

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. DIANE KOKEN, Insurance	:	
Commissioner of the Commonwealth of	:	
Pennsylvania,	:	
In her official capacity as Liquidator of	:	
RELIANCE INSURANCE COMPANY	:	No. 296 M.D. 2001
	:	
Plaintiff,	:	
	:	
v.	:	
	:	
RELIANCE INSURANCE COMPANY,	:	
	:	
Defendant.	:	

RECEIVED AND FILED  
 COMMONWEALTH COURT  
 OF PENNSYLVANIA  
 HARRISBURG, PA  
 09/23/05

**In Re: PETITION TO APPROVE LIQUIDATOR'S THIRD PROPOSAL TO  
 DISTRIBUTE ASSETS TO STATE GUARANTY ASSOCIATIONS  
PURSUANT TO 40 P.S. § 221.36**

**ORDER**

AND NOW, this \_\_\_\_ day of \_\_\_\_, 2005, upon consideration of the Petition to Approve the Liquidator's Third Proposal to Distribute Assets to State Guaranty Associations Pursuant to 40 P.S. § 221.36, and any response thereto, it is hereby ORDERED and DECREED that the Petition is GRANTED and the Liquidator is hereby authorized to distribute \$300 million in early access funds.

\_\_\_\_\_  
**JAMES GARDNER COLINS, President Judge**

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

_____	:	
M. DIANE KOKEN, Insurance	:	
Commissioner of the Commonwealth of	:	
Pennsylvania,	:	
In her official capacity as Liquidator of	:	
RELIANCE INSURANCE COMPANY	:	
	:	No. 296 M.D. 2001
Plaintiff,	:	
	:	
v.	:	
	:	
RELIANCE INSURANCE COMPANY,	:	
	:	
Defendant.	:	
_____	:	

RECEIVED  
 COURT CLERK  
 COMMONWEALTH COURT OF PENNSYLVANIA  
 HARRISBURG, PA  
 05/29/2001

**PETITION TO APPROVE  
 LIQUIDATOR'S THIRD PROPOSAL TO DISTRIBUTE ASSETS  
 TO STATE GUARANTY ASSOCIATIONS  
PURSUANT TO 40 P.S. § 221.36**

Petitioner, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator ("Liquidator") of Reliance Insurance Company ("Reliance"), petitions the Court for approval of this third proposal to distribute assets to state guaranty associations pursuant to 40 P.S. § 221.36. Available assets at this time permit a distribution of \$300 million.

**BACKGROUND**

1. On May 29, 2001, this Court entered an Order of Rehabilitation with respect to Reliance Insurance Company ("Reliance") pursuant to the Pennsylvania Insurance Department Act, 40 P.S. § 221.1 – 221.63 ("the Act").

2. On October 3, 2001, this Court entered an Order of Liquidation with respect to Reliance, which included a finding that Reliance is insolvent. See Liquidation Order, ¶2.

3. Section 221.20 of the Act, 40 P.S. § 221.20, provides that a Liquidation Order shall direct the liquidator to “take possession of the assets of the insurer” and that the liquidator is “vested by operation of law with the title to all of the property, contracts and rights of action and all of the books and records of the insurer.” She may “recover and reduce the same to possession.”

4. Section 221.23(6) of the Act empowers the liquidator to “collect all debts and moneys due and claims belonging to the insurer which it is economical to collect. . . . to do such other acts as are necessary or expedient to collect, conserve or protect its assets or property. . . .” 40 P.S. § 221.23(6).

5. One of the principal functions of the Liquidator is to marshal the assets of the insolvent insurer with the goal of distributing the assets pro rata among the classes of creditors according to the priorities set forth in 40 P.S. § 221.44. Aside from first priority administrative claims, claims for losses under policies of insurance have the highest priority.

#### **Statutory Provision For Early Access To Guaranty Associations**

6. Once an insolvent insurer such as Reliance is placed in liquidation, the various state guaranty associations, security funds or entities performing substantially equivalent functions throughout the nation (collectively “SGAs”) are triggered to perform

their statutory function of paying certain types of covered claims pursuant to the statutory limitations in each state. Most guaranty association or equivalent statutes ("SGA statutes") provide that once an SGA has paid a covered claim that would otherwise have been an obligation of the insolvent insurer, that SGA becomes subrogated to the claim of the insured or the claimant, and steps into the shoes of the policyholder for purposes of the priority of distribution under 40 P.S. § 221.44.

