

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel S. Ario, :
Acting Insurance Commissioner of the :
Commonwealth of Pennsylvania, :
Plaintiff :
 :
v. :
 :
Reliance Insurance Company, : No. 269 M.D. 2001
Defendant :


IN RE: Order Approving Referee Fitzpatrick's Decision in
Central Artery Tunnel Project

ORDER

AND NOW, this 14th day of May 2008, the Court has given consideration to the decision of Referee Fitzpatrick recommending approval of the Joint Petition for Dismissal of the Objections with Prejudice. The Court does accept the Referee's decision and the Joint Petition both of which are appended hereto and marked respectively as Exhibit A and Exhibit B.

A copy of this Order shall be served by the Liquidator upon all listed on the Master Service List. Thereafter, an affidavit of service shall be filed with the Court.

By the Court:



JAMES GARDNER COLINS, Senior Judge

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel S. Ario	:	
Insurance Commissioner of the	:	
Commonwealth of Pennsylvania	:	
	:	
Plaintiff	:	
	:	
v.	:	Docket No: 269-MD-2001
	:	
Reliance Insurance Company	:	
	:	
Defendant	:	

RECOMMENDATION BY REFEREE : IN RE CENTRAL ARTERY TUNNEL PROJECT

By Stipulation which was recommended by me and approved by this Court by Order dated May 24, 2005, the parties agreed to inactivate 30 Objections and 30 Notices of Determination issued as to 30 Proofs of Claim ("30 POCS") filed by various insureds for coverage under an excess insurance policy issued by Reliance to allow those claim to be further evaluated. A list of the 30 POCS is attached to my earlier Recommendation in this matter which was incorporated by reference into the Court's May 24, 2005 Order.

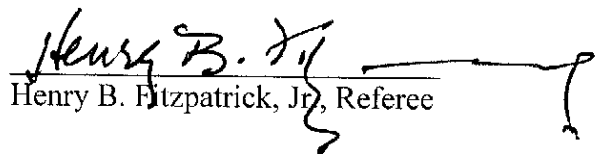
As the parties advised the Court in their Joint Status report dated March 19, 2008, it has now been established that the primary insurance coverage was exhausted in the global settlement of the underlying litigation, and that Reliance's excess policy limits have also been exhausted by that settlement. The pending 30 POCS have been resolved amicably on terms outlined in the attached Joint Petition for Dismissal of Objections with Prejudice and Court Approval of Notice of Determination.

EXHIBIT A

Thus, the inactivated objections pertaining to the 30 POCS are rendered moot. The parties seek their dismissal with prejudice. Further, the parties seek Court approval of the Notice of Determination issued, by agreement of all parties and their counsel, to the third party claimant the Massachusetts Turnpike Authority on its Proof of Claim 2109134 in the amount of \$10 million, the full amount of the Reliance policy at issue. This policy-limits Notice of Determination is clearly appropriate based on the \$85 million global settlement of the underlying litigation filed against Reliance's insured by the Massachusetts Turnpike Authority, which far exceeded the Reliance excess policy limits and the policy limits of all of the underlying insurers .

The Referee has reviewed the Joint Petition, and finds it to be acceptable and to be in the best interest of the Liquidation Estate. As such, it is the recommendation of the Referee that the Commonwealth Court approve the Joint Petition and enter the attached proposed Order dismissing with prejudice the Objections pertaining to the 30 POCS and approving the Notice of Determination issued by Reliance, by agreement of all parties, to the Massachusetts Turnpike Authority in the amount of \$10 million, the full amount of the Reliance policy at issue which has been fully exhausted by the \$85 million dollar global settlement of the underlying litigation.

Respectfully Submitted,


Henry B. Fitzpatrick, Jr., Referee

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

Plaintiff,

v.

RELIANCE INSURANCE COMPANY,

Defendant.

