IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. DIANE KOKEN, Insurance Commissioner of the Commonwealth of Pennsylvania,	:	
Plaintiff,	:	No. 269 M.D. 2001
v.	:	
RELIANCE INSURANCE CO.,	:	
Defendant.	:	

RESPONSE OF THE REHABILITATOR OF THE RELIANCE INSURANCE COMPANY TO PETITION FOR THE APPOINTMENT OF A COMMITTEE OF POLICYHOLDERS INCLUDING ANSWER AND NEW MATTER

M. Diane Koken, Commissioner of Insurance of the Commonwealth of Pennsylvania, in her capacity as statutory Rehabilitator (hereinafter "Rehabilitator") of the Reliance Insurance Company (hereinafter "Reliance"), by her undersigned counsel, hereby responds to the unverified and undated Petition for the Appointment of a Committee of Policyholders ("Petition"), filed May 30, 2001, with Introduction and Background and Answer To Petition Allegations. For the following reasons, the Rehabilitator respectfully urges this Court to deny the Petition or, in the alternative, to dismiss the Petition without prejudice to Petitioners' ability to re-file the Petition if and when the Rehabilitator files a Plan of Rehabilitation.

INTRODUCTION AND BACKGROUND

1. On May 29, 2001, this Court filed an Order of Rehabilitation appointing the Pennsylvania Insurance Commissioner statutory Rehabilitator of Reliance pursuant to Article V of the Pennsylvania Insurance Department Act. See Exhibit A (Order of Rehabilitation (filed May 29. 2001)); see also 40 Pa. Con. Stat. § 221.15. The Insurance Commissioner as Rehabilitator is charged under the Insurance Department Act ("the Act") to take "such action as [she] deems necessary or expedient to correct the condition or conditions which constituted the grounds for the order of the court to rehabilitate the insurer[,]" specifically including steps to remedy any condition of the insurer which would be "hazardous, financially, to [the insurer's] policyholders, creditors or the public." See 40 Pa. Con. Stat. §§ 221.14, 221.16.

2. The Act provides the exclusive statutory authority for the Insurance Department of the Commonwealth of Pennsylvania to rehabilitate a financially troubled insurance company. The Act provides that under certain enumerated circumstances, the Court shall appoint the Insurance Commissioner as Rehabilitator of the Pennsylvania-domiciled insurer. 40 Pa. Con. Stat. §§ 221.14, 221.15. No other person may be so designated. Id. at § 221.15. The Act charges the Rehabilitator with the responsibility to protect the interests of policyholders. See Foster v. Mutual Fire Ins., 614 A.2d 1086, 1104 (Pa. 1992). This Court's May 29 Order, in accordance with the requirements of the statute, directs the Rehabilitator "to take such action as the

nature of this case and the interests of the policyholders, certificateholders, creditors, or the public may require." See Exhibit A, ¶ 3.

3. The Supreme Court in Foster v. Mutual Fire Ins., 614 A.2d at 1104, recognized that the Rehabilitator represents the interests of policyholders.

4. The Act vests the Rehabilitator with broad authority to take the actions necessary to protect policyholders. 40 Pa. Con. Stat. § 221.16. The Rehabilitator's powers and duties include: (1) operating the insurer, with all of the powers of its officers, directors and managers; (2) bringing actions against any person, if it appears there has been wrongdoing detrimental to the insurer; (3) creating and submitting a plan of rehabilitation; (4) avoiding fraudulent transfers; and (5) taking any other action she deems "necessary or expedient" to correct the condition which led to the Order of Rehabilitation. Id. at § 221.16.

5. In the course of her duties, the Rehabilitator "shall make such reports to the court at such times and in such manner as the court shall require." 40 Pa. Cons. Stat. § 221.8.

6. The Supreme Court explained in Mutual Fire that the Act "explicitly defers all actions to the skill of the Rehabilitator and implicitly recognizes her expertise in these matters. Additionally, the Rehabilitator is granted the power to retain those persons necessary to assist in the rehabilitation process." 614 A.2d at 1091. The Supreme Court explained that "the involvement of the judicial process is limited to the safeguarding of the [Rehabilitation Plan] from any potential abuse of the Rehabilitator's discretion." Id.

7. It is against this comprehensive statutory scheme, including reporting obligations, broad administrative discretion and limited judicial oversight that Petitioners, just one day after the Order of Rehabilitation was filed, filed a Petition seeking "an order appointing an Official Committee of Policyholders of Reliance Insurance Company . . . ." See Petition for the Appointment of a Committee of Policyholders (filed May 30, 2001) (hereinafter, "Petition"), Preamble.

