

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

Plaintiff,

v.

RELIANCE INSURANCE COMPANY,

Defendant.

No. 269 M.D. 2001

2006 NOV 17 P 2:18

RECEIVED AND FILED  
COMMONWEALTH COURT  
OF PA (PHILA)

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

**ORDER**

AND NOW, this \_\_\_\_ day of \_\_\_\_, 2006, upon consideration of the Petition to Approve the Liquidator's Fourth 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 \$200 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. 269 M.D. 2001
	:	
Plaintiff,	:	
	:	
v.	:	
	:	
RELIANCE INSURANCE COMPANY,	:	
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**PETITION TO APPROVE  
LIQUIDATOR’S FOURTH 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 fourth proposal to distribute assets to state guaranty associations pursuant to 40 P.S. § 221.36. Available assets at this time permit a distribution of \$200 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 520 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 523(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 536 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." 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 on paid loss as requested by the Liquidator.

15. On August 26, 2005, the Liquidator filed a Third Proposal to Distribute Assets ("Third Proposal"). The third Proposal again requested the Court's approval to utilize "paid loss and ALAE" data in the allocation formula for distribution. The Proposal sought an early access distribution of \$300 million.

16. This Court by Order dated October 4, 2005 approved the Liquidator's request to make the Third Distribution as set forth in the Proposal.

#### **Fourth Proposal to Distribute Assets**

17. In accordance with the December 11, 2003, Order, the Liquidator now seeks approval for this Fourth Proposal to Distribute Assets ("Fourth Proposal") in the amount of \$200 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 18 below.<sup>1</sup>

18. After once again consulting with certain representatives of the SGAs associated with the NCIGF and with their agreement, it is the Liquidator's intention to again use "paid loss and ALAE" data in the allocation formula for distribution in this Fourth Proposal. As has been the practice in all three prior early access proposals, 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.

19. 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 Fourth Proposal.<sup>2</sup> The data for Life and Health

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<sup>1</sup> As set forth in paragraph 26 of the Amended First Proposal, the Liquidator shall have the authority to amend Exhibit A, if necessary, 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 Exhibit A, if amended, 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 "Attributable Deposits" by relevant state and amount.

<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. While the New Hampshire Association is not eligible for a

Insurance Guaranty Associations has been combined in Exhibit A showing zero (0) as the Fourth Distribution amount.

20. A list of the SGAs eligible to receive distributions, as well as the pro rata calculation of each eligible SGA's allocation in this Fourth Distribution is attached hereto as Exhibit A. The allocation reflects the most current data reported by the SGAs and processed by the Liquidator through August 31, 2006 and takes into consideration the prior distributions, certain other deemed early access and Attributable Deposits for each as defined in the Amended First Proposal.

21. Although the pro rata calculation of each eligible SGAs distribution will remain as set forth in Exhibit A, the Liquidator will, with the consent of any SGA, net actual distributions against negative balances owed by that SGA arising from the Large Deductible Settlement approved by this Court on June 20, 2006 and from the application of certain Act 46, 40 P.S. Section 221.23a, calculations thereto. An SGA may select this option rather than having to affirmatively reimburse the Liquidator for these negative amounts.

22. In determining the amount of cash available for the current distribution, 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

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distribution in this Fourth distribution, it may be entitled to future distributions. However, insofar as the New Hampshire Association's balances, in the negative or positive, are likely to be de minimus for the foreseeable future, the Liquidator has agreed with New Hampshire that further adjustments will be pended until there is a significant variation.



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.

23. The Liquidator has previously advised this Court in her “Quarterly Report of the Liquidator on the Status of the Liquidation of Reliance Insurance Company as of June 30, 2006” of her belief that she will, in 2007, be in a position to recommend to the Court a partial interim distribution to all class (b) claimants whose claim has been allowed in amount and priority and approved by the Court for distribution. The Liquidator has determined that this Fourth Early Access Distribution will not delay or adversely affect her ability to make any such recommendation and, based on currently available facts, continues to believe that such a partial, interim class (b) distribution will be feasible.

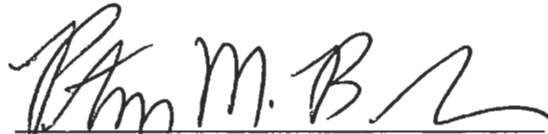
24. The allocation as between SGAs of this Fourth Distribution is made in accordance with the requirements of 40 P.S. § 221.36 and the terms of the December 11, 2003, Order. Each SGA’s pro rata share of each such distribution is based on the undisputed claim and ALAE payments made by the SGA and reported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

25. Pursuant to 40 P.S. §221.36(d), notice of the Fourth Proposal was given on or about October 12, 2006 to SGAs 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 \$200 million to the various eligible SGAs as set forth in this proposal.

