

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

2009 NOV -5 A 10:17

FILED AND
RECEIVED
COMMONWEALTH COURT
OF PENNSYLVANIA

IN RE: Commutation, Settlement Agreement and Release between
Reliance Insurance Company (In Liquidation) and Zurich Specialties London Limited II

ORDER

AND NOW, this ___ day of _____ 2009, upon consideration of the
Liquidator's Petition for Approval of the Commutation, Settlement Agreement and Release
("Settlement Agreement") between Reliance Insurance Company ("Reliance" or "Estate")
and Zurich Specialties London Limited. ("Reinsurers") submitted by the Liquidator of
Reliance Insurance Company ("Liquidator"):

The Court ACCEPTS the Liquidator's representations that the Settlement Agreement is in the best interest of the Estate, as the Settlement Agreement allows the Liquidator to terminate and commute the Reinsurance Agreements and the Estate will receive an economic benefit amounting to \$10,989,000;

Further, the Court accepts the Liquidator's representations that the Settlement Agreement is a fair and reasonable settlement of the Reinsurers' obligations to the Estate under the Reinsurance Agreements, and that the payment contemplated under the Settlement Agreement constitutes fair and reasonable value to the Estate;

Accordingly, the Court accepts the Liquidator's representations and based thereon approves the Commutation, Settlement Agreement and Release attached hereto and marked as Exhibit A.

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

BONNIE BRIGANCE LEADBETTER
President Judge

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IN RE: Commutation, Settlement Agreement and Release between
Reliance Insurance Company (In Liquidation) and Zurich Specialties London Limited II

**Liquidator's Petition For Approval Of
Commutation, Settlement Agreement And Release**

Petitioner Joel S. Ario, Insurance Commissioner for the Commonwealth of Pennsylvania, in his capacity as Statutory Liquidator ("Liquidator") of Reliance Insurance Company ("Reliance" or "Estate"), respectfully requests that this Court enter an Order approving the Commutation, Settlement Agreement and Release ("Settlement Agreement"), attached hereto as Exhibit A, between Reliance and Zurich Specialties London Limited ("Reinsurer"). This Petition is unrelated to and seeks approval of a commutation which is separate from and in addition to that commutation between Reliance and Reinsurer which is the subject of a petition filed with this Court on October 1, 2009. In support of this Petition, the Liquidator avers the following:

1. On October 3, 2001, this Court found Reliance insolvent and appointed the Commissioner as Liquidator of Reliance pursuant to Article V of the Insurance Department Act of 1921, 40 P.S. §221.1 et seq. (“Act”). The Act confers broad powers on the Liquidator to marshal the assets of Reliance in order to maximize the value of the insolvent insurer’s estate for eventual distribution to its policyholders and creditors.

2. The Act authorizes the Liquidator to take such actions as deemed “necessary or expedient to . . . conserve or protect [the insolvent insurer’s] assets or property[,]” including the power to “compromise” claims involving assets of the insolvent insurer in order to accomplish or aid in achieving the purposes of liquidation. See 40 P.S. §221.23(6, 9, and 23).

3. One way in which the Liquidator “compromises” claims and “conserves” assets is through commutation. A commutation is a settlement agreement reached between a reinsured and its reinsurer by which the reinsurance obligation is terminated through an agreement by the reinsurer to pay funds that are both due and not yet due under the reinsurance agreement.

4. Prior to entering into a commutation, Reliance staff takes several steps, including the following, to ensure that the commutation is fair and reasonable to the Estate and in the best interests of its policyholders, claimants and the general public:

- (a) Reliance staff develops a complete list of reinsurance agreements to be included in the commutation;
- (b) Reinsurance accounting specialists for Reliance verify balances and reconcile differences with the reinsurer;
- (c) The Reliance claims staff reviews ceded case reserves;
- (d) Actuaries for Reliance determine the projected ultimate loss, discounted and undiscounted, taking into consideration specific contract features such as

reinstatement premiums, sliding scale rates, commission adjustments and/or loss corridors¹ as well as the impact of other applicable reinsurance and off-sets;

(e) Reliance staff and the reinsurer exchange commutation proposals and discuss justifications;

(f) Reliance staff evaluate the commutation proposal based on nominal results, the discounted results, the volatility and trends of the business, disputed issues and any administrative savings; and

(g) Reliance staff and the reinsurer secure any required approvals.

5. The Liquidator also has established a Commutation Working Group which performs accounting and data reconciliations, actuarial analyses, and claims reviews and analyses. The Commutation Working Group is largely comprised of several key senior management employees each of whom has over 20 years of insurance and reinsurance experience.