8. The Rehabilitator respectfully submits that Petitioners' request should be denied because:

(1) the Order of Rehabilitation is only weeks old, no Plan of Rehabilitation is before this Court and the Petitioner has cited no factual basis that would warrant the participation of a policyholder committee at this stage of the proceeding;

(2) the statute authorizing rehabilitation of financially troubled insurance companies does not authorize or permit the appointment of a policyholder committee;

(3) a policyholder committee will add time and expense to the Rehabilitator's efforts to maximize and preserve the assets of Reliance at a time when there is no reason to believe that additional time and expense is necessary; and,

(4) in the alternative, given that the Order of Rehabilitation was only entered on May 29, 2001, the Rehabilitator has had insufficient time to evaluate the financial condition of Reliance to determine whether rehabilitation is even feasible, and appointment of a policyholder committee is therefore premature,

the Court should dismiss the Petition without prejudice to Petitioners' ability to re-file the Petition after the Rehabilitator has had the opportunity to determine the feasibility of rehabilitation, and, if feasible, formulate a proposed Plan of Rehabilitation and file the Plan with the Court.

The Insurance Department Act Does Not Authorize The Appointment of a Policyholder Committee

9. The Order of Rehabilitation directed the Insurance Commissioner "to take immediate possession of [Reliance's] property, business and affairs as Rehabilitator pursuant to Article V of the Insurance Department Act, and to take such actions as the nature of this case and the interests of the policyholders . . . may require." See Exhibit A, ¶ 3. The Insurance Department Act vests the Rehabilitator with exclusive and broad authority to achieve the objectives of rehabilitation, the most important of which is safeguarding the interests of policyholders and the public. See 40 Pa. Con. Stat. §§ 221.14-18. The Act contains nothing which would remotely authorize the participation of a policyholder committee, especially where the Rehabilitator, in her discretion and with her expertise, believes that participation of a committee would neither assist her nor advance her objectives.

10. The Act does not contemplate that an insurance company rehabilitation be conducted as an adversary proceeding. On the contrary, the Act permits the Rehabilitator "full power to direct and manage, to hire and discharge employes subject to any contract rights they may have, and to deal with the property and business of the insurer." 40 Pa. Cons. Stat. § 221.16(b). The Supreme Court made

very clear that the Commonwealth Court has the authority to "supervise and review" the Rehabilitator's activities, but that the "judicial process" is limited to the Commonwealth Court's abuse of discretion review. Except insofar as it provides for notice and a "hearing" on a Plan of Rehabilitation, the Act does not extend the "judicial process" of a rehabilitation to a multi-party adversarial proceeding involving a Policyholder Committee, or any other "committee."

11. This Court addressed a similar attempt to graft non-statutory procedures into a statutory receivership in Hargrove v. Ehinger, 638 A.2d 282 (Pa. Commw. 1994). In that case, a purported "class" of excess depositors sought to use class action procedures in a statutory bank receivership action, where the Secretary of Banking was the Receiver. This Court rejected the excess depositors' resort to procedures not included in the governing statute, the Department of Banking Code. The same reasoning applies here. The concept of a policyholder committee obviously arises out of the bankruptcy law area. But the Bankruptcy Code explicitly authorizes a creditors committee and provides for its compensation. The Act does not, and this Court should not read these non-statutory procedures into the Act here.

12. Here, the Act establishes procedures designed to safeguard the interests of all policyholders. See 40 Pa. Cons. Stat. §§ 221.14-18. The Rehabilitator, through all of her powers and duties set forth above, including the determination of the feasibility of rehabilitation and the formulation of a Plan of Rehabilitation, is charged by statute to protect the interests of policyholders. While the obligation to provide notice to policyholders and opportunity to be heard may arise if a Plan of

Rehabilitation is submitted to the Court (see 40 Pa. Cons. Stat. § 221.16(d)), the statute does not contemplate participation by a policyholder committee.[1] Certainly, at this early stage of this proceeding, nothing justifies any extra-statutory exercise of this Court's equitable or other powers to appoint such a committee, especially one that seeks to have its fees paid out of the assets of the estate. Because the appointment of a policyholder committee is not provided for in the Act, the Petition should be denied.[2]

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[1] As this Court knows, the Rehabilitator of Fidelity Mutual consented to the participation of a Policyholder Committee – a decision made under circumstances dramatically different from those presented here, after submission of a Plan of Rehabilitation, and over two years after the Order of Rehabilitation.

