

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

JOEL S. ARIO,
Insurance Commissioner of the
Commonwealth of Pennsylvania,
in his official capacity as Liquidator
of Reliance Insurance Company,

Plaintiff,

v.

RELiance INSURANCE COMPANY,

Defendant.

No. 269 M.D. 2001

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COMMONWEALTH COURT
PHILADELPHIA, PA

**QUARTERLY REPORT OF THE LIQUIDATOR
ON THE STATUS OF THE LIQUIDATION OF
RELiance INSURANCE COMPANY AS OF DECEMBER 31, 2008**

I. INTRODUCTION

Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator ("Liquidator") of Reliance Insurance Company ("Reliance or Estate"), through his undersigned counsel, hereby submits this report on the status of the liquidation of Reliance, incorporating financial results and claims information through December 31, 2008 ("Report").

II. REPORT

A. Financial Statements

1. Special Purpose Statement of Assets and Liabilities

Reliance has prepared and attached as Exhibit A, a Special Purpose Statement of Assets and Liabilities showing the financial position of Reliance at December 31, 2008 and December 31, 2007 ("Statement"). The amounts set forth on this Statement for losses and loss adjustment expense liabilities, reinsurance recoverables and several other categories for December 31, 2008 are based upon independent actuarial estimates, utilizing data as of December 31, 2005. These estimates utilized Guaranty Association ("GA") claim data, Proof of Claim ("POC") and Notice of Determination ("NOD") data, pre-liquidation historical data and industry data. Actual liability figures will not be known for several years because, among other things, many of the claims will not develop for some time or are contingent claims dependent on a resolution of underlying litigation which may not be resolved for several years. An independent actuarial firm prepared the analysis of losses and allocated loss adjustment expense ("ALAE") reserves on direct business and reviewed the analysis of losses and ALAE reserves on assumed business which was prepared by Reliance actuaries (see paragraph II.A.9). Due to the inherent complexity of the loss reserving process, the potential variability of the assumptions used and the variability resulting from the effect of the liquidation process, the actual emergence of losses may be significantly different than the estimate of losses and ALAE reserves included in the Statement.

The reinsurance receivables and reinsurance recoverables shown on the Statement may also change significantly over time because, among other things, 1) the amount of reinsurance recoverable will not be known until all valid POCs have been evaluated and allowed amounts

determined and 2) reinsurance collection will be affected by valid offsets, disputes and uncollectible amounts due to the financial condition of reinsurers.

Thus, the Statement does not fully reflect the effects of the liquidation upon many assets and liabilities and also does not include an estimate of the liquidation expenses that will be incurred by Reliance and the GAs in administering the Estate over time. Reliance liquidation expenses are class (a) first priority payments under the Insurance Department Act of 1921, 40 P.S. §221.1 et seq. (“Act”), as are certain GA expenses to the extent permitted by the Act. Both Liquidator and GA expenses will be significant and will be paid before distributions for claims under policies for losses, class (b) priority, and other lower classes of creditors. Consequently, the ultimate distribution to creditors is unknown at this time. For this reason, third parties should not rely on the financial information contained herein as providing any certainty or any clear indication as to the ultimate distribution that will be made from Reliance. The notes to the Special Purpose Statements, attached as Exhibit D, describe the limitations of the Statements and should be included in any review of Reliance’s financial information.

As of December 31, 2008, the Statement shows estimated total assets were \$5.3 billion, with the most significant balance, \$1.8 billion, relating to reinsurance receivables and future reinsurance recoverables. Early access advances to GAs total \$1.7 billion (see paragraph C.2). Total invested assets were \$1.7 billion.

Total estimated liabilities at December 31, 2008 were \$9.1 billion. The most significant balance of \$4.8 billion is estimated for losses and ALAE to be processed on business classified by Reliance as direct insurance business, virtually all related to class (b) POCs. The \$4.8 billion is comprised of estimated reserves for POCs where a NOD has not yet been issued and estimated amounts for future claims to be paid by GAs. Court approved NODs for class (b) creditors total

\$510.1 million offset by the first interim distribution approved by the Court which now totals \$73.8 million. Losses and ALAE paid by the GAs on business classified by Reliance as direct insurance business were \$2.6 billion. Also included in total liabilities is \$1.2 billion relating to losses and ALAE on assumed reinsurance business, which are class (e) general creditor claims under 40 P.S. §221.44, unless valid offset rights exist.

Attached to this report as Exhibit B is a Special Purpose Statement of Changes in Policyholders' Surplus for the year ended December 31, 2008 and for the period from October 3, 2001 to December 31, 2008. The estimated net deficit at December 31, 2008 was \$3.8 billion, up from \$2.7 billion at the date of liquidation, but is subject to change as noted above.

2. Statement of Cash Receipts and Disbursements and Changes in Short and Intermediate Duration Investments

Attached to this report as Exhibit C is a Statement of Cash Receipts and Disbursements and Changes in Short and Intermediate Duration Investments ("Cash Flow Statement") for the period from January 1, 2008 through December 31, 2008. Short and intermediate duration investments available at the beginning of the period were \$1.3 billion, increasing to \$1.5 billion at the end of the period.

Reinsurance collections were the primary source of cash receipts totaling \$452.7 million. Other sources of receipts included premium collections, claim recoveries and investment income. For further explanation of reinsurance collections, see paragraph A.8. Total cash receipts were \$568.6 million.

Cash disbursements consisted of operating expenses of \$82.7 million, payments under the first interim distribution to class (b) creditors of \$71.3 million (see paragraph D.2) and losses and

ALAE of \$2.7 million. Additional detail is provided for operating expenses in paragraph B.2.

Total cash disbursements were \$156.7 million.

The decrease in market value of short and intermediate duration investments managed by investment managers, which is considered a non-cash item, was \$208.1 million of which \$144.1 million was attributable to fixed income securities and \$64.0 million was attributable to S&P 500 Equity Index Fund. The total investment return for the portfolio was a negative 8.91% for the year. This decline was largely due to the downturn in the financial markets. Although some portion of the loss will be realized over time, our independent investment consultant expects that a significant part of the unrealized loss will be recouped as market conditions improve.

Overall, short and intermediate duration investments increased for the year ended December 31, 2008 by \$203.8 million.

3. Short and Intermediate Duration Investments

Due to strong positive cash flows since the beginning of the liquidation, primarily reinsurance collections and asset sales, Reliance increased its investment portfolio to \$1.5 billion as of December 31, 2008. Excess cash flows over and above the immediate operating needs of the Estate are transferred to investment managers and invested in short and intermediate duration bond portfolios and an equity index fund. An Investment Committee oversees the investment operations at Reliance under approved investment guidelines. The Committee utilizes investment advisors, money managers, valuation consultants and other professionals in its oversight duties. Specific securities held in the portfolio are regularly traded as the managers actively manage the portfolio in accordance with the guidelines. A comparative summary of securities managed by investment managers, by category, at December 31, 2008 and December 31, 2007 along with the details of investments held at December 31, 2008 are listed in Exhibit E.

4. Investments Held in Segregated Accounts

At December 31, 2008, Reliance held \$7.2 million in trust for specific obligations to secured creditors relating primarily to losses on assumed reinsurance business. In addition, Reliance held \$15.6 million representing collections under large deductible policies, which are not Estate assets and will be administered and paid to GAs and other claimants in accordance with 40 P.S. §221.23a.

At December 31, 2008 Reliance held \$12 million solely for the benefit of uncovered claimants (claimants whose class (b) losses are not covered by GAs). This balance consists of funds received from the settlement of the large deductible reimbursement dispute with the GAs, plus accrued interest.

5. Real Estate

The last remaining holding, 3 acres in Loudoun County, VA, may be sold, unless condemned earlier by the County for fair value. The carrying value of \$500,000 is supported by a recent appraisal.

6. Affiliates and Subsidiaries / Non-Liquid Investments

Reliance continues to monitor all remaining assets in this category to determine the best strategy and timing for maximizing value. Included in these assets are the Reliance Canadian Branch; RCGIT, the information technology indirect subsidiary of Reliance; residual equity from liquidation of the former Reliance Singapore and UK subsidiaries; and various other illiquid securities, including the investment in Onyx (a private real estate company) whose underlying properties may provide some value in the future.

7. Premium Balances

As of December 31, 2008, Reliance estimates current and future premium receivables of \$61.3 million which includes billed receivables and an estimate of \$35.8 million for future billings under retrospectively rated policies, where future premium billings will be based on paid losses. Premiums on retrospective policies will be billed and collected on an ongoing basis. Reliance is aggressively pursuing receivable amounts due the Estate and legal proceedings have been initiated where appropriate.

8. Reinsurance

a. Reinsurance Billings and Collections

As of December 31, 2008, reinsurance receivables and future reinsurance recoverables were \$1.8 billion after deductions for estimated future uncollectible amounts and offsets. At December 31, 2008 Reliance held approximately \$448.8 million in collateral as security for this exposure for certain reinsurers. Reinsurance collections for 2008 totaled \$452.7 million with total collections of over \$2.7 billion since the date of liquidation. These totals are inclusive of receipts on ordinary ceded loss billings, dispute settlements, commutations, releases of funds from reinsurance trusts and distributions from insolvent reinsurers.

The inventory of billed reinsurance receivables is \$164 million as of December 31, 2008, consisting primarily of post-liquidation balances. Nearly all of the pre-liquidation balances of \$41 million are either in dispute, claimed by reinsurers as offsets, or are due from insolvent or financially distressed companies. Included as Exhibit F is a listing of balances due from reinsurers at December 31, 2008.

On a monthly basis, Reliance receives GA data feeds reflecting paid and outstanding claim information. This GA data plus the NODs issued by the Liquidator have generated approximately \$1.8 billion of post-liquidation reinsurance billings, of which approximately \$123

million were unpaid at December 31, 2008. The post-liquidation amount readily available to collect is estimated at \$66 million. The remaining balances of \$57 million are either disputed by reinsurers, due from financially distressed companies or claimed by reinsurers as offsets.

Reliance deals with many reinsurers who have significant offset balances due to assumed reinsurance business written by Reliance. The research and reconciliation analysis required for the offset process will continue for several years as claims from assumed business mature and are reported to the Estate.

b. Reinsurance Collection Issues

Reinsurance is the largest asset of Reliance and the structure, procedures and controls within the Reinsurance Department and throughout the Estate operations have been analyzed and redesigned to maximize collections in a liquidation environment. Reliance has dedicated staff, many of whom have extensive reinsurance experience, coordinating with reinsurers to provide appropriate claims documentation, respond to inquiries, resolve disputes and verify proper offsets. Reliance also continues to seek additional cooperation and support from insureds, claimants and the GAs in providing timely, complete and accurate claims documentation and data to support reinsurance billings. Reliance has completed 51 reinsurance reviews at various GAs during 2008.

Notwithstanding these efforts, reinsurance collections are a difficult and lengthy process in liquidation. In almost all cases, time frames for responses and payments from reinsurers have lengthened considerably. While there are some reinsurers who have dealt with Reliance in a professional, responsive manner, many do not fall into this category. Many reinsurers now require much more documentation (significantly more than prior to liquidation and often more than is contractually required) and then respond with many questions in a series of inquiries

before even stating their payment position on the billings. Numerous requests for reinsurer audits have been accommodated and these requests will continue in the future. Some of the audits are used by the reinsurers to inflate perceived or minor discrepancies, which provide reinsurers with a contrived basis for delay, forced compromise, commutation settlement or for trying to avoid liability altogether. Formal and informal dispute resolution actions continue against several reinsurers with substantial overdue balances. Prior to year end, Reliance negotiated settlements with Novae Syndicates and Zurich Specialties Ltd to resolve pending legal actions. At December 31, 2008, Reliance had legal actions pending against Continental Casualty, GMAC Re, Monumental Life, Republic Western, and U.S. Life as well as four legal actions pending against Underwriters at Lloyds. Since December 31, 2008, the disputes with Republic Western and U.S. Life were resolved through the arbitration process. In addition, Reliance expects to commence additional legal actions against recalcitrant reinsurers as necessary to enforce its rights.

Collections in this environment result from constant, intensive day-to-day “blocking and tackling” by the Reinsurance Department, assisted by the Claims Department and other Reliance staff at all levels. Liquidator and Reliance staffs have decades of experience in reinsurance collections, specifically including collections in a run-off or liquidation environment. In addition, they are intimately familiar with the several thousand complex treaties and facultative placements covering the wide variety of Reliance products marketed over the last 20 years. Reliance is in constant contact with its major reinsurers and will continue its aggressive collection efforts.

Reliance will also use commutations as an alternative in dealing with reinsurers. In a commutation, Reliance would receive a lump sum payment today from its reinsurer representing

an estimate of all known and future unknown losses. During 2007, Reliance targeted a small select group of companies for commutation, where significant data was available on known loss exposures. During 2008, as more claims information was reported by claimants, the commutation program expanded and this will continue. Where applicable, commutations will be submitted for approval consistent with the asset guidelines previously communicated by the Court.

Reinsurer financial strength remains a problem for the insurance industry in general – particularly in the current economic environment, and will continue to be a major concern for the duration of the liquidation proceedings. Reliance has dedicated resources to monitor the financial condition of its significant reinsurers and where possible will attempt to settle its overall exposure with distressed companies through commutation. In these distressed commutation situations, it is likely that Reliance will accept substantial discounts for its recoverables. Similar to many ongoing insurance entities, Reliance will experience significant write-offs for uncollectible reinsurance and disputes. Thus, an appropriate bad debt reserve has been established.

9. Independent Actuarial Review

In late 2006, PricewaterhouseCoopers LLP (“PwC”) completed a post-liquidation independent actuarial review of estimated losses and ALAE exposures, both known and unknown, as well as future reinsurance recoverables. Estimates were based on information as of December 31, 2005, including GA claim data, POC and NOD data, pre-liquidation historical data and industry data modified for current trends as well as prevailing economic, legal and social conditions. The financial results of the PwC selected best estimate, were first recorded in

the September 30, 2006 financial statements and the current financial statements continue to reflect this estimate.

Reliance has engaged PwC to prepare an updated actuarial review based on September 30, 2008 data. When that study is completed in mid-2009, the new selected best estimate will be reflected in the next quarterly financial statement prepared in 2009.

B. Expenses

1. Losses and Allocated Loss Adjustment Expenses

Losses and ALAE shown on the Cash Flow Statement, Exhibit C, represent amounts incurred by the Estate for handling certain creditor claims, POCs, NODs and the related objection process.

2. Operating Expenses

The operating expenses of Reliance relate to efforts by the Liquidator to marshal and maximize the assets of the Estate for the benefit of all Reliance policyholders and claimants, as well as to review and determine the ultimate liabilities of the Estate, to fulfill the public policies and purposes of the Act and the liquidation process, and to investigate and hold accountable those third parties responsible for the insolvency of Reliance.

Attached as Exhibit G is the Annual Budget/Historical Report which indicates the total budget dollar amount estimated for each expense category for the year ended December 31, 2009 compared to the actual operating expenses for the years ended December 31, 2003 through 2008 and fifteen months ended December 31, 2002. As detailed in the Exhibit, administration expenses (excluding GA expenses) of Reliance for 2009 are projected to be \$64.7 million compared to actual operating expenses in 2008 of \$71.0 million.

Attached as Exhibit H is an Operating Expense Analysis which indicates the total dollar amount for each expense category for the year ended December 31, 2008 and compares actual performance to budgeted amounts and prior year's actual expenses. As detailed in the Operating Expense Analysis and supporting schedules, the administrative expenses of Reliance for the year ended December 31, 2008 totaled \$71.0 million, compared to a budget of \$74.1 million and actual expenses in 2007 of \$78.9 million. Additional operating expenses were incurred during the period by the GAs and Reliance paid expense reimbursements of \$11.7 million compared to a budget of \$27.0 million and actual expenses in 2007 of \$13.8 million. Brief explanations regarding certain aspects of the expenses are provided below, by category.

a. Salaries, Employee Benefits and Taxes

At December 31, 2008, Reliance had a total of 223 employees in both the Philadelphia and New York City offices. Since January of 2008, staff count has declined by 48 employees. Reliance also uses consultants to support the operations, especially in the Information Technology ("IT") area. At December 31, 2008, there were 34 consultants of whom 31 were related to the IT business application systems and production environment.

b. IT Outsourcing Expenses

Acxiom, a third party provider, maintains the IT technical infrastructure necessary to execute Reliance's business application systems. The Acxiom outsourcing arrangement covers data center and network equipment, software and services, plus support services for help desk, desktops, on-site servers, and operational and disaster recovery. RCG IT, which is a wholly owned subsidiary of Reliance, continues to provide production support, maintenance, security and development services for Reliance's business application systems.

c. Legal Fees and Expenses

Attached as Exhibit I is a schedule containing the legal expense detail by firm for 2008. In addition to law firms, the schedule includes consultants, document management firms, and other litigation and legal support service providers. The legal expenses of the Reliance Estate can be divided into three general categories of legal matters: (1) Estate administration; (2) general asset recovery; and (3) third party actions against parties liable for injuring Reliance, its policyholders, creditors and the public generally. Categories 1 and 2 are discussed below; category 3 is discussed in paragraph F. Budget variances are due to the variable nature and timing of the legal process in various aspects of the Estate operations.

Estate Administration: Issues arising from the administration of the Estate, including ordinary operations and the complex Reliance products and business structures, implicate the laws of many jurisdictions, including state, federal and foreign, and involve such matters as (1) stays of litigation; (2) various claim issues; (3) issues arising with the GAs; (4) reinsurance commutations and cut-through requests; (5) collateral; (6) premium, reinsurance and other set-off issues; and (7) the negotiation and execution of various asset transactions.

General Asset Recovery: Reliance has also undertaken numerous plaintiff actions to recover assets owed to the Estate, including recovery of reinsurance. Some of these actions seek recovery of deductible amounts that benefit the GAs. As of December 31, 2008, the actions pending include both litigation and arbitrations seeking approximately \$49 million in reinsurance recoveries and \$37.8 million in other actions against agencies, third party administrators, brokers, program managers and insureds. In the fourth quarter of 2008, Reliance recovered approximately \$9.3 million through legal actions. Since January 2003 through the fourth quarter of 2008, Reliance has recovered in excess of \$307 million through legal actions, a portion of which benefits the GAs.

d. Professional Services Expenses

Attached as Exhibit J is a schedule containing the professional service expense detail by vendor name for 2008. The individual professionals and firms listed in the schedule include, among other things, investment managers, London market broker services, imaging services, auditing services, actuarial services, and permanent and temporary staffing services which provide resources for the IT, claims and reinsurance departments as needed. The professional service expense schedule also contains entries for professional services provided to Reliance by the Pennsylvania Insurance Department, either directly by the professional staff of the Office of Liquidations, Rehabilitations and Special Funds, or through specialized consultants hired to assist the Liquidator in administering the liquidation of Reliance.

e. Rent

Rent is primarily attributable to office space in New York and Philadelphia. Reliance reconfigures workspace wherever possible in order to reduce costs by consolidating space requirements. Negotiation with the landlords and workspace changes completed in the first quarter of 2008 will result in more than \$1 million in savings over the remaining life of the leases.

f. Guaranty Association Expenses

The Operating Expense Analysis, Exhibit H, lists as administrative expenses of the Estate certain expenses of GAs incurred in handling claims of Reliance policyholders and claimants, pursuant to 40 P.S. §221.44(a). Reliance receives regular quarterly reports from most GAs and their class (a) administrative expenses are reimbursed on an ongoing basis. The total GA administrative expenses paid by Reliance from inception of the liquidation through December 31, 2008, is \$202.3 million with another \$34.9 million currently awaiting review and

reimbursement. Attached as Exhibit K is a schedule showing the administrative expenses reported to Reliance by GAs as of December 31, 2008.

Reliance conducts periodic desk and on-site reviews of GA administrative expenses and makes appropriate adjustments. With respect to inaccurate administrative expense data, overpayments, reductions, reclassifications or adjustments, both the Liquidator and the GAs have reserved their respective rights to seek appropriate relief, if and as needed. As Reliance ultimately evaluates these expenses, the vast majority will be allowable as class (a) claims. However, there will likely be certain disagreements between the Liquidator and the GAs that will be addressed and resolved by the Court.

C. National Conference of Insurance Guaranty Funds (“NCIGF”)

The GAs are an essential part of the liquidation safety net, providing significant coverage to certain policyholders and paying covered claims as defined and required by their respective statutes. The liquidation of Reliance, as the largest U.S. property and casualty liquidation, has been challenging for all involved, including GAs. From the start of the liquidation, Reliance met regularly with a task force and various working groups organized through the NCIGF, whose members include almost all of the state property and casualty insurance GAs in the United States. The meetings have focused on continuing operational issues such as large deductible reimbursements; claim handling procedures; communication protocols; GA data reporting and UDS protocol; the priority, classification and reporting of administrative expenses and related reviews; and Reliance product and policy information. Another area of continuous discussion is the necessity for coordination of reinsurance reviews and loss reporting to maximize reinsurance collections. The NCIGF, most GAs, and Reliance have established a close working relationship

and will continue to address the extensive and complex issues involved in the Reliance Estate in a professional, mutually cooperative and beneficial manner.

1. Status of Uniform Data Standards (“UDS”)

A dedicated department within Reliance was established early in the liquidation to coordinate with the various GAs and their vendors in managing the data reporting process and reviewing exception items. There are now 56 GAs reporting monthly paid and outstanding loss information, through a UDS automated interface, which are subsequently processed in Reliance operating systems to update claim records and generate the related reinsurance billings. Two small GAs are reporting on a manual basis to the Estate. Over 99% of GA payments and reserves have been matched to Reliance systems.

2. Early Access

At December 31, 2008, early access advances to GAs total over \$1.7 billion and are comprised of early access post-liquidation cash payments (\$1.275 billion); the transfer of pre-liquidation statutory deposits (approximately \$422 million); and payments made by Reliance on behalf of certain GAs shortly after October 3, 2001 (approximately \$25 million).

3. Large Deductible Policies

Pursuant to large deductible agreements with certain insureds executed prior to liquidation, those insureds either made arrangements for Reliance to process their claims within the deductible while the insured funded the claims payments, or in some cases, Reliance paid all claims and subsequently billed and collected the deductible amounts from the insureds. In either event, most insureds with large deductible policies were required to provide collateral to Reliance to secure their obligations to pay or to reimburse Reliance for claims paid by Reliance within the deductible.

The provisions of 40 P.S. §221.23a, adopted in 2004 by the Pennsylvania legislature, conferred the benefit of the large deductible reimbursements solely on the GAs and created numerous additional duties and responsibilities for a liquidator in the handling of insured collateral and collection of deductibles. The GAs are coordinating with Reliance to ensure a cooperative implementation of 40 P.S. §221.23a. On a gross basis, over \$97 million of deductible collections have been distributed to the GAs.

D. Claims Process

The deadline for filing POCs was December 31, 2003. As of December 31, 2008, Reliance has received a total of 159,672 POCs. Of these 159,672 POCs, 10,529 were received after the claim filing deadline, including 118 new POCs received in the last quarter.

Notwithstanding the claim filing deadline, Reliance continues to receive new POCs and many of these POCs may be considered timely filed if the claimant can show good cause for the late filing.

1. Status of POCs

As of December 31, 2008, Reliance has issued NODs for 145,070 of the 159,672 POCs for a total allowed amount of \$690,849,989. Reliance has now issued NODs for more than 90% of the POCs filed with the Estate. This Court has approved 103,756 of those NODs, as of December 31, 2008, for a total allowed amount of \$556,912,865. Exhibit L breaks down this information by priority class and Exhibit M provides the same information for only the fourth quarter of 2008. Although Reliance has addressed a significant portion of the pending POCs, it is expected that new POCs will continue to be filed as claims, previously unknown or contingent, continue to develop.

Exhibit N indicates the status of all 159,672 POCs received as of December 31, 2008. Of the 14,602 POCs remaining to be evaluated, 4,560 relate to claims currently being handled by the GAs and these POCs will be addressed by Reliance once the GAs close their claim files and return them to Reliance; in total, GAs are currently handling approximately 11,839 claims. Approximately 3,862 of the 14,602 POCs are either 1) POCs where the claimant has identified a specific claim but the underlying claim has not yet been resolved (“contingent claim”) or proper documentation has not been provided to Reliance or 2) POCs where the claimant has notified Reliance that there may be a claim in the future, but has not yet identified any particular claim.¹ It is expected that additional claims will develop under the POCs filed without identification of any particular claim. Approximately 5,834 POCs are in various stages of review and evaluation and therefore, in one or more aspects, the Estate is awaiting information. As part of that process, Reliance requests additional information from the claimant, or other sources, as necessary. When complete information is provided quickly, the POC will move to the next category of ready to evaluate. As of December 31, 2008, there were 346 POCs ready to evaluate and for which NODs will be issued within 180 days. The movement of POCs through the various categories is a continuous process when adequate information is provided by claimants. In 2007 the Court issued Orders on May 1, and November 19, requiring claimants to submit complete information about their claims in a timely fashion. Those Orders continue to assist the Liquidator in obtaining current and timely information from claimants.

