

**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 16, 2009)**

KPMG Inc., liquidator (the "Liquidator") of the insurance business of Reliance Insurance Company in Canada ("Reliance Canada"), will make a motion to a Judge presiding over the Commercial List on Wednesday, December 16, 2009 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 and approving the activities of the Liquidator for the period January 1, 2008 to September 30, 2009 (the "Period"), as reflected in the financial statements of Reliance Canada;
  - (b) approving the professional fees and costs of the Liquidator and of its counsel for the Period, and of the representative counsel on the post-liquidation interest motion herein heard by the Honourable Mr. Justice C. Campbell; and
  - (c) approving and authorizing a distribution from the estate of Reliance Canada in payment of the post-liquidation interest entitlement pursuant to subsection 95(2) of the *Winding-up and Restructuring Act* (the "Act"), in accordance with this Court's directions in its Order made herein on July 14, 2009; and
2. Such further and other relief as this Honourable Court may deem just.

**THE GROUNDS FOR THE MOTION ARE:**

1. Pursuant to previous Orders of this Court, the full principal amount of all policy loss and ordinary creditor claims has been or will be paid;
2. There will be a surplus in the estate after payment of the claims;
3. Post-liquidation interest is payable on certain claims and this Court has provided its advice and directions as to entitlement to and methodology for the payment of such interest;

4. The Liquidator considers that payment of the post-liquidation interest should be made and that it will not prejudice any party and is appropriate in the circumstances;
5. Rule 37 of the *Rules of Civil Procedure*;
6. Sections 33, 35 and 95 of the *Act*;
7. The Orders of this Honourable Court made herein on December 3, 2001 and July 14, 2009; and
8. 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 9, 2009;
2. Affidavit of Elizabeth J. Murphy sworn December 9, 2009;
3. Affidavit of Gale Rubenstein sworn December 9, 2009; and
4. Such further and other evidence as counsel may advise and this Honourable Court permit.

December 9, 2009

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

Graham D. Smith\LSUC #26377D  
Tel: (416) 979-2211  
Fax: (416) 979-1234  
Lawyers for KPMG Inc.,  
Liquidator of Reliance (Canada)

**TO:** **Torys LLP**  
79 Wellington St. W., Suite 3000  
Box 270, TD Centre  
Toronto, Ontario  
M5K 1N2

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

Lawyers for the Property and Casualty Insurance Compensation Corporation

**AND TO:** **Stikeman Elliott LLP**  
5300 Commerce Court West  
199 Bay Street  
Toronto, Ontario  
M5L 1B9

**Elizabeth Pillon**  
Tel.: 416-869-5623  
Fax: 416-947-0866

Representative Counsel for the Under-limits Claimants

**AND TO:** **ThorntonGroutFinnigan LLP**  
Suite 3200  
Canadian Pacific Tower  
100 Wellington St. West, P.O. Box 329, Toronto-Dominion Centre  
Toronto, Ontario  
M5K 1K7

**James Grout**  
Tel.: 416-304-0557  
Fax: 416-304-1313

Representative Counsel for the Over-limits Claimants

**AND TO: Cassels Brock & Blackwell LLP**  
2100 Scotia Plaza  
40 King Street West  
Toronto, Ontario  
M5H 3C2

**Deborah S. Grieve**  
Phone: 416-860-5219  
Fax: 416-350-6923

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

**AND TO: Office of the Superintendent of Financial Institutions**  
121 King Street West  
Toronto, Ontario  
M5H 3T9

**Norah Love**  
Phone: 416-973-1102  
Fax: 416-952-1662

**AND TO: McMillan LLP**  
Brookfield Place  
181 Bay Street, Suite 4400  
Toronto, Ontario  
M5J 2T3

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

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

**AND TO: Alan L. Bromstein, Professional Corporation**  
PO Box 24  
1020-95 Wellington St. W  
Toronto, Ontario  
M5J 2N7

**Alan L. Bromstein**  
Phone: 416-862-4396  
Fax: 416-862-7736

Lawyer 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**  
1300-1969 Upper Water Street  
Purdy's Wharf II  
P.O. Box 730  
Halifax, Nova Scotia  
B3J 2V1

