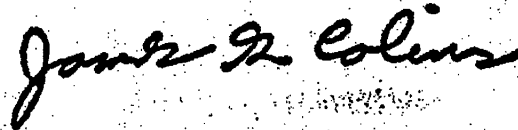


U.S. mail, or, where designated, fax and/or e-mail, and shall file an affidavit that such service has been effected in the Office of the Prothonotary, 9th Floor, The Widener Building, 1339 Chestnut Street, Philadelphia, PA 19107, by 3:00 p.m. July 29, 2005.

A handwritten signature in cursive script, reading "James G. Collins".

JAMES GARDNER COLINS, President Judge

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. DIANE KOKEN, Insurance Commissioner
of the Commonwealth of Pennsylvania

No. 269 M.D. 2001

v.

Reliance Insurance Company

**IN RE: Objection to Notice of Determinations
 of Kenneth L. Scott and Donna Buesser**

Bock, Harris T.
Specially Appointed Referee

Date: July 8, 2005

SPECIAL REFEREE'S RECOMMENDED DECISION

AND NOW this 8th day of July 2005, pursuant to Paragraph 1 of this Court's Amended Order dated February 8, 2005, the Specially Appointed Referee, Harris T. Bock, hereby makes the following recommendation:

- (1) That the Court approve the settlement entered into between the parties, which provides that Reliance Insurance Company shall issue an Amended Notice of Determination in favor of claimant at Priority Level (b) in the amount of \$10,700,100.00.
- (2) That the Court mark this matter dismissed with prejudice.

BY THE REFEREE:

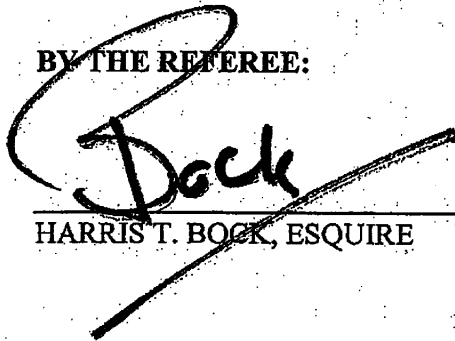

HARRIS T. BOCK, ESQUIRE

Exhibit "A"

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. DIANE KOKEN, Insurance Commissioner
of the Commonwealth of Pennsylvania

No. 269 M.D. 2001

v.

Reliance Insurance Company

**IN RE: Objection to Notice of Determinations
 of Kenneth L. Scott and Donna Buesser**

Bock, Harris T.
Specially Appointed Referee

Date: July 8, 2005

FINDINGS OF FACT

1. On November 20, 1999, claimant, Kenneth Scott, who was sixteen years old at the time, was attending Young Life's church camp in Lake Stevens, Washington.
2. A planned food fight activity at the camp evolved into mud wrestling and diving and sliding into shallow mud puddles by the campers, including claimant Scott, the entirety of which events were supervised by adult employees of Young Life.
3. While participating in the mud diving and sliding, claimant Scott dove into the mud and consequently broke his neck sustaining C-5 quadriplegia.
4. Young Life was insured by Reliance Insurance Company on a primary liability policy and an additional umbrella policy.
5. On September 5, 2001, a lawsuit was filed by Claimant and his mother, Donna Buesser, against Young Life in U.S. District Court, Western District of Seattle.
6. On October 3, 2001, Reliance was placed into Liquidation.
7. On or about February 26, 2003, Claimants Scott and Buesser filed two Proofs of Claim

("POC 1281442" and "POC 1936266").

8. On May 20, 2003, Reliance issued a Notice of Determination regarding POC 1281442, in which Reliance assigned an allowed claim at Priority Level (b) in the amount of \$1,700,100.00 (which represented the \$2,000,000.00 policy limit less payments made by Washington Insurance Guaranty Association ("Guaranty Association") in the amount of \$299,900.00).

9. On February 13, 2004, Reliance issued a Notice of Determination regarding POC 1936266, in which Reliance assigned an allowed claim at Priority Level (b) in the amount of \$9,700,100.00 (which represented the \$10,000,000.00 claim under the umbrella policy less payments made by Guaranty Association in the amount of \$299,900.00).

10. On December 18, 2003, Claimant, Buesser, filed a Proof of Claim asserting loss of consortium ("POC 1923714"), in response to which Reliance issued a Notice of Determination on April 12, 2004 assigning an allowed amount of \$0.00 on the basis that POC 1923714 duplicated Buesser's claim in POC 1936266.

11. Claimant, Buesser, filed no objection to Reliance's December 18, 2003 Notice of Determination.

12. Claimants filed timely objections to the Notice of Determination regarding POC 1936266, but have not properly filed timely objections to the Notice of Determination regarding POC 1281442.

13. Reliance filed a timely response to claimants' objections.

14. Pursuant to the February 8, 2005 Amended Order of the Commonwealth Court of Pennsylvania, Harris T. Bock, Esquire was appointed as Referee for the instant disputed claim.

15. The undersigned Referee conducted preliminary discussions with the parties wherein he suggested to the parties that they attempt to amicably resolve the matter.

