

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

Plaintiff

v.

RELiance INSURANCE COMPANY,

Defendant

No. 269 M.D. 2001

RECEIVED AND FILED  
BY THE CLERK  
COMMONWEALTH COURT  
OF PENNSYLVANIA  
DEC 19 1 50 PM '01

**AFFIDAVIT OF THOMAS B. STOLP  
IN SUPPORT OF PETITION FOR APPROVAL OF COMMUTATION AGREEMENT WITH  
WORKERS' COMPENSATION REINSURANCE BUREAU**

THOMAS B. STOLP, being duly sworn, deposes and says:

1. I am fully familiar with the facts and circumstances set forth herein. I submit this affidavit in support of the Liquidator's Petition for Approval of Commutation Agreement with Workers' Compensation Reinsurance Bureau ("Petition").

2. I am Reinsurance Manager for the Pennsylvania Insurance Department, Bureau of Liquidation Administration. I have almost thirty years of experience in the reinsurance industry both in the private sector with reinsurance companies, intermediaries and brokers, and in the public sector as a consultant for and now staff member of the Pennsylvania Insurance Department. I am currently part of the Liquidator's staff at Reliance Insurance Company (in Liquidation) ("Reliance") and am responsible for reviewing, supervising and making recommendations to the Liquidator for all Reliance reinsurance matters.

3. As part of my duties for the Liquidator, I have supervised, monitored and reviewed the negotiation of the Commutation Agreement, attached as Exhibit A to the Petition, between Reliance and the Workers' Compensation Reinsurance Bureau ("WCRB"). I have reviewed the Affidavits of Keith Kaplan and Betty H. Barrow, submitted in support of the Petition, and find the facts stated therein are consistent with my understanding of the factual circumstances surrounding the negotiation of the Commutation Agreement between Reliance and the WCRB.

4. Based on my experience in the reinsurance industry, I have reviewed the WCRB Commutation Agreement for the purposes of advising the Liquidator whether the transaction yields fair and reasonable value to the estate of Reliance. Accordingly, I have reviewed both the terms of the Commutation Agreement, actuarial reviews and present value calculations performed by both the WCRB and Reliance and the final negotiated commutation values.

5. With the assistance of Reliance staff and Liquidation staff, I have advised the Liquidator that the terms of the Agreement are fair and reasonable. My opinion is based upon the following factors:

(a) The discounted present value calculations of Reliance's total net reinsurance obligations properly consider the payment histories of the claims at issue and the potential future liabilities associated with these claims;

(b) The net reinsurance calculation appropriately gives Reliance credit for 100% of the net present value of the reinsurance obligations ceded to the WCRB;

(c) The Commutation Agreement immediately releases to the Liquidator Reliance's assets totaling approximately \$44 million, posted by the Company as security for its assumed reinsurance obligations to the WCRB;

(d) For all secured and unsecured claims which the WCRB has or may have against the Company's estate, the Agreement fixes, terminates and/or releases any and all liability Reliance has or may have to the WCRB arising from the Company's participation in the pool; and,

(e) The Agreement permits Reliance to obtain its share of any reinsurance recoverables realized by the WCRB in connection with five current workers' compensation claims for which Reliance incurred losses.

6. Based on the above, I have advised the Liquidator that the payment of \$5,458,366.00, the corresponding immediate return of approximately \$44 million of Reliance's collateral, and the release of Reliance from all future liability to the WCRB, constitute a fair and reasonable commutation of Reliance's liabilities to the WCRB.

7. Based on my recommendation and the information provided by Reliance staff members involved with the negotiation of the Commutation Agreement, as well as his independent review of the transaction, Mr. William S. Taylor, the Liquidator's designee, has determined that the commutation will enhance the Liquidator's ability to facilitate the statutory goals of liquidation, particularly her ability to marshal the assets of the estate. He has further informed me that the Liquidator believes the commutation of Reliance's reinsurance obligations to the WCRB is in the best interests of Reliance's policyholders, certificateholders, creditors, and the public.

  
THOMAS B. STOLP

Sworn to and subscribed  
before me this 17<sup>th</sup> day  
of December, 2001.

  
Notary Public