DOCKET NO. 269 MD 2001

OBJECTION OF Senior Living
Properties, LLC Relating to Proof of
Claim 2076849

ORDER

AND NOW, this __ day of _____ 2008, upon consideration of the Joint Petition of Counsel for Claimants Bechtel/Parson Brinckerhoff (“B/PB”), and numerous Section Design Consultants (“SDCs”) identified in the 30 POCs listed on the attachment to this Order and Joel S. Ario, In His Official Capacity As Statutory Liquidator of Reliance Insurance Company, In Support of their Request for Dismissal of Objections With Prejudice and Approval of the Issuance of the Notice of Determination issued to the Massachusetts Turnpike Authority Settlement with regard to its Proof of Claim 2109134 (MTA NOD), and the Recommendation of Referee Henry Fitzpatrick, Esquire that the Joint Petition be approved by the Court, it is hereby ORDERED and DECREED that the Joint Petition is APPROVED and that (1) the Objections listed on Attachment “A” hereto are dismissed with prejudice and (2) the MTA NOD is approved as issued.

BY THE COURT

James Gardner Colins, Judge

M. Diane Koken, Insurance Commissioner :
Of the Commonwealth of PA :
v. :
Reliance Insurance Company :

COMMONWEALTH COURT
NO. 269 M.D. 2001

* * * * *

ATTACHMENT TO ORDER

<u>CLAIMANT</u>	<u>CLAIM NO.</u>
1. Rizzo Associates, Inc., Individually and on Behalf of Fay Spofford & Thorndike, Inc.	764684
2. Stone & Webster, Inc., Individually and on Behalf of Berger/Lochner, Stone & Webster Joint Venture	812899
3. Fay Spofford & Thorndike, Inc., Individually and on Behalf of Fay Spofford Thorndike/Rizzo Associates Joint Venture	1491906
4. Copley Wolff Design Group, Inc. (f/k/a Lynn Wolff Associates, Inc.), Individually and on Behalf of Copley/Wolff Joint Venture	2079950
5. Fay, Spofford & Thorndike, Inc.	2079952
6. Howard, Needles, Tammen & Bergandoff, Inc.	2079953
7. Ammann & Whitney Partnership, Individually and on Behalf of Greenman-Pedersen/Vollmer/Ammann Whitney Joint Venture	2079958
8. Edwards & Kelcey, Inc., Individually and on Behalf of Weidlinger/Edwards and Kelcey Joint Venture	2079959

- | | | |
|-----|--|---------|
| 9. | Howard, Needles, Tammen & Bergandoff, Inc.,
Individually and on behalf of Fay, Spofford
& Thorndike/Needles Tammen Bergandoff Joint
Venture | 2079963 |
| 10. | Earth Tech, Inc. and all affiliated entities,
Individually and on Behalf of VHB/URS/Tams
Joint Venture | 2079979 |
| 11. | Weidlinger Associates, Inc., Individually and on
Behalf of Ondras Weidlinger The S/L/A/M
Collaborative (Ondras) Joint Venture | 2082603 |
| 12. | Lochner, Inc., Individually and on Behalf of
Berger/Lochner, Stone & Webster Joint Venture | 2082604 |
| 13. | HDR Engineering Inc. | 2082606 |
| 14. | Greenman-Pedersen, Inc., Individually and on
Behalf of Greenman-Pedersen/Vollmer/Ammann
Whitney Joint Venture | 2082607 |
| 15. | Vollmer Associates LLP & Vollmer Associates,
P.C., Individually and on behalf of Greenman-Pedersen/
Vollmer/Ammann Whitney Joint Venture | 2082608 |
| 16. | Weidlinger Associates, Inc., Individually and on
Behalf of Weidlinger/Edwards and Kelcey Joint Venture | 2082609 |
| 17. | Louis Berger & Associates, Individually and on
Behalf of Berger/Lochner, Stone & Webster
Joint Venture | 2082610 |
| 18. | The S/L/A/M Collaborative, Inc., formerly known
as Stecker Labau Amelli McManus and Ondras
Associates Architects, Inc. | 2082615 |
| 19. | Vanasse Hangen Brustlin, Inc., Individually and on
Behalf of VHB/URS/Tams Joint Venture | 2084934 |
| 20. | Greenman-Pedersen/Vollmer/Ammann Whitney
Joint Venture | 2094086 |
| 21. | Fay, Spofford & Thorndike/Howard Needles Tammen
Bergandoff Joint Venture | 2094087 |