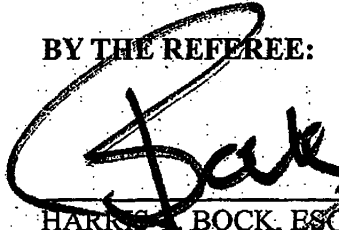
16. On May 23, 2005, Referee Bock conducted a mediation with the parties.

17. Following the mediation, the parties approved the settlement recommended by Referee Bock, and have executed the Settlement Agreement and General Release attached hereto as Exhibit "A."

18. Pursuant to the terms of the settlement agreement, Reliance shall issue an Amended Notice of Determination stating that POC 1936266 is assigned as an allowed claim at Priority Level (b) in the amount of \$10,700,100.00 under the umbrella policy (representing an \$11,000,000.00 claim less payments made by Guaranty Association of \$299,900.00).

19. The settlement is in the interests of justice, since it will save the parties approximately \$50,000.00 in fees and expenses in litigating this matter to its conclusion.

BY THE REFEREE:



HARRIS A. BOCK, ESQUIRE

SETTLEMENT AGREEMENT AND GENERAL RELEASE

This Settlement Agreement ("Agreement") is made this 27 day of June, 2005, by, among and between Claimants, Kenneth L. Scott ("Scott") and Donna Buesser ("Buesser") (collectively "Claimants"), on the one hand, and The Honorable M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as the Liquidator of Reliance Insurance Company ("the Liquidator"), and Reliance Insurance Company in Liquidation ("Reliance"), on the other hand.

RECITALS

Whereas, Reliance was placed into Rehabilitation by Order of the Commonwealth Court of Pennsylvania dated May 29, 2001.

Whereas, by Order of October 3, 2001, the Commonwealth Court terminated the Rehabilitation and placed Reliance into Liquidation.

Whereas, by Order of September 9, 2002, the Commonwealth Court established claims filing procedures and directed that referees be appointed by the Court to hear claim disputes and outstanding Objections to Notices of Determination issued by the Liquidator and to make recommendations to the Commonwealth Court regarding such claims and Objections.

Whereas, Claimant, Scott, sustained a spinal injury in 1999, resulting in C-5 quadriplegia, while attending a camp sponsored by Reliance's insured, Young Life.

Whereas, Reliance issued to its insured, Young Life: (i) a primary policy numbered NGB 2137231-02 for the period 5/1/99 to 4/30/00 which had a Two Million (\$2,000,000.00) Dollar limit of liability ("the primary policy"); and (ii) an umbrella policy numbered NUA 0455230 for the same period with a Fifteen Million (\$15,000,000.00) Dollar limit of liability (the "umbrella policy").

Exhibit "A" to Referee's Recommendation

Whereas, on or about February 26, 2003, Claimants filed two Proofs of Claim. The first, Proof of Claim Number 1281442 ("POC 1281442"), was a claim under the Two Million (\$2,000,000.00) Dollar primary policy issued by Reliance. The second, Proof of Claim Number 1936266 ("POC 1936266"), was a claim under the Fifteen Million (\$15,000,000.00) Dollar umbrella policy issued by Reliance.

Whereas, on May 20, 2003, Reliance issued a Notice of Determination with regard to POC 1281442, assigning an allowed claim at Priority Level (b) in the amount of One Million Seven Hundred Thousand One Hundred (\$1,700,100.00) Dollars, representing the net amount of the Two Million (\$2,000,000.00) Dollar policy limit, less payments made by the Washington Insurance Guaranty Association (the "Guaranty Association") in the amount of Two Hundred Ninety-Nine Thousand Nine Hundred (\$299,900.00) Dollars.

Whereas, on February 13, 2004, Reliance issued a Notice of Determination with regard to POC 1936266, assigning an allowed claim at Priority Level (b) in the amount of Nine Million Seven Hundred Thousand One Hundred (\$9,700,100.00) Dollars, representing the net amount of a Ten Million (\$10,000,000.00) Dollar claim under the umbrella policy, less payments made by the Guaranty Association in the amount of Two Hundred Ninety-Nine Thousand Nine Hundred (\$299,900.00) Dollars.

Whereas, on December 18, 2003, Claimant, Buesser, had filed a Proof of Claim asserting a loss of consortium claim ("POC 1923714"), with regard to which Reliance issued a Notice of Determination on April 12, 2004, assigning an allowed amount of \$0.00 on the basis that POC 1923714 duplicated Buesser's claim in POC 1936266. Claimant, Buesser, filed no objection to this Notice of Determination.

Whereas, Claimants filed timely Objections to the Notice of Determination regarding POC 1936266 (the "Objections"), but erroneously filed the Objections to POC 1281442. Claimants have not objected to the Notice of Determination regarding POC 1281442.

Whereas, Claimants' Objections related only to the allowed amount assigned by the Liquidator to their claims under the umbrella policy.

Whereas, Reliance filed a timely Response to Claimants' Objections.