¹ Reliance wrote a variety of long tail lines of business, including: (1) workers compensation; (2) medical malpractice; (3) construction defect; (4) errors & omissions; (5) directors & officers liability; (6) environmental (asbestos and pollution); and (7) professional liability. For reasons unrelated to the Reliance receivership, but based rather on the nature of the insurance coverage written by Reliance and the claims under those policies, it will be many years before some of these long tail claims will be resolved so that they can proceed through the review and evaluation process.

2. Status of Distribution

On January 17, 2008, this Court approved the Liquidator's Petition for First Interim Distribution ("Distribution Petition") allowing a 20% distribution to all class (b) claimants whose NOD is approved by this Court. The Liquidator has continued to issue first interim distribution checks on a quarterly basis to claimants whose NOD is subsequently approved by the Court. As of December 31, 2008, \$73.8 million has been distributed to class (b) claimants for approximately 3,500 NODs.

Distribution amounts for claims under Aggregate Policies were and will continue to be calculated pursuant to the Order issued by this Court on November 19, 2007 approving the Liquidator's Petition to Supplement the Court's September 9, 2002 Claims Procedures Order to Address Claims Under Aggregate Policies.

After completing the actuarial review with data as of September 30, 2008, which is discussed in Section II.A.9., the Liquidator will review the financial condition of Reliance and prepare various distribution scenarios to determine if an increased distribution percentage should be recommended to the Court.

3. Objections to NODs

As of December 31, 2008, the Liquidator has received a total of 1007 objections to the 145,070 NODs issued, an objection rate of less than 1%. Large groups of these objections relate to several claimants with similar types of claims and thus are resolved collectively through the dispute resolution process. Of the 1007 objections received through December 31, 2008, 906 have been resolved; 80 of the 101 unresolved objections have been assigned to referees. Exhibit O indicates the status of all objections received through December 31, 2008 and Exhibit P breaks

down this information by priority class and also includes the Allowed Amounts for objections in each priority class.

4. GA Claims

In addition to the individual POCs filed by claimants, the GAs have each filed omnibus POCs representing their claim against the Estate. While reviewing and evaluating all POCs filed with Reliance by policyholders and other claimants, it will also be necessary to review and evaluate administrative expense claims, loss and ALAE claims, unearned premium claims, and any other claims submitted by the GAs and then reconcile the GA quarterly expense reports and UDS data with Reliance books and records. As a group, the GAs represent the largest creditor of the Estate. On November 19, 2007, this Court approved the Liquidator's Amended Petition to Supplement the September 9, 2002 Claims Procedures Order To Address the Administration of GA Claims. The GA claims process presents several unique issues and this Order approved procedures which will allow the Liquidator to address those issues.

a. Administrative Expense Claims

Certain allowed GA administrative expenses are priority class (a) claims under 40 P.S. §221.44. As previously noted, most GAs report their administrative expenses on a quarterly basis and are reimbursed on a regular basis. As of December 31, 2008, the GAs have reported administrative expenses totaling approximately \$237.2 million. Paragraph B.2.f above explains the review process for these administrative expense claims in some detail.

b. Loss and ALAE Payments

Most GAs report their loss and ALAE payments through the UDS interface. As of December 31, 2008, the GAs have paid approximately \$2.66 billion for losses and ALAE under Reliance policies and \$1.275 billion of cash advance distributions have been made to them

through early access, in addition to over \$422 million held in special deposits. The GAs' outstanding reserve for remaining losses and ALAE totals approximately \$1.63 billion. Therefore, in total through the end of the liquidation, the GAs expect to pay out approximately \$4.29 billion in loss claims and ALAE. Exhibit K shows the total losses and ALAE paid as well as losses and ALAE reserves reported by each GA at December 31, 2008. Both the paid amounts and outstanding reserves reported by GAs over time are graphically shown in Exhibit Q attached hereto. As indicated by the graph, the GAs have paid approximately 62% of the total dollar amount that they ultimately expect to incur for all claims. These totals do not include past or future GA administrative expenses.

E. Other Operational Updates

1. Collateral Release

Pursuant to the November 30, 2001 Order of this Court, the Liquidator has established a structured process to carefully review requests for the release of collateral held to secure obligations for direct insureds (primarily large deductible policies), certain reinsurers (including captive reinsurers), and premium receivables. The extensive review process includes input from several Reliance departments, including Policy Finance and Administration, Actuarial, Claims and Finance. As of December 31, 2008, Reliance held collateral of approximately \$1 billion to secure current and future obligations. For the year ended December 31, 2008, 167 accounts were reviewed, resulting in a release of \$67 million for 86 accounts; denials were issued for 38 accounts; and the remaining 43 accounts were otherwise resolved (e.g., closeouts, no remaining collateral).

2. Reinsurance Cut-Throughs

A committee was established within Reliance to review and recommend action for cut-through requests submitted to the Liquidator. Since the implementation of the guidelines, 33 cut-through requests have been submitted to the Liquidator. The Liquidator has approved 20 of these requests. Of these 20, all have been approved by the Court. Of the remaining 13 requests pending with the Liquidator, 8 were disapproved by the Liquidator, 2 were withdrawn and 3 were pending before the Liquidator as of the end of the fourth quarter. Two of the 8 requests that were disapproved by the Liquidator were never contested, 2 were also disapproved by the Court and 4 were disputed. One of the 4 disputed matters is currently before the Court, 2 have been stayed by the Court upon the consent of the parties and 1 was approved by the Court.

3. Ancillary and Foreign Receiverships


Ancillary receivership proceedings were initiated in Arizona, Arkansas, Florida, Idaho, Maryland, Massachusetts, New Mexico, New York, North Carolina, Oregon, Puerto Rico, and South Carolina, primarily to trigger the obligations of GAs in those states or to take possession of the statutory deposits so that they could be transferred to the appropriate state GA. Both Florida and Idaho have closed their ancillary receiverships and there has been limited activity in the other ancillaries.

As previously reported, the Reliance Canadian branch was placed in liquidation in Canada and the Reliance Liquidator was appointed as an inspector in those proceedings. KPMG, in its capacity as liquidator of the Canadian branch, oversees daily operations. Although a long-term run-off plan has been developed and is being monitored by KPMG and Reliance, a sales or assumption transaction may be possible, depending on market conditions, and would be considered as appropriate.

F. Major Third Party Litigation

On December 12, 2008, this Court approved a settlement of the litigation with the former independent actuaries engaged by Reliance, Deloitte Touche, which provided for Deloitte Touche to pay \$40 million to Reliance. This settlement was the subject of extensive arms-length and mediated negotiations under the direct auspices of the President Judge of this Court. The funds were received on February 3, 2009, and with the conclusion of this litigation, the Liquidator has now recovered more than \$144 million through major third party litigation. This settlement concludes the litigation initiated by the Liquidator to recover from third parties liable for injuring Reliance, its policyholders, creditors and the public generally.

Respectfully submitted:

By: 
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Special Funds Counsel
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Governor's Office of General Counsel
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(717) 787-6009

Attorney for Joel S. Ario, Insurance Commissioner
of the Commonwealth of Pennsylvania, in his
official capacity as Statutory Liquidator of
RELiance INSURANCE COMPANY

Dated: 3/23/09

VERIFICATION

I, David S. Brietling, Chief Liquidation Officer for Reliance Insurance Company, in liquidation, am authorized by Joel S. Ario, 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 March 26, 2009



DAVID S. BRIETLING

CERTIFICATE OF SERVICE

I, Marilyn K. Kincaid, hereby certify that on or about this day, pursuant to the Court's Order of December 12, 2008, service of the foregoing Quarterly Report of the Liquidator on the Status of the Liquidation of Reliance Insurance Company as of December 31, 2008 was made on the attached Master Service List and Objector's List through the transmission of a Notice of Filing and through posting of a true and correct copy in PDF file format on the Reliance Documents website (www.reliancedocuments.com).

Dated: March 26, 2009


MARILYN K. KINCAID

Master Service List

Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania

v.

Reliance Insurance Company

No. 269 M.D. 2001 (Commonwealth Court of Pennsylvania)

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National Structured Settlements Trade Association)

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Objector's List as of March 26, 2009
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Exhibit A

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES - UNAUDITED**

(In Millions)

	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>
ASSETS		
Short and intermediate duration investments	\$ 1,532.3	\$ 1,328.5
Investments held for secured creditors	22.8	35.7
Investments held for uncovered claimants	12.0	12.8
Real estate investments	0.5	0.6
	<hr/>	<hr/>
Invested assets excluding affiliates	1,567.6	1,377.6
	<hr/>	<hr/>
Investments in affiliates	137.9	137.1
	<hr/>	<hr/>
Total invested assets	1,705.5	1,514.7
Premium balances	61.3	83.7
Reinsurance receivable	164.2	261.7
Reinsurance recoverables	1,587.0	2,124.0
Early access advances to guaranty associations	1,722.2	1,721.6
Other assets	31.1	35.5
	<hr/>	<hr/>
	5,271.3	5,741.2
	<hr/>	<hr/>
LIABILITIES		
Losses and loss adjustment expenses - paid by guaranty associations	2,602.6	2,480.3
Losses and loss adjustment expenses - direct	4,797.3	5,058.7
Losses and loss adjustment expenses - assumed	1,165.8	1,206.7
Notices of Determination issued for class (b) creditors	510.1	396.3
Asset distributions to class (b) creditors	(73.8)	-
Net outstanding Notices of Determination issued for class (b) creditors	436.3	396.3
	<hr/>	<hr/>
Funds held	59.0	60.7
Other liabilities	40.8	46.8
	<hr/>	<hr/>
Total liabilities	9,101.8	9,249.5
	<hr/>	<hr/>
Net deficit	<u>\$ (3,830.5)</u>	<u>\$ (3,508.3)</u>

The special purpose statements of assets and liabilities of Reliance Insurance Company (in Liquidation) are prepared on a unique financial reporting basis, in that, the statements do not fully reflect the effect of the company's liquidation. The liquidation process will result in the realization of amounts on transfer or disposition of assets and in the satisfaction of liabilities at amounts substantially different than those reflected in the accompanying statements of assets and liabilities. The statements do not include any adjustments that might result from the outcome of the uncertainties related to the future effects of the liquidation and various potential exposures, recoveries or benefits.

The special purpose statements of assets and liabilities are not intended to be in conformity with, and will vary significantly from, generally accepted accounting principles and statutory accounting practices for a property and casualty insurance company as prescribed by the National Association of Insurance Commissioners.

SEE NOTES TO THE SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, CHANGES IN POLICYHOLDERS' SURPLUS AND CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS.

Exhibit B

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SPECIAL PURPOSE STATEMENT OF CHANGES IN POLICYHOLDERS' SURPLUS - UNAUDITED

(In Millions)

	<u>Year Ended</u> <u>Dec. 31, 2008</u>	<u>Period From</u> <u>Oct. 3, 2001 To</u> <u>Dec. 31, 2008</u>
Policyholders' surplus - beginning of period	(\$3,508.3)	(\$2,683.5)
Underwriting loss	(207.3)	(1,895.8)
Net investment income	70.9	280.8
Other income/(expense) *	11.8	471.9
Net realized and unrealized capital gains/(losses)	<u>(197.6)</u>	<u>(3.9)</u>
Change in policyholders' surplus	<u>(322.2)</u>	<u>(1,147.0)</u>
Policyholders' surplus - end of period	<u><u>(\$3,830.5)</u></u>	<u><u>(\$3,830.5)</u></u>

* Other income/(expense) prior to 2008 included \$73.1 million relating to settlements with directors and officers and the parent company. Other income/(expense) prior to 2008 also included the elimination of other liabilities relating primarily to pre-rehabilitation expenses, loss based assessments and premium taxes, which are class (e) creditor claims and are unlikely to be paid or offset against any other assets of the Estate. See Note 15 on Exhibit D.

The special purpose statement of changes in policyholders' surplus of Reliance Insurance Company (in Liquidation) is prepared on a unique financial reporting basis, in that, the statement does not fully reflect the effect of the company's liquidation. The liquidation process will result in the realization of amounts on transfer or disposition of assets and in the satisfaction of liabilities at amounts substantially different than those reflected in the accompanying statement of assets and liabilities. The statement does not include any adjustments that might result from the outcome of the uncertainties related to the future effects of the liquidation and various potential exposures, recoveries or benefits.

The special purpose statement of changes in policyholders' surplus is not intended to be in conformity with, and will vary significantly from, generally accepted accounting principles and statutory accounting practices for a property and casualty insurance company as prescribed by the National Association of Insurance Commissioners.

SEE NOTES TO THE SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, CHANGES IN POLICYHOLDERS' SURPLUS AND CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN SHORT

AND INTERMEDIATE DURATION INVESTMENTS.

Exhibit C

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS, AND CHANGES IN SHORT AND
INTERMEDIATE DURATION INVESTMENTS
FOR THE PERIOD JANUARY 1, 2008 TO DECEMBER 31, 2008 - UNAUDITED

(In Millions)

<u>Cash Receipts:</u>	
Reinsurance collections	\$452.7
Premium collections	17.6
Claim recoveries	5.0
Investment income received	66.4
Other including realized gains and losses	<u>26.9</u>
Total Cash Receipts	<u>568.6</u>
<u>Cash Disbursements:</u>	
Asset Distribution	(71.3)
Loss and allocated loss adjustment expenses	(2.7)
Operating expenses	<u>(82.7)</u>
Total Cash Disbursements	<u>(156.7)</u>
Net change in short and intermediate duration investments from cash activity	<u>411.9</u>
<u>Non-cash items affecting short and intermediate term investments:</u>	
Change in value of investments managed by investment managers	<u>(208.1)</u>
Total Non-cash activity	<u>(208.1)</u>
Net change in short and intermediate duration investments	203.8
Beginning Balance - Short and intermediate duration investments	<u>1,328.5</u>
Ending Balance - Short and intermediate duration investments	<u><u>\$1,532.3</u></u>

SEE NOTES TO THE SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, CHANGES IN POLICYHOLDERS' SURPLUS AND CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS.

Exhibit D

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
NOTES TO THE FOLLOWING UNAUDITED STATEMENTS:**

**SPECIAL PURPOSE STATEMENT OF ASSETS AND LIABILITIES,
SPECIAL PURPOSE STATEMENT OF CHANGES
IN POLICYHOLDERS' SURPLUS, AND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS**

Note 1 – Basis of presentation

Reliance Insurance Company was placed into liquidation by order of the Commonwealth Court on October 3, 2001. The principal activities since the date of liquidation consist of the collection and marshalling of assets and determination of claims. The largest assets are reinsurance receivables and recoverables due for losses ceded under reinsurance agreements. All creditor claims submitted to Reliance Insurance Company (in Liquidation) ("Company") must be evaluated through the Proof of Claim ("POC") process to determine and assign the proper class priority and dollar value. The largest class of creditors are claims for losses under policies issued prior to liquidation. Ultimately, the net assets of the Company are expected to be distributed to creditors.

The Special Purpose Statements of Assets and Liabilities and Changes in Policyholders' Surplus ("Statements") of Reliance Insurance Company (in Liquidation) are prepared on a unique financial reporting basis, in that, the Statements do not fully reflect the effect of the Company's liquidation. The liquidation process will result in the realization of amounts on transfer or disposition of assets and in the satisfaction of liabilities at amounts substantially different than those reflected in the Special Purpose Statement of Assets and Liabilities. The Statements do not include an estimate of liquidation expenses or any adjustments that might result from the outcome of the uncertainties related to the future effects of the liquidation and various potential exposures, recoveries or benefits.

The Statements and the Statement of Cash Receipts and Disbursements and Changes in Short and Intermediate Duration Investments are not intended to be in conformity with, and will vary significantly from, generally accepted accounting principles and statutory accounting practices for a property and casualty insurance company as prescribed by the National Association of Insurance Commissioners. The statements include Reliance Insurance Company (in Liquidation) and its domestic property and casualty insurance operations. Loss and loss adjustment expenses are presented gross of reinsurance.

The preparation of financial statements requires the use of estimates and assumptions that affect amounts reported in these financial statements and accompanying notes. Actual results may vary from these estimates.

Note 2 – Cash disbursements

Cash disbursements for which checks have been issued, but which are outstanding at the date of the Special Purpose Statements of Assets and Liabilities are not recorded as deductions to short and intermediate duration investments. Check

disbursements are recorded as deductions to short and intermediate duration investments only when presented to the bank.

Note 3 – Short and intermediate duration investments

Short and intermediate duration investments consist primarily of short-term investments and marketable bonds and notes. Such investments are recorded at fair value using recognized national pricing services. However, no accrued but unpaid interest income is reported in the Special Purpose Statements of Assets and Liabilities related to such investments.

Note 4 – Investments held in segregated accounts

Investments held for secured creditors secure specific obligations of the Company relating primarily to losses on assumed reinsurance business. Investments held for secured creditors at December 31, 2008 and December 31, 2007, also include \$15.6 million and \$24.5 million, respectively, of funds collected on large deductible policies which are not Estate assets and will be administered and paid to the Guaranty Associations (“GAs”) and others in accordance with 40 P.S. §221.23a.

Investments held for uncovered claimants (claimants whose class (b) losses are not covered by GAs) consist of funds received from the settlement of the large deductible reimbursement dispute with the GAs, plus accrued interest.

Note 5 – Real estate investments

Real estate investments include direct ownership of real estate which is reported at net realizable value.

Note 6 – Investments in affiliates

Investments in affiliates include the net assets of the Company’s non-insurance subsidiaries, foreign insurance subsidiaries and Canadian branch, which is under liquidation proceedings in Canada. The carrying value of certain of these investments has been adjusted to reflect an estimate of net realizable value. Market values are not available for these entities, therefore proceeds from the ultimate disposition of these entities may be significantly different than the amount reflected in the Special Purpose Statements of Assets and Liabilities.

Note 7 – Premium balances

Premium balances include accrued retrospective premiums of \$36 million and \$49 million at December 31, 2008 and December 31, 2007, respectively. Accrued retrospective premiums are based upon actuarial loss estimates and will be adjusted based on changes in loss estimates. Premiums on retrospective rated policies will be billed and collected on an ongoing basis. Premium balances also include billings related to large deductible policies of \$12.4 million and \$18.7 million at December 31, 2008 and December 31, 2007, respectively. Other premium balances include estimates and may not reflect all transactions processed by agents, insureds and program managers. Certain balances may only be collectible through legal proceedings. Due to these uncertainties, balances ultimately collectible may be significantly different than the amount reflected in the Special Purpose Statements of Assets and Liabilities.

Note 8 – Reinsurance recoverable and Losses and loss adjustment expenses - direct and assumed

Loss and loss adjustment expenses include individual case estimates for claims that have been reported and estimates for claims that have been incurred but not reported, as well as estimates of allocated loss expenses associated with settling reported and unreported claims. Loss reserves do not include a complete estimate for the costs of adjusting claims and have not been discounted to present value. Loss reserves are net of anticipated salvage and subrogation and second injury fund recoveries.

The estimate of loss and loss adjustment expenses at December 31, 2008 and December 31, 2007 were calculated using data as of December 31, 2005. Reliance engaged PricewaterhouseCoopers LLP to perform an analysis of loss and allocated loss expense reserves on direct business and to review an analysis of loss and allocated loss expense reserves on assumed business prepared by the Company's actuaries. Estimates were based on GA claim data, POC and Notice of Determination ("NOD") data, pre-liquidation historical data and industry data modified for current trends as well as prevailing economic, legal and social conditions. These analyses resulted in an increase in loss and allocated loss expenses on direct and assumed business of \$768 million and \$75 million, respectively. The selected best estimate, reflected in the Special Purpose Statements of Assets and Liabilities, represents one possible value in a range of acceptable estimates. Estimates of ultimate loss and allocated loss adjustment expenses have not been updated to reflect any loss experience subsequent to December 31, 2005.

There are numerous factors that contribute to the inherent uncertainty in the process of establishing loss reserves. Among these factors are changes in the inflation rate related to covered damages such as medical care; changes in judicial interpretation of policy provisions; changes in the general attitude of juries in the determination of liability and damages; legislative changes; changes in the medical condition of claimants; and changes in the estimates of the number and/or severity of claims that have been incurred but not reported. In addition, Reliance's regulatory status increases the variability of loss reserves due to its effect on data quality and credibility. Reliance has received a large number of contingent claims and only limited information on many claims not being handled by GAs. As a result, a significant proportion of the loss and allocated loss adjustment expense reserves are for incurred but not reported losses and future development on reported claims. The ultimate liability to claimants will be based solely on POCs filed by claimants and the Liquidator's determination of their value. Due to the inherent complexity of the loss reserving process, the potential variability of the assumptions used and the variability resulting from Reliance's regulatory status, the actual emergence of losses may be significantly different than the amounts reflected in the December 31, 2008 and December 31, 2007 Special Purpose Statements of Assets and Liabilities.

Reinsurance recoverable on unpaid losses represents an estimate of the portion of gross loss reserves that will be recovered from reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the gross losses associated with the reinsured policies. The actuarial analysis of loss and loss adjustment expenses as of December 31, 2005 created a corresponding increase of

\$319 million in reinsurance recoverables. A provision for estimated uncollectible reinsurance is recorded based on an evaluation of balances due from reinsurers, changes in the credit standing of the reinsurers, existing coverage disputes as well as an estimate of future disputes with reinsurers and permitted offsets of assumed reinsurance. In light of the inherent uncertainties relating to future insolvencies, settlement compromises and dispute resolutions, the actual uncollectible amounts and offsets may be significantly different than the reserve included in the Special Purpose Statement of Assets and Liabilities.

Note 9 – Early access advances to GAs

In 2003, the Commonwealth Court approved a petition in accordance with the Pennsylvania Insurance Statutes which provided a mechanism for early distribution of assets to various state GAs to assist the GAs in fulfilling their obligation to pay certain policy claims of the Company. The related agreements executed by the GAs provide that they agree to return assets under certain circumstances to ensure pro-rata distributions amongst members of the same class of creditors. Payments made to various state GAs under the early access provisions are recorded as assets in the Special Purpose Statements of Assets and Liabilities as they represent payments made in advance of distributions to other claimants. GA advances will be reclassified when final distributions to creditors are paid by Reliance. At December 31, 2008 total early access amounts include early access cash payments to the GAs of \$1.27 billion, statutory deposits of \$422 million, and payments made by the Company on behalf of certain GAs shortly after October 3, 2001.

Note 10 – Losses and loss adjustment expenses - paid by GAs

Losses and loss adjustment expenses paid by GAs include payments reported by GAs and processed in the Company's operating systems.

Note 11 – Notices of Determination issued for class (b) creditors

NODs are issued by the Company in response to a POC filed against the Estate. The NOD includes the classification and value, if any, of the claim as determined by the Estate. NODs issued by the Company are subject to an objection period, during which the claimant can disagree with the value and classification assigned, and NODs are subject to Court approval. NODs for class (b) creditors are included in the Special Purpose Statements of Assets and Liabilities after objections have been resolved or the objection period has expired and after Court approval has been received.

Note 12 – Asset distributions to class (b) creditors

On January 17, 2008, the Court approved the Liquidator's Petition for First Interim Distribution, allowing a 20% distribution to all class (b) claimants whose NOD has been approved by the Court. Distribution amounts for claims under Aggregate Policies were subject to an adjustment calculated pursuant to the Order issued by the Court on November 19, 2007 approving the Liquidator's Petition to Address Claims Under Aggregate Policies. At December 31, 2008 distributions totaling \$73.8 million had been issued. Distribution payments will continue to be issued on a quarterly basis to claimants whose NOD is subsequently approved by the Court.

Note 13 – Net outstanding Notices of Determination issued for class (b) creditors

The amount is calculated by subtracting the cash distributions to class (b) creditors of \$73.8 million from the Notices of Determination issued for class (b) creditors of \$510.1 million.

Note 14 – Funds held

Funds held represent liabilities arising from cash received as collateral on large deductible policies and reinsurance contracts. Funds held liabilities relating to collateral are expected to continue to decrease as policyholders and reinsurers honor their obligations under policies and contracts and the related cash collateral is released. Cash collateral related to large deductible policies is included in “Other assets” in the Special Purpose Statements of Assets and Liabilities.

Note 15 – Other liabilities

Other liabilities consist primarily of pre-rehabilitation liabilities. As a result of the liquidation, the ultimate pre-rehabilitation liability will be based solely on the POCs filed by claimants. Generally, POCs for creditors below class (b) are not being valued by the Company and the NODs include only the class of the claim. These claimants are being advised that a value will be determined only if the Company believes that sufficient funds will be available for distributions to creditors below class (b). Accordingly, other liabilities relating primarily to pre-rehabilitation expenses, loss based assessments and premium taxes which are unlikely to be paid or offset against any other assets of the Estate, are not reflected in the Special Purpose Statement of Assets and Liabilities. The ultimate amount of other liabilities may be significantly different than the amount reflected in the Special Purpose Statements of Assets and Liabilities.

