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December 3, 2001

To the Policyholders of the Canadian branch of Reliance Insurance Company (other than the Meridian program)

On December 3, 2001, the Ontario Superior Court of Justice (the "Court"), on the application of the Attorney General of Canada, granted an order (the "Appointment Order") appointing KPMG Inc. as provisional liquidator (the "Liquidator") of the insurance business in Canada of Reliance Insurance Company ("Reliance (Canada)") and ordered that Reliance (Canada) be wound-up.

Reliance (Canada) is the Canadian branch of Reliance Insurance Company, which is a property and casualty insurer in the United States of America ("Reliance"). Reliance was placed in liquidation in Pennsylvania on October 3, 2001. The Insurance Commissioner for the Commonwealth of Pennsylvania is the court-appointed liquidator of Reliance.

The Liquidator is attempting to find one or more companies who will assume the policy liabilities of Reliance (Canada). With respect to all policy liabilities (other than policies issued as part of the Meridian program), the Liquidator has set the objective of finding a new insurance carrier by April 30, 2002. For the Meridian program, the Liquidator has set the objective of January 31, 2002. The Liquidator may return to Court to extend these dates if it appears necessary. If no other insurance carriers agree to assume the policy liabilities, the Liquidator will institute a process to deal with policyholder claims and may seek approval from the Court to cancel some or all of the in-force policies. The Liquidator will provide you with further information as this matter progresses.

The Liquidator is also working with the Property and Casualty Insurance Compensation Corporation ("PACICC") in connection with the winding-up of Reliance (Canada). We enclose a communication to policyholders from PACICC which explains PACICC's role and coverage in liquidation. You can also get information about PACICC and its coverage from its web site at www.pacicc.com.

In accordance with the Appointment Order the following procedures will apply to all policies issued by Reliance (Canada) (other than those issued under the Meridian program) until April 30, 2002 or such later date as the Court may order:

1. The Liquidator will pay up to \$25,000 on all settled and adjusted claims for loss, including claims in respect of unearned premiums. Any amounts above \$25,000 will be claims in the liquidation, on which distributions will be made as the liquidation progresses. The Liquidator is hopeful that all claimants will eventually recover 100% of their claims. However, at this time it is not certain.



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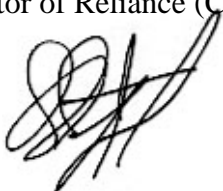
2. The \$25,000 limit will not apply to claims covered by PACICC. Policyholders with PACICC-covered claims will be entitled to payments up to PACICC's limits of \$250,000. Any amounts above \$250,000 will be claims in the liquidation, on which distributions will be made as the liquidation progresses. As stated above while the Liquidator is hopeful that all claimants will recover 100% of their claims, it is not certain.
3. In addition to the above, if you now have a claim for which legal counsel has been retained in accordance with the terms of your policy, the Liquidator will continue to pay all reasonable legal and other costs which Reliance (Canada) is obligated to pay for defending any insureds against losses under the terms of the policy, subject to the applicable terms and limits of the policy.
4. If a new claim arises, you must advise Reliance (Canada) of that claim in accordance with the terms of the policy. If the policy so provides, legal counsel will be retained and the Liquidator will pay all reasonable legal and other costs which Reliance (Canada) is obligated to pay for defending any insureds against losses under the terms of the policy, subject to the applicable terms and limits of the policy.
5. Any payments made in respect of policies, including the above, will be deemed to be payments made on account of claims in the liquidation of Reliance (Canada) and will be deducted from the amount which would otherwise be distributed to you if further distributions are made in respect of those claims.

The fact that payments are being made to April 30, 2002 does not obligate the Liquidator to continue to make any payments beyond that date. The Liquidator will report back to the Court by April 30, 2002 on the status of the marketing process and the estate of Reliance (Canada). The Liquidator cannot give you any assurances that payments will continue beyond April 30, 2002.

The Liquidator will advise you of any major developments in the liquidation. In the meantime, if you have any questions with respect to a specific claim, you should consult with the lawyer or adjuster assigned to the claim or your contact at Reliance (Canada). If you have any general questions regarding the liquidation, please address your inquiries in writing to the undersigned and we will deal with them as quickly as possible.

Yours very truly,

KPMG Inc., in its capacity as Court-appointed
Liquidator of Reliance (Canada)



Per: I. George Gutfreund
Vice President