6. In addition, the Liquidator has established a Commutation Committee, consisting of the Chief Liquidation Officer, the Liquidation Team Reinsurance Manager and the Chief Actuary, who, along with the Vice-President for Commutations and the Executive Vice-President for Reinsurance, review all commutation proposals. Any commutation in excess of \$1,000,000 must be approved by the Commutation Committee.

7. In addition, Reliance's independent consulting actuaries, PricewaterhouseCoopers ("PwC"), have reviewed Reliance's commutation approach both generally and with respect to

¹ A loss corridor is a mechanism contained in certain reinsurance agreements that requires the ceding insurer to be responsible for a certain amount of the ultimate net loss that is above the company's designated retention and below the designated limit, and which would otherwise be reimbursed under the reinsurance agreement. A loss corridor is usually expressed as a loss ratio percentage of the reinsurer's earned premium, or a combined ratio if the reinsurance agreement provides for a ceding commission to the company. Loss corridors are employed to mitigate the volatility of reinsurance agreements.

certain individual transactions and have concluded that the process Reliance utilizes to estimate liabilities ceded to reinsurers is reasonable for commutation purposes.

8. Through this Settlement Agreement, Reliance's objective is to settle and finalize its relationship with the Reinsurer for all contracts not included in a prior Commutation, Settlement Agreement and Release which was entered into with the Reinsurer effective January 6, 2009 and was the subject of a Petition filed with this Court on October 1, 2009 or otherwise excluded in this agreement. As a result, this commutation includes but is not limited to the participation of the Reinsurer with Reliance in the 275 different reinsurance agreements listed on pages 11-17 of Exhibit "A" of the Petition effective from 1983 through 2000 ("Reinsurance Agreements").

Reinsurer's Share of the Reinsurance Agreements

9. Collectively, the Reinsurance Agreements cover a wide variety of losses and lines of business. These include Property, Fidelity, Ocean marine, International Directors and Officers and Errors and Omissions ("D&O/E&O"), Healthcare Professional Liability, Environmental Liability (including Pollution Liability), Lawyers Professional Liability, Miscellaneous Professional Liability, Airport Liability, Boiler and Machinery, On-shore Oil and Gas Property, Umbrella and Workers' Compensation. The basic parameters of the agreements that account for the overwhelming bulk of the value of this commutation are described in the paragraphs that follow.

10. Treaties 748KAA and 847SAA provide reinsurance coverage for losses arising under Workers' Compensation Policies written through Insurance Services of America, a former agent of Reliance. Under these treaties, reinsurers cover up to \$500,000 of each occurrence for

policies with inception dates from April 1, 1997 to September 30, 1999. The Reinsurer's participation in reinsurers' liability is 25% of these treaties.

11. Treaties 702NAA and 703NAA provide reinsurance coverage for Healthcare Professional Liability losses arising under policies with inception dates from December 31, 1997 to December 31, 1998. Under these treaties, reinsurers cover \$10 million of each occurrence excess of \$5 million of each occurrence and \$10 million of each occurrence excess of \$15 million of each occurrence, respectively. These treaties cover allocated loss adjustment expenses in addition to the treaty limits. The Reinsurer's participation in reinsurers' liability is 7.17% and 3.58% of these treaties, respectively.

12. Treaties 606JAA and 607JAA provide reinsurance coverage for the D&O/E&O losses arising under policies with inception dates from December 31, 1996 to December 31, 1997. Under these treaties, reinsurers cover \$1 million of each loss excess of \$1 million of each loss and \$18 million of each loss excess of \$2 million of each loss, respectively. The Reinsurer's participation in reinsurers' liability is 10% and 7.5% of these treaties, respectively.

13. Treaties 572EAA, 651JAA and 792MAA provide reinsurance coverage for losses arising under Commercial General Liability, Owners and Contractors Protective Liability, Railroad Protective Liability, Pollution Legal Liability, Pollution and Remediation Legal Liability, Contractors Pollution Liability, Remediation Stop Loss, Closure and Post Closure Liability, Commercial Property Redevelopment Pollution Liability, Engineers and Consultants Professional Liability, Consultants Environmental Liability, Products Liability, First Party Clean Up Coverage, and Chemical Distributors Liability Policies written through Environmental Compliance Services, a former agent of Reliance. Under these treaties, reinsurers cover \$3 million of each loss excess of \$2 million of each loss for policies with inception dates from

December 31, 1995 to December 31, 1998. The Reinsurer's participation in reinsurers' liability is 12%, 10% and 6.072% of these treaties, respectively.

14. Treaty 751LAA provides reinsurance coverage for losses arising under Miscellaneous Professional Liability policies with inception dates from July 1, 1997 to June 30, 1998. Under this treaty, reinsurers cover up to \$2 million of each loss, and the Reinsurer's participation in reinsurers' liability is 7.5% of this treaty.