By:



PRESTON BUCKMAN (I.D. #57570)  
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Attorney for M. Diane Koken,  
Insurance Commissioner of the  
Commonwealth of Pennsylvania, in her  
official capacity as Liquidator of  
Reliance Insurance Company

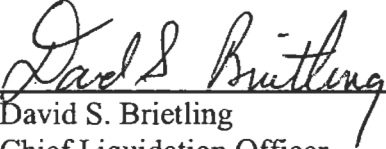
Dated: November 15, 2006

**VERIFICATION**

I, David S. Brietling, Chief Liquidation 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 Fourth 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: November 15, 2006

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

# **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	Fourth Distribution
Alabama Insurance Guaranty Association	36,091,239	1.5612%	19,904,742	177,345	-	19,727,398	5,211,771	24,939,169	21,942,034	2,997,135
Alaska Insurance Guaranty Association	7,590,510	0.3288%	4,186,255	-	-	4,186,255	1,096,111	5,282,366	5,102,222	180,144
Arizona Property and Casualty Insurance Guaranty Fund - Non-WC	6,083,767	0.2632%	3,355,269	631,776	-	2,723,493	878,529	3,602,022	3,410,530	191,492
Arizona State Compensation Fund - WC	4,018,268	0.1738%	2,216,122	22,909,676	-	-	-	-	-	-
Arkansas Property and Casualty Advisory Association	6,275,234	0.2714%	3,460,865	2,085,715	-	1,375,151	906,178	2,281,329	2,000,735	280,594
California Insurance Guaranty Association - Non-WC	142,683,897	6.1719%	78,691,680	-	-	78,691,680	20,604,286	99,295,966	89,644,770	9,651,196
California Insurance Guaranty Association - WC	384,610,364	16.6366%	212,117,133	280,629,835	-	-	-	-	-	-
Colorado Insurance Guaranty Association	17,711,258	0.7661%	9,767,967	-	-	9,767,967	2,557,602	12,325,569	11,598,819	726,750
Connecticut Insurance Guaranty Association	40,451,956	1.7498%	22,369,728	-	-	22,309,729	5,841,483	28,151,212	24,895,011	3,256,201
Delaware Insurance Guaranty Association - Non-WC	838,431	0.0363%	462,405	4,003	-	458,401	121,074	579,475	550,828	28,647
Delaware Insurance Guaranty Association - WC	4,394,439	0.1901%	2,423,584	560,981	-	1,862,604	634,580	2,497,184	2,094,624	402,560
Dist. of Columbia Insurance Guaranty Association	7,110,801	0.3076%	3,921,690	-	-	3,921,690	1,026,839	4,948,529	3,849,551	1,098,978
Florida Insurance Guaranty Association - Non-WC	78,714,838	3.4049%	43,412,158	1,831,851	-	41,580,307	11,366,851	52,947,158	48,814,807	4,132,351
Florida Workers Compensation Insurance Guaranty Association - WC	175,034,942	7.5713%	96,533,826	2,795,982	-	93,737,844	25,275,997	119,013,841	94,696,873	24,316,968
Georgia Insurers Insolvency Pool	38,664,907	1.6725%	21,324,150	-	-	21,324,150	5,583,423	26,907,573	22,294,007	4,613,566
Hawaii Insurance Guaranty Association	5,340,116	0.2310%	2,945,137	-	-	2,945,137	771,142	3,716,279	3,468,236	248,043
Idaho Insurance Guaranty Association - Non-WC	808,356	0.0350%	445,841	-	-	445,841	116,737	562,578	546,451	16,127
Idaho Insurance Guaranty Association - WC	1,199,985	0.0519%	661,806	1,101,000	-	-	-	-	-	-
Illinois Insurance Guaranty Fund	46,997,801	2.0329%	25,919,674	-	-	25,919,674	6,786,694	32,706,368	29,458,991	3,247,377
Indiana Insurance Guaranty Association	5,333,889	0.2307%	2,941,702	-	-	2,941,702	770,243	3,711,945	3,586,092	125,853
Iowa Insurance Guaranty Association	16,396,041	0.4494%	5,730,230	-	-	5,730,230	1,500,378	7,230,608	6,856,882	373,726
Kansas Property & Casualty Insurance Guaranty Association	12,759,663	0.5519%	7,037,104	284,638	-	6,812,466	1,842,564	8,655,030	6,170,970	2,484,060
Kentucky Insurance Guaranty Association	16,885,656	0.7304%	9,312,638	24,714	-	9,287,924	2,438,380	11,726,304	10,209,772	1,516,532
Louisiana Insurance Guaranty Association	55,928,178	2.4192%	30,845,047	865,886	-	29,979,161	8,076,333	38,055,494	33,938,096	4,117,398
Maine Insurance Guaranty Association	4,028,697	0.1743%	2,221,874	-	-	2,221,874	581,766	2,803,640	2,601,949	201,691
Maryland Property & Casualty Insurance Guaranty Corporation	22,750,687	0.9841%	12,547,277	173,452	-	12,373,825	3,285,324	15,659,149	13,399,778	2,259,371
Massachusetts Insurers Insolvency Fund - Non-WC	11,776,130	0.5094%	6,494,674	1,000,118	-	5,494,556	1,700,537	7,195,093	5,948,870	1,246,223
Massachusetts Insurers Insolvency Fund - WC	24,691,329	1.0680%	13,617,558	55,268,975	-	-	-	-	-	-