Note 16 – Commitments

The Company leases office space and equipment under operating leases primarily expiring in 2009 and 2011. The minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year are \$3.7 million.

Note 17 – Litigation

The Company is a party to litigation both as a plaintiff and as a defendant. The ultimate effect of litigation on the financial condition of the Company is uncertain and cannot be reasonably estimated, but may be material.

Note 18 – Other collateral held

The Company holds significant levels of other collateral from policyholders and reinsurers in the form of letters of credit and surety bonds. This collateral is not included in the Special Purpose Statement of Assets and Liabilities and will be utilized when payment and other obligations under policies and contracts are not honored by the policyholders or reinsurers.

Exhibit E

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SPECIAL PURPOSE STATEMENT OF INVESTED ASSETS
DECEMBER 31, 2008**

(In Millions)

Short and intermediate duration investments	Amount
Securities managed by investment managers	
Pyramis Global Advisors	\$ 457.3
Aberdeen Asset Management	382.6
Western Asset Management	411.7
Vanguard	118.8
Standish Mellon	189.7
	1,560.1
Securities managed by RIL	6.3
Subtotal	1,566.4
Investments held for Uncovered Claimants	(12.0)
Reclassification of restricted cash	(22.0)
Short and intermediate duration investments	1,532.3
Investments held for secured creditors	22.8
Investments held for uncovered claimants	12.0
Real estate investments	0.5
Invested assets excluding affiliates	1,567.6
Investments in affiliates	137.9
Total invested assets	\$ 1,705.5

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
REAL ESTATE INVESTMENTS
DECEMBER 31, 2008 - UNAUDITED

(In thousands)

	Carrying Value
Virginia land	\$ 500
General partner interest in real estate project	<u>-</u>
Real estate investments	<u><u>\$ 500</u></u>

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
INVESTMENTS HELD FOR UNCOVERED CLAIMANTS
DECEMBER 31, 2008 - UNAUDITED**

<u>SECURITY NAME</u>	<u>MARKET VALUE</u>
PORTFOLIO COMPOSITE	\$ 12,010,183

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
INVESTMENTS HELD FOR SECURED CREDITORS
DECEMBER 31, 2008 - UNAUDITED**

SECURITY NAME	SECURITY DESCRIPTION	PAR/SHARES	MARKET VALUE
MANAGED BY RIL			
FEDERATED PRIME OBLIGATION FUND - Home State		207,603	\$ 207,603
GOLDMAN SACHS ILA - Mutual Protection Assumed Business	MONEY MARKET	108,356	108,356
GOLDMAN SACHS ILA - Old Republic Assumed Business	MONEY MARKET	643,927	643,927
FORD MOTOR CR CO NTS - USAIG Assumed Business	6.375% 11/15/2008	1,785,000	1,785,000
JP MORGAN CHASE - Collateral	MONEY MARKET	581,753	581,753
DREYFUS - Rockwood Casualty Assumed Trust	MONEY MARKET	3,297,631	3,297,631
FIRST AMERICAN PRIME OBLIGATIONS - Bristol West XOL	MONEY MARKET	501,367	501,367
MELLON BANK - Consolidated Freight	MONEY MARKET	477,355	477,355
MELLON BANK - Large Deductibles	MONEY MARKET	15,157,802	15,157,802
TOTAL MANAGED BY RIL			<u>22,760,795</u>
TOTAL			<u>\$ 22,760,795</u>

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
NON-LIQUID INVESTMENTS
DECEMBER 31, 2008 - UNAUDITED

SECURITY NAME	SECURITY DESCRIPTION	PAR/SHARES	ESTIMATED VALUE
AMPHION VENTURES LP	COMMON STOCK	3	\$ 0
COMPUTER.COM	CONVERTIBLE PREFERRED	523,615	0
CARDIO TECHNOLOGIES	PREFERRED STOCK	200,000	0
COLOR TILE INC SR NT	10.750% 12/15/2001 DD 12/17/93	993	0
IRI CORP	COMMON STOCK	2,518	0
IRI HOLDINGS	COMMON STOCK	2,518	0
CAVALIER TEXTILES GROUP LP	12% 9/12/2003	3,250,000	0
LAGRAN CANADA INC	12% 4/20/2005	8,666,667	0
XO COMMUNICATIONS INC SR	EXCHANGEABLE PFD 14%	157,073	0
PAIN SUPPRESSION LABS	COMMON STOCK	2,000,000	0
JAMESWAY CORP	COMMON STOCK	219,498	0
BISCOTTI & COMPANY, INC.	PREFERRED STOCK	7,500	0
CERTIFIED CAP CORP	COMMON STOCK	232,000	0
YORK RAILWAY	COMMON STOCK	7,356,000	0
FACILITY INSURANCE HLDG CORP	CLASS A COMMON STOCK	1,345,527	0
LAMBERT COMMUNICATIONS INC	BOND	750,000	0
LAMBERT COMMUNICATIONS INC	COMMON STOCK	1,309,996	0
COLOR TILE INC SR PFD SER A	INCREASING RATE 144A	640,000	0
SPECIALTY FOODS ACQUISITION CORP	COMMON STOCK	472,500	0
STREAMLINE INC	COMMON STOCK	2,597,616	0
SINO-SWEARINGEN	COMMON STOCK	4,368	0
E SPIRE COMMUNS INC PIK PFD	PIK PREFERRED STOCK	197	0
E.SPIRE COMMUNICATIONS INC	REDEEMABLE PFD DUE 2008	218	0
UNDERWRITERS FINANCIAL GROUP	COMMON STOCK	100,000	0
ROSSITER AND CO		250,000	0
TOTAL			\$ 0

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SHORT AND INTERMEDIATE DURATION INVESTMENTS
DECEMBER 31, 2008 - UNAUDITED**

SECURITY NAME	SECURITY DESCRIPTION	PAR/SHARES	MARKET VALUE
MANAGED BY PYRAMIS GLOBAL ADVISORS			
DREYFUS TREASURY CASH MGMT	VAR RT 12/31/2049 DD 04/09/97	21,138,131	\$ 21,138,131
BNY MELLON DEPOSIT ACCOUNT	0.550% 12/31/2049 DD 06/26/97	11,789,575	11,789,575
AMB PPTY L P MEDIUM TERM NTS	6.300% 06/01/2013 DD 05/01/08	395,000	248,724
AOL TIME WARNER INC NT	6.750% 04/15/2011 DD 04/19/01	1,315,000	1,283,927
AT & T INC GLOBAL NT	4.950% 01/15/2013 DD 12/06/07	1,185,000	1,191,553
AT&T INC GLOBAL NT	5.500% 02/01/2018 DD 02/01/08	1,500,000	1,515,945
AETNA INC SR NT	7.875% 03/01/2011 DD 03/02/01	370,000	367,887
ALABAMA PWR CO SR NT SER 2007D	4.850% 12/15/2012 DD 12/12/07	1,130,000	1,130,090
ALTRIA GROUP INC NT	9.700% 11/10/2018 DD 11/10/08	536,000	579,325
AMVESCAP PLC SR NT	5.625% 04/17/2012 DD 04/17/07	800,000	731,976
ANADARKO FIN CO SR NT	6.750% 05/01/2011 DD 04/26/01	295,000	295,106
AVALONBAY CMNTYS MTN # TR00005	6.625% 09/15/2011 DD 09/10/01	240,000	196,248
AVALONBAY CMNTY INC TR #00010	5.500% 01/15/2012 DD 09/25/06	1,940,000	1,550,817
BJ SVCS CO SR NT	6.000% 06/01/2018 DD 05/19/08	580,000	496,747
BALTIMORE GAS & ELECTRIC CO NT	6.125% 07/01/2013 DD 06/26/08	325,000	300,710
BANK AMER NA CHARLOTTE NC MED	6.100% 06/15/2017 DD 06/19/07	3,000,000	2,958,060
BANK AMER CORP SR NT	4.375% 12/01/2010 DD 11/18/03	500,000	496,329
BANK AMER CORP SR NT	5.750% 12/01/2017 DD 12/04/07	1,530,000	1,527,613
BANK NEW YORK INC MTN TR 00023	4.950% 01/14/2011 DD 12/13/05	90,000	91,274
BANK OF NEW YORK MELLON TERM	4.950% 11/01/2012 DD 11/01/07	513,000	520,834
BELLSOUTH CORP NT	4.200% 09/15/2009 DD 09/13/04	745,000	747,920
CANADIAN NAT RES LTD NT	5.700% 05/15/2017 DD 03/19/07	3,030,000	2,642,554
CANADIAN NAT RES LTD NT	5.900% 02/01/2018 DD 01/17/08	105,000	90,718
CAPMARK FINL GROUP INC SR NT	5.875% 05/10/2012 DD 11/10/07	810,000	276,202
CENDANT TIMESHARE 04-1 CL A-1	3.670% 05/20/2016 DD 05/27/04	41,089	36,854
CHASE MTG FIN 07-A1 CL 1-A5	VAR RT 02/25/2037 DD 02/01/07	54,215	44,873
CHUBB CORP SR NT	5.750% 05/15/2018 DD 05/06/08	215,000	206,437
CITIGROUP INC GLOBAL NT	5.300% 10/17/2012 DD 10/17/07	2,390,000	2,303,315
CITIGROUP INC GLOBAL SR NT	5.500% 04/11/2013 DD 04/11/08	311,000	302,814
CITIGROUP INC SR NT	6.125% 05/15/2018 DD 05/12/08	2,670,000	2,699,690
COLONIAL RLTY LTD PARTNERSHIP	4.750% 02/01/2010 DD 01/31/05	240,000	224,009
COMCAST CORP NEW GTD NT	5.900% 03/15/2016 DD 03/02/06	954,000	908,184
COMMONWEALTH EDISON SER 105	5.400% 12/15/2011 DD 12/19/06	135,000	131,436
COMMONWEALTH EDISON CO 1ST MTG	5.800% 03/15/2018 DD 03/27/08	910,000	822,467
CONOCOPHILLIPS CDA FDG CO I NT	5.625% 10/15/2016 DD 10/13/06	4,020,000	4,100,963
CORPORACION ANDINA NT	6.875% 03/15/2012 DD 03/21/02	545,000	527,244
COSTCO WHSL CORP NEW SR NT	5.300% 03/15/2012 DD 02/20/07	935,000	975,822
COVIDIEN INTL FIN S A SR NT	5.450% 10/15/2012 DD 04/15/08	220,000	215,241
COX COMMUNICATIONS INC NEW NT	4.625% 01/15/2010 DD 12/15/04	350,000	338,667
CREDIT SUISSE FIRST BOSTON N Y	5.000% 05/15/2013 DD 05/06/08	393,000	378,235

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SHORT AND INTERMEDIATE DURATION INVESTMENTS
DECEMBER 31, 2008 - UNAUDITED**

SECURITY NAME	SECURITY DESCRIPTION	PAR/SHARES	MARKET VALUE
DB MASTER FIN LLC 06-1 A2 144A	5.779% 06/20/2031 DD 05/26/06	810,000	600,939
DAIMLER CHRSYLER MTN #TR00041	VAR RT 08/03/2009 DD 08/03/06	1,030,000	975,606
DEUTSCHE TELEKOM INTL FIN B V	5.875% 08/20/2013 DD 08/18/08	435,000	430,267
DEUTSCHE TELEKOM INTL FIN B V	6.750% 08/20/2018 DD 08/18/08	1,050,000	1,064,711
DIAGEO CAP PLC GTD NT	5.200% 01/30/2013 DD 10/26/07	380,000	373,928
DISCOVER FINL SVCS SR NT FLTG	VAR RT 06/11/2010 DD 03/12/08	1,375,000	1,177,358
DOMINION RES INC VA NEW SR NT	6.250% 06/30/2012 DD 06/27/02	675,000	677,140
DUKE ENERGY FIELD SVCS LLC	7.875% 08/16/2010 DD 08/16/00	305,000	299,852
DUKE RLTY LTD PARTNERSHIP DEBT	5.400% 08/15/2014 DD 08/16/04	390,000	225,159
DUKE RLTY LTD PARTNERSHIP NEW	6.250% 05/15/2013 DD 05/08/08	210,000	144,558
DUKE RLTY CORP NT	5.875% 08/15/2012 DD 08/26/02	50,000	35,057
EDP FIN B V AMSTERDAM NT 144A	5.375% 11/02/2012 DD 11/02/07	680,000	625,321
ERP OPER LTD PARTNERSHIP NT	6.625% 03/15/2012 DD 03/14/02	95,000	78,059
ERP OPER LTD PARTNERSHIP SR NT	5.375% 08/01/2016 DD 01/19/06	85,000	59,900
ERP OPER LTD PARTNERSHIP NT	5.500% 10/01/2012 DD 06/04/07	625,000	522,668
ERP OPER LTD PARTNERSHIP NT	5.750% 06/15/2017 DD 06/04/07	800,000	552,200
ENCANA CORP NT	4.750% 10/15/2013 DD 10/02/03	90,000	81,662
ENTERPRISE PRODS OPER LP SR NT	4.625% 10/15/2009 DD 10/04/04	740,000	716,720
EXELON GENERATION CO LLC SR NT	6.200% 10/01/2017 DD 09/28/07	1,095,000	941,711
FHLMC POOL #E8-1698	8.000% 05/01/2015 DD 10/01/00	390,173	412,316
FHLMC POOL #1B-2807	VAR RT 02/01/2035 DD 02/01/05	1,371,319	1,365,943
FHLMC POOL #84-7569	VAR RT 05/01/2036 DD 05/01/06	1,328,815	1,358,581
FHLMC POOL #84-7790	VAR RT 08/01/2037 DD 07/01/07	1,142,303	1,173,168
FHLMC POOL #A4-5798	8.000% 05/01/2031 DD 06/01/05	136,327	147,621
FHLMC POOL #G0-8003	6.000% 07/01/2034 DD 07/01/04	497,292	511,197
FHLMC POOL #G0-3150	5.500% 08/01/2037 DD 07/01/07	29,143,696	29,903,334
FHLMC POOL #G0-3205	5.500% 07/01/2035 DD 08/01/07	876,797	898,437
FHLMC POOL #1G-1312	VAR RT 10/01/2036 DD 10/01/06	760,828	780,092
FHLMC POOL #N3-0717	6.500% 10/01/2030 DD 10/01/00	2,346	2,507
FHLMC POOL #G0-1704	5.500% 07/01/2033 DD 06/01/04	1,664,477	1,710,652
FHLMC POOL #G1-0347	7.500% 05/01/2010 DD 04/01/95	3,130	3,157
FHLMC POOL #G1-0411	6.000% 10/01/2010 DD 10/01/95	10,859	10,987
FHLMC GROUP #G1-0535	9.000% 04/01/2010 DD 06/01/96	17,657	17,984
FHLMC GROUP #G1-0674	5.500% 05/01/2011 DD 03/01/97	4,898	4,969
FHLMC POOL #G1-0950	6.000% 10/01/2009 DD 08/01/99	740	741
FHLMC POOL #G1-1510	8.000% 07/01/2016 DD 01/01/04	46,966	49,588
FHLMC POOL #P0-0032	5.000% 05/01/2023 DD 05/01/03	267,037	274,771
FHLMC POOL #P6-0087	6.500% 03/01/2016 DD 01/01/03	1,062,279	1,097,419
FHLMC POOL #P6-0101	6.000% 01/01/2017 DD 03/01/03	245,175	251,782
FHLMC POOL #55-5425	9.000% 04/01/2017 DD 05/01/99	102,331	109,429
FHLMC POOL #77-2635	8.500% 02/01/2019 DD 12/01/04	57,665	61,603

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SHORT AND INTERMEDIATE DURATION INVESTMENTS
DECEMBER 31, 2008 - UNAUDITED**

SECURITY NAME	SECURITY DESCRIPTION	PAR/SHARES	MARKET VALUE
FHLMC POOL #C0-1582	5.500% 07/01/2033 DD 07/01/03	549,617	564,864
FHLMC POOL #B1-5687	5.500% 07/01/2014 DD 07/01/04	478,805	494,726
FHLMC MULTICLASS MTG	VAR RT 12/25/2030 DD 10/01/00	191,461	190,980
FHLMC POOL #G9-0020	6.500% 06/17/2014 DD 08/01/02	10,848	11,086
FHLMC INT PMT ON 5.125% DEB	5.125% 07/15/2012 DD 07/16/02	1,835,000	2,036,437
FHLMC POOL #30-3069	9.000% 05/01/2016 DD 03/01/88	14,025	14,128
FHLMC POOL #78-1135	VAR RT 01/01/2034 DD 12/01/03	103,253	100,187
FEDERAL NATL MTG ASSN DEBS	5.000% 02/13/2017 DD 01/12/07	1,500,000	1,704,615
FEDERAL NATL MTG ASSN DEBS	4.750% 03/12/2010 DD 03/08/07	4,580,000	4,779,113
FNMA POOL #0000282	8.500% 05/01/2011 DD 10/01/82	3,382	3,420
FNMA POOL #0006226	11.000% 12/01/2015 DD 06/01/86	10,527	10,800
FNMA POOL #0024679	7.500% 12/01/2010 DD 06/01/86	191	193
FNMA POOL #0058013	8.500% 08/01/2012 DD 12/01/87	537	556
FNMA POOL #0067224	8.500% 08/01/2009 DD 12/01/88	511	512
FNMA POOL #0190342	6.000% 10/01/2033 DD 09/01/03	1,290,526	1,333,255
FEDERAL HOME LN MTG CORP REF	5.500% 08/23/2017 DD 07/23/07	6,000,000	7,064,811
FEDERAL HOME LN MTG CORP NTS	4.125% 12/21/2012 DD 12/17/07	9,255,000	9,811,735
FNMA POOL #0255265	5.500% 04/01/2014 DD 04/01/04	355,674	364,573
FNMA POOL #0255508	5.500% 11/01/2014 DD 10/01/04	398,562	409,168
FNMA POOL #0255769	5.000% 07/01/2035 DD 06/01/05	18,254	18,690
FNMA POOL #0255793	5.000% 06/01/2015 DD 05/01/05	1,599,831	1,646,274
FNMA POOL #0303837	7.500% 04/01/2011 DD 03/01/96	8,252	8,347
FNMA POOL #0303875	8.000% 09/01/2011 DD 04/01/96	2,045	2,069
FNMA POOL #0313386	7.000% 03/01/2012 DD 02/01/97	11,781	12,039
FNMA POOL #0323126	9.000% 04/01/2010 DD 04/01/98	5,593	5,681
FNMA POOL #0426812	9.000% 02/01/2010 DD 04/01/98	558	558
FNMA POOL #0426848	7.500% 12/01/2013 DD 04/01/98	27,800	29,444
FNMA POOL #0458140	VAR RT 11/15/2016 DD 08/01/04	175,624	183,836
FNMA POOL #0458171	16.000% 11/15/2012 DD 06/01/05	81,682	90,079
FNMA POOL #0516207	9.000% 04/01/2009 DD 09/01/99	1,330	1,330
FNMA POOL #0535515	8.000% 10/01/2014 DD 08/01/00	32,496	33,100
FNMA POOL #0545998	6.000% 11/01/2032 DD 10/01/02	277,675	287,660
FNMA POOL #0555276	7.500% 03/01/2025 DD 02/01/03	47,504	50,392
FNMA POOL #0583112	9.000% 05/01/2013 DD 05/01/01	12,265	12,750
FNMA POOL #0612498	VAR RT 11/01/2032 DD 11/01/02	76,844	77,340
FNMA POOL #0618322	6.000% 12/01/2031 DD 12/01/01	128,817	133,178
FNMA POOL #0649603	VAR RT 07/01/2032 DD 06/01/02	91,812	88,985
FNMA POOL #0665394	6.000% 09/01/2012 DD 09/01/02	624,301	644,035
FHLMC MULTICLASS MTG	3.614% 09/27/2012 DD 09/01/02	451,280	424,510
FNMA GTD REMIC P/T 03-T4 2A5	VAR RT 09/26/2033 DD 04/01/03	216,505	179,331
FEDERAL NATL MTG ASSN GTD MTG	5.375% 06/12/2017 DD 06/08/07	200,000	235,154

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FANNIE MAE	4.750% 11/19/2012 DD 10/18/07	6,750,000	7,443,710
FEDERAL NATL MTG ASSN MTN	3.250% 02/10/2010 DD 01/11/08	275,000	280,963
FEDERAL NATL MTG ASSN MTN	3.625% 02/12/2013 DD 01/11/08	7,435,000	7,887,869
FNMA POOL #0688970	8.000% 05/01/2024 DD 05/01/03	33,942	36,457
FNMA POOL #0725463	VAR RT 12/01/2033 DD 04/01/04	118,956	119,658
FNMA POOL #0725580	9.000% 07/01/2020 DD 06/01/04	150,880	162,384
FNMA POOL #0731994	VAR RT 09/01/2033 DD 08/01/03	556,137	555,369
FNMA POOL #0735227	5.500% 02/01/2035 DD 01/01/05	1,881,039	1,936,718
FNMA POOL #0735228	5.500% 02/01/2035 DD 01/01/05	1,106,822	1,139,496
FNMA POOL #0735264	6.500% 08/01/2017 DD 01/01/05	155,046	159,642
FNMA POOL #0735350	VAR RT 02/01/2035 DD 02/01/05	4,276,998	4,287,519
FNMA POOL #0735467	VAR RT 04/01/2035 DD 03/01/05	1,685,095	1,684,741
FNMA POOL #0835569	8.000% 10/01/2016 DD 04/01/05	98,713	103,968
FNMA POOL #0735982	VAR RT 11/01/2035 DD 10/01/05	4,299,363	4,322,192
FNMA POOL #0742163	VAR RT 10/01/2033 DD 09/01/03	249,727	243,568
FNMA POOL #0745515	5.000% 05/01/2036 DD 04/01/06	15,165,730	15,542,295
FNMA POOL #0745626	VAR RT 05/01/2036 DD 05/01/06	2,287,380	2,339,990
FNMA POOL #0762148	VAR RT 07/01/2034 DD 08/01/04	583,309	585,298
FNMA POOL #0765242	9.000% 08/01/2022 DD 03/01/04	127,151	139,824
FNMA POOL #0765470	10.000% 08/01/2019 DD 02/01/05	84,056	90,591
FNMA POOL #0773351	VAR RT 06/01/2035 DD 06/01/05	5,273,446	5,279,142
FNMA POOL #0794348	5.000% 09/01/2034 DD 09/01/04	298,964	306,606
FNMA POOL #0795756	7.500% 03/01/2015 DD 08/01/04	37,926	39,123
FNMA POOL #0817487	5.000% 09/01/2035 DD 09/01/05	32,593	33,407
FNMA POOL #0827657	5.000% 09/01/2035 DD 08/01/05	878,791	900,752
FNMA POOL #0830787	5.000% 08/01/2035 DD 08/01/05	188,641	193,355
FNMA POOL #0830999	5.000% 08/01/2035 DD 07/01/05	358,836	367,804
FNMA POOL #0831799	6.500% 09/01/2036 DD 10/01/06	39,847	41,357
FNMA POOL #0832005	5.000% 08/01/2035 DD 08/01/05	398,782	408,747
FNMA POOL #0832483	5.000% 09/01/2035 DD 08/01/05	296,079	303,478
FNMA POOL #0837926	VAR RT 08/01/2035 DD 08/01/05	1,241,729	1,243,802
FNMA POOL #0838958	VAR RT 08/01/2035 DD 08/01/05	3,612,056	3,620,472
FNMA POOL #0840309	5.000% 12/01/2035 DD 11/01/05	499,259	511,655
FNMA POOL #0867439	5.000% 05/01/2036 DD 05/01/06	197,007	201,851
FNMA POOL #0868367	VAR RT 04/01/2036 DD 03/01/06	1,420,756	1,480,272
FNMA POOL #0872895	VAR RT 06/01/2036 DD 06/01/06	1,509,107	1,567,087
FNMA POOL #0879091	VAR RT 06/01/2036 DD 05/01/06	2,373,995	2,438,378
FNMA POOL #0886163	VAR RT 07/01/2036 DD 07/01/06	1,416,228	1,475,781
FNMA POOL #0886344	VAR RT 07/01/2036 DD 07/01/06	1,489,801	1,547,710