[2] Insurance Commissioners across the nation have grappled with the problems associated with the appointment of policyholder committees and the extraordinary expense and delay they can create. As a result, Section 18 A of the Insurers Rehabilitation and Liquidation Model Act ("Model Act") was drafted by the National Association of Insurance Commissioners ("NAIC") to address directly the proliferation of policyholder committees in rehabilitation and liquidation proceedings. Section 18A provides, in relevant part:

> The commissioner, as rehabilitator, may, with the approval of the court, appoint an advisory committee of policyholders, claimants or other creditors including guaranty associations should such a committee be deemed necessary. The decision to appoint an advisory committee shall be at the sole discretion of the commissioner and the committee shall serve at the pleasure of the commissioner and shall serve without compensation and without reimbursement of expenses. No other committee of any nature shall be appointed by the commissioner or the court in rehabilitation proceedings . . . .

See NAIC, Insurers Rehabilitation and Liquidation Model Act, § 18A (1990). While Pennsylvania has not adopted this version of the Model Act, Section 18A illustrates the consistent approach of the insurance regulators throughout the country grappling with this issue.

13. Petitioners contend that the policyholders "have no representation at this time." See Petition, ¶ 8. This contention is clearly wrong. The identical contention was advanced in the Mutual Fire case, where the Rehabilitator sought dissolution of the Policyholder Committee and the Committee argued that "dissolution leaves the policyholders unrepresented." 614 A.2d 1086, 1104. The Supreme Court adopted the reasoning of this Court in rejecting that contention, explaining that "the Rehabilitator is statutorily charged with that duty." Id.

14. The Court in Mutual Fire appointed a policyholder committee only at the time the Plan of Rehabilitation was submitted, only when it appeared that adequate notice had not been provided to the policyholders, and after receipt of many policyholder objections. 614 A.2d at 1089. The factual basis for a policyholder committee does not exist here, and none is advanced by Petitioners. At least at this early stage, appointment of a committee of policyholders would likely cause delay and expense without any corresponding benefit.

The Experience In Mutual Fire Does Not Support Appointment Of A Committee Here at the Time

15. Petitioners allege that "policyholders' committees have played important and helpful roles in other large and complex rehabilitations of life and property casualty companies in Pennsylvania." See Petition, ¶ 7. The Rehabilitator believes that Petitioners refer to the rehabilitations of Mutual Fire, Marine and Inland Insurance Company ("Mutual Fire") and Fidelity Mutual Life Insurance Company ("FML"). However, this case presents different facts and the Petition has been filed

at an entirely different point in time. In Mutual Fire in particular, the Policyholder Committee was only approved after a Plan of Rehabilitation had been submitted. Once the Plan was approved, this Court dissolved the Committee, finding that the continued existence of the policyholder committee was an unnecessary drain on the limited assets of the insolvent insurer and that the Insurance Commissioner is "statutorily charged with th[e] duty of protecting the interests of policyholders." Grode v. Mutual Fire, Marine and Inland Ins. Co., 572 A.2d 798, 811 (Pa. Commw. Ct. 1990), aff'd 614 A.2d 1086 (Pa. 1992).

16. In addition, in Mutual Fire, the asserted basis for appointment of a Policyholder Committee included alleged inaction by the Rehabilitator to protect all classes of policyholders. No such allegations appear in this Petition, nor could they, as the Rehabilitator has just begun her task of assessing the condition of Reliance and will take all necessary actions to marshal assets and protect all policyholders.

17. In Mutual Fire, this Court overruled the objections of the Policyholder Committee to dissolution, holding that:

> this cost to Mutual Fire's diminished estate can no longer be justified. Moreover, dissolution of the Committee does not leave policyholders unrepresented. As we have stated, the Rehabilitator is statutorily charged with that duty.

Grode, 579 A.2d at 810-11. The reasoning of this Court in Grode, with regard to the dissolution of the policyholder committee, was expressly approved by the Pennsylvania Supreme Court in Foster v. Mutual Fire, Marine and Inland Ins. Co., 614 A.2d 1086, 1104 (Pa. 1992) (noting that the policyholder committee attempted to

"interfere with the Plan [of Rehabilitation]" and that its continued existence represented "an unacceptable financial detriment").

