

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. DIANE KOKEN
Insurance Commissioner of the
Commonwealth of Pennsylvania

Plaintiff,

v.

RELIANCE INSURANCE COMPANY

Defendant.

DOCKET NO. 269 MD 2001

RECEIVED AND FILED
COMMONWEALTH COURT
OF PENNSYLVANIA
2006 OCT 17 P 2:11

ORDER

This matter having come before the Court on the Petition of M. Diane Koken,
Insurance Commissioner of the Commonwealth of Pennsylvania as Liquidator of Reliance
Insurance Company for Leave to File Confidential Affidavit Under Seal;

IT IS on this ___ day of _____, 2006, hereby ORDERED that Petition for
Leave to File Confidential Affidavit Under Seal is GRANTED, and that the Liquidator is
permitted to file under seal the Confidential Affidavit attached as Sealed Exhibit A to the
Petition for Leave; and

IT IS FURTHER ORDERED that the Prothonotary of the Commonwealth Court
of Pennsylvania shall file the Confidential Affidavit (attached as Sealed Exhibit A) UNDER
SEAL, taking all necessary and appropriate precautions to prevent the public disclosure of the
Confidential Affidavit until further Order of this Court.

James Gardner Colins, President Judge

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**LIQUIDATOR'S PETITION FOR LEAVE TO FILE
CONFIDENTIAL AFFIDAVIT UNDER SEAL**

Petitioner M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner"), in her capacity as Liquidator of Reliance Insurance Company ("Liquidator"), respectfully requests that this Court grant the Liquidator leave to file the Confidential Affidavit of Keith Kaplan ("Confidential Affidavit") under seal (attached hereto as Sealed Exhibit A), and enter an Order directing the Prothonotary of the Commonwealth Court to file the Confidential Affidavit under seal. The Confidential Affidavit is being submitted in support of the Liquidator's Petition for Approval of Commutation, Settlement Agreement and Release (the "Petition"). In support of this Petition, the Liquidator avers the following:

1. Simultaneously with this Petition, the Liquidator is filing a Petition which seeks an Order approving the Commutation, Settlement Agreement and Release (hereinafter referred to as "the Agreement") between the Liquidator and CX Reinsurance Company Limited (formerly known as CNA Reinsurance Company Limited, CNA International Reinsurance

Company Limited, CNA Reinsurance of London Limited and Continental Casualty Limited) (“CX Re”). The Petition is supported in part by the Confidential Affidavit.

2. Preserving the confidentiality of the information contained in the Confidential Affidavit and its exhibits will serve important governmental interests, including maximizing the assets of the Estate, enhancing the efficiency and economy of liquidation, and facilitating the Liquidator’s efforts to “protect ... the interests of insureds, creditors and the public generally” 40 P.S. § 221.1(c); see 40 P.S. §221.23.

3. The Confidential Affidavit and its exhibits contain sensitive information regarding the Liquidator’s reasons for entering into the Agreement and how the parties arrived at the final commutation amount. It would be highly prejudicial to the Liquidator, and Reliance’s creditors and policyholders, if details of the Liquidator’s strategies, business valuations, and rationale behind the Agreements were disclosed to the public.

4. The Liquidator has been and likely will be negotiating settlements or commutations with a number of Reliance’s reinsurers. If the analysis supporting the amounts the Liquidator is willing to accept from a particular reinsurer is made public, other reinsurers will be able to use that information in determining their own negotiating positions. This is likely to set a ceiling on the amounts the Liquidator will be able to collect from other reinsurers, thereby hampering her efforts to maximize the recovery of assets of the Reliance Estate. Commutation agreements between insurers often contain confidentiality provisions for this very reason.

5. Consistent with the foregoing, if any policyholder or creditor of the Reliance Estate (other than another reinsurer of Reliance) with a demonstrable interest in the subject matter of the Agreement wishes to review the Confidential Affidavit, the Liquidator, subject to the Court’s approval, will provide it to that person or entity upon its execution of a

confidentiality agreement limiting the use of and prohibiting disclosure of the information contained therein. This represents the least restrictive means of accomplishing the necessary purpose of maintaining the confidentiality of these materials.

6. The Liquidator requests that, in resolving this Petition, the Court review the Confidential Affidavit in camera, grant the Petition, and direct the Prothonotary to file the Confidential Affidavit (and its exhibits) under seal. Should the Court be inclined to deny the Petition, the Liquidator respectfully requests that the Court permit the Liquidator the opportunity to withdraw the Petition and Confidential Affidavit to avoid any prejudice which may befall the Liquidator, the Estate, or may be caused to the policyholders and claimants of Reliance from premature public disclosure of this information.

WHEREFORE, the Liquidator respectfully requests that this Court grant the Petition for Leave to File Confidential Affidavit Under Seal, and enter an Order in the form attached hereto.

Respectfully submitted,
PEPPER HAMILTON LLP

By:



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Attorneys for Plaintiff-Respondent M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator of Reliance Insurance Company

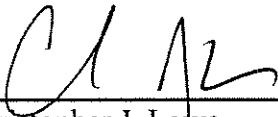
Dated: June 7, 2006

CERTIFICATE OF SERVICE

I hereby certify that on July 7, 2006, true and correct copies of the Liquidator's Petition for Leave to File Confidential Affidavit Under Seal, without the attached Confidential Affidavit, and Proposed Order were served upon the following:

Via Notice of Filing

Members of the Reliance Master Service List



Christopher J. Lowe