

**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 18, 2003)

KPMG Inc., liquidator (the “Liquidator”) of the insurance business of Reliance Insurance Company in Canada (“Reliance (Canada)”) will make a motion before the Honourable Mr. Justice Farley on December 18, 2003 at 10:00 a.m., or as soon after that time as the motion can be heard, at 393 University Avenue, Toronto.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An Order substantially in the form attached as Schedule “A” hereto; and
2. Such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. The Liquidator is seeking an Order:
 - (a) passing the accounts of the Liquidator for the periods December 3, 2001 to December 31, 2002 and January 1, 2003 to September 30, 2003, as reflected in the financial statements of Reliance (Canada), and approving the professional fees of the Liquidator and of its counsel, Goodmans LLP, from the commencement of the liquidation to September 30, 2003;
 - (b) extending the date for Policy Payments, payment of Defence Costs and Meridian Payments (all as hereinafter defined) to June 30, 2004 or such later date as this Court may order; and
 - (c) fixing the exchange rate at which claims payable in foreign currency are to be converted to Canadian currency at the Bank of Canada noon spot rate of exchange for that currency on November 8, 2001.

2. 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 (“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 (the “Policy Payments”); and
 - (c) valid claims under the Meridian program up to the greater of \$5,000 or the amount, if any, of PACICC’s voluntary payment (the “Meridian Payments”),(collectively, the “Payments”).

3. This Court has extended the date for making the Payments from time to time, the latest extension being to December 31, 2003.

4. The Liquidator entered into an agreement with St. Paul Guarantee Insurance Company, formerly London Guarantee Insurance Company (“St. Paul Guarantee”) pursuant to which St. Paul Guarantee would assume Reliance (Canada)’s liabilities under the

Meridian program. The consent of the reinsurers of the Meridian program was a condition of the Meridian transaction. The Meridian reinsurers did not consent.

5. The Liquidator has concluded that the completion of the Meridian transaction is no longer of benefit to the estate.
6. The Liquidator recommends that this Court extend to June 30, 2004 or such further date as this Court may order, the date to which the Liquidator may make Meridian payments.
7. The Liquidator remains of the view that it is appropriate and in the best interest of the estate to continue Policy Payments and payment of Defence Costs as at present until June 30, 2004, or such further date as this Court may order.
8. Rules 1.04, 2.03 and 3.02 of the *Rules of Civil Procedure*.
9. Sections 5, 33, 35, 94, 109 and 162 of the *Winding-up and Restructuring Act*.
10. Section 275 of the *Bankruptcy and Insolvency Act*.
11. The Orders of this Honourable Court made herein on December 3, 2001, January 30, 2002, April 29, 2002, May 8, 2002, December 6, 2002, March 26, 2003 and June 26, 2003.
12. 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 12, 2003;
2. Affidavit of Robert O. Sanderson sworn December 12, 2003;
3. Affidavit of Gale Rubenstein sworn December 12, 2003; and

4. Such further and other material as counsel may advise and this Honourable Court permit.

December 12, 2003

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**ONTARIO SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) THURSDAY, THE 18th DAY
)
MR. JUSTICE FARLEY) OF DECEMBER, 2003

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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 393 University Avenue, Toronto, Ontario.

ON READING the Report of the Liquidator dated December 12, 2003 (the "Report"), filed, the Order of this Court dated December 3, 2001 appointing the Liquidator (the

"Appointment Order"), 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 of the Liquidator for the periods December 3, 2001 to December 31, 2002 and January 1, 2003 to September 30, 2003, as reflected in the financial statements of Reliance (Canada) attached to the Report, and the fees and disbursements of the Liquidator, and of its counsel, Goodmans LLP, from the commencement of the liquidation to September 30, 2003, be and they are hereby passed and approved as submitted.

3. **THIS COURT ORDERS** that paragraphs 8, 9 and 11 of the Appointment Order, as amended by further orders of this Court, are hereby further amended *nunc pro tunc* to extend the date of December 31, 2003 to June 30, 2004 or such later date as this Court may order.

4. **THIS COURT ORDERS** that any claims payable in foreign currency shall be converted to Canadian currency at the Bank of Canada noon spot rate of exchange for exchanging such currency to Canadian currency on November 8, 2001.

**ONTARIO SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

ORDER

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ONTARIO SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at TORONTO

NOTICE OF MOTION

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