15. Treaty 35U provides reinsurance coverage for losses arising under Umbrella Liability policies with inception dates from November 1, 1997 to October 31, 1998. Under this treaty, reinsurers cover \$1 million for each occurrence excess of \$1 million for each occurrence, and the Reinsurer's participation in reinsurers' liability is 5% of this treaty.

16. As of December 31, 2008, all reported claims relevant to the Reinsurer participations in the Reinsurance Agreements have been identified. As part of its due diligence for this Settlement Agreement, senior Reliance actuarial and claims personnel conducted a review of relevant claims under the Reinsurance Agreements in order to both verify the accuracy of the reserves and to project the timing of payments for each relevant claim. These reserves are not discounted for the time value of money.

17. Reliance actuaries then conducted an in-depth analysis to determine appropriate commutation values. In order to develop the actuarial estimates, Reliance's actuarial model used a variety of traditional and generally accepted actuarial methods. The resulting value is then discounted for the time value of money.

Settlement Agreement

18. Reliance then negotiated with the Reinsurer to commute its obligations under the Reinsurance Agreements for an agreed amount of \$11,100,000, which is acceptable based upon

the range of values established by the Reliance actuaries, and entered into the Settlement Agreement effective August 5, 2009, subject to the approval of this Court. The Settlement Agreement settles with certainty the claims against the Reinsurer for losses under the Reinsurance Agreements identified in Exhibit "A" to the Settlement Agreement.

19. Specifically, the Settlement Agreement provides that the Reinsurer shall pay Reliance \$11,100,000 ("Commutation Amount") to commute its obligations under the Reinsurance Agreements within 10 calendar days from when the Reinsurer is notified that this Court has approved the Settlement Agreement. The Commutation Amount was negotiated with the Reinsurer, and the Liquidator has taken the necessary steps to determine, and has concluded, that the terms of the Settlement Agreement are fair and reasonable to the Estate and in the best interests of its policyholders, claimants and the general public. See 40 P.S. §§221.1(c), 221.23(9).

20. Based on the analysis of the terms of the Settlement Agreement, and the evaluation of the transaction as a whole by the Liquidator's staff and Reliance staff members familiar with the business dealings under the Reinsurance Agreements, the Liquidator has determined that payment of the Commutation Amount by the Reinsurer is a fair and reasonable commutation of the Reinsurer's obligations to Reliance under the Reinsurance Agreements. In the event the Court does not grant the approval sought in the Petition, the Settlement Agreement will become null and void.

21. Keith Kaplan, Executive Vice President for Reinsurance at Reliance, is responsible for all facets of ceded and assumed reinsurance at Reliance including accounting, billing, claims, commutations, coverage analysis, and dispute management. He has specific knowledge regarding the risks to the Estate of attempting to collect reinsurance through billing,

negotiation or the dispute resolution process. As set forth in his Confidential Affidavit (attached as "Sealed Exhibit B"), Mr. Kaplan has identified several specific advantages to the Estate arising from the consummation of the transaction memorialized in the Settlement Agreement.

22. The Settlement Agreement will further achievement of the liquidation objectives under the Act. The commutation transaction will assist the Liquidator in marshalling and maximizing Reliance's immediately available assets while minimizing any unavoidable loss to policyholders, claimants and creditors resulting from the Reliance insolvency. See 40 P.S. §221.1(c).

(a) First, the Settlement Agreement converts future reinsurance obligations into immediate cash for the Estate. Specifically, the Estate receives a net payment \$10,989,000² which can be invested until it is distributed.

(b) Second, the Settlement Agreement eliminates both the internal and external administrative costs associated with continued reporting and collection efforts, including legal fees.

(c) Third, this commutation eliminates any potential future credit risk associated with collection of the reinsurance proceeds in the event that the reinsurer becomes insolvent.

23. Under the terms of the Settlement Agreement, the Commutation will be fully consummated upon satisfaction of the following conditions:

- (a) approval of the transaction by this Court;
- (b) appropriate notice to the Reinsurer of Court approval, and
- (c) payment by the Reinsurer of \$11,100,000.

² The Commutation Amount is subject to a one percent fee payable to a third-party vendor for services provided in conjunction with this commutation, pursuant to an agreement between Reliance and the vendor

WHEREFORE, the Liquidator respectfully requests that this Court enter an Order in the form attached hereto:

- (a) Finding that the Settlement Agreement and Commutation Amount are in the best interest of the Estate;
- (b) Finding that the Settlement Agreement is a fair and reasonable settlement of the Reinsurer's obligations under the Reinsurance Agreement;
- (c) Finding the payment contemplated by the Settlement Agreement constitutes fair and reasonable value to the Estate; and
- (d) Approving the terms of the Settlement Agreement attached as Exhibit A.