22.	Fay Spofford & Thorndike/Rizzo Associates Joint Venture	2094088
23.	Ondras Weidlinger S/L/A/M Collaborative Joint Venture	2094090
24.	URS Corporation - New York	2094094
25.	Weidlinger/Edwards and Kelcey Joint Venture	2094111
26.	VHB/URS/Tams Joint Venture	2094112
27.	Fay Spofford & Thorndike, Inc.	2094131
28.	Wallace Floyd Design Corp.	2100431
29.	Greenman-Pedersen, Inc.	2107925
30.	Seelye Stevenson	2110135

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel S. Ario	:	
Insurance Commissioner of the	:	
Commonwealth of Pennsylvania	:	
	:	
Plaintiff	:	
	:	
v.	:	Docket No: 269-MD-2001
	:	
Reliance Insurance Company	:	
	:	
Defendant	:	

**JOINT PETITION FOR DISMISSAL OF OBJECTIONS WITH PREJUDICE AND
APPROVAL OF NOTICE OF DETERMINATION: IN RE CENTRAL ARTERY
TUNNEL PROJECT**

The parties, through their counsel undersigned below, hereby file this Joint Petition seeking (1) dismissal with prejudice of the pending, but inactivated objections listed in the attachment to this Court’s May 24, 2005 Order, which is Exhibit “A” to this Petition and (2) approval of the Notice of Determination issued to the Massachusetts Turnpike Authority (“MTA-POC”) as part of the resolution of this matter. In support of this Joint Petition, the parties state:

1. By Stipulation, which was recommended by Referee Henry B. Fitzpatrick and approved by this Court by Order dated May 24, 2005 (“Stipulation”), the parties agreed to inactivate 30 Objections and 30 Notices of Determination issued as to 30 Proofs of Claim (“30 POCS”) filed by various insureds for coverage under an excess insurance policy issued by Reliance to allow those claim to be further evaluated. A list of the 30 POCS is attached to the Court’s May 24, 2005 Order, which is Exhibit “A” to this Petition.

2. The excess Reliance Policy has limits of \$10 million and attaches after \$20 million in underlying primary coverage is exhausted. The 30 POCS are for certain claimed

EXHIBIT B

liabilities arising out of the construction of the Central Artery Tunnel in Boston, Massachusetts (“CA/T Project”). The 30 POCS were filed by CA/T Project management consultant, Bechtel/Parson Brinckerhoff (“B/PB”), and numerous Section Design Consultants (SDCs”). The third party claimant asserting the underlying claims against B/PB and the SDCs was the Massachusetts Turnpike Authority (MTA), the project owner for the CA/T Project. The MTA also filed Proof of Claim No. 2109134 (MTA-POC) in the Reliance liquidation.

3. On April 23, 2004, Reliance originally issued Notices of Determination for the 30 POCS as class (b) priority with an allowed amount of “zero”, based on the information available to Reliance at that time. Reliance claimed that the underlying claims had not been timely filed under the Reliance Policy. However, during the Objection proceedings, B/PB and the SDCs were able to establish that the underlying claims had, in fact, been timely made. Once that threshold coverage issue was resolved, it was clear that the 30 POCS were not ripe for decision, in part, because exhaustion of the underlying primary coverage had not been established.

4. The parties agreed, therefore, to seek the Court’s permission to inactivate the Notices of Determination and the Objections to allow the 30 POCS to be further evaluated. In the Court approved Stipulation, the parties advised the Court that the further evaluation of the 30 POCS was premature because exhaustion of the underlying primary coverage had not been established. Further, the parties advised that, once it was established that the primary coverage was exhausted, it was possible that the pending 30 POCS could be resolved amicably after further investigation and information were provided and analyzed.

5. In the spring of 2006, Reliance was advised in writing that a settlement in principle had been reached pursuant to which the primary carriers were exhausting their policy limits. Reliance determined that its full policy limits of \$10 million dollars were owed because

the total damages claimed and established were sufficient to exhaust both the primary coverage and Reliance's \$10 million excess policy.

6. The insured claimants who had filed the 30 Proofs of Claim and Objections at issue, through their undersigned counsel, agreed that a single class (b) Notice of Determination with an allowed amount of \$10 million should be issued to the MTA, which was the sole claimant asserting the claims against Reliance's insureds B/PB and the SDCs. That Notice of Determination issued to the MTA on May 20, 2006.