7. Based on their payment of covered claims pursuant to their statutory obligations, SGAs in the Reliance estate will become the largest class (b) policyholder claimants of the estate.

8. Section 221.36 of the Insurance Department Act, 40 P.S. § 221.36, provides a mechanism for early distribution of estate assets (sometimes referred to as "early access") to SGAs to assist them in fulfilling their obligation to pay claims against the insolvent insurer. The statute provides:

the liquidator shall make application to the Commonwealth Court for approval of a proposal to disburse assets out of [the insolvent insurer's] marshaled assets, from time to time as such assets become available, to any guaranty association in the Commonwealth or in any other state having substantially the same provision of law.

9. The statute further provides that the proposal shall include: (a) a reserve for the payment of administrative expenses and secured claims; (b) disbursement of assets marshaled to date and the prospect of future disbursements as assets become available; (c) equitable allocation to the various SGAs; and (d) the securing by the Liquidator of an agreement to return assets under certain circumstances to ensure pro rata distributions

amongst members of the same class of creditors. The proposal may require reports by the SGAs.

10. On November 10, 2003, the Liquidator filed her Amended Petition to Approve Liquidator's First Proposal to Distribute Assets to State Guaranty Associations("Amended First Proposal"). The purpose of this Amended First Proposal was to provide the SGAs with early access to the available funds of Reliance for their use in the payment of covered policyholder claims, pursuant to the framework set forth in the Amended First Proposal.

11. In Paragraph 27 of the Amended First Proposal, the Liquidator stated that while that first distribution was allocated pursuant to a formula using "total paid loss and allocated loss adjustment expenses (ALAE) on covered class (b) claims," future distributions would be allocated among the various SGAs based upon "undisputed claim payments made or to be made by the SGA and reported by the SGA to the Liquidator." See Amended First Proposal, ¶27 (emphasis added). The Amended First Proposal sought an early access distribution of \$400 million ("First Distribution").

12. The Amended First Proposal was approved by Order of this Court on December 11, 2003. The December 11, 2003, Order provides that "the terms of the Liquidator's Amended First Proposal, including but not limited to the treatment of statutory deposits, and the Liquidator's proposal concerning accounting for the time value of money shall be applicable to future early access distributions and the Liquidator shall seek Court approval as to the amount of cash to be distributed only and shall distribute that amount consistent with the terms of the Liquidator's Amended First Proposal."

13. On August 4, 2004, the Liquidator filed a Second Proposal to Distribute Assets to the Guaranty Associations ("Second Proposal"). After consultation with, and with the agreement of certain representatives of the SGAs associated with the National Conference of Insurance Guaranty Funds ("NCIGF"), the Liquidator determined to again use "paid loss and ALAE" data in the allocation formula for distribution in the Second Proposal rather than claims payments made "or to be made." These deviations from the Amended First Proposal are contained in Paragraphs 14 and 15 of the Second Proposal. The Second Proposal sought an early access distribution of \$375 million ("Second Distribution").

14. This Court by Order dated September 20, 2004 authorized the Liquidator to make the Second Distribution and modified the December 11, 2003 Order to permit the distribution as requested by the Liquidator in Paragraphs 14 and 15 of the Second Proposal. This modification of the December 11, 2003 Order is specifically limited to the Second Distribution only.

15. The Liquidator now makes this third proposal ("Third Proposal") in accordance with the provisions of Section 221.36 of the Act and in accordance with this Court's December 11, 2003 Order.

16. In accordance with the December 11, 2003, Order, this Third Proposal seeks approval to distribute the amount of \$300 million to the various SGAs as set forth

in Exhibit A attached, consistent with the terms of the Liquidator's Amended First Proposal, with the exceptions noted in Paragraph 17 below.<sup>1</sup>

17. After consulting again with certain representatives of the SGAs associated with the NCIGF and with their agreement, it is the Liquidator's intention to once again use "paid loss and ALAE" data in the allocation formula for distribution in this Third Proposal. The allocation methodology presented to the Court for approval in future distributions – whether "paid loss" or "payments made or to be made" – will be determined by the Liquidator in consultation with the NCIGF.

