise of any voting rights attaching to such securities, the retention of any payments or other distributions made in respect of such securities, any right of distress, repossession, or consolidation of accounts in relation to amounts due or accruing due in respect of

or arising from any indebtedness or obligation of Reliance (Canada) as of the date hereof.

27. THIS COURT ORDERS that no action lies against the Liquidator, any of its affiliates (the "Affiliates") any director, officer, agent, representative or employee of the Liquidator or of the Affiliates, any entity or person (or director, officer, agent, representative or employee of any such entity or person) acting under the direction of the Liquidator, or the Inspectors or any director, officer, agent, representative or employee thereof, for anything done or omitted to be done in good faith in the administration of the liquidation of Reliance (Canada) or in the exercise of the Liquidator's powers under this Order or otherwise.

28. THIS COURT ORDERS that no suit, action or other proceeding shall be proceeded with or commenced against the Liquidator, the Affiliates, any director, officer, agent, representative or employee of the Liquidator, or of the Affiliates, any entity or person (or director, officer agent, representative or employee of any such person) acting under the direction of the Liquidator, or the Inspectors or any director, officer, agent, representative or employee thereof, except with leave of this Court and subject to such terms as this Court may impose.

29. THIS COURT ORDERS that the Liquidator may, without the approval, sanction or intervention of this Court and without previous notice to the policyholders or creditors of Reliance (Canada) or any other person,

- (a) take control of the estate and effects of Reliance (Canada) or such part thereof as the Liquidator shall determine;

- (b) bring or defend any action, suit or prosecution or other legal proceeding, civil or criminal, in the Liquidator's own name as liquidator or in the name or on behalf of Reliance (Canada), as the case may be;
- (c) carry on the business of Reliance (Canada) so far as it is necessary or incidental to the winding-up of Reliance (Canada);
- (d) lease or mortgage or otherwise realize upon the undertaking, property and assets of Reliance (Canada) or any part or parts thereof;
- (e) sell the real and personal property, effects, intangibles and choses in action of Reliance (Canada), including all or any portion of Reliance (Canada)'s contracts and products and related assets, including, without limitation, Reliance (Canada)'s lists of policyholders and customers, by public auction or private contract, and transfer the whole thereof to any person or company, or sell them in parcels;
- (f) do all acts and execute, in the name of and on behalf of Reliance (Canada), all deeds, receipts, and other documents, and for that purpose use, when necessary, the seal of Reliance (Canada), and file any elections (tax or otherwise), objections or registrations, and file any notices, all as may be necessary or desirable in the opinion of the Liquidator for the better liquidation of Reliance (Canada);
- (g) prove, rank, claim and draw dividends in the matter of the bankruptcy, insolvency or sequestration of any contributory, for any sum due to Reliance (Canada) from the contributory, and take and receive dividends in respect of the bankruptcy, insolvency or sequestration, as a separate debt due from that contributory and rateably with the other separate creditors;

- (h) draw, accept, make and endorse any bill of exchange or promissory note in the name of and on behalf of Reliance (Canada);
- (i) give discharges of mortgages and other securities, partial discharges of mortgages and other securities, and pay property taxes and insurance premiums on mortgages and other securities taken in favour of Reliance (Canada);
- (j) pay such debts of Reliance (Canada) as may be necessary to be paid in order to properly preserve and maintain the undertaking, property and assets of Reliance (Canada) or to carry on the business of Reliance (Canada);
- (k) surrender possession of any premises occupied by Reliance (Canada) and disclaim any leases entered into by Reliance (Canada);
- (l) apply for any permits, licences, approvals or permissions as may be required by any governmental or regulatory authority;
- (m) re-direct Reliance (Canada)'s mail;
- (n) enter into any eligible financial contracts, as defined in the *Winding-up and Restructuring Act*;
- (o) take possession and control of all securities in which Reliance (Canada) has an interest (directly or indirectly) and exercise all rights that may be enjoyed by a holder of such securities including, without limitation, rights (i) that may arise by virtue of the holder being a party to a shareholder or similar agreement that may, by way of example, restrict the powers of the directors to manage or supervise the management of the business and affairs of the corporation, (ii) to receive

information, (iii) to attend at and cause to be held meetings of holders of such securities, (iv) to vote such securities for the removal or election of directors and approval of significant transactions (such as the sale or disposition of all or substantially all of the assets of such company or the winding-up, liquidation, rehabilitation, bankruptcy, receivership, restructuring or amalgamation of such company), and (v) to sell or otherwise dispose of such securities;

- (p) compromise all calls and liabilities to calls, debts and liabilities capable of resulting in debts, and all claims, demands and matters in dispute in any way relating to or affecting the assets of Reliance (Canada) or the winding-up of Reliance (Canada), on the receipt of such sums, payable at such times, and generally on such terms as are agreed on by the Liquidator;
- (q) make such compromise or other arrangements with creditors or persons claiming to be creditors of Reliance (Canada) as the Liquidator deems expedient; and
- (r) do and execute all such other things as are necessary for, or incidental to the winding-up of the affairs of Reliance (Canada), including without limitation entering into agreements incurring obligations.