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FNMA POOL #0888560	6.000% 11/01/2035 DD 07/01/07	491,166	508,378
FNMA POOL #0888889	4.500% 12/01/2018 DD 11/01/07	4,157,318	4,282,798
FNMA POOL #0889068	6.000% 11/01/2035 DD 01/01/08	568,316	587,292
FNMA POOL #0889346	VAR RT 06/01/2036 DD 03/01/08	1,710,106	1,733,552
FNMA POOL #0889372	6.000% 12/01/2032 DD 03/01/08	892,087	924,095
FNMA POOL #0889743	VAR RT 08/01/2033 DD 06/01/08	5,222,087	5,216,763
FNMA POOL #0889744	VAR RT 10/01/2033 DD 06/01/08	6,233,164	6,317,524
FNMA POOL #0918521	VAR RT 05/01/2037 DD 05/01/07	532,612	547,860
FNMA POOL #0937093	5.500% 05/01/2037 DD 05/01/07	3,057,413	3,140,269
FNMA POOL #0946609	VAR RT 09/01/2037 DD 08/01/07	1,121,983	1,157,976
FNMA POOL #0956016	6.000% 11/01/2037 DD 11/01/07	153,026	157,638
FNMA POOL #0962344	5.500% 03/01/2038 DD 03/01/08	3,150,734	3,234,543
FNMA POOL #0984980	5.500% 08/01/2038 DD 08/01/08	3,187,317	3,271,781
FNMA POOL #0988046	5.500% 08/01/2038 DD 08/01/08	2,535,787	2,602,985
FNMA POOL #0995077	5.000% 11/01/2038 DD 11/01/08	144,442	147,855
FNMA POOL #0995269	VAR RT 12/01/2038 DD 12/01/08	1,050,594	1,056,172
FEDERATED RETAIL HLDGS INC GTD	5.350% 03/15/2012 DD 03/12/07	370,000	274,825
FIFTH THIRD BANCORP SUB NT	8.250% 03/01/2038 DD 03/04/08	130,000	107,403
FLORIDA PWR CORP 1ST MTG DTD	5.650% 06/15/2018 DD 06/18/08	880,000	912,542
FORTUNE BRANDS INC NT	5.125% 01/15/2011 DD 01/12/06	695,000	667,554
GCO ED LN FDG TR I 03-2 A-1L	VAR RT 05/25/2013 DD 09/30/03	190,635	190,635
GNMA POOL #0603718	4.500% 05/15/2018 DD 05/01/03	88,210	92,070
GNMA II POOL #0004221	VAR RT 08/20/2038 DD 08/01/08	998,232	1,026,133
GNMA II POOL #0004290	5.500% 11/20/2038 DD 11/01/08	6,989,875	7,184,683
GNMA POOL #0371009	6.000% 01/15/2009 DD 01/01/94	426	432
GNMA POOL #0377216	7.500% 05/15/2009 DD 06/01/94	3,493	3,475
GNMA POOL #0417755	6.500% 09/15/2010 DD 09/01/95	10,348	10,582
GNMA POOL #0780009	9.000% 12/15/2009 DD 11/01/94	968	968
GNMA POOL #0780192	7.500% 07/15/2010 DD 07/01/95	3,507	3,507
GNMA POOL #0780229	8.500% 08/15/2010 DD 08/01/95	9,279	9,279
GNMA POOL #0780445	6.000% 06/15/2009 DD 10/01/96	145	148
GNMA POOL #0780897	7.500% 09/15/2010 DD 11/01/98	2,095	2,095
GNMA POOL #0780969	6.000% 02/15/2014 DD 02/01/99	486,546	504,237
GNMA POOL #0781335	7.000% 02/15/2012 DD 10/01/01	80,343	81,552
GNMA POOL #0781382	8.000% 11/15/2014 DD 01/01/02	66,171	68,174
GS MTG SECS TR 07-GG10 CL A2	5.778% 07/10/2017 DD 07/01/07	520,000	462,301
GS MTG SECS TR 07-GG10 CL A-4	VAR RT 08/10/2045 DD 07/01/07	2,000,000	1,472,840
GNMA POOL #0672758	5.500% 06/15/2038 DD 06/01/08	729,565	751,817
GNMA POOL #0675485	5.500% 06/15/2038 DD 06/01/08	352,227	362,970

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GNMA POOL #0676892	5.500% 03/15/2038 DD 03/01/08	499,999	515,284
GNMA POOL #0694840	5.500% 08/15/2038 DD 08/01/08	645,605	665,264
GNMA POOL #0697577	5.500% 11/15/2038 DD 11/01/08	269,310	278,453
GNMA POOL #0702744	5.500% 12/15/2038 DD 12/01/08	500,000	516,131
GENERAL MLS INC NT	5.200% 03/17/2015 DD 03/17/08	370,000	361,645
GOLDMAN SACHS GROUP INC SR NT	6.600% 01/15/2012 DD 01/10/02	620,000	611,735
GOLDMAN SACHS GROUP INC SR	5.950% 01/18/2018 DD 01/18/08	615,000	583,125
GOLDMAN SACHS GROUP INC BD	6.150% 04/01/2018 DD 04/01/08	935,000	898,498
GOLDMAN SACHS GROUP INC SR NT	5.450% 11/01/2012 DD 10/18/07	210,000	200,321
HBOS PLC MTN TR #SB 0000 144A	6.750% 05/21/2018 DD 05/21/08	456,000	401,326
HOME DEPOT INC SR NT	4.625% 08/15/2010 DD 08/11/05	425,000	420,852
JPMORGAN CHASE & CO SR NT	6.000% 01/15/2018 DD 12/20/07	2,200,000	2,322,144
J P MORGAN CHASE 06-FL2A CL A2	VAR RT 11/15/2018 DD 11/28/06	850,000	734,987
JP MORGAN CHASE COML07-CB19 A4	VAR RT 02/12/2049 DD 06/01/07	3,000,000	2,204,130
JP MORGAN CHASE NK NA NEW YORK	6.000% 10/01/2017 DD 09/24/07	500,000	504,340
KINDER MORGAN ENERGY L P NT	6.750% 03/15/2011 DD 03/12/01	175,000	170,212
KRAFT FOODS INC NT	6.250% 06/01/2012 DD 05/20/02	245,000	253,389
KRAFT FOODS INC NT	4.125% 11/12/2009 DD 11/12/04	255,000	255,390
KRAFT FOODS INC SR NT	5.625% 08/11/2010 DD 08/13/07	840,000	843,746
KRAFT FOOD INC BD	6.000% 02/11/2013 DD 08/13/07	1,105,000	1,122,934
KRAFT FOODS INC NT	6.125% 02/01/2018 DD 12/12/07	1,108,000	1,085,729
LB UBS COML MTG 06-C6 A-2	5.262% 09/15/2039 DD 09/11/06	345,000	288,800
LB UBS COML MTG TR 07-C2 CL A3	5.430% 02/15/2040 DD 04/11/07	3,000,000	2,127,420
LUBRIZOL CORP SR NT	4.625% 10/01/2009 DD 09/28/04	985,000	967,506
MACK CALI RLTY LP NT	7.750% 02/15/2011 DD 01/29/01	45,000	39,640
MASOC CORP SR NT	VAR RT 03/12/2010 DD 03/01/07	685,000	535,512
MERRILL LYNCH & CO INC MEDIUM	6.150% 04/25/2013 DD 04/25/08	599,000	593,543
MERRILL LYNCH & CO INC MEDIUM	6.875% 04/25/2018 DD 04/25/08	392,000	410,044
MERRILL LYNCH MTG 06 C2 A-4	VAR RT 08/12/2043 DD 08/01/06	2,000,000	1,608,580
METROPOLITAN MTN #TR00028 144A	5.125% 11/09/2011 DD 11/09/06	305,000	292,025
METROPOLITAN LIFE GLOBAL 144A	5.125% 04/10/2013 DD 04/10/08	927,000	863,742
MIDAMERICAN ENERGY HLDGS CO	5.750% 04/01/2018 DD 03/28/08	2,153,000	2,100,144
MONUMENTAL GLOBAL FDG II NT	5.650% 07/14/2011 DD 07/21/06	295,000	300,867
MORGAN STANLEY DW & CO GL NT	6.750% 04/15/2011 DD 04/23/01	380,000	370,500
MORGAN STANLEY CAP I 05-1Q9 A3	4.540% 07/15/2056 DD 02/01/05	630,000	574,774
MORGAN STANLEY SR GBL MTN F	VAR RT 01/09/2012 DD 08/09/06	3,000,000	2,367,030
MORGAN STANLEY 07-IQ14 CL A-4	5.692% 04/15/2049 DD 05/01/07	2,000,000	1,500,900
NATIONAL CITY CORP SR NT	3.125% 04/30/2009 DD 03/17/04	1,725,000	1,692,622
NEW YORK LIFE GLOBAL FDG 144A	4.650% 05/09/2013 DD 05/09/08	390,000	376,861
NISSAY 05 FD GBL NT 144A C7	4.875% 08/09/2010 DD 08/09/05	630,000	616,902
NSTAR NT	8.000% 02/15/2010 DD 02/15/00	175,000	179,790

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ONCOR ELEC DELIVERY CO SR SECD	6.375% 05/01/2012 DD 11/01/02	325,000	312,579
PPL ENERGY SUPPLY LLC SR NT	6.500% 05/01/2018 DD 03/14/08	900,000	730,503
PACIFIC LIFE GLOBAL FDG 144A	5.150% 04/15/2013 DD 04/15/08	375,000	352,335
PERTO-CDA SR NT	6.050% 05/15/2018 DD 05/15/08	170,000	140,109
PRESIDENT & FELLOWS 144A	6.500% 01/15/2039 DD 12/12/08	1,281,000	1,360,576
RIO TINTO FIN USA LTD GTD NT	5.875% 07/15/2013 DD 06/27/08	471,000	375,156
SLM CORP MTN #TR00031	5.000% 10/01/2013 DD 09/24/03	30,000	21,466
SLM CORP MEDIUM TERM NTS BOOK	VAR RT 03/15/2011 DD 03/17/06	50,000	38,626
SLM CORP MTN # TR 00099	VAR RT 07/26/2010 DD 07/18/06	420,000	358,462
SLM CORP MTN TRANCHE # TR00101	VAR RT 10/25/2011 DD 10/31/06	100,000	76,637
SLM CORP MEDIUM TERM NTS BOOK	VAR RT 01/27/2014 DD 01/16/07	95,000	64,112
SEC AB RECEIVABLES 07-BR1 A2A	VAR RT 02/25/2037 DD 04/12/07	122,864	84,522
SILVERLEAF FIN III 05-A CL A	4.857% 11/15/2016 DD 07/01/05	70,962	70,502
SIMON PROPERTY GROUP INC NTS	7.125% 02/09/2009 DD 02/09/99	220,000	219,098
SIMON PPTY GROUP LP NT	5.375% 06/01/2011 DD 11/15/05	685,000	578,914
SIMON PROPERTY GROUP	5.750% 05/01/2012 DD 05/15/06	500,000	399,695
SPRINT CAP CORP	6.875% 11/15/2028 DD 11/16/98	123,000	73,185
SPRINT CAP CORP	7.625% 01/30/2011 DD 01/25/01	470,000	392,450
SPRINT NEXTEL CORP NT	6.000% 12/01/2016 DD 11/20/06	870,000	613,350
STRUCTURED ASSET 07-OS1 CL A2	VAR RT 06/25/2037 DD 05/25/07	134,203	107,022
SUNCOR ENERGY INC NT	6.100% 06/01/2018 DD 06/06/08	520,000	448,105
SUPERIOR WHSL INVENTORY 04-A10	VAR RT 09/15/2011 DD 09/16/04	240,000	198,209
TEPPCO PARTNERS L P SR NT	6.650% 04/15/2018 DD 03/27/08	415,000	336,013
TELECOM ITALIA CAP GTD SR NT	4.000% 01/15/2010 DD 07/15/05	1,140,000	1,048,800
TELECOM ITALIA CAP GTD SR NT	VAR RT 07/18/2011 DD 07/18/06	755,000	568,077
TELEFONOS DE MEXICO S A SR NT	4.750% 01/27/2010 DD 07/27/05	520,000	524,576
TIME WARNER CABLE INC NT	5.400% 07/02/2012 DD 07/02/07	1,310,000	1,223,213
TRANSOCEAN INC SR NT	5.250% 03/15/2013 DD 12/11/07	865,000	803,412
TRANSOCEAN INC SR NT	6.000% 03/15/2018 DD 12/11/07	1,330,000	1,211,364
TYCO ELECTRONICS GROUP S A GTD	5.950% 01/15/2014 DD 07/14/08	410,000	355,134
UBS AG STAMFORD BRH MEDIUM	5.750% 04/25/2018 DD 04/25/08	2,379,000	2,159,180
UNION PAC CORP NT	6.500% 04/15/2012 DD 04/18/02	360,000	369,601
UNION PAC CORP NT	5.450% 01/31/2013 DD 08/24/07	885,000	858,415
UNION PLANTERS CORP SUB NT	7.750% 03/01/2011 DD 02/27/01	1,005,000	962,438
US TREAS-CPI INFLATION INDEX	2.000% 01/15/2014 DD 01/15/04	16,414,720	15,558,118
US TREAS-CPI INFLAT	2.375% 01/15/2017 DD 01/15/07	7,519,960	7,462,959
US TREAS-CPI INFLATION INDEX	2.000% 04/15/2012 DD 04/15/07	427,052	416,576
US TREAS-CPI INFLAT	2.625% 07/15/2017 DD 07/15/07	3,135,900	3,214,548
UNITED STATES TREASURY NOTES	4.000% 08/15/2018 DD 08/15/08	11,550,000	13,341,174
UNITED TECHNOLOGIES CORP NT	4.375% 05/01/2010 DD 04/29/05	1,115,000	1,123,909
UNITED TECHNOLOGIES CORP NT	6.125% 02/01/2019 DD 12/18/08	676,000	723,246

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VERIZON COMMUNICATIONS INC NT	6.100% 04/15/2018 DD 04/04/08	2,015,000	2,007,726
VERIZON COMMUNICATIONS INC NT	5.250% 04/15/2013 DD 04/04/08	345,000	346,321
VERIZON WIRELESS CAP LLC NT	8.500% 11/15/2018 DD 11/21/08	1,350,000	1,581,768
VERIZON WIRELESS CAP LLC NT	7.375% 11/15/2013 DD 11/21/08	1,350,000	1,424,358
VIACOM INC SR NT	5.750% 04/30/2011 DD 04/12/06	1,560,000	1,416,776
VIACOM INC SR NT	VAR RT 06/16/2009 DD 09/18/06	985,000	966,433
VODAFONE AIRTOUCH PLC NT	7.750% 02/15/2010 DD 08/15/00	235,000	239,941
VODAFONE GROUP PLC NEW NT	5.625% 02/27/2017 DD 02/27/07	240,000	226,140
WACHOVIA CORP GLOBAL MED TERM	5.750% 02/01/2018 DD 01/31/08	2,000,000	2,003,980
WACHOVIA BK COML MTG 07-C30 E	VAR RT 12/15/2043 DD 03/01/07	600,000	87,606
WACHOVIA BK COML 07 C31 A-4	5.509% 04/15/2047 DD 05/01/07	2,000,000	1,438,920
WAL MART STORES INC NT	6.875% 08/10/2009 DD 08/10/99	685,000	705,523
WASHINGTON MUT 07-A4 144A	5.200% 10/15/2014 DD 11/06/07	190,000	160,668
WEATHERFORD INTL LTD GTD SR NT	5.150% 03/15/2013 DD 03/25/08	1,300,000	1,144,741
WEATHERFORD INTL LTD GTD SR NT	6.000% 03/15/2018 DD 03/25/08	2,410,000	2,023,822
WELLPOINT HEALTH NETWORKS INC	6.375% 01/15/2012 DD 01/16/02	845,000	814,403
WELLS FARGO & CO NEW SR NT	5.250% 10/23/2012 DD 10/23/07	625,000	636,588
WELLS FARGO & CO NEW SR NT	4.375% 01/31/2013 DD 01/31/08	500,000	489,610
WELLS FARGO MTG BKD 04 EE IIA2	VAR RT 12/25/2034 DD 12/01/04	528,180	449,777
WELLS FARGO MTG BKD SEC 05-AR	VAR RT 03/25/2035 DD 02/01/05	80,289	63,471
WELLS FARGO MTG BKD 06-V IA2	VAR RT 10/25/2034 DD 09/01/04	219,003	159,349
WEST PENN PWR CO 1ST 144A	5.950% 12/15/2017 DD 12/11/07	335,000	282,221
XTO ENERGY INC SR NT	5.900% 08/01/2012 DD 07/19/07	2,755,000	2,686,566
XTO ENERGY INC SR NT	6.250% 08/01/2017 DD 07/19/07	4,040,000	3,879,531
XSTRATA FIN DUBAL LTD GTD 144A	VAR RT 11/13/2009 DD 11/15/06	565,000	495,680
ZFS FIN USA TR 144A	VAR RT 05/09/2032 DD 05/09/07	1,400,000	489,132
COMMIT TO PUR FNMA SF MTG	5.000% 02/01/2039 DD 02/01/09	8,000,000	8,142,496
COMMIT TO PUR GNMA SF MTG	5.500% 01/15/2039 DD 01/01/09	1,000,000	1,029,688
COMMIT TO PUR FNMA SF MTG	5.500% 02/01/2039 DD 02/01/09	8,000,000	8,175,000
COMMIT TO PUR GNMA II JUMBOS	5.500% 01/20/2039 DD 01/01/09	8,000,000	8,212,544
FMTC HIGH YLD BOND POOL	PYRAMIS HIGH YLD BOND POOL LLC	1,621,968	22,739,995
FIDELITY ADVISOR SER IV	REAL ESTATE HIGH INCOME FD	1,093,127	6,198,028
PYRAMIS EMERGING MARKET DEBT LLC	PYRAMIS EMERGING MARKET DEBT LLC	2,268,347	15,243,290
TOTAL PYRAMIS GLOBAL ADVISORS			457,269,574
MANAGED BY ABERDEEN ASSET MANAGEMENT			
DREYFUS TREASURY CASH MGMT	VAR RT 12/31/2049 DD 04/09/97	3,106,028	3,106,028
BNY MELLON DEPOSIT ACCOUNT	0.550% 12/31/2049 DD 06/26/97	2,471,825	2,471,825
AT&T BROADBAND CORP NT	9.455% 11/15/2022 DD 11/18/02	325,000	364,117
AMERICAN GEN FIN MTN #TR00410	4.875% 07/15/2012 DD 07/11/05	3,309,000	1,398,284
AMERICAN HONDA FIN CORP 144A	6.700% 10/01/2013 DD 10/01/08	755,000	761,048

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AMERICAN HONDA FIN CORP 144A	7.625% 10/01/2018 DD 10/01/08	2,045,000	2,009,601
AMERICAN INTL GROUP INC MEDIUM	5.850% 01/16/2018 DD 12/12/07	465,000	311,685
AMERICREDIT AUTO 08-A-F CL A-3	5.680% 12/12/2012 DD 05/29/08	615,000	533,396
AMERICREDIT AUTO 07 D F A2-A	5.660% 01/06/2011 DD 09/20/07	403,690	403,500
AMERICREDIT AUTO 07 D CL A-3	5.490% 07/06/2012 DD 09/20/07	2,075,000	1,992,498
ARCELORMITTAL SA LUXEMBOURG NT	5.375% 06/01/2013 DD 05/27/08	715,000	539,217
BAKER HUGHES INC SR NT	7.500% 11/15/2018 DD 10/28/08	895,000	992,251
BANC AMER MTG 03-H CL 3-A-1	VAR RT 09/25/2033 DD 08/01/03	1,596,975	1,223,906
BANC AMER COML 07-1 P/T CL A4	5.451% 01/15/2049 DD 02/01/07	1,555,000	1,120,720
BANC AMER COML 07-2 CL A-2	5.634% 04/10/2049 DD 06/01/07	140,000	122,788
BANC AMER COML 07-2 CL A-M	VAR RT 04/10/2049 DD 06/01/07	1,260,000	525,974
BANC AMER COML 07-3 CL A-4	VAR RT 06/10/2049 DD 07/01/07	3,690,000	2,711,744
BANC AMER COML 07-3 CL A-M	VAR RT 06/10/2049 DD 07/01/07	1,360,000	622,690
BANC AMER COML 07 4 CL A-SB	5.706% 01/10/2017 DD 11/01/07	650,000	464,425
BANC AMER COML 07 4 CL A-M	VAR RT 08/10/2017 DD 11/01/07	1,125,000	517,219
BANK AMER CORP DEP SHS REPSTG	VAR RT 12/29/2049 DD 04/30/08	2,615,000	1,956,020
BANK OF NEW YORK MELLON TERM	4.950% 11/01/2012 DD 11/01/07	1,720,000	1,746,264
BARRICK NORTH AMER FIN LLC GTD	6.800% 09/15/2018 DD 09/11/08	1,470,000	1,314,401
BARRICK GOLD FINANCECO LLC GTD	6.125% 09/15/2013 DD 09/11/08	1,185,000	1,123,641
BEAR STEARNS 07 5 CL III-A-1	VAR RT 08/25/2047 DD 08/01/07	2,605,976	1,509,590
BEAR STEARNS ARM 2005-10 CL A3	4.650% 10/25/2035 DD 10/01/05	2,060,000	992,735
BEAR STEARNS ARM TR 2006-1 1A1	VAR RT 11/25/2035 DD 02/01/06	957,182	607,303
BEAR STEARNS 07-PWR16 CL A-2	VAR RT 06/11/2040 DD 06/01/07	250,000	218,175
BEAR STEARNS 07-PW16 CL A-AB	VAR RT 06/11/2040 DD 06/01/07	610,000	515,901
BEAR STEARNS ARM 07-4 CL 22A1	VAR RT 05/25/2037 DD 05/01/07	3,064,601	1,889,419
BRITISH SKY BROADCASTING 144A	9.500% 11/15/2018 DD 11/24/08	1,505,000	1,536,455
BRITISH TELECOMMUNICATIONS NT	VAR RT 12/15/2010 DD 12/12/00	1,140,000	1,172,718
BROADRIDGE FINL SOLUTIONS INC	6.125% 06/01/2017 DD 05/29/07	96,000	69,703
CD 07-CD4 COML MTG TR MTG A2B	5.205% 12/11/2049 DD 03/01/07	3,725,000	3,219,629
CD 2007-CD4 P/T CL A-4	5.322% 12/11/2049 DD 03/01/07	55,000	38,396
CHL MTG P/T 07-HY3 CL 4-A-1	VAR RT 06/25/2047 DD 04/01/07	1,263,260	781,946
CNH EQUIP TR 08-B CL A-3A	4.780% 07/16/2012 DD 05/22/08	2,365,000	2,261,910
CVS CORP SR NT	5.750% 08/15/2011 DD 08/15/06	940,000	943,252
CWABS ASSET BKD 07-4 CL A1B	5.810% 03/25/2037 DD 03/01/07	1,259,752	1,223,661
CARDINAL HEALTH INC NT	5.500% 06/15/2013 DD 06/02/08	1,075,000	1,016,251
CATERPILLAR FINL 2008-A A-2A	4.090% 12/27/2010 DD 04/29/08	1,782,227	1,755,547
CENTERPOINT ENERGY RES SR NT	7.875% 04/01/2013 DD 10/01/03	860,000	796,609
CHASE MTG FIN P/T 07-A1 11M1	VAR RT 03/25/2037 DD 02/01/07	1,747,307	1,102,795
CHICAGO ILL TRAN AUTH SALES &	6.300% 12/01/2021 DD 08/06/08	1,450,000	1,457,468
CITIGROUP INC DEP SHS REPSTG	VAR RT 04/29/2049 DD 04/28/08	995,000	656,989
CITIGROUP INC GLOBAL SR NT	6.500% 08/19/2013 DD 08/19/08	1,345,000	1,357,226