7. Amended Notices of Determination issued on May 23, 2006 as to the 30 POCs filed by B/PB and the SDC insureds assigning class (b) priority and an allowed amount of zero to their claims because the Reliance policy limits had been exhausted by payment to the third party claimant MTA for its claims against the Reliance insureds. No objections were filed to the MTAs NOD or to these 30 Amended Notices of Determination, all of which issued in May, 2006.

8. After issuance of the MTA-NOD, Reliance was advised that the underlying primary carriers had not yet finalized the settlement in principle due to unexpected issues. These issues arose following the death of a woman who was killed when a CA/T tunnel collapsed in July, 2006. Pending the final settlement, the 30 Objections by the B/PB and the SDC insureds to the original Notices of Determination issued in 2004 remained inactive.

9. On January 29, 2008, Reliance was advised that a global settlement ("Global Settlement") in the amount of \$85 million has now been finalized on terms that confirm that all underlying insurance below Reliance's \$10 million excess policy has been exhausted and that it was appropriate for Reliance to issue the MTA-NOD for the Reliance policy limits of \$10 million.

10. As part of that Global Settlement, the MTA-POC and the MTA-NOD have been assigned to B/PB who is one of the insured claimants. B/PB was required to fund, in large part, Reliance's \$10 million share of the Global Settlement under its amended terms. B/PB is now assignee and owner of the MTA-POC and has all rights to any distributions to be made pursuant to the MTA-NOD.

11. Therefore, the parties request approval of the Notice of Determination as to POC 2109134, the MTA-POC, in the amount of \$10 million. A copy of this Notice of Determination is attached as Exhibit "B" to this Joint Petition. This amount is the full amount of Reliance's policy limits which were exhausted by this claim pursuant to the global settlement of \$85 million. The Liquidator expects that B/PB as assignee should be eligible for the next interim distribution in May/June, 2008 if this Notice of Determination is approved by April 23, 2008.

12. Further, the parties seek dismissal with prejudice of the pending objections to the 30 POCS identified in this Court's May 24, 2005, which is attached as Exhibit "A" to this Joint Petition, because there is no remaining dispute between the parties and all issues have been resolved, as set forth above.

13. The Pennsylvania Insurance Department Act of 1921 ("the Act") confers broad powers on the Liquidator to administer the affairs of an insolvent insurer's estate and to achieve the purposes of liquidation under the Act. See 40 P.S. §§221.1, 221.23.

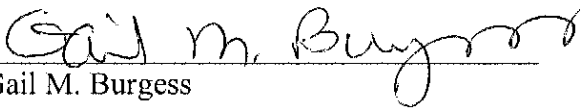
14. Sections 221.23, 221.43, 221.44 and 221.45 of the Act confer upon the Liquidator the express authority to settle claims against the insolvent insurer's estate. The Pennsylvania Supreme Court has recognized that the General Assembly conferred broad discretion upon the Insurance Commissioner, in her capacity as a statutory liquidator, to achieve the public policy and legislative goals of the Act. See Foster v. Mutual Fire Marine and Inland

Ins. Co., 614 A.2d 1086 (Pa. 1992). The Act specifically authorizes the Liquidator, “to do such . . . acts as are necessary or expedient to collect, conserve or protect [the insolvent insurer’s] assets or property, including the power to . . . compromise . . . any bad or doubtful debt.” See 40 P.S. §221.23(6).

15. The Liquidator has determined that (1) dismissal of the pending objections and (2) approval of the MTA-NOD on the MTA-POC is fair and reasonable and is in the best interest of the Estate of Reliance, its policyholders and other creditors.

16. The parties, through their undersigned counsel, respectfully request that the Referee favorably recommend to the Commonwealth Court that it (1) approve dismissal of the pending objections to the 30 POCs identified in this Court’s Order of May 24, 2005 and (2) approve the Notice of Determination issued to the MTA on the MTA-POC in the full amount of Reliance’s policy limits (\$10 million).

Respectfully submitted,
By Counsel for the Statutory Liquidator of
Reliance Insurance Company


Gail M. Burgess
Vice President, Associate General Counsel
Reliance Insurance Company (In Liquidation)
Three Parkway
Philadelphia, PA 19102

Respectfully submitted,
By Counsel for B/PB and the SDCs



David J. Hatem, PC
Kenneth B. Walton, Esq.
Donovan Hatem LLP
Two Seaport Lane
Boston, MA 02210
(617) 406-4500

EXHIBIT “A”

EXHIBIT “A”

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. Diane Koken,
Insurance Commissioner of the
Commonwealth Of Pennsylvania,
as Liquidator of Reliance Insurance Co.,
Plaintiff

v.