18. Petitioners include some general allegations regarding the payment of money by Reliance to insiders. These issues are among those the Rehabilitator is charged with analyzing. Section 221.16(c) specifically authorizes her to "pursue all appropriate legal remedies on behalf of the insurer." The Rehabilitator intends to do so, regardless of the existence of a policyholder committee, and has already taken steps to preserve the at least $95 million of assets of Reliance in the possession Reliance Group Holding, Inc. by filing an action in this Court on June 11, 2001.

19. A Policyholder Committee should also not be appointed because of the divergent interests among policyholders. Not all policyholders share identical interests and goals. For instance, the ongoing financial analysis of Reliance will dictate whether rehabilitation will continue, or whether a liquidation is necessary. On this important question policyholders with large claims may well oppose a liquidation based upon the monetary cap in the guaranty fund statute, while small claimants would not share this concern. Divergent and conflicting interests may (1) result in the application of sub-groups of policyholders for official recognition by the Court, a process which will only further deplete the limited assets of Reliance; and (2) prevent a policyholder committee from achieving its primary goal of protecting policyholders as a class.

20. Other potential divergent interests between policyholders include the treatment of unearned premium claims of policyholders that may result from any

cancellation during rehabilitation verses those policies that expired yet have losses covered on an "occurrence" basis; whether some claims under policies are policy benefits, and whether some policies have the benefit of cut-through or direct pay rights regarding reinsurance. All of these issues have the potential to have various sub- groups of policyholders have conflicts with the interest of other groups of policyholders. Each policyholder within that sub-group has a direct financial interest in the outcome of their treatment in any plan of rehabilitation. As a result they will have conflicting and competing interest with other groups of policies. A policyholder committee cannot represent the interest of all such groups because each has a conflicting interest with some other sub group of policyholders. The Insurance Commissioner as Rehabilitator has no personal financial interest in how the assets of Reliance are distributed among the creditors. That is perhaps precisely why the legislature saw fit to assign solely to the Commissioner the discretion to (1) determine, with her expertise and with wide latitude, all matters affecting policyholders; and (2) develop and propose a plan of rehabilitation.

21. A review of Exhibit A to the Petition reveals that the listed policyholder-Petitioners are primarily companies in the environmental and drilling industries. Petitioners do not accurately reflect or even reasonably approximate a cross-section of Reliance policyholders. The interests of Petitioners will largely be centered upon the types of claims covered by the policies of insurance issued by Reliance and tailored for Petitioners business-specific risks. This lopsided composition will prevent Petitioners from being able to properly value and advocate

for the interests of all policyholders, as the Insurance Commissioner is statutorily obligated to do. In addition, it will further provoke the proliferation of applications from other sub-groups of policyholders seeking to have their special interests represented on the committee. Avoiding the competition of policyholders with divergent interests, and the wasteful administrative and duplicative costs associated with it, is one of the primary benefits of charging the Insurance Commissioner with protecting the interests of all policyholders.

22. At least at this early stage, with no asserted basis to believe the Rehabilitator cannot fully protect all policyholders, the request for appointment of a policyholder committee should be denied.

The Experience In Fidelity Mutual Life Does Not Support Appointment Of A Policyholder Committee

23. In 1995, more than two years after the Order of Rehabilitation was filed, Acting Insurance Commissioner Linda Kaiser did not oppose the request for appointment of a policyholder committee in the Fidelity Mutual rehabilitation. Subsequently, however, the significant cost of the committee's participation, including the cost of attorneys, consultants and experts to review complex matters already being handled by the Rehabilitator's attorneys, consultants and experts resulted in duplicative expense not justified by the benefit conferred in many situations.

24. Over $3.9 million of FML's assets were spent on legal and consulting fees associated with the policyholder committee. The law firm of Adelman Lavine Gold and Levin, P.C., alone, was paid in excess of $2.8 million. That same firm

entered its appearance in this matter "on behalf of Petitioners." In view of this potential drain on the assets of Reliance, the Insurance Commissioner has determined in her discretion and with the benefit of experience and expertise, that, barring unique or special circumstances, which are not present in this case, a policyholder committee is not in the best interest of the policyholders, creditors or the public, at this time, if ever. The Rehabilitator submits that her conclusion in this regard is entitled to deference under the standards set forth in Mutual Fire, 614 A.2d at 1091. Her decision should be upset only if this Court finds that she has abused her discretion. Id. Certainly, no actions have been taken by the Rehabilitator to date could afford a basis for the Court to so conclude.