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CITIGROUP MTG LN 05-7 CL 2A2A	VAR RT 09/25/2035 DD 09/01/05	1,186,588	709,402
CITIGROUP MTG LN 04-HYB2 1-A	VAR RT 03/25/2034 DD 03/01/04	654,851	541,791
CITIGROUP MTG LN TR 06-AR2 1-2	VAR RT 03/25/2036 DD 03/01/06	1,757,276	946,662
CITIGROUP MTG LN TR 07 AR8 P/T	VAR RT 07/25/2037 DD 07/01/07	881,674	476,801
COBALT CMBS 07-C2 CL A-2	VAR RT 04/15/2012 DD 04/01/07	115,000	91,096
COMCAST CORP NEW NT	5.700% 05/15/2018 DD 05/07/08	155,000	145,361
COMMERCIAL MTG 07-GG9 CL A2	5.381% 07/10/2012 DD 03/01/07	3,175,000	2,764,028
COMMERCIAL MTG P/T 07-C4 AAB	VAR RT 08/15/2016 DD 09/01/07	1,020,000	705,932
COMMONWEALTH EDISON CO 1ST MTG	6.150% 03/15/2012 DD 09/15/02	155,000	151,068
CSMC MTG BKD 07 5 CL 9-A-2	5.000% 04/25/2029 DD 07/01/07	881,326	640,063
DUKE ENERGY CAROLINAS LLC	7.000% 11/15/2018 DD 11/17/08	575,000	663,602
DUN & BRADSTREET CORP DEL NEW	6.000% 04/01/2013 DD 04/01/08	1,015,000	958,718
ERAC US FIN CO GTD 144A	5.800% 10/15/2012 DD 10/17/07	2,085,000	1,744,165
EASTERN ENERGY LTD SR NTS 144A	7.250% 12/01/2016 DD 12/03/96	410,000	428,733
ELKHART IND CMNTY SCHS TAXABLE	5.850% 07/05/2021 DD 06/15/06	1,000,000	1,009,247
ENBRIDGE ENERGY PARTNERS L P	VAR RT 10/01/2037 DD 09/27/07	550,000	267,757
ENERGY TRANSFER PARTNERS L P	9.700% 03/15/2019 DD 12/23/08	1,105,000	1,138,603
ENTERPRISE PRODS OPER LLC GTD	5.650% 04/01/2013 DD 04/03/08	1,155,000	1,027,661
FPL GROUP CAP INC GTD DEB	VAR RT 10/01/2066 DD 09/19/06	540,000	270,000
FPL GROUP CAP INC JR SUB DEB	VAR RT 06/15/2067 DD 06/12/07	387,000	201,240
FPL GROUP CAP INC GTD JR SUB	VAR RT 09/01/2067 DD 09/17/07	320,000	179,200
FHLMC POOL #G3-0290	6.500% 03/01/2026 DD 05/01/06	1,585,951	1,691,718
FHLMC POOL #A5-0838	6.000% 07/01/2036 DD 07/01/06	5,517,549	5,690,193
FHLMC POOL #A5-3435	6.000% 11/01/2036 DD 10/01/06	2,813,268	2,901,014
FHLMC POOL #A5-8121	5.500% 03/01/2037 DD 03/01/07	4,919,233	5,041,181
FHLMC POOL #A6-7289	6.500% 10/01/2037 DD 10/01/07	371,490	385,491
FHLMC POOL #A4-0901	5.000% 12/01/2035 DD 12/01/05	4,551,255	4,656,844
FHLMC POOL #G0-2055	5.500% 02/01/2036 DD 01/01/06	5,692,337	5,842,303
FHLMC POOL #A7-1059	7.000% 01/01/2038 DD 12/01/07	148,069	153,915
FHLMC POOL #A7-2597	6.500% 02/01/2038 DD 02/01/08	599,531	622,097
FHLMC POOL #G1-8016	5.000% 10/01/2019 DD 10/01/04	4,057,427	4,187,549
FHLMC POOL #1J-2945	VAR RT 11/01/2037 DD 10/01/07	619,706	649,837
FHLMC POOL #E0-1311	5.500% 02/01/2018 DD 02/01/03	927,477	960,795
FHLMC POOL #A1-5484	6.000% 11/01/2033 DD 11/01/03	479,099	495,111
FHLMC POOL #A3-6463	5.500% 08/01/2035 DD 08/01/05	1,864,886	1,914,529
FNMA POOL #0190337	5.000% 07/01/2033 DD 06/01/03	1,539,683	1,580,192
FNMA POOL #0190340	5.000% 09/01/2033 DD 08/01/03	1,905,529	1,955,511
FNMA POOL #0254510	5.000% 11/01/2017 DD 10/01/02	965,928	996,664
FNMA POOL #0255321	5.500% 07/01/2024 DD 06/01/04	464,720	477,582
FNMA POOL #0255411	5.500% 10/01/2034 DD 09/01/04	2,208,859	2,274,418
FNMA POOL #0357538	5.000% 04/01/2034 DD 04/01/04	1,287,933	1,321,304

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FNMA POOL #0357695	4.500% 01/01/2020 DD 01/01/05	5,627,103	5,776,615
FNMA POOL #0555330	5.500% 04/01/2033 DD 03/01/03	1,245,142	1,249,794
FNMA POOL #0555531	5.500% 06/01/2033 DD 05/01/03	944,456	973,441
FNMA POOL #0656033	6.500% 09/01/2032 DD 08/01/02	398,575	416,413
FNMA GTD REMIC P/T 03-37 QK	4.000% 07/25/2027 DD 04/01/03	700,853	702,072
FNMA GTD REMIC P/T 05-33 QD	5.000% 01/25/2034 DD 03/01/05	700,000	702,702
FHLMC MULTICLASS MTG 2692 QD	5.000% 12/15/2022 DD 10/01/03	425,000	444,665
FHLMC MULTICLASS MTG	5.000% 11/15/2032 DD 01/01/04	505,000	508,666
FNMA GTD REMIC P/T 2005-86 WD	5.000% 03/25/2034 DD 09/01/05	945,000	949,801
FHLMC MULTICLASS CTFS 2802 NE	5.000% 02/15/2033 DD 05/01/04	840,000	849,937
FHLMC MULTICLASS CTFS 2827 TE	5.000% 04/15/2033 DD 07/01/04	335,000	343,874
FHLMC MULTICLASS CTFS 2840 OE	5.000% 02/15/2033 DD 08/01/04	3,270,000	3,288,704
FHLMC MULTICLASS MTG	5.000% 12/15/2032 DD 08/01/04	75,000	75,809
FHLMC MULTICLASS CTFS 2864 PE	5.000% 06/15/2033 DD 09/01/04	1,080,000	1,090,454
FHLMC MULTICLASS CTFS 2893 PD	5.000% 02/15/2033 DD 11/01/04	630,000	636,287
FHLMC MULTICLASS MTG 2874 LD	5.000% 08/15/2033 DD 10/01/04	1,245,000	1,278,067
FHLMC MULTICLASS MTG	5.000% 03/15/2033 DD 11/01/04	58,000	59,546
FHLMC MULTICLASS CTFS 2915 KD	5.000% 09/15/2033 DD 01/01/05	827,000	832,127
FHLMC MULTICLASS CTFS 2928 NE	5.000% 04/15/2033 DD 02/01/05	610,000	612,824
FHLMC MULTICLASS CTFS 2939 PD	5.000% 07/15/2033 DD 02/01/05	205,000	206,302
FHLMC MULTICLASS CTFS 3036 ND	5.000% 05/15/2034 DD 09/01/05	1,070,000	1,078,977
FHLMC MULTICLASS MTG 3059 CD	5.000% 04/15/2031 DD 10/01/05	1,215,000	1,245,691
FNMA GTD REMIC P/T 2008-54 EA	5.000% 07/25/2019 DD 06/01/08	892,816	913,431
FEDERAL NATL MTG ASSN GTD MTG	5.375% 06/12/2017 DD 06/08/07	2,415,000	2,839,485
FNMA POOL #0713830	4.500% 10/01/2018 DD 10/01/03	1,114,741	1,145,006
FNMA POOL #0723836	5.500% 06/01/2033 DD 06/01/03	1,212,058	1,249,159
FNMA POOL #0725205	5.000% 03/01/2034 DD 02/01/04	1,013,289	1,039,746
FNMA POOL #0725222	5.500% 02/01/2034 DD 02/01/04	641,201	660,764
FNMA POOL #0725231	5.000% 02/01/2034 DD 02/01/04	504,683	517,880
FNMA POOL #0726151	5.000% 07/01/2033 DD 07/01/03	663,025	680,416
FNMA POOL #0727098	5.000% 08/01/2033 DD 08/01/03	275,969	283,197
FNMA POOL #0727174	5.000% 08/01/2033 DD 08/01/03	714,098	732,829
FNMA POOL #0728619	5.000% 07/01/2033 DD 07/01/03	1,015,434	1,042,069
FNMA POOL #0734831	5.000% 08/01/2033 DD 08/01/03	334,258	343,012
FNMA POOL #0735061	6.000% 11/01/2034 DD 11/01/04	2,301,242	2,374,261
FNMA POOL #0745096	5.500% 11/01/2034 DD 11/01/05	946,138	975,004
FNMA POOL #0753188	4.500% 12/01/2033 DD 12/01/03	1,402,736	1,427,292
FNMA POOL #0791449	5.000% 10/01/2034 DD 10/01/04	3,465,033	3,553,426
FNMA POOL #0805384	5.500% 01/01/2035 DD 01/01/05	1,353,855	1,393,740
FNMA POOL #0888105	5.000% 08/01/2020 DD 12/01/06	515,192	531,534
FNMA POOL #0888302	5.500% 09/01/2036 DD 03/01/07	1,873,575	1,929,463

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FNMA POOL #0888416	5.000% 09/01/2035 DD 05/01/07	335,217	343,691
FNMA POOL #0888657	5.500% 02/01/2035 DD 08/01/07	1,195,317	1,231,069
FNMA POOL #0889307	5.000% 07/01/2037 DD 04/01/08	994,153	1,020,150
FNMA POOL #0933393	7.000% 02/01/2038 DD 02/01/08	507,607	530,810
FNMA POOL #0933734	7.000% 04/01/2038 DD 03/01/08	458,185	480,065
FNMA POOL #0938574	5.500% 09/01/2036 DD 05/01/07	689,924	710,401
FNMA POOL #0954013	6.500% 12/01/2037 DD 12/01/07	1,051,574	1,090,640
FNMA POOL #0969709	7.000% 03/01/2038 DD 02/01/08	838,523	876,827
FNMA POOL #0970372	7.000% 02/01/2038 DD 02/01/08	1,076,643	1,125,824
FNMA POOL #0973204	7.000% 03/01/2038 DD 02/01/08	1,157,752	1,210,639
FNMA POOL #0973746	6.500% 05/01/2038 DD 04/01/08	899,337	932,730
FNMA POOL #0990936	6.500% 09/01/2038 DD 09/01/08	1,049,839	1,088,820
FNMA POOL #0990938	6.500% 09/01/2038 DD 09/01/08	945,930	981,052
FIRST HORIZON MTG 05-AR2 IIA1	VAR RT 06/25/2035 DD 04/01/05	732,312	447,553
FIRST HORIZON P/T 07-AR1 1A1	VAR RT 05/25/2037 DD 03/01/07	1,827,563	1,113,625
GE COML MTG CORP SER 07 C1 TR	5.417% 04/10/2012 DD 05/01/07	2,875,000	2,517,810
GE COML MTG CORP 07-C1 CL A-4	VAR RT 02/10/2017 DD 05/01/07	1,175,000	875,786
GMAC COML MTG 99-C3 CL A-1-B	7.273% 08/15/2036 DD 09/01/99	2,004,548	1,998,293
GMACM MTG LN TR 2005-AR6 4A1	VAR RT 11/19/2035 DD 10/01/05	801,536	526,032
GNMA POOL #0564701	6.500% 07/15/2031 DD 07/01/01	108,961	113,644
G S M S C P/T 08-2R 1A1 144A	7.500% 09/25/2036 DD 07/25/08	991,163	961,559
G S M S C P/T 08-2R 2A-1 144A	7.500% 10/25/2036 DD 07/25/08	238,311	228,820
GS MTG SECS TR 20007-GG10 A-M	VAR RT 08/10/2045 DD 07/01/07	1,750,000	801,413
GOLDMAN SACHS GROUP INC SUB NT	5.625% 01/15/2017 DD 01/10/07	792,000	680,391
GRUPO TELEVISA SA SR NT	6.000% 05/15/2018 DD 05/12/08	600,000	504,540
HBOS PLC MTN TR #SB 0000 144A	6.750% 05/21/2018 DD 05/21/08	210,000	184,821
HSBC AUTOMOTIVE 06-1 CL A4	5.520% 03/18/2013 DD 06/08/06	600,000	561,828
HEWLETT PACKARD CO GLOBAL NT	6.125% 03/01/2014 DD 12/05/08	910,000	967,330
HSBC AUTO TR 05-1 A-4	4.350% 06/18/2012 DD 06/22/05	871,989	834,197
INTERNATIONAL STL GRP INC SR	6.500% 04/15/2014 DD 04/14/04	745,000	529,717
J P MORGAN CHASE & CO MEDIUM	4.850% 06/16/2011 DD 06/16/08	4,250,000	4,240,395
J P MORGAN MTG 06-A7 CL 2A2	VAR RT 01/25/2037 DD 12/01/06	201,942	166,704
J P MORGAN CHASE 07-CB19 ASB	VAR RT 02/12/2049 DD 06/01/07	670,000	529,662
J P MORGAN CHASE 07-LDP 11 A-2	VAR RT 06/15/2049 DD 07/01/07	615,000	539,816
J P MORGAN CHASE 07-LDP 11 A4	VAR RT 06/15/2049 DD 07/01/07	1,690,000	1,193,529
JP MORGAN CHASE 07-LD11 CL AM	VAR RT 06/15/2049 DD 07/01/07	1,745,000	807,935
J P MORGAN CHASE 07 CIBC20 A-4	VAR RT 02/12/2051 DD 09/01/07	375,000	272,498
J P MORGAN 07-LDP12 CL A-SB	VAR RT 02/15/2051 DD 08/01/07	1,285,000	935,480
J P MORGAN 07 LDP12 CL CL A-M	VAR RT 02/15/2051 DD 08/01/07	1,630,000	765,432
JP MORGAN MORTGAGE TRUST	5.775% 07/27/2037 DD 08/01/08	794,834	676,051
KROGER CO NT	6.800% 04/01/2011 DD 05/11/01	890,000	918,934

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LB UBS COML MTG 07-C6 CL A-2	5.845% 07/15/2040 DD 08/11/07	460,000	349,821
LB UBS COML MTG 07 C6 CL A-4	VAR RT 07/17/2040 DD 08/11/07	430,000	305,954
LB UBS COML MTG 07-C6 CL A-M	VAR RT 07/15/2040 DD 08/11/07	1,240,000	583,098
MEDCO HEALTH SOLUTIONS INC NT	6.125% 03/15/2013 DD 03/18/08	1,135,000	1,058,388
MERRILL LYNCH & CO MTN TR00432	5.450% 07/15/2014 DD 07/19/04	760,000	751,275
METROPOLITAN LIFE GLOBAL 144A	5.125% 04/10/2013 DD 04/10/08	1,545,000	1,439,569
MIAMI-DADE CNTY FLA EDL FACS	6.100% 04/01/2015 DD 05/08/08	1,220,000	1,223,855
MILLER BREWING CO GTD NT 144A	5.500% 08/15/2013 DD 08/13/03	745,000	694,623
ML-CFC COML MTG 2007-9 CL A-SB	5.644% 09/12/2049 DD 11/01/07	1,450,000	1,150,387
MORGAN STANLEY GLOBAL MEDIUM	6.625% 04/01/2018 DD 04/01/08	1,180,000	1,035,202
MORGAN STANLEY SR NT	6.000% 04/28/2015 DD 04/28/08	1,835,000	1,583,110
MORGAN STANLEY 06-8AR CL 5A2	VAR RT 06/25/2036 DD 05/01/06	515,745	406,912
MORGAN STANLEY 07-IQ14 CL A-2	5.610% 04/15/2049 DD 05/01/07	2,070,000	1,802,370
MORGAN STANLEY 07-1 CL A-AB	VAR RT 04/15/2049 DD 05/01/07	2,300,000	1,968,363
MORGAN STANLEY CAP 07-HQ12 A5	VAR RT 04/12/2049 DD 07/01/07	1,470,000	1,093,327
MORGAN STANLEY CAP 07-IQ15 A-4	VAR RT 06/11/2049 DD 08/01/07	75,000	55,565
NYSE EURONEXT NT	4.800% 06/28/2013 DD 05/29/08	1,080,000	1,047,546
NATIONAL AUSTRALIA BK LTD 144A	5.350% 06/12/2013 DD 06/12/08	505,000	486,724
NATIONAL RURAL UTILS COOP FIN	10.375% 11/01/2018 DD 10/30/08	1,620,000	1,896,064
NEW JERSEY ECONOMIC DEV AUTH	6.500% 11/01/2014 DD 05/15/08	645,000	707,262
NEW YORK LIFE GLOBAL FDG 144A	4.650% 05/09/2013 DD 05/09/08	1,135,000	1,096,762
NEW YORK ST ELEC & GAS NT 144A	6.150% 12/15/2017 DD 12/04/07	2,015,000	1,833,852
NORANDA INC NT	7.250% 07/15/2012 DD 06/24/02	860,000	677,207
NORAND INC NT	6.000% 10/15/2015 DD 09/29/03	150,000	115,642
NORTH CAROLINA EASTN MUN PWR	6.217% 01/01/2017 DD 05/20/08	1,220,000	1,228,918
NUCOR CORP NT	5.000% 12/01/2012 DD 12/03/07	348,000	339,693
OIL INS LTD PRD SER A 144A	VAR RT 112/31/2049 DD 06/22/06	715,000	269,162
OMNICOM GROUP INC ZERO YIELD	0.000% 07/31/2032 DD 03/06/02	491,000	468,291
PNC PFD FDG TR III FXD 144A	VAR RT 02/19/2049 DD 02/19/08	400,000	295,676
PPL ENERGY SUPPLY LLC SR NT	6.500% 05/01/2018 DD 03/14/08	710,000	576,286
PPL CAP FDG INC 2007 SER A	VAR RT 03/30/2067 DD 03/20/07	705,000	310,200
PACIFIC GAS & ELEC CO SR NT	6.250% 12/01/2013 DD 11/18/08	1,645,000	1,701,062
PIEDMONT MUN PWR AGY S C ELEC	5.730% 01/01/2014 DD 05/22/08	1,030,000	1,092,150
PITTSBURG CALIF REDEV AGY TAX	5.115% 09/01/2016 DD 12/14/06	900,000	867,096
RIO TINTO FIN USA LTD NT	6.500% 07/15/2018 DD 06/27/08	1,615,000	1,184,070
ROCKIES EXPRESS PIPELINE 144A	6.850% 07/15/2018 DD 06/27/08	1,485,000	1,370,744
ROYAL BK SCOTLAND GROUP 144A	VAR RT 10/29/2049 DD 10/04/07	525,000	245,459
STARM MTG LN 07 4 CL 3A1	VAR RT 09/01/2037 DD 09/01/07	1,336,133	871,065
SABMILLER PLC NT 144A	5.700% 01/15/2014 DD 07/17/08	1,970,000	1,816,320
SEMPRA ENERGY NT	9.800% 02/15/2019 DD 11/20/08	905,000	1,009,672
SEQUOIA MTG TR 07-3 CL 2B-A1	VAR RT 07/20/2037 DD 07/01/07	176,341	106,388

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SEQUOIA MTG TR 07-3 CL 2C-A1	VAR RT 07/20/2037 DD 07/01/07	163,208	100,103
SOUTHWESTERN PUB SVC CO SER G	8.750% 12/01/2018 DD 11/19/08	970,000	1,067,825
SPRINT CAP CORP	6.375% 05/01/2009 DD 05/06/99	750,000	745,313
STANDARD CHARTERED BK SUB NT	6.400% 09/26/2017 DD 09/26/07	415,000	345,168
STRUCTURED ADJ RATE 05-22 1A4	VAR RT 12/25/2035 DD 11/01/05	2,343,000	548,098
STRUCTURED ASSET 2003-20 1A1	5.500% 07/25/2033 DD 06/01/03	1,374,959	1,358,652
STRUCTURED ASSET 03-24A CL 3A2	VAR RT 07/25/2033 DD 07/01/03	1,051,043	968,305
SYMETRA FINL CORP CAP 144A	VAR RT 10/15/2037 DD 10/10/07	325,000	162,500
TCI COMMUN INC	8.750% 08/01/2015 DD 08/01/95	1,200,000	1,277,352
TNK BP FIN S A SR MTN 144A	7.500% 03/13/2013 DD 10/10/07	250,000	155,000
TNK BP S A SR MTN 144A	7.875% 03/13/2018 DD 10/10/07	125,000	62,500
TELE COMMUNICATIONS INC DEB	7.875% 08/01/2013 DD 08/03/93	1,710,000	1,758,256
TELECOM ITALIA CAP GTD SR NT B	5.250% 11/15/2013 DD 05/15/04	1,130,000	861,625
TELECOM ITALIA CAP GTD SR NT	4.875% 10/01/2010 DD 09/28/05	300,000	271,500
TEXAS GAS TRANSMISSION 144A	5.500% 04/01/2013 DD 03/27/08	1,355,000	1,177,847
TIME WARNER COS INC JJ13	9.125% 01/15/2013 DD 01/19/93	1,105,000	1,095,066
TIME WARNER INC NEW NT	5.500% 11/15/2011 DD 11/13/06	159,000	149,398
TIME WARNER CABLE INC NT	6.750% 07/01/2018 DD 06/19/08	1,080,000	1,039,835
TIME WARNER CABLE INC NT	8.750% 02/14/2019 DD 11/18/08	1,265,000	1,375,485
TRANSCANADA PIPELINES LTD JR	VAR RT 05/15/2067 DD 05/03/07	700,000	312,893
TRIAD AUTO RECEIVABLES 06-A A4	4.880% 04/12/2013 DD 01/26/06	3,635,000	3,246,237
21ST CENTY INS GROUP 144A	5.900% 12/15/2013 DD 06/15/04	225,000	153,592
TYCO ELECTRONICS GROUP S A GTD	6.000% 10/01/2012 DD 04/01/08	690,000	622,449
UB BK NATL ASSN MTN #TR00230	4.950% 10/30/2014 DD 10/14/04	1,000,000	1,011,550
UNION ELEC CO SR SECD NT	6.400% 06/15/2017 DD 06/15/07	1,500,000	1,367,475
U S TREASURY NOTES	4.875% 04/30/2011 DD 04/30/06	9,919,000	10,877,572
U S TREASURY NOTES	5.125% 05/15/2016 DD 05/15/06	3,355,000	4,063,475
U S TREASURY NOTES	1.500% 10/31/2010 DD 10/31/08	800,000	812,188
U S TREASURY NOTE	2.750% 10/31/2013 DD 10/31/08	1,227,000	1,304,841
U S TREASURY NOTE	3.750% 11/15/2018 DD 11/15/08	14,911,000	16,884,396
U S TREASURY NOTE	1.250% 11/30/2010 DD 11/30/08	595,000	601,578
U S TREASURY NOTE	2.000% 11/30/2013 DD 11/30/08	8,722,000	8,950,953
U S TREASURY NOTES	0.875% 12/31/2010 DD 12/31/08	4,930,000	4,942,325
U S TREASURY NOTES	1.500% 12/31/2013 DD 12/31/08	4,730,000	4,720,753
UNITEDHEALTH GROUP INC SR NT	4.875% 02/15/2013 DD 02/07/08	355,000	331,435
VERIZON WIRELESS CAP LLC NT	8.500% 11/15/2018 DD 11/21/08	2,460,000	2,882,333
VIACOM INC SR NT	6.250% 04/30/2016 DD 04/12/06	1,220,000	1,011,246
WAMU MTG PASS THRU 05-AR12 1A6	VAR RT 10/25/2035 DD 08/01/05	1,390,000	613,629
WAMU MTG 2005 AR18 CL1 A3A	VAR RT 01/25/2036 DD 12/01/05	2,190,000	993,428
WAMU MTG P/T CTFS 06-AR16 2-A2	VAR RT 12/25/2036 DD 11/01/06	1,182,860	683,705
WAMU MTG P/T 2006-AR16 2-A2	VAR RT 12/25/2036 DD 11/01/06	1,040,000	301,631

