

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

v.

RELiance INSURANCE COMPANY,
Defendant.

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: No. 269 M.D. 2001

IN RE: Asset Guidelines Order

ORDER

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COMMONWEALTH COURT
OF PENNSYLVANIA

AND NOW, the Court being charged under the Insurance Department Act of 1921, 40 P.S. § 221.1 et seq., with the supervision of the Liquidation of Reliance Insurance Company (“Reliance” or the “Company”), and the Liquidator having the duty to take possession, administer, marshal and maximize the assets of the Company’s estate, under orders of the Court, for the benefit of insureds, creditors and the public generally, 40 P.S. § 221.20(c);

IT IS on this 30th day of November 2001, hereby **ORDERED** that the following guidelines shall apply to the administration of the assets of Reliance:

1. Bonds:

a. The Liquidator will select and retain two qualified, reputable professional investment management firms to manage the bond investments of the Company. The Liquidator may, at the recommendation of either of the firms retained, buy and sell bonds that are readily marketable, at market value, without Court approval.

b. The Liquidator may, until such time as such professional investment management firms are engaged, through the Company's internal investment department, sell such readily marketable bonds as deemed necessary and appropriate and as approved in writing by both the investment committee and the Liquidator. Any proceeds of such bond sales, if reinvested, will be reinvested in new readily marketable bonds or short-term paper and proceeds will not be used for general corporate or administrative purposes.

2. Real Estate: With the exception of the sale of individual condominium units, proposed sales of Reliance-owned real estate assets shall be submitted to the Court for prior approval, with service upon the Master Service List. Sales shall be at arms length and sale prices shall be supported by written appraisals or brokers' opinions of value.

3. Illiquid Non-Real Estate Assets Valued at \$4 Million Or More: The Liquidator shall seek prior court approval, with service upon the Master Service List, for the proposed sale of illiquid, non-real estate assets valued at \$4 million or more. Sales shall be at arms length and supported by written third party evaluations.

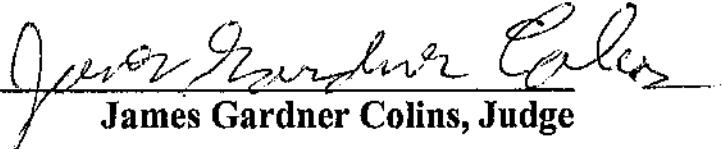
4. Illiquid Non-Real Estate Assets Valued between \$1 Million and \$4 Million: For non-real estate, illiquid assets ranging in value from \$1 million to \$4 million, the Liquidator shall notify the Court by letter of the proposed sale, without the requirement of publication or service. The letter shall set forth the nature of the asset, the identity of the buyer, the price proposed and a description of the circumstances leading the Liquidator to believe that the sale and price are appropriate, arms length and fair. If the Court does not notify the Liquidator of any objection within 72 hours of receipt, the Liquidator shall be authorized to proceed with the sale.

5. Illiquid Non-Real Estate Assets Valued Under \$1 Million: The Liquidator, in her reasonable discretion, may proceed with the sales of illiquid non-real estate assets valued under \$1 million without prior Court approval, provided such sales are at arms length.

6. Compromise Of Reliance Subrogation Claims: The Liquidator may compromise and settle subrogation claims without prior Court approval.

7. Release Of Collateral: Collateral held by Reliance as security for obligations of third parties is not subject to the guidelines set forth herein requiring Court approval. The Liquidator may, but need not, in her reasonable discretion, release such collateral in whole or in part, when she determines it is reasonable or appropriate to do so.

FURTHER, the Liquidator, through her counsel, is hereby directed to serve a copy of this order, forthwith, upon all parties listed on the master service list via U.S. mail and, where designated, fax and/or e-mail. The Liquidator, through its counsel, is directed to file with the court in the Office of the Prothonotary, 9th Floor the Widener Building, 1339 Chestnut Street, Philadelphia, PA 19107, by 3:00 p.m. December 4, 2001 an affidavit, that service, as outlined above, has been effectuated.


James Gardner Colins, Judge