Reliance Insurance Company (IN LIQUIDATION)  
Exhibit A

SGA	Paid Loss and A.I.A.E.	Allocable Percentage	Initial Cash Distribution Amount	Attributable Deposits	(1) Other Items Deemed Early Access	Adjusted Distribution Amount	Additional Available Cash	Total Cash Distribution	Previous Distributions	Fourth Distribution
Michigan Property & Casualty Guaranty Association	44,680,411	1.9327%	24,641,771	-	-	24,641,771	6,452,095	31,093,866	27,317,529	3,776,337
Minnesota Insurance Guaranty Association	14,644,735	0.6335%	8,076,743	-	-	8,076,743	2,114,780	10,191,523	9,034,618	1,156,905
Mississippi Insurance Guaranty Association	30,263,215	1.3091%	16,690,519	-	-	16,690,519	4,370,173	21,060,691	18,956,676	2,104,015
Missouri Property & Casualty Insurance Guaranty Association	29,421,203	1.2726%	16,226,139	114,557	-	16,111,582	4,248,581	20,360,163	18,604,059	1,756,104
Montana Casualty Insurance Guaranty Association	3,098,000	0.1340%	1,708,583	-	-	1,708,583	447,368	2,155,951	1,371,429	784,522
Nebraska Property and Liability Insurance Guaranty Association	5,392,715	0.2333%	2,974,146	-	-	2,974,146	778,737	3,752,883	2,995,702	757,181
Nevada Insurance Guaranty Association - Non-WC	5,242,842	0.2268%	2,891,489	355,610	-	2,535,879	757,094	3,292,973	3,222,438	70,535
Nevada Insurance Guaranty Association - WC	1,003,193	0.0434%	553,273	618,044	-	-	80,095	80,095	57,760	22,335
New Hampshire Insurance Guaranty Association	10,561,472	0.4568%	5,824,776	1,255,000	-	4,569,776	1,525,134	6,094,910	4,870,654	1,224,256
New Jersey Property-Liability Insurance Guaranty Association - Non-WC	56,556,079	2.4464%	31,191,342	841,568	-	30,349,774	8,167,005	38,516,779	33,296,145	5,220,634
New Jersey Property-Liability Insurance Guaranty Association - WC	37,348,397	1.6155%	20,598,080	-	-	20,598,080	5,393,311	25,991,391	22,910,374	3,081,017
New Jersey Surplus Lines Guaranty Fund	6,462,285	0.2795%	3,564,026	107,144	-	3,456,882	933,189	4,390,071	3,850,185	539,886
New Mexico Insurance Guaranty Association	5,029,659	0.2176%	2,773,916	1,830,030	-	943,886	726,310	1,670,196	1,197,920	472,276
New York Workers Compensation Security Fund	117,019,880	5.0618%	64,537,838	-	-	64,537,838	16,898,307	81,436,145	66,946,104	14,490,041
New York Property / Casualty Insurance Security Fund - Non-WC	233,026,925	10.0798%	128,517,086	310,000	-	128,207,086	33,650,354	161,857,440	106,594,457	55,262,983
North Carolina Insurance Guaranty Association	49,851,507	2.1564%	27,493,692	1,230,057	-	26,263,635	7,198,828	33,462,463	28,046,970	5,415,493
North Dakota Insurance Guaranty Association	251,263	0.0109%	138,575	-	-	138,575	36,284	174,858	167,989	6,869
Ohio Insurance Guaranty Association	9,190,407	0.3975%	5,068,617	-	-	5,068,617	1,327,145	6,395,762	5,750,331	645,431
Oklahoma Property & Casualty Insurance Guaranty Association	16,589,649	0.7176%	9,149,386	-	-	9,149,386	2,395,636	11,545,022	10,821,411	723,611
Oregon Insurance Guaranty Association - Non-WC	14,331,611	0.6199%	7,904,052	-	-	7,904,052	2,069,562	9,973,614	9,416,136	557,478
Oregon Insurance Guaranty Association - WC	7,592,724	0.3284%	4,187,476	33,549,732	-	-	-	-	-	-
Pennsylvania Property & Casualty Insurance Guaranty Association - Non-WC	35,392,373	1.5309%	19,519,309	-	-	19,519,309	5,110,851	24,630,160	22,461,087	2,169,073
Pennsylvania Workers Compensation Security Fund - WC	102,839,809	4.4484%	56,717,362	-	-	56,717,362	14,850,628	71,567,990	56,002,981	15,565,009
Puerto Rico Miscellaneous Insurance Guaranty Association	7,764,737	0.3359%	4,282,344	5,000,000	-	-	403,614	403,614	-	403,614
Rhode Island Insurers' Insolvency Fund	8,627,872	0.3732%	4,758,373	-	-	4,758,373	1,245,911	6,004,284	5,300,921	703,363
South Carolina Property & Casualty Insurance Guaranty Association	29,783,272	1.2883%	16,425,824	1,085,448	-	15,340,377	4,300,866	19,641,243	18,510,501	1,130,742

