

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

JOEL S. ARIO,
Acting Insurance Commissioner of the
Commonwealth of Pennsylvania

Plaintiff,

v.

RELIANCE INSURANCE COMPANY

Defendant.

DOCKET NO. 269 MD 2001

2008 DEC 13 3:40
CLERK OF COURT

IN RE: *Commutation, Settlement Agreement and Release between
Reliance Insurance Company (In Liquidation) and Enstar (US) Inc., formerly known as
Castlewood (US) Inc., for and on behalf of Continental Casualty Company*

ORDER

AND NOW, this ___ day of _____, 2008, the Court upon consideration of the Liquidator's Petition for Leave to File Confidential Affidavit Under SEAL, orders that the Petition is **GRANTED**; further the Liquidator is permitted to file under seal the confidential affidavit marked as "Sealed Exhibit A" to the Petition for Leave; and **FURTHER**, the Chief Clerk is directed to file the confidential affidavit marked as "Sealed Exhibit A" **UNDER SEAL**, and to maintain the document as SEALED as well as take all necessary and appropriate precautions to prevent the public disclosure of the confidential affidavit until further Order of this Court.

Further, counsel for the Liquidator is directed to serve a copy of this Order upon those listed on the Master Service List and an affidavit that service has been effectuated with the Court.

JAMES GARDNER COLINS, Senior Judge

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

Petitioner Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, in his capacity as Statutory Liquidator ("Liquidator") of Reliance Insurance Company ("Reliance or Estate"), 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 Chief Clerk 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 ("Commutation Petition"). In support of this Petition, the Liquidator avers the following:

1. Simultaneously with this Petition, the Liquidator is filing the Commutation Petition which seeks an Order approving the Commutation, Settlement Agreement and Release ("Settlement Agreement") between the Liquidator and Enstar (US) Inc., formerly known as Castlewood (US) inc. for and on behalf of Continental Casualty Company. The Commutation Petition is supported in part by the Confidential Affidavit which is attached as Sealed Exhibit B to the Commutation Petition.

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 Settlement Agreement and how the parties arrived at the final commutation amount. It would be highly prejudicial to the Liquidator, and the creditors and policyholders of Reliance, if details of the Liquidator's strategies, business valuations, and rationale behind the Settlement Agreement were disclosed to the public and particularly to other reinsurers of Reliance.

4. The Liquidator has been and likely will be negotiating settlements or commutations with a number of Reliance 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 efforts to maximize the recovery of Estate assets. Settlement agreements between

insurers, even outside of the liquidation process, often contain confidentiality provisions for this very reason.

5. Consistent with the foregoing, if any Reliance policyholder or creditor (other than another reinsurer of Reliance, including affiliates) with a demonstrable and not adverse interest in the subject matter of the Settlement 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.

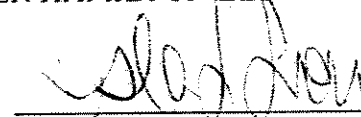
6. The Liquidator requests that, in resolving this Petition, the Court review the Confidential Affidavit in camera, grant the Petition, and direct the Chief Clerk to file the Confidential Affidavit (and its exhibits) under seal. Should the Court be inclined to deny the Petition, the Liquidator respectfully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

WHEREFORE, the Liquidator respectfully requests that this Court enter an Order in the form attached hereto (1) granting the Liquidator leave to file the Confidential Affidavit of Keith Kaplan under seal as Sealed Exhibit A to this Petition and as Sealed Exhibit B to the

Commutation Petition, and (2) directing the Chief Clerk of the Commonwealth Court to file the Confidential Affidavit and its exhibits under seal as Sealed Exhibit A to this Petition and as Sealed Exhibit B to the Commutation Petition.

Respectfully submitted,
PEPPER HAMILTON LLP

By:



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Attorneys for Joel S. Ario, Acting Insurance
Commissioner of the Commonwealth of
Pennsylvania, in his official capacity as Statutory
Liquidator of Reliance Insurance Company

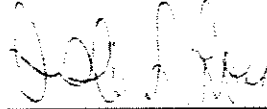
Dated: February 15, 2008

CERTIFICATE OF SERVICE

I hereby certify that on February 13, 2008 a true and correct copy of the Liquidator's Petition for Leave to File Confidential Affidavit Under Seal was served upon the following:

Via Notice of Filing

Members of Reliance Master Service List



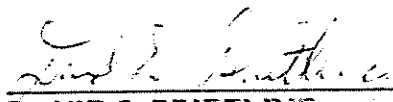
ISLA L. LONG

VERIFICATION

I, David S. Brietling, Chief Liquidation Officer for Reliance Insurance Company, in liquidation, am authorized by Joel S. Ario, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, pursuant to 40 P.S. §221.23, to act on his behalf in his capacity as the Statutory Liquidator of Reliance Insurance Company. I hereby verify that the facts set forth in the foregoing pleading 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.

Executed on February, 2008



DAVID S. BRIETLING