Respectfully submitted,



PRESTON BUCKMAN (I.D. #57570)

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(717) 787-6009

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

Dated: November 3, 2009

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 November 2, 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 was made on the attached Master Service 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 at www.reliancedocuments.com.

Dated: November 5, 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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Exhibit A

COMMUTATION, SETTLEMENT AGREEMENT AND RELEASE

THIS COMMUTATION, SETTLEMENT AGREEMENT AND RELEASE ("Agreement"), made effective and entered into this 5th day of August, 2009, by and between Zurich Specialties London Limited 3 Minster Court, Mincing Lane, London EC3R 7DD, England (hereinafter known as the "Reinsurer") and Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, in his capacity as Statutory Liquidator of Reliance Insurance Company (In Liquidation) (hereinafter known as the "Cedant"). David S. Brietling, Chief Liquidation Officer, is acting on behalf of Joel S. Ario, who is acting on behalf of the Cedant pursuant to the powers granted to him under Title 40, Purdon's Statutes, Section 221.20, et seq. and other applicable statutes, regulations and laws.

RECITALS

A. The Reinsurer and the Cedant entered into contracts of reinsurance wherein the Reinsurer obligated itself to accept from the Cedant the cession of a certain percentage of liabilities with respect to risks written or assumed by the Cedant and/or agents of the Cedant, and;

B. The reinsurance agreements referred to in Recital A above include but are not limited to those set out on Exhibit A attached hereto and are herein collectively referred to as "the Contracts", but shall not include (i) any of those reinsurance agreements applicable to business transferred from Reliance Surety Profit Center to Travelers Casualty and Surety Company effective April 10, 2000, and (ii) the following policy details of which are set out below:

Policy 065063098 : Reliance Reference 859XAA

Policy F9031 98 : Reliance Reference 860XAA

C. Pursuant to the Contracts, there are loss developments, the total amount of which are not fully known or not yet capable of determination, representing liabilities which are or may come due from the Reinsurer to the Cedant, and;

D. The parties hereto recognize and understand that, based upon current economic

projections, a substantial portion of the Reinsurer's obligations to the Cedant may become payable in the future rather than at present; that the Reinsurer's future liabilities and obligations to the Cedant pursuant to the Contracts have been evaluated, but cannot be determined in an amount certain at this time; and that a settlement and commutation of the Reinsurer's obligations to the Cedant based upon present calculations of outstanding losses, including incurred but not reported losses, will eliminate the uncertainty of contingent liabilities for presently unresolved or unasserted claims, and;

E. The Reinsurer and the Cedant agree that it is in each of their best interests and in the best interests of their respective policyholders and creditors to adjust and settle their differences and to enter into this Agreement.

NOW THEREFORE, in consideration of the mutual benefits to be received by the parties hereto and the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

Commutation of Reinsurance Agreements

1. Subject to the receipt by the Cedant of the Consideration as set out in Article 4 herein, together with any collection expenses and accrued interest due as is more particularly described in Article 8(c) and 9 below, and in further consideration of the release contained in Article 2 herein the Cedant hereby irrevocably releases the Reinsurer, its predecessors, successors, assigns, shareholders, officers, directors, agents, sub-agents, brokers and sub-brokers from One Hundred Percent (100%) of all adjustments, obligations, liabilities, offsets, actions, causes of action, proofs of claim, suits, debts, sums of money, accounts, reckonings, bonds, bills, covenants, contracts, conversions, costs, agreements, promises, damages, expenses, judgment claims, and demands whatsoever, whether known or unknown, suspected or unsuspected, by either or both parties, fixed or contingent, arising out of, or in connection with the Reinsurer's participations on the Contracts, whether or not any of such contracts are void or voidable. The releases contained herein are only made on behalf of Reliance Insurance Company in its own right and as successor in interest by merger to its former subsidiaries shown on the attached Exhibit C and, without limiting the generality of the forgoing,

specifically do not apply to claims arising from business written by the Canadian Branch of Reliance Insurance Company, Reliance National Insurance Co. (Europe) Limited, Reliance National Asia RE PTE, Ltd. or any other former non-domestic subsidiary that is not part of Reliance Insurance Company as a result of a merger.