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WAMU MTG P/T SER 07-HY1 VL 3A3	VAR RT 02/25/2037 DD 01/01/07	1,425,000	599,327
WAMU MTG P/T SER 07-HY2 CL 1A1	VAR RT 12/25/2036 DD 02/01/07	1,480,764	849,840
WPS RES CORP JR SUB NT	6.110% 12/01/2066 DD 12/01/06	370,000	177,600
WFMBBS SER 08-1R P/T A1 144A	VAR RT 06/26/2035 DD 08/01/08	2,428,193	2,135,292
WACHOVIA AUTO OWNER 06 A A-4	5.380% 03/20/2013 DD 06/23/06	1,260,000	1,157,852
WACHOVIA BK SER 07-C32 CL A-2	VAR RT 06/15/2049 DD 06/01/07	430,000	379,961
WACHOVIA BK SER 07-C32 CL A-PB	VAR RT 06/15/2049 DD 06/01/07	1,190,000	1,020,925
WAMU MTG P/T CTFS 06-AR8 1-A3	VAR RT 08/25/2046 DD 07/01/06	1,345,000	397,084
WAMU MTG P/T SER 06-AR14 1-A3	VAR RT 11/25/2036 DD 10/01/06	593,000	239,631
WAMU MTG P/T SER 07-HY3 CL 4A1	VAR RT 03/25/2037 DD 02/01/07	1,751,544	1,029,680
WAMU MTG P/T 06-AR18 CL 1A1	VAR RT 01/25/2037 DD 12/01/06	1,569,107	836,302
WAMU MTG P/T 07-HY7 CL 4-A1	VAR RT 07/25/2037 DD 06/01/07	280,056	171,262
WEATHERFORD INTL LTD GTD SR NT	5.150% 03/15/2013 DD 03/25/08	245,000	215,740
WELLS FARGO 05-AR16 CL IVA2	VAR RT 10/25/2035 DD 09/01/05	1,395,000	602,473
WELLS FARGO MTG BKD 06-AR2 2A5	VAR RT 03/25/2036 DD 02/01/06	1,901,879	1,151,131
WELLS FARGO MTG 06-AR8 CL 3A2	VAR RT 04/25/2036 DD 04/01/06	481,000	185,459
WELLS FARGO MBS 06-AR10 IV-A-1	VAR RT 07/25/2036 DD 06/01/06	1,317,142	744,106
WELLS FARGO MBS 06 AR11 A6	VAR RT 08/25/2036 DD 07/01/06	1,790,000	775,303
WELLS FARGO MTG 06-AR17 CL A1	VAR RT 10/25/2036 DD 09/01/06	489,492	252,779
WELLS FARGO MTG 07 13 CL A-9	6.000% 09/25/2037 DD 08/01/07	684,424	396,541
WISCONSIN ENERGY CORP	VAR RT 05/15/2067 DD 05/11/07	1,135,000	561,825
WORRI KOREA HYBRID I 144A	VAR RT 05/02/2037 DD 05/02/07	420,000	167,517
XTO ENERGY INC SR NT	6.500% 12/15/2018 DD 08/07/08	1,005,000	972,860
XEROX CORP SR NT	6.875% 08/15/2011 DD 08/10/04	450,000	388,985
XEROX CORP SR NT	6.350% 05/15/2018 DD 04/28/08	1,025,000	801,642
XSTRATA FIN CDA LTD GTD 144A	5.500% 11/16/2011 DD 11/15/06	2,090,000	1,633,022
ZFS FIN USA TR V SER V 144A	VAR RT 05/09/2037 DD 05/09/07	1,000,000	410,000
COMMIT TO PUR FNMA	4.500% 01/01/2024 DD 01/01/09	2,050,000	2,094,844
COMMIT TO PUR FNMA SF MTG	5.000% 01/01/2039 DD 01/01/09	1,095,000	1,117,927
COMMIT TO PUR FNMA SF MTG	5.000% 01/01/2024 DD 01/01/09	4,000,000	4,105,000
COMMIT TO PUR FHLMC GOLD SFM	5.500% 01/01/2039 DD 01/01/09	4,810,000	4,922,737
COMMIT TO PUR FNMA SF MTG	6.500% 01/01/2039 DD 01/01/09	5,300,000	5,503,721
ABERDEEN INTL FIXED INCOME LLC	ABERDEEN INTL FIXED INCOME LLC	231,943	2,514,145
ABERDEEN EMERGING DEBT FUND	ABERDEEN EMERGING DEBT FUND LLC	1,288,594	10,781,539
ABERDEEN HIGH YIELD FIXED	ABERDEEN HIGH YIELD FIXED INCOME FUND LLC	2,546,459	19,196,229
TOTAL ABERDEEN ASSET MANAGEMENT			382,602,205
MANAGED BY WESTERN ASSET MANAGEMENT			
DREYFUS TREASURY CASH MGMT	VAR RT 12/31/2049 DD 04/09/97	27,512,927	27,512,927
BNY MELLON DEPOSIT ACCOUNT	0.550% 12/31/2049 DD 06/26/97	1,335,287	1,335,287
FUTURES CASH COLLATERAL MARGIN	USD	400,002	400,002

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SWAP COLLATERAL		1,300,000	1,300,000
MUFG CAP FIN 1 LTD USD	VAR RT 07/29/2049 DD 03/17/06	1,170,000	815,162
TNK-BP FINANCE SA MTN	6.875% 18-JUL-2011 USD	1,130,000	805,882
AES CRP SR NT 144A	8.000% 06/01/2020 DD 05/19/08	1,690,000	1,309,750
AOL TIME WARNER INC NT	6.875% 05/01/2012 DD 04/08/02	1,700,000	1,633,190
AT&T CORP SR NT	STEP 11/15/2011 DD 05/15/02	647,000	672,214
AT&T WIRELESS SVCS INC SR NT	8.125% 05/01/2012 DD 04/16/02	895,000	959,771
AGFC CAP TR I TR PFD SECS 144A	VAR RT 01/15/2067 DD 01/22/07	2,870,000	685,500
AIFUL CORP SR NT 144A	5.000% 08/10/2010 DD 08/10/05	2,200,000	866,712
COMMIT TO PUR FNMA SF MTG	5.000% 01/01/2039 DD 01/01/09	16,700,000	17,049,698
ALCOA INC NT	6.000% 07/15/2013 DD 07/15/08	870,000	786,637
COMMIT TO PUR FHLMC GOLD SFM	5.500% 01/01/2039 DD 01/01/09	2,400,000	2,456,256
ALLSTATE LIFE GLOBAL FDG SECD	5.375% 04/30/2013 DD 04/30/08	1,300,000	1,279,720
ALTRIA GROUP INC NT	9.700% 11/10/2018 DD 11/10/08	1,370,000	1,480,737
AMERADA HESS CORP NT	6.650% 08/15/2011 DD 08/15/01	2,200,000	2,199,120
AMERICA MOVIL S A B DE C V GTD	5.625% 11/15/2017 DD 10/30/07	430,000	382,283
AMERICAN EXPRESS CO SUB DEB	VAR RT 09/01/2066 DD 08/01/06	2,730,000	1,413,185
AMERICAN INTL GROUP INC MEDIUM	5.850% 01/16/2018 DD 12/12/07	160,000	107,246
AMERICAN INTL GROUP INC 144A	8.250% 08/15/2018 DD 08/18/08	400,000	292,768
AMERIPRISE FINL INC SR NT	5.350% 11/15/2010 DD 11/23/05	635,000	572,224
ANADARKO PETE CORP SR NT	5.950% 09/15/2016 DD 09/19/06	1,370,000	1,210,135
APPALACHIAN PWR CO SR NT SER J	4.400% 06/01/2010 DD 06/07/05	845,000	826,866
BAC CAP TR XIV PFD HYBRID NT	VAR RT 12/31/2049 DD 02/16/07	30,000	12,020
BP CAP MKTS PLC GTD NT	5.250% 11/07/2013 DD 11/07/08	860,000	897,788
BANK OF AMERICA CORP SER K	VAR RT 12/29/2049 DD 01/30/08	750,000	539,468
BARCLAYS BK PLC SUB HYBRID TIE	VAR RT 09/29/2049 DD 09/25/07	150,000	75,837
BARCLAYS BK PLC PERPETUAL 144A	VAR RT 04/29/2049 DD 04/25/08	600,000	396,756
BEAR STEARNS COS INC SR GLOBAL	7.250% 02/01/2018 DD 02/01/08	3,770,000	4,162,796
BEAVER VY II FDG CORP SECD LSE	9.000% 06/01/2017 DD 04/15/92	1,894,000	1,775,606
BOTTLING GROUP LLC SR NT	6.950% 03/15/2014 DD 10/24/08	850,000	922,939
BRITISH TELECOMMUNICATIONS NT	VAR RT 12/15/2010 DD 12/12/00	2,200,000	2,263,140
CVS CAREMARK CORP SR NT	5.750% 06/01/2017 DD 05/25/07	300,000	282,441
CWALT INC 2005-56 CL 1A1	VAR RT 11/25/2035 DD 09/29/05	2,816,347	1,313,488
CAPMARK FINL GROUP INC SR NT	5.875% 05/10/2012 DD 11/10/07	2,200,000	750,178
CITIGROUP INC SUB NT	5.000% 09/15/2014 DD 09/16/04	1,370,000	1,205,025
CITIGROUP INC DEP SHS REPSTG	VAR RT 04/29/2049 DD 04/28/08	1,940,000	1,280,963
CMA CGM S A SR NT 144A	7.250% 02/01/2013 DD 02/10/06	1,200,000	540,000
COMCAST CORP NEW GTD NT	5.900% 03/15/2016 DD 03/02/06	2,200,000	2,094,345
COMCAST CORP NEW NTS	6.500% 01/15/2017 DD 07/14/06	60,000	59,263
CONOCOPHILLIPS GTD NT	5.200% 05/15/2018 DD 05/08/08	1,460,000	1,420,901
COUNTRYWIDE FINL CORP MEDIUM	5.800% 06/07/2012 DD 06/07/07	1,300,000	1,267,045

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DAIMLERCHRYSLER N A HLDG SR NT	6.500% 11/15/2013 DD 11/06/03	1,200,000	948,000
DELEK & AVNER YAM TETHYS 144A	5.326% 08/01/2013 DD 03/09/05	640,956	646,282
DEVON FING CORP ULC NT	6.875% 09/30/2011 DD 10/03/01	60,000	60,550
DIAGEO CAP PLC GTD NT	7.375% 01/15/2014 DD 10/21/08	1,670,000	1,778,968
WALT DISNEY COMPANY	5.700% 07/15/2011 DD 07/18/06	1,875,000	1,989,338
DOMINION RES INC VA NEW SR NT	8.875% 01/15/2019 DD 12/01/08	1,800,000	1,941,102
DOW CHEM CO NT	6.000% 10/01/2012 DD 08/29/02	1,700,000	1,642,268
DOW CHEM CO SR NT	5.700% 05/15/2018 DD 05/06/08	350,000	310,944
ESI TRACTEBEL ACQUISITION CORP	7.990% 12/30/2011 DD 06/30/98	843,000	780,070
EL PASO NAT GAS CO SR NT	5.950% 04/15/2017 DD 10/15/07	2,600,000	2,066,012
EMBARQ CORP NT	7.082% 06/01/2016 DD 05/17/06	1,300,000	1,001,000
ENBRIDGE ENERGY PARTNERS LP	9.875% 03/01/2019 DD 12/22/08	430,000	432,761
ENERGY FUTURE HLDGS CORP 144A	10.875% 11/01/2017 DD 10/31/07	160,000	113,600
ENERGY FUTURE HLDGS CORP 144A	11.250% 11/01/2017 DD 10/31/07	4,280,000	2,075,800
ENERGY TRANSFER PARTNERS L P	9.700% 03/15/2019 DD 12/23/08	560,000	577,030
ENTERPRISE PRODS OPER LP	6.375% 02/01/2013 DD 01/22/03	400,000	370,588
ENTERPRISE PRODS OPER LP SR NT	5.600% 10/15/2014 DD 10/04/04	500,000	424,220
EVRAZ GROUP S A NT 144A	8.875% 04/24/2013 DD 04/24/08	970,000	494,700
EXELON CORP SR NT	6.750% 05/01/2011 DD 05/08/01	1,300,000	1,268,761
FNMA POOL #0735580	5.000% 06/01/2035 DD 05/01/05	3,161,804	3,242,936
FORD MTR CO DEL GBL LANDMARK	7.450% 07/16/2031 DD 07/16/99	400,000	112,000
FORD MTR CR CO NT	VAR RT 01/13/2012 DD 12/18/06	4,300,000	2,795,000
FRANCE TELECOM SA NT	STEP 03/01/2011 DD 09/01/01	1,300,000	1,367,990
GMAC LLC SUB NT 144A	8.000% 12/31/2018 DD 12/31/08	156,000	80,361
GMAC LLC NT	7.500% 12/31/2013 DD 12/31/08	590,000	439,632
GMAC LLC SR GTD NT	6.750% 12/01/2014 DD 12/31/08	614,000	421,830
GMAC LLC SR GTD NTS 144A	6.000% 12/15/2011 DD 12/31/08	1,013,000	819,456
GAZ CAP SA LUXEMBOURG 144A	6.212% 11/22/2016 DD 11/22/06	320,000	211,200
GEN ELEC CAP CORP MTN TR 00804	VAR RT 11/15/2067 DD 11/15/07	1,900,000	1,194,283
GENERAL ELEC CAP CORP MEDIUM	5.625% 05/01/2018 DD 04/21/08	1,280,000	1,289,280
GENERAL MTRS CORP SR DEB	8.375% 07/15/2033 DD 07/03/03	1,000,000	175,000
GENWORTH LIFE INSTL FDG TR	5.875% 05/03/2013 DD 05/06/08	860,000	643,160
GLAXOSMITHKLINE CAP INC GTD NT	5.650% 05/15/2018 DD 05/13/08	1,120,000	1,176,370
GLEN MEADOWS PASS THROUGH 144A	VAR RT 02/12/2067 DD 02/12/07	1,600,000	715,344
GLITNIR BANKI HF MTN 144A	VAR RT 01/18/2012 DD 01/18/07	700,000	33,250
GLITNIR BANKI HF NON CUM 144A	VAR RT 09/14/2049 DD 09/14/06	1,850,000	278
GOLDMAN SACHS GROUP INC SUB NT	5.625% 01/15/2017 DD 01/10/07	825,000	708,741
GOLDMAN SACHS CAPITAL II	VAR RT 12/29/2049 DD 05/15/07	5,940,000	2,283,455
HSBC BK PLC GLOBAL MTN 144A	VAR RT 08/20/2012 DD 08/21/07	2,250,000	2,250,000
HEALTH CARE REIT INC NT	6.200% 06/01/2016 DD 12/02/05	860,000	490,991
HORACE MANN EDUCATORS CORP NEW	6.850% 04/15/2016 DD 04/21/06	485,000	500,927

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HOSPIRA INC NT	5.550% 03/30/2012 DD 03/23/07	1,000,000	947,470
ILFC CAPITAL TR I ENHANCED CAP	VAR RT 12/21/2065 DD 12/21/05	170,000	54,487
ISTAR FINL INC SR NT	5.950% 10/15/2013 DD 09/22/06	1,300,000	409,500
ISTAR FINL INC SR NT	5.500% 06/15/2012 DD 03/09/07	1,860,000	585,900
INDIANTOWN COGENERATIO L P	9.260% 12/15/2010 DD 11/22/94	310,656	283,576
INDYMAC INDA 07 AR7 CL 1-A-1	VAR RT 11/25/2037 DD 09/01/07	1,865,147	1,149,844
IPALCO ENTERPRISES INC SR SECD	VAR RT 11/14/2011 DD 11/14/01	295,000	275,825
JP MORGAN CHASE & CO GLOBAL NT	5.750% 01/02/2013 DD 11/25/02	400,000	405,820
JP MORGAN CHASE & CO GLOBAL NT	5.125% 09/15/2014 DD 09/15/04	1,000,000	969,080
JOHNSON & JOHNSON NT	5.550% 08/15/2017 DD 08/16/07	1,900,000	2,169,059
JPMORGAN CHASE CAP XXII GTD CA	6.450% 02/02/2037 DD 02/02/07	1,600,000	1,311,184
JPMORGAN CHASE & CO FDIC GTD	2.125% 06/22/2012 DD 12/22/08	4,830,000	4,850,141
KAUPTHING BK HF MTN 144A	7.625% 02/28/2015 DD 02/28/08	4,440,000	266,400
KAZMUNAIGAZ FIN SUB BV 144A	8.375% 07/02/2013 DD 07/02/08	1,110,000	865,800
KINDER MORGAN ENERGY PRTNS LP	6.000% 02/01/2017 DD 01/30/07	1,700,000	1,475,906
LANDSBANKI IS HF CAP NTS 144A	VAR RT 12/19/2049 DD 10/19/07	1,910,000	287
LEHMAN BROS HLDGS INC	VAR RT 05/29/2049 DD 05/17/07	160,000	16
LEHMAN BROS HLDGS INC DTD	VAR RT 12/31/2049 DD 05/17/07	3,880,000	388
MASHANTUCKET WESTERN 144A	5.912% 09/01/2021 DD 08/05/05	290,000	95,288
MAY DEPT STORES CO NT	5.750% 07/15/2014 DD 07/20/04	1,200,000	761,352
MERRILL LYNCH & CO INC MEDIUM	6.875% 04/25/2018 DD 04/25/08	930,000	972,808
MERRILL LYNCH & CO INC SUB NT	5.700% 05/02/2017 DD 05/02/07	1,300,000	1,151,748
METLIFE INC JR SUB DEB	VAR RT 12/15/2036 DD 12/21/06	40,000	24,000
METROPOLITAN LIFE GLOBAL 144A	5.125% 04/10/2013 DD 04/10/08	780,000	726,773
MIDAMERICAN ENERGY CO SR NT	5.650% 07/15/2012 DD 06/29/07	1,000,000	1,001,660
MORGAN STANLEY DW & CO NT	6.600% 04/01/2012 DD 04/03/02	1,700,000	1,615,000
NELNET INC NT	VAR RT 09/29/2036 DD 09/27/06	160,000	67,773
NELNET STUDENT LN TR 08-4 A4	VAR RT 04/25/2024 DD 05/20/08	750,000	607,598
NEWS AMER INC BD	5.300% 12/15/2014 DD 12/03/04	1,300,000	1,197,287
NEXTEL COMMUNICATIONS INC SR	6.875% 10/31/2013 DD 04/30/05	895,000	380,375
NEXTEL COMMUNICATIONS INC SR	5.950% 03/15/2014 DD 03/15/05	915,000	384,300
NOVA CHEMICALS CORP SR NT	6.500% 01/15/2012 DD 01/13/04	900,000	373,500
PEMEX PROJ FDG MASTER TR MTN	5.750% 03/01/2018 DD 10/22/07	2,690,000	2,373,925
PENNY J C CORP INC NT	8.000% 03/01/2010 DD 02/28/03	750,000	706,868
PHILIP MORRIS INTL INC NT	5.650% 05/16/2018 DD 05/16/08	2,000,000	1,982,660
QUEST DIAGNOSTICS INC SR NT	7.500% 07/12/2011 DD 06/27/01	1,300,000	1,403,311
QWEST CORP NT	7.500% 10/01/2014 DD 08/08/06	1,200,000	996,000
RSHB CAP S A LN PARTN NT 144A	6.299% 05/15/2017 DD 05/14/07	780,000	444,600
RESONA PFD GLOBAL SECS 144A	VAR RT 12/29/2049 DD 07/25/05	2,850,000	1,356,857
REYNOLDS AMERN INC SR SECD NT	7.250% 06/01/2013 DD 12/01/06	1,200,000	1,077,132
ROGERS CABLE INC SR SECD	5.500% 03/15/2014 DD 03/11/04	900,000	830,295

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SHORT AND INTERMEDIATE DURATION INVESTMENTS
DECEMBER 31, 2008 - UNAUDITED

SECURITY NAME	SECURITY DESCRIPTION	PAR/SHARES	MARKET VALUE
ROGERS CABLE INC SR SECD 2ND	6.750% 03/15/2015 DD 11/30/04	300,000	292,143
ROUSE CO LP SR NT 144A	6.750% 05/01/2013 DD 05/05/06	1,200,000	383,544
ROYAL KPN NV NT	8.000% 10/01/2010 DD 10/04/00	1,700,000	1,715,640
SBC COMMN INC GLOBAL NT	5.875% 08/15/2012 DD 08/19/02	500,000	510,170
SLM CORP MTN # TR 00104	8.450% 06/15/2018 DD 06/18/08	2,190,000	1,731,458
SAFEWAY INC NT	6.500% 03/01/2011 DD 03/05/01	1,000,000	1,002,940
SHAW COMMUNICATIONS INC SR NT	8.250% 04/11/2010 DD 04/11/00	899,000	885,515
SHINSEI FIN CAYMAN LTD 144A	VAR RT 01/29/2049 DD 02/23/06	2,930,000	547,265
SPRINT CAP CORP NT	8.375% 03/15/2012 DD 03/14/02	1,300,000	1,040,000
SUNTRUST CAP VIII GTD TR PFD	VAR RT 12/15/2036 DD 12/06/06	50,000	35,201
TNK BP FIN S A SR MTN 144A	7.500% 03/13/2013 DD 10/10/07	460,000	285,200
TELECOM ITALIA CAP GTD SR NT	6.999% 06/04/2018 DD 06/04/08	2,300,000	1,865,875
TRAVELERS COS INC JR SUB DEB	VAR RT 03/15/2037 DD 03/12/07	30,000	19,651
TYCO INTL GROUP S A NT	6.000% 11/15/2013 DD 11/12/03	70,000	65,682
UNITED PARCEL SVC INC	4.500% 01/15/2013 DD 01/15/08	860,000	887,124
U S TREASURY BONDS	08.875% 08/15/2017 DD 08/15/87	6,260,000	9,321,046
US TREAS-CPI INFLATION INDEX	2.375% 01/15/2027 DD 01/15/07	53,714	53,978
US TREAS-CPI INFLATION INDEX	1.750% 01/15/2028 DD 01/15/08	5,894,484	5,447,800
US TREAS-CPI INFLATION INDEX	2.000% 01/15/2014 DD 01/15/04	1,676,646	1,589,151
US TREAS-CPI INFLATION INDEX	2.500% 07/15/2016 DD 07/15/06	2,338,595	2,320,868
US TREAS-CPI INFLAT	2.625% 07/15/2017 DD 07/15/07	1,243,907	1,275,104
US TREAS-CPI INFLATION INDEX	1.375% 07/15/2018 DD 07/15/08	2,411,184	2,255,771
UNUMPROVIDENT FIN CO DEB 144A	6.850% 11/15/2015 DD 11/16/05	1,200,000	981,276
VIP FIN IRELAND NT CL B 144A	8.375% 04/30/2013 DD 04/30/08	820,000	524,800
VTB CAP SA LN PARTN SR 144A	VAR RT 11/02/2009 DD 10/31/07	1,160,000	1,055,600
VALE OVERSEAS LTD GTD NT	6.250% 01/23/2017 DD 11/21/06	2,290,000	2,159,012
VEDANTA RES PLC SR 144A	8.750% 01/15/2014 DD 07/02/08	550,000	330,000
VENTAS RLTY LTD PARTNERSHIP	6.625% 10/15/2014 DD 10/15/04	1,200,000	912,000
VERIZON COMMUNICATIONS INC NT	6.100% 04/15/2018 DD 04/04/08	800,000	797,112
VERIZON COMMUNICATIONS INC AQ	8.750% 11/01/2018 DD 11/04/08	1,330,000	1,560,383
VODAFONE GROUP PLC NEW NT	5.350% 02/27/2012 DD 02/27/07	1,000,000	987,250
WACHOVIA CAP TR III FIXED FLTG	VAR RT 03/15/2042 DD 02/01/06	5,340,000	3,150,600
WAL-MART STORES INC NT	4.250% 04/15/2013 DD 04/15/08	500,000	514,640
WASHINGTON MUT 06-A3 CL A3 144A	VAR RT 09/16/2013 DD 09/19/06	2,100,000	1,741,824
WASHINGTON REAL ESTATE INVT TR	5.950% 06/15/2011 DD 06/06/06	1,500,000	1,080,780
WASTE MGMT INC DEL SR NT	7.375% 08//01/2010 DD 02/09/01	1,300,000	1,317,407
WELLPOINT INC NT	5.875% 06/15/2017 DD 06/08/07	60,000	54,608
WELLS FARGO CAP X GTD CAP SECS	5.950% 12/15/2036 DD 12/05/06	2,940,000	2,519,727
WEYERHAUSER CO NTS	6.750% 03/15/2012 DD 09/15/02	920,000	823,538
XTO ENERGY INC SR NT	5.650% 04/01/2016 DD 03/30/06	1,700,000	1,559,699
XTO ENERGY INC SR NT	5.750% 12/15/2013 DD 08/07/08	1,090,000	1,058,096

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SHORT AND INTERMEDIATE DURATION INVESTMENTS
DECEMBER 31, 2008 - UNAUDITED**