18. Furthermore, after again consulting with, and with the agreement of representatives of the Life and Health Insurance Guaranty Associations, the Liquidator has determined that given the amounts already paid to the Life and Health Insurance Guaranty Associations in the First Distribution and other deemed early access, and in light of the amount of their claim payments made or estimated to be made, if any, in the future, that no Life and Health Insurance Guaranty Association will be eligible to receive any early access allocation under this Third Proposal.<sup>2</sup> An exception to the foregoing is the New Hampshire Life and Health Insurance Guaranty Association which is eligible for

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<sup>1</sup> The allocation set forth in Exhibit A reflects data reported by SGAs and processed by the Liquidator by June 30 2005. As set forth in paragraph 26 of the Amended First Proposal, the Liquidator shall have the authority to amend Exhibit A to adjust the amounts in Exhibit A to reflect adjustments to the data which the Liquidator approves, provided however, the final adjustments and amendments to Exhibit A shall be made prior to any cash distribution. In addition, the Liquidator intends to make adjustments to the amounts listed on Exhibit A to correct errors, if necessary. The Liquidator shall file a copy of the final amended Exhibit A with the Commonwealth Court and provide a copy to each SGA. Thereafter, the Liquidator shall promptly distribute the cash as reflected on the amended Exhibit A in accordance with the provisions of this Proposal without further orders of the Court. Attached at Exhibit B is a current listing of statutory deposits by relevant state and amount.

a distribution under this Third Proposal. Exhibit A reflects this by combining all of the data for Life and Health Insurance Guaranty Associations with the exception of New Hampshire and showing zero (0) as the Third Distribution amount. New Hampshire's eligibility amount is separately stated in Exhibit A.

19. A list of the SGAs eligible to receive distributions, as well as the pro rata calculation of each eligible SGA's allocation in this Third Distribution is attached hereto as Exhibit A. The allocation reflects the most current data that the Liquidator has received from each SGA and takes into consideration the prior distributions, certain other deemed early access as defined in the Amended First Proposal and Attributable Deposits for each.

20. In determining the amount of cash available, the Liquidator has considered the nature of the assets owned by the estate and has reserved sufficient assets to pay the administrative expenses of the Liquidator and the class (a) expenses of SGAs as required by 40 P.S. § 221.36(b)(1). The Liquidator knows of no secured claims that would require a reserve beyond the security interest held, nor any other claims with a priority higher than that of policyholders.

21. The allocation as between SGAs of this Third Distribution is made in accordance with the requirements of 40 P.S. § 221.36 and the terms of the December 11, 2003, Order. Each SGA's pro rata share of each such distribution is based on the undisputed claim and ALAE payments made by the SGA and reported by the SGA to the

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<sup>2</sup> All of the affected associations except the New Hampshire Life and Health Insurance Guaranty Association are represented through a committee, coordinated through the National Organization of Life and Health Insurance Guaranty Associations.

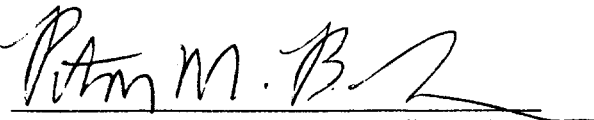


Liquidator. The SGAs and the Liquidator will each work in good faith to resolve discrepancies or disputes, if any, between the data reported by the SGAs and the Liquidator's records, and the Liquidator will make adjustments, if any are necessary, to future early access distributions, or to any general or final distribution, based on the parties' resolution of the discrepancies or disputes.

**Notice**

22. Pursuant to 40 P.S. §221.36(d), notice of the Third Proposal was given on or about July 21, 2005 to various guaranty associations and to the state insurance departments of the states in which Reliance was licensed.

**WHEREFORE**, the Liquidator asks this Court to authorize the Liquidator to distribute \$300 million to the various eligible SGAs as set forth in this proposal.

By:   
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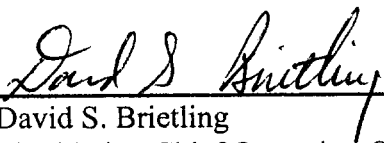
Dated: August 25, 2005

**VERIFICATION**

I, David S. Brietling, Liquidation Chief Operating Officer of Reliance Insurance Company (In Liquidation), am authorized by M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, pursuant to 40 P.S. § 221.23, to act on her behalf in her capacity as the Liquidator of Reliance Insurance Company. I hereby verify that the facts set forth in the foregoing Petition to Approve Liquidator's Third Proposal to Distribute Assets to State Guaranty Associations Pursuant to 40 P.S. § 221.36 are true and correct to the best of my knowledge, information and belief.