Release of the Cedant

2. In consideration of the release set out in Article 1 herein, the Reinsurer hereby irrevocably releases the Cedant, its predecessors, successors, assigns, shareholders, officers, directors, receivers, liquidators, administrators, agents, sub-agents, brokers and sub-brokers from One Hundred Percent (100%) of all adjustments, obligations, liabilities, offsets, actions, causes of action, proofs of claim, suits, debts, sums of money, accounts, reckonings, bonds, bills, covenants, contracts, conversions, costs, agreements, promises, damages, expenses, judgment claims, and demands whatsoever, whether known or unknown, suspected or unsuspected, by either or both parties, fixed or contingent, arising out of, or in connection with the participation of the Cedant on the Contracts, whether or not any of such contracts are void or voidable.

Warranties

3. To the best information and belief of each of the parties to this Agreement, the following express warranties apply:

a. There are no pending agreements, transactions, negotiations, regulatory actions or lawsuits in which any of the parties are involved nor are there any threatened regulatory actions or lawsuits of which any of the parties are aware that would render this Agreement or any part thereof void, avoidable, or unenforceable;

b. No party hereto has transferred, assigned, or contracted to transfer or assign to any person, corporation, company or entity any of its rights, title, benefit or obligations directly arising out of or in connection with the Contracts, including without limitation any balances, accounts, costs, claims, counterclaims or demands which are within the contemplation of this Agreement;

c. The Reinsurer has not commuted or otherwise settled with or contracted to commute or settle with any person, corporation, company or entity any of their respective rights, title, benefit or obligations directly arising out of or in connection with the Contracts, including without limitation any balances, accounts, costs, claims, counterclaims or demands which are within the contemplation of this Agreement;

d. Based on independent research and investigation, the Cedant and Reinsurer warrant there are no other known contracts between the parties as of the effective date of this Agreement.

Consideration

4. The Reinsurer agrees to pay the Cedant the total sum of Eleven Million One Hundred Thousand United States Dollars (US\$11,100,000.00) ("the Consideration"). Said payment shall be made no later than ten (10) business days following notice to the Reinsurer by facsimile and email of the execution of this Agreement by the Cedant or its assignee and the approval of the Agreement by Commonwealth Court of Pennsylvania in accordance with Article 15 herein ("the Completion Date"). Reinsurer shall transfer the Consideration to the following account:

REDACTED

Immediately upon receipt by the Cedant of the Consideration from the Reinsurer, but in no event later than three (3) business days thereafter, the Cedant shall inform the issuing banks that it agrees to the release and return to the Reinsurer all letters of credit provided by the Reinsurer in respect of the specific Contracts set out in Exhibit A, including but limited to the letters of credit, set out in Exhibit D.

The parties also agree that any claim recoveries including but not limited to salvage and subrogation, any escrow funds with third party claim administrators and any unremitted cash with intermediaries that relate to the Contracts is the property of the Cedant.

Successors and Assigns

5. This Agreement shall inure to the benefit of and bind the Reinsurer and its successors and assigns and the Cedant and their respective successors and assigns.

Independent Investigation

6. Each of the parties acknowledges that it has entered into this Agreement in reliance upon its own independent investigation and analysis of the Contracts and its respective rights and obligations thereunder, and not on the basis of any representation made or not made by the other party hereto. Each of the parties further acknowledges that it has read this Agreement, that it has had the opportunity to discuss it with legal counsel, and that it fully understands all of the terms herein.

Integration and Waiver

7. This Agreement shall constitute the entire agreement between the parties pertaining to the subject matter hereof, and supersedes any and all prior or contemporaneous understandings or agreements. No supplement, modification, waiver or termination hereof shall be binding or enforceable unless executed in writing by the parties to be bound thereby. No delay, omission or forbearance on the part of any party to this Agreement in exercising or enforcing any right, power or

remedy under this Agreement shall impair such right, power or remedy or operate as a waiver thereof. The single or partial exercise or enforcement of such right, power or remedy shall not preclude any other or further exercise or enforcement thereof or of any other right, power or remedy. The rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by law.

Remedies

8. In the event that the Reinsurer fails to pay the Consideration to the Cedant by the Completion Date, the Cedant shall have all rights and remedies available at law or in equity. In addition, the Cedant shall have the express right to:

- a. deem the entire Agreement null and void by notice in writing to the Reinsurer per Article 11 herein and to seek recovery of all sums due or to become due under the Contracts, or;
- b. bring suit on the Agreement including interest on the agreed-upon but unpaid amount as set out in Article 8(c).
- c. Without prejudice to the Cedant's rights to rescind this Agreement pursuant to Article 8(a) above, if Reinsurer does not pay all of the Consideration recited herein to the Cedant by the Completion Date, the Reinsurer shall pay interest on any unpaid sums at a rate which is equal to one percentage point (1.00%) over the Prime Rate (the base rate on corporate loans at large U.S. money center commercial banks) as published in *The Wall Street Journal*, but in no event shall said interest be calculated at less than six percent (6%) per annum pursuant to the laws of the Commonwealth of Pennsylvania including the "Legal Rate of Interest," Title 41 Section 202..

