

**IN THE MATTER OF THE WINDING-UP OF THE INSURANCE
BUSINESS IN CANADA OF RELIANCE INSURANCE COMPANY
("Reliance Canada")**

**IMPORTANT NOTICE TO ALL CLAIMANTS OF RELIANCE CANADA,
INCLUDING POLICYHOLDERS AND LOSS CLAIM CLAIMANTS**

KPMG Inc., as Liquidator ("Liquidator") of Reliance Canada under the provisions of the *Winding-up and Restructuring Act*, hereby gives notice that it will seek the advice and directions of the Ontario Superior Court of Justice – Commercial List ("Court") in respect of post-liquidation interest, by way of a motion ("Post-liquidation Interest Motion") which will be scheduled to be heard by the Court.

By the Post-liquidation Interest Motion, the Liquidator will be seeking the advice and directions of the Court as to whether post-liquidation interest is payable on claims in the winding-up of Reliance Canada from any surplus in the winding-up of Reliance Canada, and, if so, on what claims and on what basis.

The Liquidator will be recommending to the Court that the Court direct that post-liquidation interest is payable from any surplus in the winding-up of Reliance Canada on the following basis:

- The holders of claims that were paid in full when settled and allowed by the Liquidator ("Under-limits Claimants") shall not be entitled to receive interest.
- Interest shall be payable only to holders of: (i) policy loss claims that were not paid in full when settled and allowed by the Liquidator (i.e., those claims on which interim dividends and/or partial payments were made from time to time); (ii) policy loss claims that were or are in litigation and ultimately determined in favour of the claimant and would, but for the winding-up, have been eligible for pre-judgment interest for the period following commencement of the winding-up; and (iii) ordinary creditor claims that were payable at the commencement of the winding-up (collectively, "Over-limits Claimants").
- Interest payable to each of the Over-limits Claimants shall be calculated on unpaid amounts of the holder's claim, until payment of such amounts from time to time, at a simple (non-compounded) rate of 5% *per annum*, calculated from: (i) in the case of (i) above, the time the claim was settled and allowed; in the case of (ii) above, from the time since the commencement of the winding-up that it would have been eligible for pre-judgment interest, but for the winding-up, but not earlier than the commencement of the winding-up; or (iii) in the case of (iii) above, from the commencement of the winding-up.
- Any distributions or payments made on a settled and allowed claim during the course of the winding-up shall first be applied as if they had been paid on account of the interest payable on the claim, and then to reduction of the principal amount of the claim.
- The interest shall be payable in priority to any release of assets that the Court may ultimately authorize be made to Reliance Insurance Company, in liquidation.

Please note that the Post-liquidation Interest Motion is not a request or recommendation to the Court to authorize the making of a distribution by the Liquidator at this time. Depending on the Court's ruling, the Liquidator will seek authorization for any future distribution at the appropriate time.

Appointment of Representative Counsel

For the purposes of the Post-liquidation Interest Motion, the Court has appointed Elizabeth Pillon as counsel to represent the Under-limits Claimants, and James Grout as counsel to represent the Over-limits Claimants. The contact information for the respective representative counsel is:

For the Under-limits Claimants:

Elizabeth Pillon
Stikeman Elliott LLP
5300 Commerce Court West
199 Bay Street
Toronto, ON M5L 1B9

Tel.: 416-869-5623
Fax: 416-947-0866
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For the Over-limits Claimants:

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Canadian Pacific Tower
100 Wellington St. West, P.O. Toronto-
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Toronto, Canada, M5K 1K7

Tel.: 416-304-0557
Fax: 416-304-1313
E-mail: jgrout@tgf.ca

The members of each class are bound by the acts of their respective representative counsel.

This Notice is being given pursuant to the Order of the Ontario Superior Court of Justice dated the 29th day of January, 2009.

KPMG Inc., Liquidator
Reliance Insurance Company – Canadian Branch, in
Liquidation
199 Bay Street, Suite 3300
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M5L 1B2

Attention: Ms. Janine Bradley
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