SECURITY NAME	SECURITY DESCRIPTION	PAR/SHARES	MARKET VALUE
XEROX CORP SR NT	6.750% 02/01/2017 DD 08/18/06	1,200,000	870,756
ZFS FIN USA TR III PFD 144A	VAR RT 12/15/2065 DD 12/22/05	2,900,000	877,250
CDX SP UL NA.IG.HVOL.10_5YR	R 350BPS 2013 JUN 20	(13,920,048)	(13,920,048)
CDX_SP UL NA.IG.HVOL.10_5YR	R 350BPS 2013 JUN 20	13,920,048	12,617,424
WA FLTG RATE HI INCOME FD, LLC	WA FLTG RATE HI INCOME FD, LLC	344,199	3,008,296
WAMCO MBS PORTFOLIO, LLC	WAMCO MBS PORTFOLIO, LLC	16,059,877	171,005,567
WAMCO YANKEE PORTFOLIO LLC	WAMCO YANKEE PORTFOLIO LLC	61,584	572,235
WAMCO OPP LOC MKT DEBT SEC	WA OPP LOC MKT DEBT SEC PORTFOLIO	783,201	8,306,627
WAMCO OPPORTUNISTIC US\$ HY LLC	WAMCO OPPORTUNISTIC US\$ HY LLC	272,699	3,415,006
WAMCO OPPORTUNISTIC INTL INVEST GRADE LLC	WAMCO OPPORTUNISTIC INTL INVEST GRADE LLC	273,947	5,621,119
FREDDIE MAC FXD PFD SHS	DUE 12/31/49	52,225	20,368
FEDERAL NATL MTG ASSN PFD	SER S 8.25 6/22/12	37,475	31,104
GMAC LLC	9.00 12/31/49	367	110,100
US 10 YR TREAS NTS FUT MAR 09	CALL MAR 09 118.000 ED 2/20/09	(214)	(1,755,469)
US 10 YR TREAS NTS FUT MAR 09	PUT MAR 09 114.000 ED 02/20/09	(128)	(28,000)
US 10 YR TREAS NTS FUTURE (CBT	EXP MAR 09	300	-
US 10 YR TREAS NTS FUT MAR 09	CALL MAR 09 120.000 ED 2/20/09	(128)	(824,000)
US 10 YR TREAS NTS FUT MAR 09	PUT MAR 09 110.000 ED 02/20/09	(204)	(25,500)
90DAY EURODOLLAR FUTURE (CME)	EXP MAR 09	266	-
90DAY EURODOLLAR FUTURE (CME)	EXP JUN 09	53	-
90DAY EURODOLLAR FUTURE MAR 09	CALL MAR 09 098.250 ED 3/16/09	(287)	(520,188)
US 5YR TREAS NTS FUTURE MAR 09	CALL MAR 09 117.000 ED 2/20/09	(128)	(337,000)
US 5YR TREAS NTS FUTURE (CBT)	EXP MAR 09	17	-
US 2YR TREAS NTS FUT (CBT)	EXP MAR 09	67	-
TOTAL WESTERN ASSET MANAGEMENT			411,743,659
MANAGED BY VANGUARD			
VANGUARD INSTITUTIONAL INDEX FUND		1,439,331	118,802,393
MANAGED BY STANDISH MELLON			
ALLIED IRISH BKS DISC	COMMERCIAL PAPER 01/20/2009	3,000,000	2,998,763
BASF AKTIENGESELL DISC	COMMERCIAL PAPER 03/02/2009	2,000,000	1,997,256
BNP PARIBAS FIN DISC	COMMERCIAL PAPER 03/19/2009	2,000,000	1,984,667
BANK OF IRELAND DISC	COMMERCIAL PAPER 02/18/2009	2,000,000	1,994,524
BARTON CAP CORP DISC	COMMERCIAL PAPER 02/03/2009	3,000,000	2,998,775
CALYON N A INC DISC	COMMERCIAL PAPER 02/27/2009	4,000,000	3,993,051
CIESCO L P DISC	COMMERCIAL PAPER 01/23/2009	2,000,000	1,994,764
GEMINI SECR DISC	COMMERCIAL PAPER 01/15/2009	2,000,000	1,998,833
GOVCO INC DISC	COMMERCIAL PAPER 01/09/2009	1,000,000	999,847
GOVCO INC DISC	COMMERCIAL PAPER 02/23/2009	2,000,000	1,992,000
KITTYHAWK FDG DISC	COMMERCIAL PAPER 01/09/2009	2,000,000	1,999,694

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SHORT AND INTERMEDIATE DURATION INVESTMENTS
DECEMBER 31, 2008 - UNAUDITED

SECURITY NAME	SECURITY DESCRIPTION	PAR/SHARES	MARKET VALUE
MATCHPOINT MST TR DISC	COMMERCIAL PAPER 01/16/2009	3,000,000	2,999,300
ONTARIO PROV OF DISC	COMMERCIAL PAPER 03/11/2009	2,000,000	1,997,219
PACCAR FINL CORP DISC	COMMERCIAL PAPER 02/25/2009	2,000,000	1,993,356
RANGER FDG CO LLC DISC	COMMERCIAL PAPER 01/20/2009	2,000,000	1,999,542
RANGER FDG CO LLC DISC	COMMERCIAL PAPER 01/07/2009	2,000,000	1,999,511
SCOTIABANC INC DISC	COMMERCIAL PAPER 01/22/2009	3,000,000	2,999,500
SHEFFIELD REC CP DISC	COMMERCIAL PAPER 02/04/2009	2,000,000	1,994,083
SOCIETE GEN N A DISC	COMMERCIAL PAPER 03/18/2009	2,000,000	1,993,049
SWEDISH EXPT CC DISC	COMMERCIAL PAPER 06/09/2009	1,000,000	988,979
TOYOTA MTR CR CP DISC	COMMERCIAL PAPER 01/02/2009	2,000,000	1,995,375
UBS FIN DEL INC DISC	COMMERCIAL PAPER 01/22/2009	4,000,000	3,999,144
U S TREASURY BILL	0.000% 01/08/2009 DD 07/10/08	2,500,000	2,491,885
U S TREASURY BILL	0.000% 02/05/2009 DD 08/07/08	2,000,000	1,997,547
U S TREASURY BILL	0.000% 03/19/2009 DD 09/18/08	2,000,000	1,995,087
U S TREASURY BILL	0.000% 05/07/2009 DD 11/06/08	6,000,000	5,988,660
U S TREASURY BILL	DUE 06/04/2009 DD 06/05/08	6,000,000	5,982,583
GREENWH CAT 2 REPO	0.190% 01/02/2009 DD 12/31/08	8,010,424	8,010,424
BNP PARIBAS FIN REPO	0.240% 01/02/2009 DD 12/31/08	16,000,000	16,000,000
SALI CAT 2 REPO	0.140% 01/02/2009 DD 12/31/08	18,000,000	18,000,000
BZW CAT 2 REPO	0.240% 01/02/2009 DD 12/31/08	18,000,000	18,000,000
DEUT CAT 2 REPO REPO	0.160% 01/02/2009 DD 12/31/08	18,000,000	18,000,000
CS FOB CAT 2 REPO	0.290% 01/02/2009 DD 12/31/08	18,000,000	18,000,000
MERRILL LYNCH & CO	VAR RT 15-FEB-2011 USD50000	460,000	438,780
ROYAL BANK OF SCOTLAND	VAR RT 24-JUL-2014	665,000	577,506
SWEDBANK AB	VAR RT 30-APR-2015 USD50000	715,000	698,147
AUSTRALIA & NEW ZEALAND BK	VAR RT 28-APR-2015 USD1000	715,000	620,227
COMMONWEALTH BANK OF AUSTRALIA	VAR RT 28-SEPT-2016 USD	655,000	545,681
SOCIETE GENERALE	VAR RT 20-OCT-2016 USD50000	675,000	565,454
AVIVA	VAR RT 19-JUN-2017 USD	450,000	276,426
UBS AG JERSEY FRN	VAR RT 18-APR-2016 USD1000	715,000	568,425
WESTPAC BANKING CORP	VAR RT 27-JUL-2017 USD	655,000	533,085
BQE FEDERATIVE DU CRED.MUTUEL	VAR RT 27-SEPT-2016 USD	715,000	662,197
ING BANK	VAR RT 29-SEPT-2016 USD100000	715,000	580,644
ANZ NATL MTN 144A #TR00006	VAR RT 08/07/2009 DD 08/08/06	2,000,000	1,999,340
AMERICAN EXP CR CORP #TR00055	VAR RT 03/02/2009 DD 03/02/06	1,000,000	985,860
AMERICAN EXPRESS #TR00514	VAR RT 09/22/2009 DD 09/22/06	1,500,000	1,430,025
AMERICAN HONDA FIN MTN 144A	VAR RT 05/11/2010 DD 05/11/07	1,000,000	981,670
CITIGROUP FDG INC MTN SR00106	VAR RT 10/22/2009 DD 10/22/07	3,000,000	2,907,030
COMERICA BANK C/D	VAR RT 08/07/2009 DD 08/07/06	750,000	744,990
HEWLETT PACKARD CO GLOBAL NT	VAR RT 06/15/2010 DD 06/15/07	750,000	725,205
HONEYWELL INTL INC SR NT FLTG	VAR RT 07/27/2009 DD 07/27/07	1,000,000	994,050

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SHORT AND INTERMEDIATE DURATION INVESTMENTS
DECEMBER 31, 2008 - UNAUDITED**

SECURITY NAME	SECURITY DESCRIPTION	PAR/SHARES	MARKET VALUE
JP MORGAN CHASE & CO GBL	VAR RT 09/01/2015 DD 08/24/05	450,000	443,471
MASSMUTUAL GLOBAL MTN 144A	VAR RT 11/06/2009 DD 11/06/07	2,000,000	1,996,860
MERRILL LYNCH & CO INC	VAR RT 05/08/2009 DD 05/08/07	750,000	736,425
METROPOLITAN LIFE MTN 144A	VAR RT 08/13/2012 DD 08/12/05	465,000	355,237
MORGAN STANLEY SR NT	VAR RT 05/07/2010 DD 05/07/07	750,000	701,025
NATIONAL CITY BK CLEVELAND	VAR RT 06/18/2010 DD 04/19/05	460,000	430,827
NORDEA BANK FINLAND INSTL C/D	VAR RT 04/09/2009 DD 04/10/07	750,000	750,000
REGIONS FINL CORP NEW SR NT	VAR RT 06/26/2012 DD 06/26/07	470,000	378,562
ROYAL BK SCOTLAND GRP MTN 144A	VAR RT 08/21/2009 DD 08/21/07	1,000,000	994,080
SKANDINAVISKA ENSK INSTL C/D	VAR RT 02/13/2009 DD 02/14/07	750,000	750,000
WACHOVIA CORP GLOBAL MEDIUM	VAR RT 07/26/2010 DD 07/26/07	1,000,000	936,280
TOTAL STANDISH MELLON			<u>189,684,927</u>
MANAGED BY RIL			
EXIDE TECHNOLOGIES	WT 01/01/2011	1,213	303
EXIDE TECHNOLOGIES	COM NEW	485	2,566
CASH			6,290,000
TOTAL RIL			<u>6,292,869</u>
TOTAL			<u>\$ 1,566,395,626</u>

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SECURITIES MANAGED BY INVESTMENT MANAGERS
BY MAJOR CATEGORY - UNAUDITED
(Dollars in Millions)**

Category	December 31			
	2008	% total	2007	% total
Cash and money market funds	\$ 69.1	4.4	\$ 35.2	2.6
Short term investment fund (STIF Plus)	189.7	12.2	101.3	7.4
U.S. government, agencies and government sponsored entities	153.2	9.8	249.8	18.3
MBS - Agency	456.0	29.2	377.6	27.7
MBS - Non Agency	113.3	7.3	125.8	9.2
Corporate bonds - investment grade	324.8	20.8	255.1	18.7
Corporate bonds - below investment grade	68.0	4.4	68.0	5.0
Emerging market bonds	34.3	2.2	43.2	3.2
Asset-backed securities	25.4	1.6	25.6	1.9
Municipal bonds	7.6	0.5	3.6	0.3
Total fixed income	<u>1,441.3</u>	<u>92.4</u>	<u>1,285.3</u>	<u>94.2</u>
Equity index mutual fund (S&P 500)	<u>118.8</u>	<u>7.6</u>	<u>79.6</u>	<u>5.8</u>
Total securities managed by investment managers	<u>\$ 1,560.1</u>	<u>100.0</u>	<u>\$ 1,364.8</u>	<u>100.0</u>

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
INVESTMENTS IN AFFILIATES
DECEMBER 31, 2008 - UNAUDITED

(In thousands)

	Carrying Value
RCG International, Inc.	\$ 48,000
Reliance Ins. Co. - Canadian Branch	59,700
Reliance National (UK), Ltd	23,200
Reliance National Asia Re Pte, Ltd.	<u>7,000</u>
Investments in affiliates	<u><u>\$ 137,900</u></u>

Exhibit F

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
REINSURANCE RECEIVABLE
DECEMBER 31, 2008 - UNAUDITED

REINSURANCE COMPANY NAME

OFFSHORE MARINE INDEMNITY	\$8,946,530	
CLARENDON NATIONAL INS. CO	7,647,653	
MONUMENTAL LIFE INS. CO.	7,378,456	
REPUBLIC WESTERN INS CO.	7,266,048	
PHOENIX LIFE INS CO.	5,971,505	
CONTINENTAL CASUALTY CO	5,725,660	
U.S. LIFE INSURANCE COMPANY	5,228,881	
LLOYDS 79-1216/HURST	5,118,011	
ZURICH REINS. (NORTH AMER)	4,665,484	
WESTPORT INS. CO. (FKA ERC)	4,647,178	
LLOYDS 435/D P MANN	4,445,494	
LLOYDS 53/PLD DENIS	4,395,562	
GORDIAN RUN-OFF LTD.	3,874,076	
ACE INSURANCE SA NV.	2,880,817	
LLOYDS 2020 /WELLINGTON	2,437,499	
LLOYDS 205/HG JAGO	2,431,405	
MUNICH REINS AMERICA, INC	2,295,332	
HIH CASUALTY & GENERAL INS.	2,209,675	
GERLING GLOBAL RE CORP.	2,168,332	
CONN. GENERAL LIFE INS. CO	2,130,760	
LLOYDS 1007 /NOVAE SYND.	2,089,116	
CAL-SOUTHAMPTON REINS	2,024,603	
LLOYDS 219 /A J KENDRICK	2,016,255	
GEN RE LIFE CORPORATION	1,966,504	
HANNOVER RUCKVERSICHERUNG	1,822,857	
SWISS REINSURANCE AMERICA	1,794,523	
LLOYDS 340/JP TILLING	1,640,405	
LLOYDS 1212 /S J BURNSHOPE	1,635,368	
MINSTER INSURANCE CO. LTD	1,546,871	
CSC ASSURANCE LTD	1,451,226	
FOLKSAMERICA REINSURANCE	1,426,701	
LLOYDS 314 /C F PALMER	1,408,328	
ZURICH SPECIALTIES LONDON	1,360,381	
EVEREST REINSURANCE CO	1,318,418	
FREMONT INDEMNITY CO.	1,312,263	
HARTFORD FIRE INSURANCE CO	1,278,449	
UNDERWRITERS AT LLOYDS	1,206,910	
COTERIE INSURANCE, LTD.	1,175,912	
PAN-AMERICAN LIFE INSURAN	1,170,133	
LINCOLN NAT. LIFE INS CO	1,117,529	
CORNHILL INSURANCE PLC	1,093,168	
AXA RE	1,091,196	
LLOYDS 183/R LONG	1,086,763	
TRENWICK AMERICA REINS.	1,080,715	
LLOYDS 376 /ALLEGHANY SYND	1,044,079	
MARKEL INTERNATIONAL INS	1,042,877	
ODYSSEY REINSURANCE CORP.	1,029,153	
TOTAL RECEIVABLES OVER ONE MILLION DOLLARS	130,095,060	79%
RECEIVABLES UNDER ONE MILLION DOLLARS	34,097,169	21%
TOTAL REINSURANCE RECEIVABLES	\$ 164,192,229	100%

Exhibit G

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
OPERATING EXPENSES - UNAUDITED
ANNUAL BUDGET / HISTORICAL COMPARISON REPORT
(In Millions)

	2009 Budget	2008 Actual	2007 Actual	2006 Actual	2005 Actual	2004 Actual	2003 Actual	15 Months Ended Dec. 31, 2002 Actual
Salaries								
Regular Salaries	\$ 25.2	\$ 28.3	\$ 30.3	\$ 31.4	\$ 32.4	\$ 35.4	\$ 36.6	\$ 45.9
Performance-Retention Incentives	6.4	6.8	7.2	7.0	7.3	8.0	7.5	4.8
Severance	1.9	1.6	1.7	1.7	1.5	2.5	2.3	3.4
Total Salaries	33.4	36.7	39.2	40.1	41.2	45.9	46.4	54.1
Employee Benefits								
Health and Disability Benefits	2.1	2.1	2.2	2.0	2.1	2.3	2.4	4.0
SIP - Contributions and Fees	2.9	2.1	2.4	2.2	2.2	2.2	1.9	.9
Other Benefits	.0	.0	.1	.0	.1	.2	.3	.1
Total Employee Benefits	5.0	4.3	4.6	4.3	4.3	4.7	4.7	5.0
Payroll Taxes	2.0	2.2	2.3	2.4	2.5	2.9	2.9	3.3
Total Salaries, Benefits and Taxes	40.4	43.2	46.1	46.8	48.0	53.5	54.0	62.4
IT Services	8.4	8.6	9.7	11.2	15.7	14.3	19.2	20.9
Legal Fees	2.6	5.1	9.6	7.6	10.4	18.5	13.0	20.6
Professional and Other Services	6.5	7.2	7.4	9.7	10.0	10.5	17.7	45.0
Rent								
Corporate Home Office	2.3	2.3	2.6	2.6	4.2	6.0	7.0	10.3
Field and other Rent					-	-	(.1)	1.2
Record Archiving Services	1.1	.8	.7	.7	.7	.6	.7	.9
Other Rent Items	.1	.1	.1	.5	.1	.5	.1	.6
Total Rent	3.4	3.2	3.4	3.9	5.0	7.1	7.7	12.9
Equipment								
Computer Equipment	.4	1.0	.3	.1	.9	1.4	1.2	1.5
Office Machine Rent & Repair	.0	.0	.0	.1	.1	.1	.2	.4
Data Processing Software	.7	.9	.4	.4	2.0	2.5	2.8	4.8
Other Equipment					.0	.0	1.6	.1
Total Equipment	1.2	1.9	.6	.6	3.1	4.1	5.8	6.8

SEE NOTES TO THE SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, CHANGES IN POLICYHOLDERS' SURPLUS AND CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS.

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
OPERATING EXPENSES - UNAUDITED
ANNUAL BUDGET / HISTORICAL COMPARISON REPORT
(In Millions)

	2009 Budget	2008 Actual	2007 Actual	2006 Actual	2005 Actual	2004 Actual	2003 Actual	15 Months Ended Dec. 31, 2002 Actual
Other Operating								
Travel	.2	.2	.2	.2	.2	.2	.3	.2
Professional Dues & Conferences	.0	.0	.0	.0	.1	.0	.0	.0
Insurance	1.0	.7	1.0	1.1	.9	1.8	.3	5.2
Voice and Data Communication	.2	.3	.2	.3	.7	.6	1.2	2.4
Supplies and Subscriptions	.2	.2	.2	.3	.3	.4	.5	.9
Postage, Freight & Express	.1	.2	.1	.1	.1	.2	.2	.7
Proof of Claims Mailing					-	-	.3	1.5
Bank Charges	.1	.1	.1	.1	.0	.2	.3	.5
Real Estate	.0	.0	.1	.1	.8	.7	.7	3.4
Taxes, BBA and Other	.3	.0	.0	.1	-	-	.9	4.9
Total Other Operating	2.2	1.7	2.1	2.3	3.1	4.2	4.6	19.5
Subtotal	64.7	71.0	78.9	82.0	95.3	112.2	122.1	188.2
Guaranty Association Expenses	33.0	11.7	13.8	38.8	34.4	65.1	37.7	.9
Total Operating Expenses	\$ 97.7	\$ 82.7	\$ 92.7	\$ 120.8	\$ 129.7	\$ 177.3	\$ 159.8	\$ 189.1

SEE NOTES TO THE SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, CHANGES IN POLICYHOLDERS' SURPLUS AND CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS.

Exhibit H

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
OPERATING EXPENSE ANALYSIS - UNAUDITED

	Year to Date December 2008		Actual to Budget Variance	%	Change	Year to Date December 2007		Variance to Prior Year	%	Change
	Actual	Budget				Actual				
Salaries										
Regular Salaries	\$28,299,280	\$28,210,838	\$88,442	0.31%		\$30,325,249	(\$2,025,969)	-6.68%		
Performance-Retention Incentives	6,821,080	6,839,047	(17,967)	-0.26%		7,194,165	(373,085)	-5.19%		
Severance	1,599,352	1,765,738	(166,386)	-9.42%		1,676,078	(76,726)	-4.58%		
Total Salaries	36,719,712	36,815,623	(95,911)	-0.26%		39,195,492	(2,475,780)	-6.32%		
Employee Benefits										
Health and Disability Benefits	2,146,843	2,280,500	(133,657)	-5.86%		2,195,478	(48,635)	-2.22%		
SIP-Contributions and Fees	2,141,097	2,205,000	(63,903)	-2.90%		2,350,165	(209,068)	-8.90%		
Other Benefits	36,299	54,008	(17,709)	-32.79%		66,947	(30,648)	-45.78%		
Total Employee Benefits	4,324,239	4,539,508	(215,269)	-4.74%		4,612,590	(288,351)	-6.25%		
Payroll Taxes	2,172,061	2,258,939	(86,878)	-3.85%		2,330,538	(158,477)	-6.80%		
Total Salaries, Benefits and Taxes	43,216,012	43,614,070	(398,058)	-0.91%		46,138,620	(2,922,608)	-6.33%		
IT Services	8,620,571	8,994,913	(374,342)	-4.16%		9,664,273	(1,043,702)	-10.80%		
Legal Fees	5,146,312	6,517,715	(1,371,403)	-21.04%		9,637,336	(4,491,024)	-46.60%		
Professional and Other Services	7,205,159	8,202,660	(997,501)	-12.16%		7,353,308	(148,149)	-2.01%		
Rent										
Corporate Home Office	2,260,023	2,346,369	(86,346)	-3.68%		2,612,437	(352,414)	-13.49%		
Record Archiving Services	809,107	811,200	(2,093)	-0.26%		731,679	77,428	10.58%		
Other Rent Items	86,739	190,165	(103,426)	-54.39%		50,371	36,368	72.20%		
Total Rent	3,155,869	3,347,734	(191,865)	-5.73%		3,394,487	(238,618)	-7.03%		
Equipment										
Computer Equipment	965,999	676,570	289,429	42.78%		273,913	692,086	252.67%		
Office Machine Rent & Repair	22,031	29,644	(7,613)	-25.68%		23,666	(1,635)	-6.91%		
Data Processing Software	921,249	437,509	483,740	110.57%		350,821	570,428	162.60%		
Total Equipment	1,909,279	1,143,723	765,556	66.94%		648,400	1,260,879	194.46%		

SEE NOTES TO THE SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, CHANGES IN POLICYHOLDERS' SURPLUS AND CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS.

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
 OPERATING EXPENSE ANALYSIS - UNAUDITED

	Year to Date December 2008		Actual to Budget Variance	%	Change	Year to Date December 2007		Variance to Prior Year	%	Change
	Actual	Budget				Actual				
Other Operating										
Travel	180,983	280,937	(99,954)	-35.58%		245,639	(64,656)	-26.32%		
Professional Dues & Conferences	38,437	53,276	(14,839)	-27.85%		42,187	(3,750)	-8.89%		
Insurance	677,638	1,088,600	(410,962)	-37.75%		1,013,460	(335,822)	-33.14%		
Voice and Data Communication	269,195	285,560	(16,365)	-5.73%		246,131	23,064	9.37%		
Supplies and Subscriptions	188,881	239,622	(50,741)	-21.18%		216,899	(28,018)	-12.92%		
Postage, Freight & Express	184,688	148,400	36,288	24.45%		113,239	71,449	63.10%		
Bank Charges	121,940	120,300	1,640	1.36%		114,835	7,105	6.19%		
Real Estate	31,486	34,000	(2,514)	-7.39%		56,668	(25,182)	-44.44%		
Taxes, BBA and Other	36,096	45,000	(8,904)	-19.79%		44,615	(8,519)	-19.09%		
Total Other Operating	1,729,344	2,295,695	(566,351)	-24.67%		2,093,673	(364,329)	-17.40%		
Subtotal	70,982,546	74,116,510	(3,133,964)	-4.23%		78,930,097	(7,947,551)	-10.07%		
Guaranty Association Expenses	11,745,509	27,019,527	(15,274,018)	-56.53%		13,763,227	(2,017,718)	-14.66%		
Total Operating Expenses	\$82,728,055	\$101,136,037	(\$18,407,982)	-18.20%		\$92,693,324	(\$9,965,269)	-10.75%		

SEE NOTES TO THE SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, CHANGES IN POLICYHOLDERS' SURPLUS AND CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS.