Expenses of Collection

9. Subject to the provisions of Article 8(c) herein, if the Reinsurer fails to pay the Consideration to the Cedant by the Completion Date, Reinsurer agrees to reimburse the Cedant for all reasonable expenses including, without limitation, attorney fees which are incurred by the Cedant in the enforcement of this Agreement and collection of the consideration together with any interest

accrued upon such reasonable expenses from the date of payment of such expenses at the rate set out in Article 8(c) above.

Choice of Laws

10. The performance and interpretation of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania with respect to any dispute arising under this Agreement between the Reinsurer and the Cedant;

Notices

11. All notices required under this Agreement shall be as follows:

a. Any notice or other communication under or in connection with this Agreement shall be in writing and shall be delivered personally or sent by first class post/mail (or by air mail if overseas) or by overnight courier service or by fax transmission or by email transmission, to the addresses of the parties as set out in Exhibit B attached hereto or to such other person or address as any party may specify by notice in writing to the others.

b. In the absence of evidence of earlier receipt, any notice or other communication shall be deemed to have been duly served if (i) sent by first class post on the second business day after posting; (ii) sent by overnight courier on the next business day after mailing (iii) sent by air mail, six (6) days after posting, (iv) sent by fax or email transmission, when delivered to the intended recipient's fax machine or email address and; (v) if delivered personally, when left during normal business hours at the address set out in Exhibit B or any alternative address specified by the receiving party.

Interpretation

12. The language of this Agreement is the result of negotiation between all parties hereto, and any ambiguities in said language shall not be presumptively construed against or in favor of any party or parties hereto.

Execution and Approval

13. Each party to this Agreement represents that it is authorized to enter into this Agreement and the transactions contemplated herein.

14. Each signatory to this Agreement represents that said signatory is authorized and empowered to execute this Agreement and the transactions contemplated herein and that any and all required corporate approval on behalf of the Reinsurer has been properly executed and that the Agreement is entered into voluntarily.

15. With respect to the Cedant, this Agreement is subject to final approval by the Commonwealth Court of Pennsylvania (the "Court"), which has jurisdiction over the liquidation of Cedant. Upon execution by all parties hereto, the Liquidator of Cedant shall promptly make application to the Court to secure said approval. In the event the Court does not approve this Agreement, then upon such notice of disapproval, the Liquidator of Cedant shall notify the Reinsurer and this Agreement will become null and void and have no further force or effect as between the Reinsurer and the Cedant.

16. This Agreement may be signed and exchanged in counterpart by facsimile and this Agreement as so signed and exchanged will constitute the binding Agreement of the parties.

IN WITNESS WHEREOF, the parties have hereunto set their hands as of the dates set forth.

RELIANCE INSURANCE COMPANY (In Liquidation)

By: *Paul S. Buckley*
Title: Chief Liquidation Officer
Date: *August 13, 2009*

ZURICH SPECIALTIES LONDON, LTD.