25. In addition, the Reliance rehabilitation differs dramatically from the rehabilitation of FML. First, FML is a life insurance company that holds cash of policyholders. Its policyholders are, for the most part, less sophisticated individuals. In the normal course, life insurance policyholders have certain rights to the cash value of their policies. The FML rehabilitation order entered by the Commonwealth Court suspended the rights of policyholders to access the cash value of their policies giving them a uniform interest. Reliance, by contrast, is a property and casualty insurance company which issued policies primarily to businesses, and therefore its insureds are more sophisticated, and nothing asserted in the Petition demonstrates that these policyholders need a policyholder committee as an intermediary. In addition: (1) Reliance's policies cover a varied and diverse group of risks ranging from construction and engineering errors and omissions policies, to workers compensation

to many other risks; and (2) unlike life insurance policies which have relatively fixed claim values, the magnitude of exposure on claims made against property and casualty policies cannot be uniformly approximated by resort to actuarial life-expectancy tables. Consequently, property and casualty policyholders do not share a common interest similar to holders of life insurance policies, and Petitioners have advance no such common interest here.

26. Second, FML is a mutual life insurance company whose policyholders have a mutual membership interest in the company. This mutual membership interest likewise distinguishes mutual policyholders from the policyholders of a stock company such as Reliance. Reliance's policyholders do not have an ownership or membership interest in its estate, but stand only in a contractual relationship with Reliance. Their rights and obligations are defined by contract, as modified by the provisions of the Act.

27. Third, in FML, the policyholder committee was not appointed until almost nine months after a Plan of Rehabilitation had been filed by the Insurance Commissioner, and more than two years after the Commonwealth Court issued an Order of Rehabilitation. This also comports with the procedure in Mutual Fire, where the Committee was not appointed until the Plan was submitted. In this case, by contrast, Petitioners filed their Petition on May 30, 2001, the day after the Order of Rehabilitation was filed, and before the Rehabilitator has even completed assessing the financial condition of Reliance, let alone prepared or submitted a proposed Plan of Rehabilitation. Thus, at best, the Petition is premature.

WHEREFORE, for all of these reasons, the Petition should be denied or, in the alternative, dismissed without prejudice to Petitioners' ability to re-file the Petition if and when the Rehabilitator files a Plan of Rehabilitation.

ANSWER TO PETITION ALLEGATIONS

1. Denied, except that it is admitted only that the Petition has attached to it a schedule that purports to list policyholders' names, policy numbers and claim amounts. However, nothing in the Petition explains the origin of the attached list and the Petition is not verified by any of the alleged policyholders. After reasonable investigation under the circumstances, the Rehabilitator does not at this time have knowledge or information sufficient to form a belief as to the truth or accuracy of the attached list and therefore the allegations contained in paragraph 1 are denied.

2. Admitted. See ¶¶ 1-2 of Introduction And Background.

3. Denied, except that it is admitted only that the issues involved in the Rehabilitation of Reliance are complex. It is specifically denied that there has been a "failure" of Reliance. The term "failure" is not defined and has no meaning in the context of this Rehabilitation. The Rehabilitator is currently in the process of evaluating the assets and liabilities of Reliance to determine its financial position and the feasibility of the Rehabilitation. After reasonable investigation under the circumstances, the Rehabilitator does not at this time have knowledge or information sufficient to form a belief as to the truth or accuracy of the allegation that Reliance has "approximately $10 billion in assets" and therefore the allegations contained in paragraph 3 are denied.

4. Denied, except that it is admitted only that there has been press coverage relating to Reliance and speculation as to its financial condition. The Rehabilitator is currently in the process of evaluating the assets and liabilities of Reliance to

determine its financial position and the feasibility of the Rehabilitation. After reasonable investigation under the circumstances, the Rehabilitator does not at this time have knowledge or information sufficient to form a belief as to the truth or accuracy of the allegations contained in paragraph 4 and therefore the allegations contained in paragraph 4 are denied.

5. Denied, except that it is admitted only that there has been extensive press coverage of the issues relating to Reliance and speculation as to its financial condition. The Rehabilitator does not know what "report" Petitioners are referring to in this paragraph and nothing is attached to the Petition that would provide additional information. Accordingly, the Rehabilitator does not at this time have knowledge or information sufficient to form a belief as to the truth or accuracy of the allegations contained in paragraph 5 and therefore the allegations contained in paragraph 5 are denied.