30. THIS COURT FURTHER ORDERS that the Liquidator may, with the approval of this Court and on such notice as the Court may direct:

- (a) arrange for the transfer or reinsurance of all or a portion of the policies of Reliance (Canada); and
- (b) cancel all or a portion of the outstanding policies of Reliance (Canada).

31. THIS COURT ORDERS that the Liquidator and any of the Liquidator's agents, officers, directors, representatives or employees shall be deemed not to be an employer or a successor employer of the employees of Reliance (Canada) within the meaning of the *Pension Benefits Act* (Ontario), *Employment Standards Act* (Ontario), the *Labour Relations Act* (Ontario) or any other Federal, Provincial or Municipal legislation governing employment or labour standards or any other statute, regulation or rule of law or equity for any purpose whatsoever and, further, that the Liquidator and any of the Liquidator's agents, directors, officers, representatives or employees shall not be and shall be deemed not to be, in possession, charge or control of the property or business or affairs of Reliance (Canada) pursuant to any Federal, Provincial or Municipal legislation, statute, regulation or rule of law or equity which imposes liability on the basis of such status including, without limitation, the *Environmental Protection Act* (Ontario), the *Canadian Environmental Protection Act*, or the *Ontario Water Resources Act*, and this shall be binding on all tribunals and administrative bodies.

32. THIS COURT ORDERS that the Liquidator may retain, employ or engage such actuaries, accountants, financial advisors, investment dealers, solicitors, attorneys, valuers or other expert or professional persons as the Liquidator deems necessary or desirable to assist the Liquidator in fulfilling the Liquidator's duties, and all reasonable and proper expenses which the Liquidator may incur in so doing shall be costs of liquidation of Reliance (Canada).

33. THIS COURT ORDERS that the Liquidator may act on the advice or information obtained from any actuary, accountant, financial advisor, investment dealer, solicitor, attorney, valuer or other expert or professional person, and the Liquidator shall not be responsible for any loss, depreciation or damage occasioned by acting in good faith in reliance thereon.

34. THIS COURT ORDERS that the Liquidator shall be paid such remuneration as the Court Orders.

35. THIS COURT ORDERS that the Liquidator shall be at liberty to apply reasonable amounts against its remuneration, expenses and disbursements on a monthly basis and that such amounts shall constitute advances against its remuneration and expenses on, but subject to, the passing of its accounts.

36. THIS COURT ORDERS that this Order and any other orders in these proceedings shall have full force and effect in all Provinces and Territories in Canada.

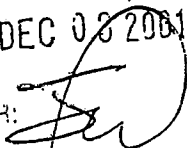
37. THIS COURT SEEKS AND REQUESTS the aid and recognition of any Court or administrative body in any Province or Territory of Canada and any Canadian Federal Court or administrative body and any Federal or State Court or administrative body in the United States of America and any Court or administrative body in the United Kingdom or elsewhere to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

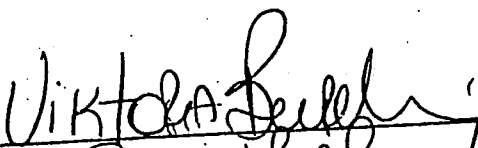
38. THIS COURT ORDERS that the costs of this application, including the costs of the Inspectors, are to be assessed on a solicitor and his own client basis and shall be costs of liquidation of Reliance (Canada).

39. THIS COURT ORDERS that interested parties may apply to the Court for advice and directions on 7 days' notice to the Liquidator and the Inspectors, and that the Liquidator may at any time apply to this Court for advice and directions.

ENTERED AT/INSERTE A VOTRE
CLERK NO:
LE JUDGE LE REGISTRE NO

DEC 08 2001

PER/PAR: 


Registrar

THE ATTORNEY GENERAL OF CANADA
Applicant

and
RELIANCE INSURANCE COMPANY
Respondent

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

ORDER

LAX O'SULLIVAN SCOTT LLP
Suite 1920
145 King Street West
Toronto, Ontario M5H 1J8

Charles F. Scott LSUC# 14534N
Brooke Shulman LSUC # 41032N
Tel: (416) 646-7997
Fax: (416) 598-3730

Solicitors for the Applicant

THE ATTORNEY GENERAL OF CANADA
Applicant

RELIANCE INSURANCE COMPANY
and
Respondent

Court File No: 01-CL-4313

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

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ORDER

GOODMANS LLP
Barristers & Solicitors
250 Yonge Street
Suite 2400, Box 24
Toronto, Ontario
M5B 2M6

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

Solicitors for KPMG Inc.,
the Liquidator of Reliance Canada

GOODMANS\5434156.7
File No. 016699