Whereas, by Amended Order dated February 8, 2005, the Commonwealth Court assigned Claimants' Objections to Referee Harris T. Bock, Esquire for hearing and recommendation.

Whereas, the parties continued to conduct settlement negotiations after the appointment of Referee Bock and participated in a mediation before the Referee on May 23, 2005.

Now Therefore, for good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. The above recitals are incorporated herein as though fully set forth at length.
2. Upon the Commonwealth Court Order approving the Referee's recommendation to accept this Agreement, the Claimants' Objections will be deemed withdrawn, with prejudice.
3. Within fourteen (14) business days of such Commonwealth Court Order, Reliance will issue an Amended Notice of Determination with regard to POC 1936266, assigning an allowed claim, at Priority Level (b), in the amount of Ten Million Seven Hundred Thousand One Hundred (\$10,700,100.00) Dollars under the umbrella policy, representing an Eleven Million (\$11,000,000.00) Dollar claim less payments made by the

Guaranty Association of Two Hundred Ninety-Nine Thousand Nine Hundred (\$299,900.00) Dollars, to which Claimants will not object.

4. The parties agree to execute any and all documents and to do and perform any and all acts, upon request by the other, reasonably necessary or proper to effectuate the terms and provisions of this Agreement and agree to cooperate to obtain approval of this Agreement by the Commonwealth Court.

5. In consideration of Reliance's performance of its promise as set forth herein, Claimants, for themselves, their heirs, executors, administrators, and assigns, hereby completely release and forever discharge the Liquidator, Reliance and its parents, subsidiaries, related and affiliated companies, their predecessors, successors, assigns, present and past directors, attorneys, agents, employees, insureds and stockholders, both individually and in any other capacity and all other persons, firms, and corporations from any and all past, present, or future claims, demands, obligations, acts, causes of actions, rights, damages, costs, losses of services, expenses and compensation of any nature whatsoever, whether based on a tort, contract, or other theory of recovery, which Claimants now have, or which may hereafter accrue or otherwise be acquired, on account of, or may in any way grow out of, or which are the subject of the Claimants' Proofs of Claim and Objections they filed.

6. Each party shall bear and be responsible for its own costs and attorneys' fees incurred in connection with the instant Claims, Objections, and Response.

7. Nothing in this Agreement shall be deemed to be an admission of any fact or legal principle asserted with respect to the instant Claims, Objections, and Response.

8. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one complete instrument.

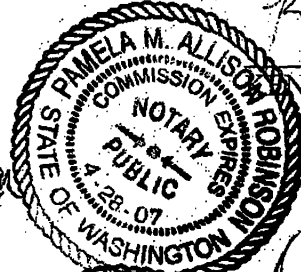
9. The individuals executing this Agreement on behalf of each of the parties warrant that they have the authority to bind said Party to the terms and conditions of this Agreement.

10. This Agreement constitutes the entire agreement between the parties and may not be altered or modified other than by a writing signed by the parties.

11. The parties hereby jointly request that Referee Bock recommend the approval of this Agreement by the Commonwealth Court.

In the presence of me, a
Notary Public, this 29th
Day of June, 2005.

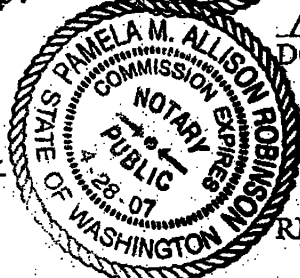
Pamela M. Allison Robinson
NOTARY PUBLIC FOR
THE STATE OF WA
COMMISSION EXPIRES 4/28/07



Kenn Scott
KENNETH L. SCOTT

In the presence of me, a
Notary Public, this 29th
Day of June, 2005.

Pamela M. Allison Robinson
NOTARY PUBLIC FOR
THE STATE OF WA
COMMISSION EXPIRES 4/28/07



Donna Buesser
DONNA L. BUESSER

RELIANCE INSURANCE IN LIQUIDATION

In the presence of me, a
Notary Public, this _____
Day of _____, 2005

BY: _____
JOHN MOURGES

NOTARY PUBLIC

8. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one complete instrument.

9. The individuals executing this Agreement on behalf of each of the parties warrant that they have the authority to bind said Party to the terms and conditions of this Agreement.

10. This Agreement constitutes the entire agreement between the parties and may not be altered or modified other than by a writing signed by the parties.

11. The parties hereby jointly request that Referee Bock recommend the approval of this Agreement by the Commonwealth Court.

In the presence of me, a
Notary Public, this _____
Day of _____, 2005.

KENNETH L. SCOTT

NOTARY PUBLIC

In the presence of me, a
Notary Public, this _____
Day of _____, 2005.

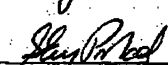
DONNA L. BUESSER

NOTARY PUBLIC

RELIANCE INSURANCE IN LIQUIDATION

In the presence of me, a
Notary Public, this 29th
Day of June, 2005.

BY: 
JOHN MOURGES



NOTARY PUBLIC

S. EMY POULAD
Notary Public, State of New York
No. 02PO6041439
Qualified in New York County
Certificate Filed in New York County
Commission Expires May 8, 2008