Reliance Insurance Company,
Defendant

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: No. 269 M.D. 2001

2005 MAY 24 P 2 49

RECEIVED AND FILED
COMMONWEALTH COURT
OF PA (PHILA)

Re: Withdrawal of Notices of Determination Regarding 30 Claims Pursuant to Reliance Insurance Company Policy Number NTB2016155 (Central Artery Tunnel).

ORDER

AND NOW, this 24th day of May, 2005, upon consideration of the recommendation of Referee Henry B. Fitzpatrick, Jr., in the captioned matter that recommendation is ACCEPTED, is part and the Order, and the Attachment appended to it, which is incorporated here by reference, is APPROVED, with the exception that paragraph 5 of the proposed order is excised, and paragraph 6 of the proposed order is renumbered as paragraph 5. It is FURTHER ORDERED that the Liquidator shall serve this Order on those listed on the Master Service List and shall file a certification with the Philadelphia Filing Office of this Court, no later than May 6th, 2005, that such service has been effected.

June

James Gardner Colins

JAMES GARDNER COLINS, President Judge

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

Plaintiff

v.

RELIANCE INSURANCE COMPANY

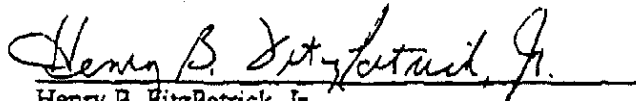
Defendant

No. 269 M.D. 2001

In Re: 30 Proofs of Claim Assigned to
Referee FitzPatrick and Listed on the
Attachment to this Order

Recommendation of Referee Henry B. FitzPatrick, Jr.

Henry B. FitzPatrick, Jr., having been appointed Referee for the above-captioned matters by Order of the Honorable James Gardner Colins, President Judge of the Commonwealth Court of Pennsylvania dated July 28, 2004, recommends that the Court enter the Order attached hereto for the reasons set out in the said Order.


Henry B. FitzPatrick, Jr.
Referee

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. DIANE KOKEN,	:	No. 269 M.D. 2001
Insurance Commissioner of the	:	
Commonwealth of Pennsylvania	:	
	:	
Plaintiff	:	
	:	
v.	:	In Re: 30 Proofs of Claim Assigned to
	:	Referee FitzPatrick and Listed on the
RELIANCE INSURANCE COMPANY	:	Attachment to this Order
	:	
Defendant	:	

ORDER

AND NOW, this _____ day of _____, 2005, it appearing to the Court that:

1. It is undisputed that the Reliance Insurance Company Policy (#NTB2016155) (the "Policy") involved in these claims is in the nature of an excess policy, under which Reliance Insurance Company has no liability to the claimants until the \$20 million underlying Primary Layer of Coverage is exhausted.
2. It is undisputed that the underlying \$20 million Primary Layer of Coverage has not been exhausted and that these claims are not ready for final resolution at this time.
3. There is no assurance that any of the claims will ever be ready for final resolution until or unless the Primary Layer of Coverage has been exhausted. Therefore, there is currently nothing in controversy on the claims.
4. The Liquidator has agreed to continue with such claims review as would be expected from an excess carrier pending the determinations by the primary carriers.

Once the primary carriers have completed their determinations, the Liquidator can then evaluate the claims in a prompt and expeditious manner in accordance with the Findings and Recommendations of Referee William J. Chapas dated January 19, 2005 ("Referee Chapas Findings"), which were approved by the Court in an Order dated January 21, 2005. Claimants' Counsel should provide any additional information needed by Reliance to evaluate the claims.

5. Upon further review by the Liquidator, there is a substantial possibility that, once the \$20 million underlying Primary Layer of Coverage has been exhausted, the dispute between the Claimants and the Liquidator will become moot and will not require any adjudication by the Court.