Exhibit I

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
LEGAL FEES AND EXPENSES
FOR THE PERIOD JANUARY 1, 2008 TO DECEMBER 31, 2008 - UNAUDITED**

VENDOR NAME

ADORNO & YOSS, LLP.	\$ 150,231
AMS CONSTRUCTION COMPANY INC	62,500
ANDREW S. WALSH	11,205
AVALON CONSULTING, LLC.	19,589
BLANEY MCMURTRY LLP	42,016
BLANK ROME LLP	1,751,171
BRAVERMAN KASKEY	76,403
CLARK THOMAS & WINTERS	10,672
DEUTSCH, KERRIGAN & STILES LLP	70,520
DOCUMENT TECHNOLOGIES, LLC.	62,579
EDWARD S. FINKELSTEIN	10,695
ELIZABETH M. THOMPSON	17,515
ESQUIRE DEPOSITION SERVICES, LLC.	19,867
FOX, ROTHSCHILD LLP	276,382
FRIDAY ELDREDGE & CLARK LLP	7,651
FULBRIGHT & JAWORSKI, LLP.	46,299
G ALAN BAILEY ESQUIRE	8,094
GOLKOW TECHNOLOGIES INC	36,894
INVESTIGATION CONSULTANT/EXPERT NO. 10	162,202
INVESTIGATION CONSULTANT/EXPERT NO. 2	229,336
INVESTIGATION CONSULTANT/EXPERT NO. 3	98,726
INVESTIGATION CONSULTANT/EXPERT NO. 4	9,075
INVESTIGATION CONSULTANT/EXPERT NO. 7	14,365
MARKS ADR LLC	29,620
MARTIN D. HABER ESQ.	11,400
OBERMAYER REBMANN MAXWELL & HIPPEL, LLP.	56,189
PEPPER HAMILTON LLP.	1,083,009
RIKER DANZIG SCHERER HYLAND & PERRETTI LLP	10,901
ROSENN JENKINS & GREENWALD LLP	27,514
RUSSELL M. NIGRO, ESQ.	6,548
STRADLEY, RONON, STEVENS, & YOUNG LLP	340,424
THE MCS GROUP, INC.	66,681
WALSH COLUCCI LUBELEY EMRICH & WALSH PC	15,140
WILLIAM E. BAILEY	10,575
WINKLER & WINKLER, LLC.	40,609
WOLF BLOCK SCHORR & SOLIS-COHEN LLP.	215,734
TOTAL VENDORS UNDER \$5,000	<u>37,983</u>
TOTAL LEGAL FEES AND EXPENSES	<u><u>\$ 5,146,312</u></u>

Exhibit J

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
PROFESSIONAL SERVICE EXPENSES
FOR THE PERIOD JANUARY 1, 2008 TO DECEMBER 31, 2008 - UNAUDITED**

VENDOR NAME

ABERDEEN ASSET MANAGEMENT INC.	\$ 765,055
AON RECOVERY INC	7,219
ARRAYA SOLUTIONS INC	28,668
BMS INTERMEDIARIES, LTD.	1,624,526
CALLAN ASSOCIATES INC.	93,375
CERIDIAN EMPLOYER SERVICES	69,500
COMMONWEALTH OF MASSACHUSETTS	19,195
DEBRA KELLER WRIGHT	26,000
DIANE H. CHAIT	24,453
DIRECT CONSULTING	231,603
DORANNE BIGELOW & ASSOCIATES, INC.	95,135
ERNST & YOUNG	216,994
FILEX DOCUMENT IMAGING SERVICES, INC.	207,624
FREDERICK M. ZAUDERER ESQ	7,251
FUJITSU COMPUTER SYSTEMS CORPORATION	20,000
J MURPHY & ASSOCIATES INC	33,475
JP MORGAN CHASE BANK	5,012
KIM NEDELKA	6,600
MARY PAT COTTY	24,262
MARYELLEN R. DURNING	50,301
MELLON GLOBAL SECURITIES SERVICES	225,226
NICHOLAS F WILLERT	13,774
PA. DEP'T. - LIQUIDATION CONSULTANTS	234,076
PA. DEP'T. - OFFICE OF LIQUIDATIONS	383,588
PRICEWATERHOUSE COOPERS, LLP.	214,736
PYRAMIS GLOBAL ADVISORS TRUST COMPANY	762,448
RCG IT (GARTNER GROUP)	40,660
REINSURANCE SOLUTIONS INTERNATIONAL, L.L.C.	171,067
ROY MELANDER	136,113
SPECIALTY RISK SERVICES LLC	99,775
STANDISH MELLON ASSET MANAGEMENT, LLC.	137,065
STRATEGEMS CONSULTING	21,076
SUSAN ALTSCHULER	74,751
THE BANK OF NEW YORK	10,669
VISION SOLUTIONS INC	10,000
WEIDENHAMMER SYSTEMS CORPORATION	12,236
WESTERN ASSET MANAGEMENT COMPANY	698,552
WORLDWIDE CLAIMS MANAGEMENT SERVICES, INC.	397,266
TOTAL OTHER VENDORS UNDER \$5,000	5,834
TOTAL PROFESSIONAL SERVICE EXPENSES	<u><u>\$ 7,205,159</u></u>

Exhibit K

Guaranty Association Data as of 12-31-08

STATE	LOCATION	CLAIMS & ALAE PAID	CLAIMS & ALAE RESERVES	ADMIN EXPENSES	TOTAL BY STATE
ALABAMA	P&C	\$42,545,385.68	\$58,931,415.62	\$4,698,576.85	\$106,175,378.15
ALASKA	P&C	\$8,684,235.33	\$4,645,028.40	\$700,502.42	\$14,029,766.15
ARIZONA	P&C	\$6,250,881.54	\$85,901.41	\$1,579,070.98	\$7,915,853.93
ARIZONA	WC	\$6,682,482.42	\$13,153,762.86	\$0.00	\$19,836,245.28
ARKANSAS	P&C	\$6,689,987.58	\$1,293,781.05	\$0.00	\$7,983,768.63
CALIFORNIA	P&C	\$601,620,211.75	\$181,136,965.99	\$57,587,787.98	\$840,344,965.72
COLORADO	P&C	\$20,185,265.71	\$32,863,218.00	\$1,398,729.15	\$54,447,212.86
CONNECTICUT	P&C	\$45,760,140.98	\$19,536,024.73	\$4,561,392.79	\$69,857,558.50
DELAWARE	P&C	\$5,350,924.20	\$2,427,448.39	\$814,098.56	\$8,592,471.15
DISTRICT OF COLUMBIA	P&C	\$10,578,716.93	\$16,758,137.32	\$593,249.33	\$27,930,103.58
FLORIDA	P&C	\$82,555,424.08	\$2,820,318.55	\$4,208,998.78	\$89,584,741.41
FLORIDA	WC	\$220,774,607.24	\$76,810,386.05	\$7,342,466.42	\$304,927,459.71
GEORGIA	P&C	\$45,422,336.64	\$32,847,529.72	\$4,249,414.02	\$82,519,280.38
HAWAII	P&C	\$5,524,996.31	\$2,722,953.73	\$569,321.46	\$8,817,271.50
IDAHO	P&C	\$2,270,629.43	\$2,185,395.05	\$250,479.62	\$4,706,504.10
ILLINOIS	P&C	\$52,074,951.65	\$6,199,376.88	\$7,482,256.82	\$65,756,585.35
INDIANA	P&C	\$5,656,527.45	\$877,828.75	\$1,169,718.38	\$7,704,074.58
IOWA	P&C	\$10,355,725.78	\$897,853.95	\$800,629.84	\$12,054,209.57
KANSAS	P&C	\$14,766,235.78	\$5,896,982.42	\$893,885.09	\$21,557,103.29
KENTUCKY	P&C	\$20,504,548.97	\$20,622,691.55	\$1,182,736.79	\$42,309,977.31
LOUISIANA	P&C	\$62,576,737.92	\$513,955,435.79	\$1,751,055.46	\$578,283,229.17
MAINE	P&C	\$4,715,647.79	\$4,546,492.05	\$615,859.08	\$9,877,998.92
MARYLAND	P&C	\$27,614,716.27	\$9,697,294.03	\$5,407,345.63	\$42,719,355.93
MASSACHUSETTS	P&C	\$43,279,866.25	\$34,005,270.02	\$3,368,580.75	\$80,653,717.02
MICHIGAN	P&C	\$51,716,810.49	\$32,839,258.77	\$6,168,201.79	\$90,724,271.05
MINNESOTA	P&C	\$16,363,816.35	\$5,223,163.32	\$1,571,217.81	\$23,158,197.48
MISSISSIPPI	P&C	\$33,940,041.58	\$16,765,927.52	\$2,233,927.13	\$52,939,896.23
MISSOURI	P&C	\$32,727,482.37	\$10,940,928.63	\$1,781,989.04	\$45,450,400.04
MONTANA	P&C	\$3,647,392.30	\$778,434.76	\$391,141.38	\$4,816,968.44
NEBRASKA	P&C	\$6,263,910.55	\$7,085,271.80	\$135,806.08	\$13,484,988.43
NEVADA	P&C	\$6,450,843.08	\$1,714,572.87	\$717,361.71	\$8,882,777.66
NEW HAMPSHIRE	L&H	\$0.00	\$0.00	\$35,918.35	\$35,918.35
NEW HAMPSHIRE	P&C	\$12,453,149.99	\$12,885,918.89	\$1,167,509.42	\$26,506,578.30
NEW JERSEY	P&C	\$71,787,534.48	\$8,174,781.73	\$4,450,009.69	\$84,412,325.90
NEW JERSEY	WC	\$45,961,349.48	\$15,136,185.67	\$1,708,908.48	\$62,806,443.63
NEW MEXICO	P&C	\$6,127,820.42	\$2,853,768.93	\$649,113.87	\$9,630,703.22
NEW YORK	P&C	\$275,954,886.50	\$84,960,107.17	\$48,217,603.00	\$409,132,596.67
NEW YORK	WC	\$151,427,189.92	\$77,263,840.38	\$0.00	\$228,691,030.30
NOLHGA		\$0.00	\$0.00	\$6,445,971.00	\$6,445,971.00
NORTH CAROLINA	P&C	\$63,523,329.40	\$23,685,368.52	\$3,889,754.93	\$91,098,452.85
NORTH DAKOTA	P&C	\$251,262.99	\$0.00	\$63,750.11	\$315,013.10
OHIO	P&C	\$9,299,439.84	\$462,142.00	\$1,647,137.58	\$11,408,719.42
OKLAHOMA	P&C	\$17,675,130.52	\$6,485,015.52	\$1,303,454.14	\$25,463,600.18
OREGON	P&C	\$22,356,996.70	\$6,637,086.80	\$806,279.74	\$29,800,363.24
PENNSYLVANIA	P&C	\$38,231,961.66	\$36,487,703.78	\$1,742,666.49	\$76,462,331.93
PENNSYLVANIA	WC	\$136,362,998.74	\$59,213,587.12	\$10,313,904.14	\$205,890,490.00
PUERTO RICO	P&C	\$8,288,237.28	\$1,305,500.00	\$177,049.01	\$9,770,786.29
RHODE ISLAND	P&C	\$9,301,625.64	\$2,923,170.96	\$734,605.90	\$12,959,402.50
SOUTH CAROLINA	P&C	\$31,143,505.69	\$7,616,062.34	\$1,701,004.88	\$40,460,572.91
SOUTH DAKOTA	P&C	\$1,779,811.28	\$0.00	\$142,282.39	\$1,922,093.67
TENNESSEE	P&C	\$34,222,831.34	\$27,704,841.05	\$4,010,999.14	\$65,938,671.53
TEXAS	P&C	\$127,589,134.58	\$78,862,547.60	\$15,333,557.81	\$221,785,239.99
UTAH	P&C	\$7,584,550.31	\$7,315,009.51	\$1,012,193.82	\$15,911,753.64
VERMONT	P&C	\$6,608,505.97	\$12,793,076.04	\$399,969.73	\$19,801,551.74
VIRGIN ISLANDS	P&C	\$414,355.00	\$4,849,901.00	\$0.00	\$5,264,256.00
VIRGINIA	P&C	\$34,474,006.73	\$21,258,080.73	\$2,504,894.16	\$58,236,981.62
WASHINGTON	P&C	\$31,231,974.01	\$2,993,497.71	\$2,585,190.46	\$36,810,662.18
WEST VIRGINIA	P&C	\$3,578,889.20	\$0.00	\$348,094.92	\$3,926,984.12
WISCONSIN	P&C	\$10,738,765.00	\$4,417,762.82	\$1,429,835.00	\$16,586,362.82
WYOMING	P&C	\$487,998.22	\$0.00	\$132,780.62	\$620,778.84
		\$2,662,408,721	\$1,626,550,006	\$237,180,240	\$4,526,138,967

** New York WC and NY P&C Administrative Expenses are combined and reported under NY P&C

Exhibit L

Proof Of Claim Statistics - Inception To Date December 31, 2008

CLASS SESCRIPTION	TOTAL POCs RECEIVED	POCs RECEIVED AFTER 12-31-03	TOTAL NODs ISSUED	LIQUIDATOR ALLOWED AMOUNTS	NODs APPROVED FOR DISTRIBUTION	NODs AMOUNT APPROVED FOR DISTRIBUTION
NO CLASS ASSIGNED	0	0	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	4,091	387	3,415	\$0.00	3,068	\$0.00
B - POLICY HOLDER CLAIMS	61,950	3,047	52,285	\$626,999,870.14	37,848	\$510,122,808.12
C - FEDERAL GOVT	9	0	9	\$0.00	9	\$0.00
D - EMPLOYEES	0	0	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	64,737	3,175	62,312	\$56,546,977.69	60,637	\$40,587,884.06
F - STATE/LOCAL GOVT	190	3	189	\$7,039.85	188	\$0.00
G - LATE FILED/SUBROGATION	28,692	3,917	26,857	\$7,296,101.65	2,003	\$6,202,173.28
H - SURPLUS, PREM REFUNDS	0	0	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	3	0	3	\$0.00	3	\$0.00
TOTAL:	159,672	10,529	145,070	\$690,849,989.33	103,756	\$556,912,865.46

OTHER COUNTS	INCEPTION TO DATE
POCs With Claims at GAs	4,560
Contingent Unliquidated POCs	3,862
Ready to Evaluate	346
Awaiting Information	5,834
TOTAL:	14,602

Exhibit M

Proof Of Claim Statistics - Quarter To Date December 31, 2008

CLASS DESCRIPTION	TOTAL POCs RECEIVED	TOTAL NODs ISSUED	LIQUIDATOR ALLOWED AMOUNTS	NODs APPROVED FOR DISTRIBUTION	NODs AMOUNT APPROVED FOR DISTRIBUTION
NO CLASS ASSIGNED	0	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	0	23	\$0.00	0	\$0.00
B - POLICY HOLDER CLAIMS	46	932	\$31,139,141.24	1	\$0.00
C - FEDERAL GOVT	0	0	\$0.00	0	\$0.00
D - EMPLOYEES	0	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	14	500	\$8,695,551.22	0	\$0.00
F - STATE/LOCAL GOVT	0	1	\$7,039.85	0	\$0.00
G - LATE FILED/SUBROGATION	58	174	\$78,660.48	8	\$0.00
H - SURPLUS, PREM REFUNDS	0	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	0	\$0.00	0	\$0.00
TOTAL:	118	1,630	\$39,920,392.79	9	\$0.00

Exhibit N

Status of POCs as of 12-31-08
Total: 159,672

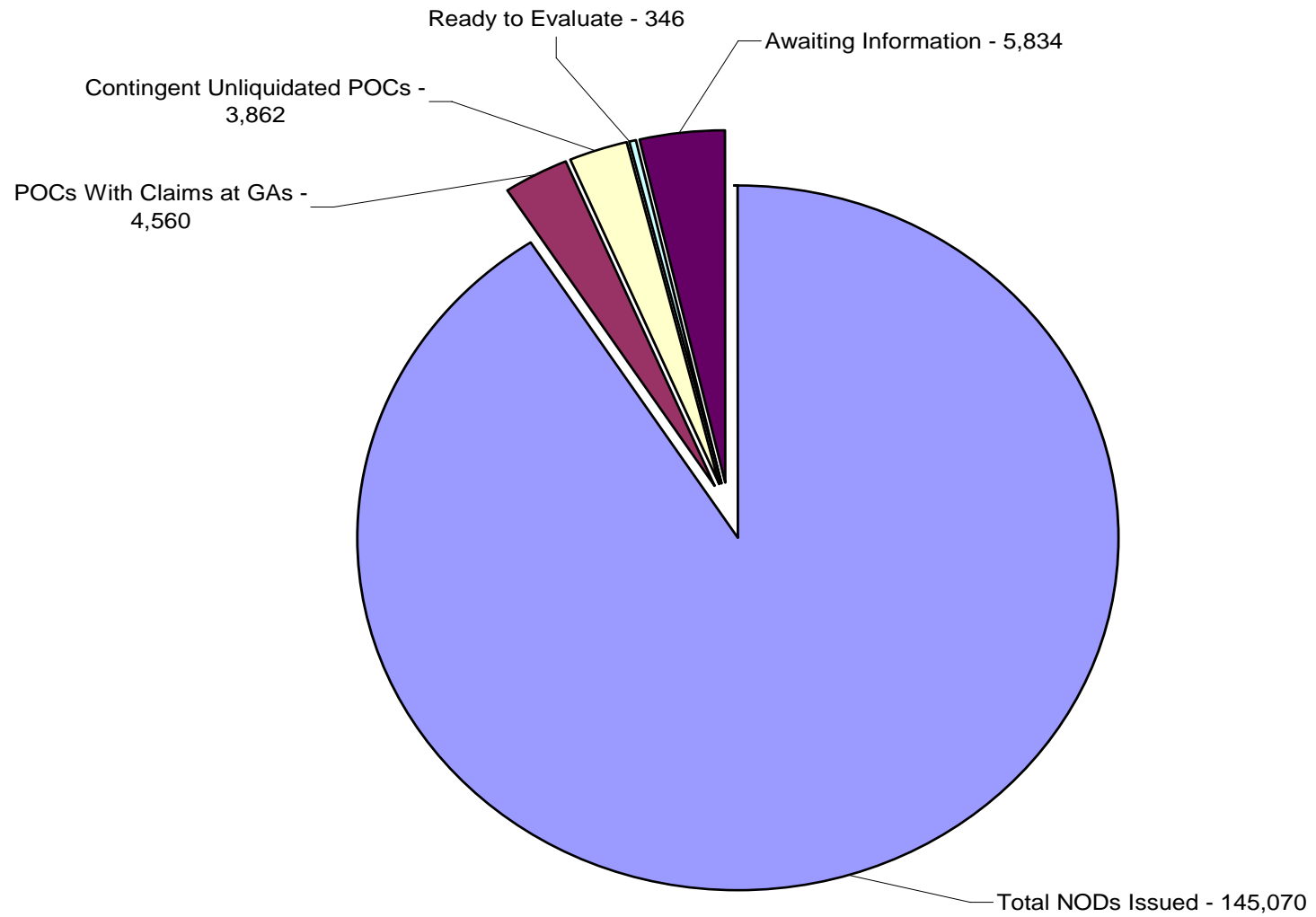


Exhibit O

Status of NOD Objections Received Through 12-31-08
Total: 1,007

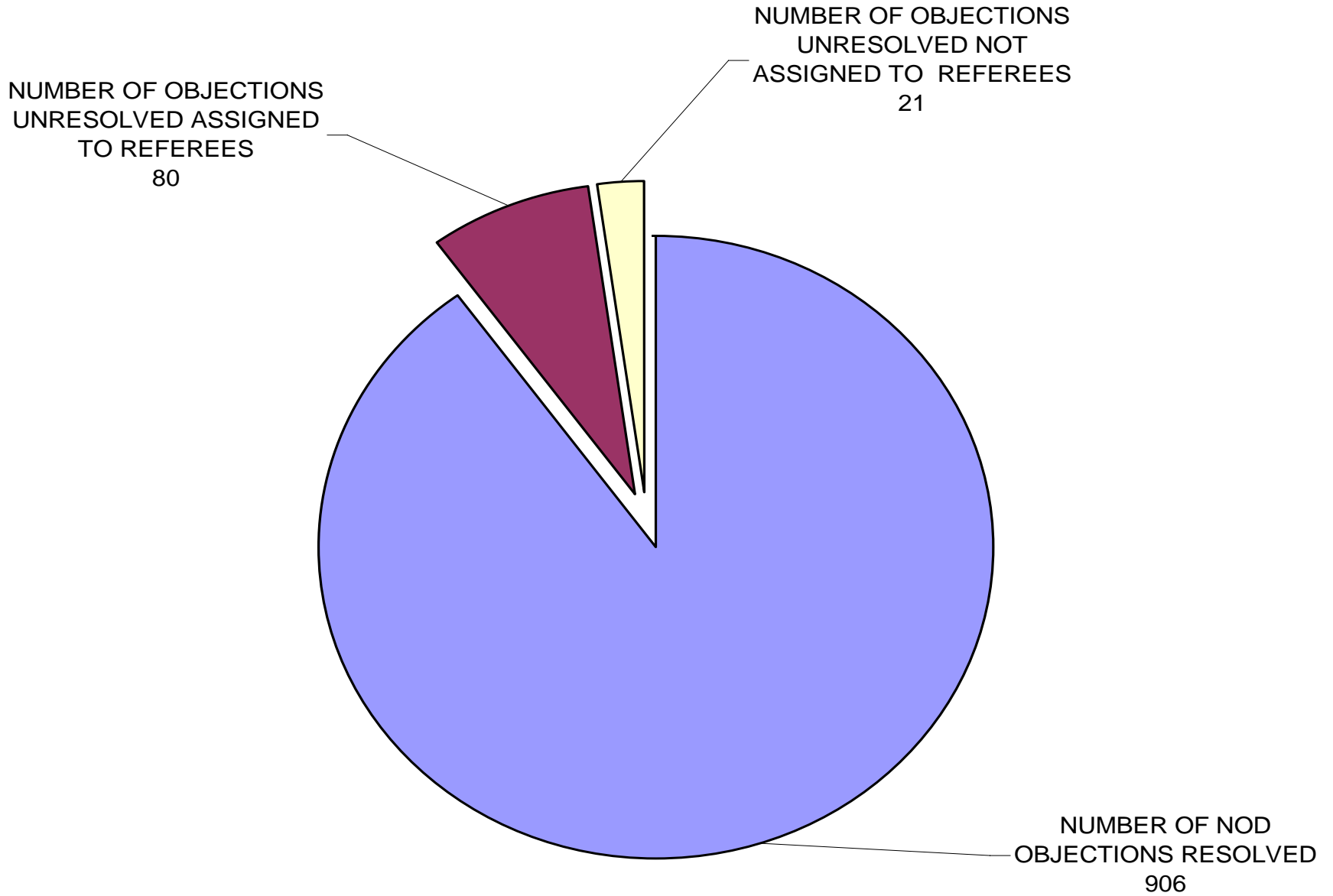


Exhibit P

Objection Statistics - Inception To Date December 30, 2008

CLASS DESCRIPTION	NUMBER OF NOD OBJECTIONS RECEIVED	LIQUIDATOR ALLOWED AMOUNTS ON OBJECTIONS RECEIVED	NUMBER OF NOD OBJECTIONS RESOLVED	LIQUIDATOR ALLOWED AMOUNTS ON OBJECTIONS RESOLVED
NO CLASS ASSIGNED	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	140	\$0.00	140	\$0.00
B - POLICY HOLDER CLAIMS	232	\$25,284,486.21	207	\$24,279,148.00
C - FEDERAL GOVT	0	\$0.00	0	\$0.00
D - EMPLOYEES	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	580	\$6,938,859.16	520	\$2,953,990.21
F - STATE/LOCAL GOVT	1	\$0.00	1	\$0.00
G - LATE FILED/SUBROGATION	54	\$736,353.50	38	\$736,353.50
H - SURPLUS, PREM REFUNDS	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	\$0.00	0	\$0.00
TOTAL:	1,007	\$32,959,698.87	906	\$27,969,491.71

CLASS DESCRIPTION	NUMBER OF OBJECTIONS UNRESOLVED	LIQUIDATOR ALLOWED AMOUNTS ON OBJECTIONS UNRESOLVED	NUMBER OF OBJECTIONS UNRESOLVED ASSIGNED TO REFEREES	LIQUIDATOR ALLOWED AMOUNTS ON OBJECTIONS UNRESOLVED ASSIGNED TO REFEREES	NUMBER OF OBJECTIONS UNRESOLVED NOT ASSIGNED TO REFEREES	LIQUIDATOR ALLOWED AMOUNTS ON OBJECTIONS UNRESOLVED NOT ASSIGNED TO REFEREES
NO CLASS ASSIGNED	0	\$0.00	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	0	\$0.00	0	\$0.00	0	\$0.00
B - POLICY HOLDER CLAIMS	25	\$1,005,338.21	14	\$996,338.21	11	\$9,000.00
C - FEDERAL GOVT	0	\$0.00	0	\$0.00	0	\$0.00
D - EMPLOYEES	0	\$0.00	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	60	\$3,984,868.95	54	\$1,804,396.04	6	\$2,180,472.91
F - STATE/LOCAL GOVT	0	\$0.00	0	\$0.00	0	\$0.00
G - LATE FILED/SUBROGATION	16	\$0.00	12	\$0.00	4	\$0.00
H - SURPLUS, PREM REFUNDS	0	\$0.00	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	\$0.00	0	\$0.00	0	\$0.00
TOTAL:	101	\$4,990,207.16	80	\$2,800,734.25	21	\$2,189,472.91

Exhibit Q

Cumulative GA Activity Received Through 12/31/2008

in millions

GA Paid to Date GA Reserves

