

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

Plaintiff,

vs.

Reliance Insurance Company
Three Parkway
Philadelphia, PA 19102

Defendant

Docket No. 269 MD 2001

COMPLAINT

(PETITION FOR REHABILITATION)

INTRODUCTION

1. By this action, the Plaintiff, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, seeks an order of rehabilitation of the Defendant, Reliance Insurance Company, and its business and affairs pursuant to Article V of the Insurance Department Act of 1921, Act of May 19, 1921, P.L. 789, as amended, 40 P.S. §§221.1-221.63, on the grounds of consent, under 40 P.S. §221.14(12).

JURISDICTION

2. Jurisdiction over this case is founded upon 42 Pa.C.S. §761(a) and Section 504(d) of the Insurance Department Act of 1921, supra, 40 P.S. §221.4(d).

PARTIES

3. The Plaintiff is M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner"), acting in her official capacity. Plaintiff has her principal office at 1326 Strawberry Square, Harrisburg State Office Building No. 1, Harrisburg, Pennsylvania 17120.

4. The Plaintiff is charged with the execution of laws of the Commonwealth in relation to insurance for the protection of policyholders, creditors, and the public generally.

5. The Defendant is Reliance Insurance Company, a stock insurance company, organized pursuant to the laws of the Commonwealth of Pennsylvania, and has its principal place of business at Three Parkway, Philadelphia, Pennsylvania 19102, (hereinafter, "Reliance").

6. All references to Reliance shall include the following former subsidiaries of Reliance which were previously merged into Reliance with the approval of the Commissioner or were otherwise acquired by Reliance with the approval of the Commissioner:

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
Reliance Insurance Company of Illinois
Reliance Lloyds

7. Reliance is authorized to write lines of business under the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, Section 202(b) and (c), 40 P.S. § 382(b) and (c).

8. Reliance is and at all material times has been engaged in the lines of insurance described in Paragraph 7, supra.

9. Reliance is and at all material times has been subject to examination by and jurisdiction of the Plaintiff.

GROUNDS FOR REHABILITATION: CONSENT

10. Under Section 514 of the Insurance Department Act, supra, 40 P.S. §221.14, an order of rehabilitation may be based on the following grounds:

(12) The board of directors or the holders of a majority of the shares entitled to vote, or a majority of those individuals entitled to the control of those entities specified in section 502 [40 P.S. §221.2], request or consent to rehabilitation under this article.

40 P.S. §221.14(12)

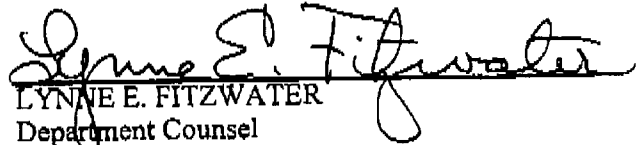
11. The Board of Directors of Reliance has voted and consented to the entry of the attached Order of Rehabilitation. Attached as Exhibit A is a true and correct copy of the resolution of the Reliance Board of Directors, adopted on May 29, 2001.

12. Pursuant to the resolution of the Reliance Board of Directors, dated May 29, 2001, the Acting President and Chief Executive Officer of Reliance, executed a Consent to Order of Rehabilitation, thereby waiving Reliance's right to a hearing under Section 514 of the Insurance Department Act of 1921, supra, 40 P.S. §221.15(b). Attached as Exhibit B is a true and correct copy of the Consent to Order of Rehabilitation.

RELIEF

THEREFORE, Plaintiff M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, respectfully requests that this Court enter the attached Order of Rehabilitation.

Respectfully submitted,



LYNNE E. FITZWATER

Department Counsel

I.D. # 31951

Pennsylvania Insurance Department

1341 Strawberry Square

Harrisburg State Office Building, No. 1

Harrisburg, PA 17102

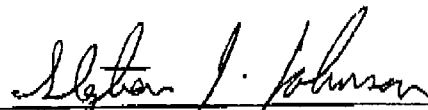
(717) 787-2567

Counsel for the Insurance Department
Commonwealth of Pennsylvania

DATED: May 29, 2001

VERIFICATION

I verify that the statements made in the within documents are true and correct to the best of my knowledge, information and belief. I understand that false statements made herein are subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).



STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Office of Regulation of Companies

EXHIBIT A

RELIANCE INSURANCE COMPANY

Resolutions Adopted by

Board of Directors on May 29, 2001

RESOLVED, that the form of Consent to Entry of Order of Rehabilitation (the "Consent"), including the form of Order attached thereto (the "Order"), by Reliance Insurance Company ("RIC") presented at the meeting, be and the same hereby is approved, and that the officers of RIC be and each of them hereby is authorized, in the name and on behalf of RIC, to execute and deliver the Consent substantially in such form (with such changes therefrom, if any, as the officer executing the same by such execution may approve), the execution and delivery of such Consent by such officer to be conclusive evidence that the same is authorized by this resolution.

RESOLVED, that the officers of RIC be and each of them hereby is authorized, in the name and on behalf of RIC, to execute and deliver all such further agreements, certificates and instruments and to take all such other action as such officer may in such officer's sole discretion consider necessary or appropriate in order to carry out the transactions contemplated by the Consent and the Order and the foregoing resolution, and to carry out the intent of such resolution.

* * *

The undersigned, Assistant Secretary of Reliance Insurance Company, hereby certifies that the foregoing resolutions were duly adopted by the Board of Directors of Reliance Insurance Company at a meeting held on May 29, 2001.



Paul W. Zeller
Assistant Secretary

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Defendant

Docket No. _____

CONSENT TO ENTRY OF
ORDER OF REHABILITATION

1. Reliance Insurance Company (hereinafter "Reliance") hereby agrees and consents to the terms of the attached Order of Rehabilitation to be entered by the Commonwealth Court in accordance with the Insurance Department Act of 1921, Act of May 17, 1921, P.L. 789, as amended (40 P.S. §§221.1-221.63).

2. Reliance admits and acknowledges that it has received proper service of the filing of the Petition for Rehabilitation and hereby waives its rights to any hearing before the Insurance Commissioner or the Commonwealth Court with respect to this Order of Rehabilitation as provided for in Section 515 of the Insurance Department Act of 1921, supra, (40 P.S. §221.15(b)) or any other sections or acts.

3. Reliance consents to the entry of the Petition for Rehabilitation on the terms contained in said Order of Rehabilitation, which Order is hereby incorporated by reference.

4. Reliance agrees that its consent was voluntary, with advice of counsel, and with full knowledge and understanding of the consequences of the entry of the Order of Rehabilitation.

5. Reliance agrees that the undersigned has the authority to consent to Reliance's Order of Rehabilitation and to waive Reliance's right to any hearing before the Insurance Commissioner or the Commonwealth Court with respect to this Order, as provided in Section 515 of the Insurance Department Act of 1921, supra, (40 P.S. §221.15(b)) or any other sections or acts.



ACTING PRESIDENT
AND CHIEF EXECUTIVE OFFICER

DATED: May 29, 2001

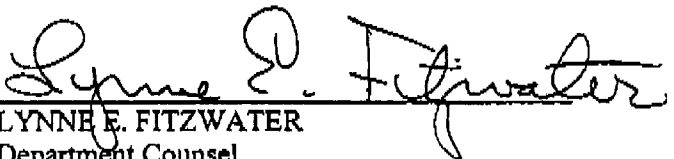
CERTIFICATE OF SERVICE

I hereby certify that I am this day serving the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 1 Pa R.A.P. 121 in the following manner:

Service by first-class mail, addressed as follows:

Edward A. Perell, Esquire
Debevoise & Plimpton
875 Third Avenue
New York, NY 10022

Paul Zeller, General Counsel
Reliance Insurance Company
77 Water Street
New York, NY 10005



LYNNE E. FITZWATER
Department Counsel
I.D. # 31951
Department Counsel
Pennsylvania Insurance Department
1341 Strawberry Square
Harrisburg State Office Building No. 1
Harrisburg, PA 17120
(717) 787-2567

Counsel for the Insurance Department,
Commonwealth of Pennsylvania

DATED: May 29, 2001

CLERK OF COURT
3910
MONTGOMERY

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