By: *Coake*
Title: Director
Date: *August 5, 2009*

EXHIBIT A

<u>RELIANCE REF.</u>	<u>REINSURER REF.</u>	<u>CONTRACT DESCRIPTION</u>	<u>EFFECTIVE DATE</u>	<u>PART %</u>
Treaty Contracts				
0682AA		B&M TO 20M NO PARTICIPATION QS	07/01/1990	.64900
1R46AA		B&M TO 20M QS	04/01/1992	.64900
1R76AA		AVIATION GENERAL QS	11/01/1991	4.60000
2Q15AA		AVIATION GENERAL QS	12/01/1992	9.00000
2R56AA		INTL BOILER & MACH QS	01/01/1992	1.00000
2Z41AA		PROPERTY 65% QS TO 10M (92)	07/01/1992	.97000
3Q93AA		PROP QS-10M (92)-FURRIER PROG	03/01/1993	.97000
3X89AA		AGRICULTURAL AVIATION QS	12/01/1993	10.00000
3X90AA		AVIATION AIRPORTS GENERAL 5MQS	12/31/1993	7.50000
448CAA		E&S D&O 71.5% TO 5M QS	07/01/1994	4.00000
493CAA		ARCHITECTS & ENGINEERS LIAB QS	09/01/1994	6.25000
502FAA		A&E QS 50% OF 1M	09/01/1995	20.00000
539FAA		CAS HOME FOREIGN 30% TO 5M QS	12/31/1995	6.67000
564EAA		D&O/E&S 60% 2M QS SPL RV SEC A	07/01/1995	12.00000
566EAA		A&E/E&O 60% 2M QS SPL RV SEC C	07/01/1995	12.00000
568EAA		LAWYERS E&O KVI 50% 2M QS	07/01/1995	12.00000
569EAA		LAWYERS E&O PCM 50% 2M QS	07/01/1995	12.00000
601IAA		SPEC REV Q/S-PROTEX SMALL LAW	07/01/1996	10.00000
611HAA		PROPERTY TECH RISK QS	07/01/1996	.91000
612HAA		PROPERTY SPECTLY 80% TO 10M QS	07/01/1996	.62000
613HAA		B&M 80% TO 10M QS	07/01/1996	.27000
624HAA		D&O/E&S 60% 2M QS SPL RV SEC A	07/01/1996	10.00000
625HAA		MISC E&O 50% 2M QS SP RV SEC B	07/01/1996	10.00000
626HAA		A&E/E&O 40% 2M QS SPL RV SEC C	07/01/1996	10.00000
627HAA		D&O SMALL ACCTS 50% 2M QS	07/01/1996	10.00000
628HAA		LAWYERS E&O KVI 50% 2M QS	07/01/1996	10.00000
629HAA		LAWYERS E&O PCM 50% 2M QS	07/01/1996	10.00000
653KAA		AUSCO FOR PROFIT SMALL CORP	12/31/1996	18.00000
671HAA		ARCHT & ENG LIAB KVI 2M QS	09/01/1996	10.00000
713JAA		INT'L CASULTY EXCES QS(UK REPT	01/01/1997	5.25000
714JAA		INT'L CASUALTY QS(UK REPORTING	01/01/1997	5.25000
739LAA		B&M 80% TO 10M QS	07/01/1997	.75000
740LAA		COMM SELECT RISK 80% TO 10M QS	07/01/1997	.75000
741LAA		ENGINEERED RISK QUOTA SHARE	07/01/1997	.75000
742LAA		INLAND MARINE Q/S 80% TO 10M	07/01/1997	.75000
743LAA		PROPERTY TECH RISK QS	07/01/1997	.75000
745SAA		BRISTOL ALL LINES AGGREGATE	12/01/1997	10.00000
748KAA		INS SVC OF AM 100% OF 500K QS	04/01/1997	25.00000
750LAA		D&O/E&S 70% 2M QS SPL RV SEC A	07/01/1997	7.50000
751LAA		MISC E&O 50% 2M QS SP RV SEC B	07/01/1997	7.50000
752LAA		D&O SMALL ACCTS 50% 2M QS	07/01/1997	7.50000
753LAA		LAWYERS E&O KVI 50% 2M QS	07/01/1997	7.50000
754LAA		LAWYERS E&O PCM 50% 2M QS	07/01/1997	7.50000
755LAA		PRO TEX E&O 50% 2M QS SPCL RVW	07/01/1997	7.50000
756LAA		EMPLOYMENT PRAC 50% 2M QS	07/01/1997	7.50000
779LAA		FLORIDA FLOOD PROGRAM 90% Q.S.	04/01/1997	3.50000
823VAA		PROPERTY Q/S 80% TO 10M	07/01/1998	.88000