6. Accordingly, and upon consideration of the Recommendation of Referee Henry B. FitzPatrick, Jr., it is ordered that the Liquidator's Notices of Determination on the 30 Proofs of Claim listed on the Attachment to this Order shall be marked inactive by the Liquidator rendering them of no further force or effect. The Liquidator shall file Amended Notices of Determination in a prompt and expeditious manner in accordance with Referee Chapas's Findings upon receipt of: (a) proof from the claimants that the per-claim deductibles and the underlying \$20 million Primary Layer of Coverage have been exhausted; and (b) responses by the Claimants to any necessary documentation or

information relating to the claims reasonably requested by the Liquidator. Any objections to the Amended Notices of Determination shall be filed and adjudicated in accordance with this Court's Order of September 9, 2002.

James Gardner Colins
President Judge

M. Diane Koken, Insurance Commissioner : COMMONWEALTH COURT
 Of the Commonwealth of PA :
 v. : NO. 269 M.D. 2001
 :
 Reliance Insurance Company :

* * * * *

ATTACHMENT TO ORDER

<u>CLAIMANT</u>	<u>CLAIM NO.</u>
1. Rizzo Associates, Inc., Individually and on Behalf of Fay Spofford & Thorndike, Inc.	764684
2. Stone & Webster, Inc., Individually and on Behalf of Berger/Lochner, Stone & Webster Joint Venture	812899
3. Fay Spofford & Thorndike, Inc., Individually and on Behalf of Fay Spofford Thorndike/Rizzo Associates Joint Venture	1491906
4. Copley Wolff Design Group, Inc. (f/k/a Lynn Wolff Associates, Inc.), Individually and on Behalf of Copley/Wolff Joint Venture	2079950
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| 13. | HDR Engineering Inc. | 2082606 |
| 14. | Greenman-Pedersen, Inc., Individually and on
Behalf of Greenman-Pedersen/Vollmer/Ammann
Whitney Joint Venture | 2082607 |
| 15. | Vollmer Associates LLP & Vollmer Associates,
P.C., Individually and on behalf of Greenman-Pedersen/
Vollmer/Ammann Whitney Joint Venture | 2082608 |
| 16. | Weidlinger Associates, Inc., Individually and on
Behalf of Weidlinger/Edwards and Kelcey Joint Venture | 2082609 |
| 17. | Louis Berger & Associates, Individually and on
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| 19. | Vanasse Hangen Brustlin, Inc., Individually and on
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| 20. | Greenman-Pedersen/Vollmer/Ammann Whitney
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| 21. | Fay, Spofford & Thorndike/Howard Needles Tammen
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22.	Fay Spofford & Thorndike/Rizzo Associates Joint Venture	2094088
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24.	URS Corporation – New York	2094094
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28.	Wallace Floyd Design Corp.	2100431
29.	Greenman-Pedersen, Inc.	2107925
30.	Seelye Stevenson	2110135

EXHIBIT “B”

EXHIBIT “B”

Reliance Insurance Company (in Liquidation) Notice of Determination

Cause No.: 269 MD 2001

05-19-2006

COMMONWEALTH OF MASSACHUSETTS
ONE ASHBURTON PLACE
BOSTON, MA 02108-1598
THOMAS F. REILLY, ESQ

Re:	Proof Of Claim No.:	2109134
	Reliance Policy/Contract No.:	NTE2016155
	Insured Name:	CENTRAL ARTERY-TUNNEL WRAP-UP
	Reliance Claim No.:	96055787
	Date of Loss:	11/01/2001
		MASSACHUSETTS TURNPIKE AUTHORITY
		CA/T COST RECOVERY PROGRAM
		201 SOUTH STREET
		8TH FLOOR
		BOSTON, MA 02111

NOTICE OF DETERMINATION

This notice is provided to advise you of the Statutory Liquidator's determination of the above-referenced claim. If you have other claims against the estate for which you have filed a separate Proof of Claim or you have previously been advised that your Proof of Claim stated multiple claim types and has been separated, you will receive a notice for each of these claims at the time that they are evaluated.

Section 544 of the Insurance Department Act (40 P.S. Section 221.44) establishes the level of priority to be assigned to a claim against the estate of a liquidated company, including Reliance.

Priority Level (b) has been assigned to the above referenced claim in accordance with the provisions of section 544.

Your claim against the Estate of Reliance has been valued and allowed in the amount of \$ 10,000,000.00.