6. The allegation that "[i]t is important to act quickly in this matter" is a conclusion and opinion to which no responsive pleading is required. With respect to the remaining allegations contained in paragraph 6 they are denied except that it is admitted only that there has been extensive press coverage relating to Reliance and its financial condition of Reliance. The Rehabilitator is currently in the process of evaluating the assets and liabilities of Reliance to determine its financial position and the feasibility of the Rehabilitation. The Rehabilitator does not now know exactly how long it will take to make that determination. The Rehabilitator does not know

what "report" Petitioners are referring to in this paragraph and nothing is attached to the Petition that would provide additional information.

7. Denied, except that it is admitted only that policyholder committees have been formed in the past. It is specifically denied that a policyholder committee would be helpful or appropriate in this rehabilitation at this time. The Rehabilitator incorporates by reference ¶¶1-28 of the Introduction and Background.

8. Denied, except that it is specifically denied that holders of policies should be afforded a role in the plan development process. The Act reserves that role exclusively to the Rehabilitator. With respect to the plan approval process, the Act provides that "[u]pon application of the rehabilitator for approval of the plan, and after such notice and hearing as the court may prescribe, the court may either approve or disapprove the plan proposed, or may modify it and approve it as modified." 40 Pa. Cons. Stat. § 221.16(d). It is within this context, after a plan has been proposed that the Court may, if it chooses, provide notice and a hearing that may involve participation of policyholders. The statute provides no authority for participation in the form of a policyholder committee. The allegation that "[p]olicyholders as an interest group, have no representation at this time" is denied. The Act and the Supreme Court of Pennsylvania in Mutual Fire established that the Rehabilitator represents the policyholders. See ¶¶ 13 of Introduction and Background. It is specifically denied that a policyholder committee would "serve the useful purposes" set forth in paragraph 8 of the Petition or be helpful or appropriate in this rehabilitation at this time. On the contrary, the Rehabilitator incorporates by

reference ¶¶1-28 of the Introduction and Background, which demonstrate that the appointment of a policyholder committee is premature, expensive, duplicative and unauthorized by the Act.

9. The Rehabilitator does not at this time have knowledge or information sufficient to form a belief as to the truth or accuracy of the allegations contained in paragraph 9 and therefore the allegations contained in paragraph 9 are denied. Moreover, the Petition is unverified by any alleged policyholder and has been simply submitted by a law firm whose status with respect to these alleged policyholders is unknown. The Petition does not even directly allege that the law firm represents one or more of the listed policyholders.

10. Denied. It is specifically denied that the appointment of a policyholder committee is in the best interests of the estate of Reliance and its policyholders. On the contrary, as set forth in great detail in paragraphs 1-28 of the Introductory Background, appointment of a policyholder committee at this time is premature, expensive, duplicative and unauthorized by the Act.

WHEREFORE, the Petition should be denied or, in the alternative, dismissed without prejudice to Petitioners' ability to re-file the Petition if and when the Rehabilitator files a Plan of Rehabilitation.

CONCLUSION

M. Diane Koken, Rehabilitator of Reliance Insurance Company respectfully requests that the Petition for Appointment of A Committee Of Policyholders be denied.

Respectfully submitted,

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Dated: June 18, 2001

VERIFICATION

I, William S. Taylor, am the authorized agent and employee of the Statutory Rehabilitator in this action and hereby verify that the statements made in the foregoing Response of Rehabilitator of the Reliance Insurance Company to Petition for the Appointment of a Committee of Policyholders are true and correct to the best of my knowledge, information and belief.

I understand that the statements in said Response are made subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.

Date: 6-18-01

William S. Taylor

William S. Taylor
Deputy Insurance Commissioner
Pennsylvania Insurance Department
Office of Liquidations, Rehabilitations and
And Special Funds

CERTIFICATE OF SERVICE

I, Ann B. Laupheimer, Esquire, hereby certify that on June 18, 2001, I served a true and correct copy of the foregoing Response Of The Rehabilitator Of The Reliance Insurance Company To Petition For The Appointment Of A Committee Of Policyholders Including Answer And New Matter upon the following, via hand-delivery:

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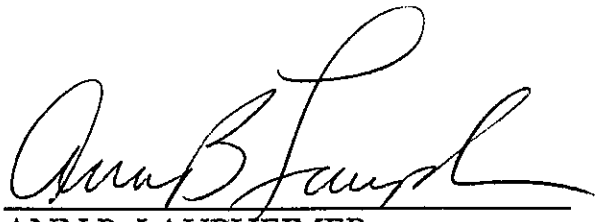

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