I understand that this Verification is made subject to the penalties of 18 P.S. § 4904 relating to unsworn falsification to authorities.

Date: August 24, 2005

  
\_\_\_\_\_  
David S. Brietling  
Liquidation Chief Operating Officer  
Reliance Insurance Company (In  
Liquidation)

**CERTIFICATE OF SERVICE**

I, Anthony Vidovich, hereby certify that on or about this day, service of the foregoing Petition to Approve Liquidator's Third Proposal to Distribute Assets to State Guaranty Associations Pursuant to 40 P.S. § 221.36 was made on the attached Master Service List through the transmission of a Notice of Filing and through posting of a true and correct copy in PDF file format on the Reliance Documents website ([www.reliancedocuments.com](http://www.reliancedocuments.com)).

Dated: August *16*, 2004

  
ANTHONY VIDOVICH

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v.

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# **EXHIBIT A**

**Reliance Insurance Company (IN LIQUIDATION)**  
**Exhibit A**

SGA	Paid Loss and ALAE	Allocable Percentage	Initial Cash Distribution Amount	Attributable Deposits	(1) Other Items Deemed Early Access	Adjusted Distribution Amount	Additional Cash Available	Total Cash Distribution	Previous Distributions	Third Distribution
Alabama Insurance Guaranty Association	31,767,053	1.6127%	17,336,123	177,071	-	17,159,052	4,782,982	21,942,034	16,974,695	4,967,339
Alaska Insurance Guaranty Association	7,327,718	0.3720%	3,998,930	-	-	3,998,930	1,103,292	5,102,222	4,191,005	911,217
Arizona Property and Casualty Insurance Guaranty Fund - Non-WC	5,787,061	0.2938%	3,158,153	618,946	-	2,539,206	871,324	3,410,530	2,662,671	747,860
Arizona State Compensation Fund - WC	4,018,268	0.2040%	2,192,875	22,922,162	-	-	-	-	-	-
Arkansas Property and Casualty Advisory Association	5,869,769	0.2980%	3,203,289	2,086,331	-	1,116,957	883,777	2,000,735	1,233,791	766,944
California Insurance Guarantee Association - Non-WC	128,746,177	6.5358%	70,260,201	-	-	70,260,201	19,384,569	89,644,770	73,628,111	16,016,659
California Insurance Guarantee Association - WC	333,863,339	16.9487%	182,198,072	266,756,754	-	-	-	-	-	-
Colorado Insurance Guaranty Association	16,658,012	0.8456%	9,090,719	-	-	9,090,719	2,508,101	11,598,819	9,101,742	2,497,077
Connecticut Insurance Guaranty Association	35,753,759	1.8150%	19,511,774	-	-	19,511,774	5,383,237	24,895,011	18,681,071	6,213,940
Delaware Insurance Guaranty Association - Non-WC	797,293	0.0405%	435,104	4,320	-	430,784	120,044	550,828	592,715	(41,887)
Delaware Insurance Guaranty Association - WC	3,813,474	0.1936%	2,081,114	560,662	-	1,520,452	574,173	2,094,624	1,491,653	602,972
District of Columbia Insurance Guaranty Association	5,528,654	0.2807%	3,017,133	-	-	3,017,133	832,418	3,849,551	2,625,824	1,223,726
Florida Insurance Guaranty Association - Non-WC	72,737,802	3.6976%	39,694,946	1,831,851	-	37,863,096	10,951,711	48,814,807	37,745,402	11,069,405
Florida Workers Compensation Insurance Guaranty Association - WC	140,017,453	7.1080%	76,411,235	2,795,982	-	73,615,252	21,081,620	94,696,873	65,337,001	29,359,872
Georgia Insurers Insolvency Pool	32,848,731	1.6676%	17,926,423	578,260	-	17,348,163	4,945,844	22,294,007	17,219,222	5,074,785
Hawaii Insurance Guaranty Association	4,981,017	0.2529%	2,718,273	-	-	2,718,273	749,963	3,468,236	2,795,107	673,129
Idaho Insurance Guaranty Association - Non-WC	784,803	0.0398%	428,288	-	-	428,288	118,163	546,451	439,880	106,572
Idaho Insurance Guaranty Association - WC	1,120,584	0.0569%	611,532	1,101,000	-	-	-	-	-	-
Illinois Insurance Guaranty Fund	42,308,464	2.1478%	23,088,850	-	-	23,088,850	6,370,141	29,458,991	23,467,231	5,991,760
Indiana Insurance Guaranty Association	5,150,279	0.2615%	2,810,644	-	-	2,810,644	775,448	3,586,092	3,013,350	572,741
Iowa Insurance Guaranty Association	9,847,729	0.4959%	5,374,167	-	-	5,374,167	1,482,716	6,856,882	5,711,909	1,144,973
Kansas Property & Casualty Insurance Guaranty Association	9,183,924	0.4662%	5,011,911	223,711	-	4,788,199	1,382,770	6,170,970	4,879,870	1,291,100
Kentucky Insurance Guaranty Association	14,698,582	0.7462%	8,021,406	24,714	-	7,996,692	2,213,081	10,209,772	7,491,169	2,718,604
Louisiana Insurance Guaranty Association	49,983,455	2.5374%	27,277,296	864,921	-	26,412,375	7,525,721	33,938,096	23,782,011	10,156,085
Maine Insurance Guaranty Association	3,736,871	0.1857%	2,039,310	-	-	2,039,310	562,639	2,601,949	2,126,656	475,293
Maryland Property & Casualty Insurance Guaranty Corporation	19,493,257	0.9856%	10,637,987	173,196	-	10,464,791	2,934,987	13,399,778	9,893,782	3,505,996
Massachusetts Insurers Insolvency Fund - Non-WC	9,937,630	0.5045%	5,423,228	970,609	-	4,452,619	1,496,252	5,948,870	4,400,357	1,548,513