The amount allowed above is for the full NTE 2016155 policy limit and is based on the reasonable cost or expense of the damages claimed from negligent design and related errors at the Central Arterty Tunnel Project in Boston, MA.

The Reliance policy against which this claim is made contains an aggregate limit. Section 544 of the Insurance Dept. Act ,40 P.S. Section 221.4(d) provides that all claims against such a policy be prorated should the aggregate allowed amount of all claims exceed the limit of the policy. We will be unable to determine if your claim is subject to proration or to what extent until all claims made against the policy are evaluated. If your claim is subject to proration, you will receive an amended Notice of Determination.

If you accept this determination of the priority of your claim, no action is necessary. A copy of applicable provisions of the Commonwealth Court Order regarding disputed claims is enclosed. You must follow the

procedures set forth in that Order if you wish to object to this determination. A complete copy of the Order is posted on the Internet at www.reliancedocuments.com. Other procedures governing objections to this notice of determination can be found in Article V of the Insurance Department Act of 1921 (40 P.S. Sections 221.1 et seq.). Please reference the Proof of Claim number, Reliance Cause number, and Reliance Claim number listed above in any correspondence or pleadings related to this notice.

Evaluated by: CLEMENTE, ANGELA Phone #: (215) 864-4063

PLEASE NOTE: YOU HAVE THE DUTY TO KEEP THE STATUTORY LIQUIDATOR INFORMED OF ANY CHANGE OF ADDRESS (40 P.S. SECTION 221.24(G)). FAILURE TO PROVIDE A CHANGE OF ADDRESS TO THE *PROOF OF CLAIM DEPARTMENT, STATUTORY LIQUIDATOR OF RELIANCE INSURANCE COMPANY, P.O. BOX 13527, PHILADELPHIA, PA 19101-3527* MAY RESULT IN THE LOSS OF ANY DISTRIBUTION TO WHICH YOU ARE ENTITLED.

General Information Regarding the Liquidation Process.

Once all assets and liabilities of the Reliance estate are known, the Statutory Liquidator will recommend to the Commonwealth Court of Pennsylvania that its assets be distributed to the claimants with allowed claims. The amount of distribution will be calculated as a percentage of the amounts allowed by the Statutory Liquidator. This percentage applicable to each priority level will not be known until all assets and liabilities are finally identified. This process can take many years to complete, depending on the complexity of the matters of the estate.

Should you have any questions about your claim or about the liquidation procedure, please feel free to write to the Statutory Liquidator (Proof of Claim Department) at the address shown above.

Classification of Priority Levels of Claims

The priority levels of claims filed against the estate of a company in liquidation are defined in section 544 of the Insurance Department Act (40 P.S. Section 221.44), which are summarized as follows:

- (a) The costs and expenses of administration, including but not limited to the following: the actual and necessary costs of preserving or recovering the assets of the insurer; compensation for all services rendered in the liquidation; any necessary filing fees; the fees and mileage payable to witnesses; reasonable attorney's fees; the expenses of a guaranty association in handling claims
- (b) All claims under policies for losses wherever incurred, including third party claims, and all claims against the insurer for liability for bodily injury or for injury to or destruction of tangible property which are not under policies, shall have the next priority. That portion of any loss, indemnification for which is provided by other benefits or advantages recovered by the claimant, shall not be included in this class, other than benefits or advantages recovered or recoverable in discharge of familial obligations of support or by way of succession at death or as proceeds of life insurance, or as gratuities. No payment made by an employer to his employee shall be treated as a gratuity
- (c) Claims of the Federal government other than those claims included in subsection (b).
- (d) Debts due to employees for services performed to the extent that they do not exceed one thousand dollars (\$1,000) and represent payment for services performed within one year before the filing of the petition for liquidation. Officers and directors shall not be entitled to the benefit of this priority. This priority shall be in lieu of any other similar priority which may be authorized by law as to wages or compensation of employees.
- (e) Claims under nonassessable policies for unearned premium or other premium refunds and claims of general creditors.
- (f) Claims of any state or local government. Claims, including those of any governmental body, for a penalty or forfeiture shall be allowed in this class only to the extent of the pecuniary loss sustained from the act, transaction, or proceeding out of which the penalty or forfeiture arose, with reasonable and actual costs occasioned thereby. The remainder of such claims shall be postponed to the class of claims under subsection (h)
- (g) The following claims:
 - (1) Claims under section 221.39(b), to the extent that such claims were disallowed under that section.
 - (2) Claims filed late.
 - (3) Claims or portions of claims, payment of which is provided by other benefits or advantages recovered by the claimant
- (h) Surplus or contribution notes, or similar obligations, and premium refunds on assessable policies. Payments to members of domestic mutual insurance companies shall be limited in accordance with law.
- (i) The claims of shareholders or other owners.