**Jane O'Neill**  
Phone: 902-444-8592  
Fax: 902-425-6350

Lawyers for Secunda Marine Services Limited

**AND TO: Alpine Helicopters Ltd.**  
1295 Industrial Road  
Kelowna, B.C.  
V1Z 1G4

**Lynda J. Murdock, President**  
Phone: 250-769-4111  
Fax: 250-769-2040

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

**Michael J. MacNaughton**  
Phone: 416-367-6000  
Fax: 416-367-6749

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

THE HONOURABLE )  
JUSTICE CUMMING ) WEDNESDAY, THE 16<sup>TH</sup> DAY  
)  
) OF DECEMBER, 2009

**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

**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 9, 2009 (the "Report"), the Affidavit of Gale Rubenstein sworn December 9, 2009 and the Affidavit of

Elizabeth J. Murphy sworn December 9, 2009, filed, and on hearing submissions of counsel for the Liquidator, no other party appearing, although properly served as appears from the proof of service, filed:

1. **THIS COURT ORDERS** that 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 and activities of the Liquidator for the period January 1, 2008 to September 30, 2009 (the "Period"), 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, and the fees and disbursements of Elizabeth Pillon and James Grout in their capacity as representative counsel appointed by the Order of this Court made January 29, 2009, be and they are hereby approved as submitted.
4. **THIS COURT ORDERS** that for the purposes of this Order the following terms shall have the following respective meanings:
  - (a) "Over-limits Claimants" shall mean holders of (i) policy loss claims which claims were not paid in full as their policy loss claims were settled and allowed in the liquidation, (ii) ordinary creditor claims that were payable at the commencement of the liquidation, and (iii) Disputed Claims, as defined below;



- (b) “Disputed Claims” shall mean alleged policy loss claims in litigation that are ultimately determined in favour of the claimant and would, but for the liquidation, have been eligible for pre-judgment interest;
- (c) “Interim Dividend Payments” shall mean distributions authorized by this Court on policy loss claims and ordinary creditor claims;
- (d) “Authorized Policy Payments” shall mean those payments authorized by this Court on policy loss claims within certain thresholds as they were allowed and settled during the course of the liquidation.

5. **THIS COURT ORDERS** that the Liquidator is hereby authorized to pay a distribution from the estate of Reliance Canada, in payment of the interest entitlement pursuant to subsection 95(2) of the *Winding-up and Restructuring Act*, and declares that such payment is the only entitlement for post-liquidation interest pursuant to said subsection 95(2) or otherwise. The interest shall be paid on the unpaid portion of each Over-limits Claimant’s allowed claim according to the following methodology:

- (i) The interest shall be calculated from the time such claim was settled and allowed (or, (a) in the case of a Disputed Claim, from the time since the commencement of the winding-up that the Disputed Claim would have been eligible for pre-judgment interest, but for the winding-up, but not earlier than the commencement of the winding-up, and (b) in the case of an ordinary creditor claim that was already payable as of the commencement of the winding-up, from the commencement of the winding-up) until such portion was paid;

- (ii) The interest shall be simple interest at an annual rate of 5%;
  - (iii) Any payments made to Over-limits Claimants by way of Interim Dividend Payments and/or Authorized Policy Payments during the course of the winding-up are allocated first toward any interest payable hereunder on the claim, and then to the principal portion of the claim.
-

THE ATTORNEY GENERAL OF CANADA  
Applicant and

RELIANCE INSURANCE COMPANY  
Respondent

Court File No: 01-CL-4313

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

Proceeding commenced at Toronto

**ORDER  
(December 16, 2009)**

**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

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

File No. 016699

THE ATTORNEY GENERAL OF CANADA  
Applicant

RELIANCE INSURANCE COMPANY  
Respondent

Court File No: 01-CL-4313

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

Proceeding commenced at TORONTO

**NOTICE OF MOTION  
(Returnable December 16, 2009)**

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

Graham D. Smith\LSUC #26377D  
Tel: (416) 979-2211  
Fax: (416) 979-1234

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