**Reliance Insurance Company (IN LIQUIDATION)**  
**Exhibit A**

SGA	Paid Loss and ALAE	Allocable Percentage	Initial Cash Distribution Amount	Attributable Deposits	(1) Other Items Deemed Early Access	Adjusted Distribution Amount	Additional Cash Available	Total Cash Distribution	Previous Distributions	Third Distribution
Massachusetts Insurers Insolvency Fund - WC	21,768,967	1.1051%	11,879,902	55,298,177	-	-	-	-	-	-
Michigan Property & Casualty Guaranty Association	39,232,935	1.9917%	21,410,452	-	-	21,410,452	5,907,077	27,317,529	20,504,795	6,812,734
Minnesota Insurance Guaranty Association	12,975,353	0.6387%	7,080,994	-	-	7,080,994	1,953,624	9,034,618	6,961,679	2,072,939
Mississippi Insurance Guaranty Association	27,225,231	1.3821%	14,857,530	-	-	14,857,530	4,099,146	18,956,676	14,938,783	4,017,893
Missouri Property & Casualty Insurance Guaranty Association	26,883,306	1.3647%	14,670,933	114,538	-	14,556,394	4,047,664	18,604,059	13,406,535	5,197,523
Montana Casualty Insurance Guaranty Association	1,969,621	0.1000%	1,074,874	-	-	1,074,874	296,554	1,371,429	1,065,223	306,206
Nebraska Property and Liability Insurance Guaranty Association	4,302,373	0.2184%	2,347,919	-	-	2,347,919	647,783	2,995,702	2,336,638	659,065
Nevada Insurance Guaranty Association - Non-WC	5,132,166	0.2605%	2,800,759	351,041	-	2,449,718	772,721	3,222,439	2,587,460	634,979
Nevada Insurance Guaranty Association - WC	967,939	0.0491%	528,230	616,207	-	-	57,760	57,760	-	57,760
New Hampshire Life & Health Insurance Guaranty Association	56,659	0.0029%	30,921	-	-	30,921	8,531	39,451	26,770	12,681
New Hampshire Insurance Guaranty Association	8,797,552	0.4466%	4,801,057	1,255,000	-	3,546,057	1,324,597	4,870,654	3,598,553	1,272,101
New Jersey Property-Liability Insurance Guaranty Association - Non-WC	49,027,958	2.4889%	26,755,856	841,568	-	25,914,288	7,381,857	33,296,145	22,796,178	10,499,967
New Jersey Property-Liability Insurance Guaranty Association - WC	32,903,460	1.6704%	17,956,290	-	-	17,956,290	4,954,084	22,910,374	17,267,999	5,642,375
New Jersey Surplus Lines Guaranty Fund	5,683,443	0.2885%	3,101,606	107,144	-	2,994,462	855,723	3,850,185	3,106,559	743,626
New Mexico Insurance Guaranty Association	4,342,799	0.2205%	2,369,981	1,825,931	-	544,050	653,870	1,197,920	673,802	524,117
New York Workers Compensation Security Fund WC	96,146,769	4.8809%	52,469,840	-	-	52,469,840	14,476,264	66,946,104	43,622,256	23,323,849
New York Property / Casualty Insurance Security Fund - Non-WC	153,334,223	7.7942%	83,787,694	310,000	-	83,477,694	23,116,762	106,594,457	46,180,700	60,413,757
North Carolina Insurance Guaranty Association	42,054,127	2.1349%	22,950,052	1,234,929	-	21,715,122	6,331,847	28,046,970	20,223,308	7,823,661
North Dakota Insurance Guaranty Association	241,263	0.0122%	131,664	-	-	131,664	36,326	167,989	134,230	33,759
Ohio Insurance Guaranty Association	8,258,520	0.4192%	4,506,893	-	-	4,506,893	1,243,438	5,750,331	3,707,282	2,043,049
Oklahoma Property & Casualty Insurance Guaranty Association	15,541,512	0.7890%	8,481,415	-	-	8,481,415	2,339,996	10,821,411	8,774,611	2,046,800
Oregon Insurance Guaranty Association - Non-WC	13,523,282	0.6865%	7,380,013	-	-	7,380,013	2,036,123	9,416,136	7,688,859	1,727,277
Oregon Insurance Guaranty Association - WC	7,187,659	0.3649%	3,922,495	31,059,676	-	-	-	-	-	-
Pennsylvania Property & Casualty Insurance Guaranty Association - Non-WC	32,258,202	1.6376%	17,604,156	-	-	17,604,156	4,856,931	22,461,087	17,915,398	4,545,690
Pennsylvania Workers Compensation Security Fund - WC	80,430,455	4.0831%	43,893,031	-	-	43,893,031	12,109,950	56,002,981	39,166,345	16,836,635