**EXCERPT FROM 9-9-02 COMMONWEALTH COURT ORDER REGARDING
OBJECTIONS TO A NOTICE OF DETERMINATION**

(d) If a claimant is dissatisfied with the decision set forth in the notice of determination regarding a denial in whole or in part of a Proof of Claim, the claimant shall within sixty (60) days from the mailing date shown on the notice of determination file an objection to the determination with the Commonwealth Court, and serve a copy of the objection on the Liquidator. The objection shall state the factual and legal basis for the objection, shall attach all necessary supporting documentation, and shall also include the notice of determination (collectively the Objection). Claimant shall file the Objection, along with 5 copies of the Objection and a 3½ inch floppy disc containing the Objection typed in "Microsoft Word" format in the Office of the Prothonotary, Suite 901, 1339 Chestnut Street, Philadelphia, PA 19107. No courtesy copies of the Objection shall be filed with a judge's chambers. Service of a copy of the Objection in printed form shall be made on the Liquidator at Objections Department, Statutory Liquidator of Reliance Insurance Company, P.O. Box 13527, Philadelphia PA 19101-3527. **IF A CLAIMANT DOES NOT FILE AN OBJECTION TO THE LIQUIDATOR'S DETERMINATION WITH THE COMMONWEALTH COURT WITHIN THE TIME REQUIRED, THE CLAIMANT MAY NOT FURTHER OBJECT TO THE LIQUIDATOR'S DETERMINATION AS SET FORTH IN THE NOTICE OF DETERMINATION, AND THE LIQUIDATOR'S DETERMINATION SHALL CONSTITUTE THE MAXIMUM ALLOWABLE AMOUNT OF THE CLAIM.**

(e) When an Objection to the Liquidator's determination of a claim is filed with the Court, the Liquidator, and the claimant may attempt to resolve the dispute. The Liquidator shall file a response to the Objection with the Court and serve a copy of the response on the claimant, and his counsel, if applicable, within thirty (30) days of the date of service of the Objection upon the Liquidator. If the Objection is not subsequently settled with Court approval pursuant to paragraphs 12 through 14 herein, the Liquidator or the claimant, shall, as soon as practicable, file a petition with this Court seeking appointment of a referee and service a copy of the notice on the opposing party. Notice of the petition shall be given upon all parties listed on the master service list via U.S. mail, or, where designated, fax and/or e-mail. The Court may refer the matter to a referee to conduct the hearing with respect to any factual disputes. The Court or the referee will hear the Objection and the Response, if any, of such persons as have standing. If the matter is referred to a referee, the referee shall, after hearing, file with the Court proposed findings of fact and/or recommend a determination, and serve copies thereof on the Liquidator, the claimant and claimant's counsel, if applicable, and any party who successfully intervenes in the proceedings on the claimant's objection to the Liquidator's determination. Exceptions, if any, to the referee's proposed findings of fact and recommendations shall be filed with the Commonwealth Court within fifteen (15) days after service of the referee's proposed findings of fact and recommendations. The exceptions shall set forth in concise form the grounds for the exceptions, and shall attach a copy of the notice of the determination, claimant's Objection, the Liquidator's Response to Objection, and the proposed findings of fact and/or recommended decision of the Referee. A party who does not timely file exceptions to the referee's proposed findings of fact and recommendations is deemed to have waived any and all exceptions and shall be barred thereafter from raising any and all issues, including but not limited to issues which could have been raised as exceptions. If exceptions are not timely filed, the Court shall enter an Order approving the referee's recommendation.

(f) Nothing herein shall preclude any party in interest from filing a petition to intervene in such dispute, or preclude any party in interest from opposing such intervention, which shall be determined by the Commonwealth Court. Proceedings on the dispute in which intervention is sought shall be stayed, pending resolution of the petition to intervene.