

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  
FREDERICK  
COMMONWEALTH COURT  
OF PENNSYLVANIA  
DEC 14 1 40 PM '01

**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 to Extend Deadline for Affirming Or Disavowing Reliance Contracts, on this \_\_\_\_\_ day of \_\_\_\_\_, 2001, IT IS HEREBY ORDERED that:

1. The Petition is GRANTED; and
2. IT IS FURTHER ORDERED that the Liquidator shall be permitted until April 3, 2002 to affirm or disavow contracts to which Reliance is a party, pursuant to 40 P.S. § 221.23(11).

\_\_\_\_\_  
James Gardner Colins, Judge

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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**PETITION TO EXTEND DEADLINE FOR AFFIRMING OR  
DISAVOWING RELIANCE CONTRACTS**

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 enter an order permitting the Liquidator an additional three month period within which to affirm or disavow contracts to which Reliance is a party.

In support of this Petition, the Liquidator avers the following:

1. On May 29, 2001, this Court entered an Order of Rehabilitation with respect to Reliance Insurance Company ("Reliance").
2. On October 3, 2001, this Court entered an Order of Liquidation with respect to Reliance.
3. The Order of Liquidation, paragraph 3, authorizes the Liquidator to "take possession of Reliance's property, business and affairs as Liquidator, and to liquidate Reliance in accordance with Article V of the Insurance Department Act of 1921, as amended

(40 P.S. §§ 221.1 et seq.) (the "Act"), and to take such action as the interest of the policyholders, creditors or the public may require." Order, at ¶3. Paragraph 4 of the Order provides that the Liquidator is "vested with all the powers, rights, and duties authorized under the Act and other applicable law." Order, at ¶4.

4. Section 221.23 sets forth the powers of the Liquidator under the Act, providing that the Liquidator shall have the power, inter alia, "[t]o enter into such contracts as are necessary to carry out the order to liquidate, and to affirm or disavow any contracts to which the insurer is a party." 40 P.S. § 221.23(11) (emphasis added).

5. In accordance with the power granted by §221.23(11), the Liquidation Order specifically included authorization for the Liquidator to affirm or disavow certain contracts to which Reliance is a party. Paragraph 16 of the Order provides that "[e]xcept for contracts of insurance and for reinsurance, all executory contracts to which Reliance is a party as of the date of this Order may be affirmed or disavowed by the Liquidator within 90 days of the date of this Order." Order, at ¶16. That 90-day period would expire on January 3, 2002.

6. In the period following October 3, 2001, both the Reliance staff and the Liquidation staff have undertaken to identify and locate the "contracts to which Reliance is a party" as the preliminary step to (1) evaluating the necessity for, fairness of and/or burdensomeness of the contracts; and (2) deciding whether to affirm or disavow the contracts.

7. Over 1500 contracts have been identified already, and there is reasonable confidence that the most significant contracts have been identified and gathered. The review process has begun. This process includes determining whether the goods or services are still

in use, whether the goods or services are necessary for the future operations of the liquidating company, whether the terms of the various contracts are fair or might be more favorably renegotiated, and whether better terms might be available elsewhere for the same goods or services. The contracts identified encompass all areas of the operation of Reliance, including but not limited to claims administration contracts, facilities management contracts, real estate leases, building maintenance contracts, food service contracts, information technology contracts (including hardware, software, maintenance, service, consulting and other types of data processing contracts), office supply contracts, travel related contracts, tax-related contracts, employee-related contracts, and accounting and financial services contracts.

8. The October 3 Order provided that the Liquidator would have 90 days to affirm or disavow contracts. However, the Act imposes no time limit. See 40 P.S. § 221.23(11).

9. The task of identifying and reviewing all contracts has consumed more time than originally anticipated by the Liquidator notwithstanding diligent efforts by a dedicated staff, all of whom have other significant and time-consuming responsibilities.

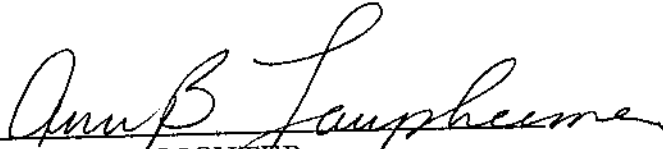
10. Accordingly, given that the statute imposes no time limit, but understanding the importance of diligent and timely efforts to make the appropriate decisions, the Liquidator respectfully request an additional 3 month period, running from January 3, 2002 until April 3, 2002 to affirm or disavow contracts to which Reliance is a party.

11. Without additional time to make the decision to affirm or disavow contracts under § 221.23(11), the Liquidator will suffer extreme prejudice, as continuation of

disadvantageous contracts may result in additional, unintended and unnecessary drains on the company's assets.

WHEREFORE, the Liquidator respectfully requests that this Court grant the Petition, enter an Order in the form attached hereto, and order such other relief as this Court deems necessary and appropriate.

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Dated: December 14, 2001

VERIFICATION

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

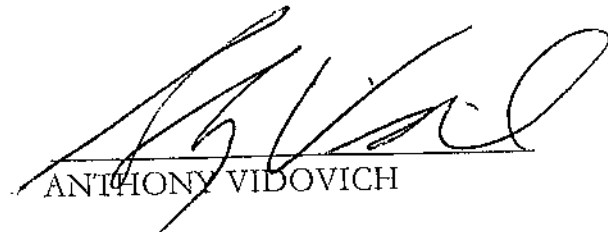
Date: December 14, 2001

  
William S. Taylor  
Deputy Insurance Commissioner of the  
Pennsylvania Insurance Department

**CERTIFICATE OF SERVICE**

I, Anthony Vidovich, hereby certify that this day a true and correct copy of the foregoing Petition was served on all persons listed on the attached Master Service List by U.S. Mail, postage prepaid.

Dated: December 14, 2001

  
ANTHONY VIDOVICH

## Master Service List

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v.

Reliance Insurance Company

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