**Reliance Insurance Company (IN LIQUIDATION)**  
**Exhibit A**

SGA	Paid Loss and ALAE	Allocable Percentage	Initial Cash Distribution Amount	Attributable Deposits	(1) Other Items Deemed Early Access	Adjusted Distribution Amount	Additional Cash Available	Total Cash Distribution	Previous Distributions	Third Distribution
Puerto Rico Miscellaneous Insurance Guaranty Association	7,056,005	0.3582%	3,850,649	5,000,000	-	-	-	-	-	-
Rhode Island Insurers' Insolvency Fund	7,613,085	0.3865%	4,154,662	-	-	4,154,662	1,146,258	5,300,921	4,262,656	1,038,265
South Carolina Property & Casualty Insurance Guaranty Association	28,140,306	1.4285%	15,356,911	1,083,333	-	14,273,577	4,236,924	18,510,501	15,473,324	3,037,177
South Dakota Property & Casualty Insurance Guaranty Association	1,708,029	0.0867%	932,117	-	-	932,117	257,168	1,189,285	895,369	293,916
Tennessee Insurance Guaranty Association	25,475,186	1.2933%	13,902,484	-	-	13,902,484	3,835,652	17,738,136	12,595,475	5,142,661
Texas Property & Casualty Insurance Guaranty Association	108,149,365	5.4902%	59,019,975	-	-	59,019,975	16,283,426	75,303,401	67,002,661	8,300,740
Utah Property & Casualty Insurance Guaranty Association	5,415,962	0.2749%	2,955,634	-	-	2,955,634	815,450	3,771,084	3,014,892	756,192
Vermont Property & Casualty Insurance Guaranty Association	4,265,304	0.2165%	2,327,689	-	-	2,327,689	642,202	2,969,892	1,988,500	981,391
Virginia Islands Insurance Guaranty Association	375,355	0.0191%	204,841	1,035,000	-	-	-	-	-	-
Virginia Property & Casualty Insurance Guaranty Association	24,772,986	1.2576%	13,519,275	1,770,227	-	11,749,048	3,729,926	15,478,974	11,673,829	3,805,145
Washington Insurance Guaranty Association	29,107,548	1.4777%	15,884,760	-	-	15,884,760	4,382,556	20,267,316	10,544,605	9,722,711
West Virginia Guaranty Association	1,446,131	0.0734%	789,192	-	-	789,192	217,736	1,006,928	763,327	243,601
Wisconsin Insurance Security Fund - P&C	9,034,100	0.4586%	4,930,148	-	-	4,930,148	1,360,212	6,290,360	4,489,933	1,800,427
Wyoming Insurance Guaranty Association	450,106	0.0228%	245,635	-	-	245,635	67,770	313,405	278,748	34,656
Total P&C	1,940,216,401	98.50%	1,058,827,510	403,593,263	-	833,634,625	235,518,882	1,069,153,507	769,153,507	300,000,000
NOLHGA (2)	29,634,790	1.50%	16,172,490	460,970	15,320,227	3,036,833	2,809,660	5,846,493	5,846,493	-
Total	1,969,851,191	100.00%	1,075,000,000	404,054,232	15,320,227	836,671,458	238,328,542	1,075,000,000	775,000,000	300,000,000