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

SGA	Paid Loss and AI/AE	Allocable Percentage	Initial Cash Distribution Amount	Attributable Deposits	(1) Other Items Deemed Early Access	Adjusted Distribution Amount	Additional Available Cash	Total Cash Distribution	Previous Distributions	Fourth Distribution
South Dakota Property & Casualty Insurance Guaranty Association	1,777,871	0.0769%	980,517	-	-	980,517	256,734	1,237,251	1,189,285	47,966
Tennessee Insurance Guaranty Association	28,290,523	1.2237%	15,602,556	-	-	15,602,556	4,085,305	19,687,861	17,738,136	1,949,725
Texas Property & Casualty Insurance Guaranty Association	116,903,676	5.0568%	64,473,750	-	-	64,473,750	16,881,527	81,355,277	75,303,401	6,051,876
Utah Property & Casualty Insurance Guaranty Association	6,413,582	0.2774%	3,537,166	-	-	3,537,166	926,156	4,463,322	3,771,084	692,238
Vermont Property & Casualty Insurance Guaranty Association	5,564,290	0.2407%	3,068,771	-	-	3,068,771	803,514	3,872,285	2,969,892	902,393
Virginia Islands Insurance Guaranty Association	375,345	0.0162%	207,013	1,035,000	-	-	-	-	-	-
Virginia Property & Casualty Insurance Guaranty Association	29,234,175	1.2645%	16,122,991	1,771,769	-	14,351,222	4,221,574	18,572,796	15,478,974	3,093,822
Washington Insurance Guaranty Association	29,411,056	1.2722%	16,220,543	-	-	16,220,543	4,247,116	20,467,659	20,267,316	200,343
West Virginia Guaranty Association	2,260,835	0.0978%	1,246,877	-	-	1,246,877	326,477	1,573,354	1,006,928	566,426
Wisconsin Insurance Security Fund - P&C	10,095,266	0.4367%	5,567,658	-	-	5,567,658	1,457,811	7,025,469	6,290,360	735,109
Wyoming Insurance Guaranty Association	460,995	0.0199%	254,244	-	-	254,244	66,570	320,814	313,405	7,409
<b>Total P&amp;C</b>	<b>2,281,918,690</b>	<b>98.71%</b>	<b>1,258,504,958</b>	<b>419,389,907</b>	<b>-</b>	<b>1,001,384,589</b>	<b>267,729,467</b>	<b>1,269,114,056</b>	<b>1,069,114,056</b>	<b>200,000,000</b>
New Hampshire Life & Health Insurance Guaranty Association (2)	56,659	0.0025%	31,248	-	-	31,248	8,203	39,451	39,451	-
NOLHGA (2)	29,852,118	1.29%	16,463,794	375,707	15,356,933	3,281,810	2,564,683	5,846,493	5,846,493	-
<b>Total</b>	<b>2,311,827,468</b>	<b>100.00%</b>	<b>1,275,000,000</b>	<b>419,765,613</b>	<b>15,356,933</b>	<b>1,004,697,647</b>	<b>270,302,353</b>	<b>1,275,000,000</b>	<b>1,075,000,000</b>	<b>200,000,000</b>

(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 Fourth Proposal paragraph 18, the Life and Health Insurance Guaranty Associations, including the New Hampshire Life and Health Insurance Guaranty Association, have agreed not to be eligible SGA's in this Fourth 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 October 31, 2006**

**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	12/31/05	280,629,835
Delaware	(2)	540,000		540,000
Delaware	(1)	25,000		25,000
Florida	(1)	4,620,000	10/24/01	4,820,658
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	1,258,004
Oregon	(2)	29,605,000	12/31/05	33,549,732
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>342,822,410</u>		<u>419,765,612</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.

**CERTIFICATE OF SERVICE**

I, Sheila E. Branyan, hereby certify that on or about this day, pursuant to the Court's Order of April 1, 2004, service of the foregoing Petition to Approve Liquidator's Fourth 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: November 17, 2006

  
SHEILA E. BRANYAN

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v.

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