(1) Other Items Deemed Early Access - Amounts as currently reported by Life and Health SGA's and are subject to audit and adjustment as necessary. Additional amounts are expected for property and casualty SGA and will be accounted for in subsequent distributions

(2) As noted in the Third Proposal paragraph 18, the Life and Health Insurance Guaranty Associations, excluding the New Hampshire Life and Health Insurance Guaranty Association, have agreed not to be eligible SGA's in this Third Proposal and their data has been consolidated for purposes of these calculations.

# **EXHIBIT B**

**Reliance Insurance Company (In Liquidation)  
Schedule of Statutory Deposits  
Current Status at August 18, 2005**

**EXHIBIT B**

<u>State</u>		<u>Par Value</u>	<u>Valuation Date</u>	<u>Deposit Value</u>
Alabama	(1)	180,000		180,000
Arizona	(1)	1,000,000	3/14/02	1,031,560
Arizona	(2)	22,030,500	3/14/02	22,530,288
Arkansas	(1)	2,115,000		2,115,000
California	(2)	208,596,910	12/14/01	266,756,754
Delaware	(2)	540,000		540,000
Delaware	(1)	25,000		25,000
Florida	(1)	4,620,000	10/24/01	4,820,658
Georgia	(1)	627,000	12/3/01	641,688
Idaho	(2)	1,101,000		1,101,000
Kansas	(1)	223,000	12/12/01	227,668
Kentucky	(1)	25,000	3/02/04	24,714
Louisiana	(1)	877,000		877,000
Maryland	(1)	175,000		175,000
Massachusetts	(2)	53,172,000		53,172,000
Massachusetts	(1)	3,100,000		3,100,000
Missouri	(1)	115,000		115,000
Nevada	(2)	550,000		550,000
Nevada	(1)	435,000		435,000
New Hampshire	(1)	1,255,000		1,255,000
New Jersey	(3)	840,000	12/31/03	841,568
New Jersey	(4)	100,000	12/31/03	107,144
New Mexico	(1)	1,810,000	03/04/03	1,856,380
New York	(5)	310,000		310,000
North Carolina	(1)	1,191,000	10/23/01	1,268,072
Oregon	(2)	29,605,000	12/31/01	31,059,676
Puerto Rico	(1)	5,000,000		5,000,000
South Carolina	(1)	1,056,000	5/2/02	1,122,988
Virgin Islands	(1)	1,035,000	3/02/04	1,035,000
Virginia	(1)	1,740,000	8/8/01	1,780,073
<b>Grand Total</b>		<u>343,449,410</u>		<u>404,054,231</u>

(1) Allocated to all lines

(2) Allocated 100% to workers compensation

(3) Allocated 100% private passenger auto liability

(4) Allocated 100% to surplus lines

(5) Allocated to all lines excluding workers compensation

**Par Value** - represents par value of securities on deposit for the following companies: Reliance Ins. Co., Reliance National Indemnity Co., United Pacific Ins. Co., Reliance National Ins. Co., Reliance Ins. Co. of Illinois, Reliance Universal Ins. Co., Reliance Direct Ins. Co., United Pacific Ins. Co. of NY, Reliance Reinsurance Ins. Co., Reliance Surety Co., Reliance Lloyds

**Valuation Date** - Date the market value was assigned to the securities, based on the date the state took control of the securities.