841VAA	FLORIDA FLOOD PROGRAM 90% Q.S.	04/01/1998	3.48000
847SAA	INS SVC OF AM 100% OF 500K QS	04/01/1998	25.00000
855VAA	NETWORK COMPUTER LIABILITY INS	09/01/1998	6.66670
867MAA	CASUALTY HOME FOREIGN QS	01/01/1998	3.95000
01D3AA	JUA DEPOPULATION CAT XOL	04/30/2000	3.00000
0383AA	FIDELITY XS (3 X 2) (90)	01/01/1990	3.90000
0384AA	FIDELITY XS (5 X 5) (90)	01/01/1990	5.90000
0604AA	CASUALTY 3RD CAT XOL	07/01/1990	.45000
0606AA	CASUALTY 4TH CAT XOL	08/01/1990	1.47000
0688AA	CASUALTY 1ST CAT XOL	07/01/1990	5.45000
0689AA	CASUALTY 2ND CAT XOL	07/01/1990	4.08000
1844AA	HEALTH CARE \$5M XS \$5M	01/01/1991	5.50000
1935AA	COMMERCIAL FIDELITY 2ND XOL	04/01/1991	3.99000
1936AA	COMMERCIAL FIDELITY 3RD XOL	04/01/1991	5.62000
1R33AA	CASUALTY 1ST CAT XOL	07/01/1991	5.63000
1R34AA	CASUALTY 2ND CAT XOL	07/01/1991	3.96000
1R35AA	CASUALTY 3RD CAT XOL	07/01/1991	.50000
1R36AA	CASUALTY 4TH CAT XOL	07/01/1991	1.53500
1R75AA	AVIATION XOL 2M XS 1M	11/01/1991	4.90000
1R79AA	ENT. ARTS 3 X 2	12/01/1991	12.03700
2Q02AA	CARGO 1ST XOL 1.5M XS 1M	10/01/1992	.46500
2Q03AA	CARGO 2ND XOL 2.5M XS 2.5M	10/01/1992	.39600
2Q04AA	CARGO 3RD XOL 5M XS 5M	10/01/1992	.42400
2Q06AA	MARINE & HULL XOL 1.5M XS 1M	10/01/1992	.97000
2Q07AA	MARINE & HULL XOL 2.5M XS 2.5M	10/01/1992	.95700
2Q08AA	MARINE & HULL CANCELLED LAYER	10/01/1992	.68500
2Q27AA	NRECA-92/93 PROP 4MM XS 1MM	11/01/1992	5.00000
2Q52AA	M & E 1.5M XS 1.5M 92	10/01/1992	5.25600
2Q53AA	M & E 3M XS 3M 92	10/01/1992	4.92100
2R28AA	COMMERCIAL FIDELITY 2ND XOL	04/01/1992	4.19000
2R29AA	COMMERCIAL FIDELITY 3RD XOL	04/01/1992	6.35000
2R88AA	HEALTH CARE 5M XS 5M	01/01/1992	5.50000
2Z31AA	M&E XS (1.5M X 1.5M) (92-93)	07/01/1992	3.25600
2Z32AA	M&E XS (3MM X 3MM) (92-93)	07/01/1992	4.92100
2Z56AA	CASUALTY 1ST CAT XOL	07/01/1992	4.50000
2Z57AA	CASUALTY 2ND CAT XOL	07/01/1992	4.49000
2Z58AA	CASUALTY 3RD CAT XOL	07/01/1992	.50000
2Z59AA	CASUALTY 4TH CAT XOL	07/01/1992	1.51840
2Z62AA	M&E XS (5MM X 10MM) (92-93)	07/01/1992	1.00000
2Z70AA	PROPERTY CAT 6MM XS 4MM	07/01/1992	2.63150
2Z71AA	PROPERTY CAT 10MM XS 10MM	07/01/1992	1.05260
2Z80AA	FHP XS 1MM XS 1MM	07/01/1992	6.38000
2Z81AA	FHP XS 3MM XS 2MM	07/01/1992	4.35000
2Z93AA	TRANSPORTATION FAC XOL 4M X 1M	11/01/1992	1.92000
2Z95AA	EXCESS LIABILITY 4M XS 1M	09/01/1992	2.50000
2Z96AA	EXCESS LIABILITY 5M XS 5M	09/01/1992	2.50000
325AAA	WC XS 10M XS 10.5M EACH OCCUR	12/31/1993	4.48000
332AAA	HEALTH CARE \$1M XS \$1M	12/31/1993	8.37210
334AAA	HEALTH CARE \$10M XS \$5M	12/31/1993	9.33160
348AAA	INT'L D&O/E&O 3M XS 2M	12/31/1993	5.00000
374AAA	AVIATION AIRPORT GEN 500KX500K	12/31/1993	16.19050
3Q34AA	ENT. ARTS 2ND XS (4X2 / 3X2)	01/01/1993	11.55000
3Q38AA	HEALTH CARE \$5M XS \$5M	01/01/1993	5.50000
3Q49AA	PROPERTY \$4M XS \$1M	07/01/1993	4.88000

3Q50AA	PROPERTY \$5M XS \$5M	07/01/1993	3.93000
3Q74AA	COMMERCIAL FIDELITY 2ND XOL	04/01/1993	5.00000
3Q75AA	COMMERCIAL FIDELITY 3RD XOL	04/01/1993	7.00000
3X20AA	PROPERTY CAT 7MM XS 8MM	07/01/1993	2.80360
3X21AA	PROPERTY CAT 15MM XS 15MM	07/01/1993	1.71400
3X40AA	AGRI PROP 1ST XOL 4.5M X 500K	09/01/1993	3.52940
3X41AA	AGRI PROP 2ND XOL 5M XS 5M	09/01/1993	2.45400
3X47AA	CASUALTY 1ST CAT XOL	07/01/1993	6.00000
3X48AA	CASUALTY 2ND CAT XOL	07/01/1993	4.42000
3X49AA	CASUALTY 3RD CAT XOL	07/01/1993	.49100
3X50AA	CASUALTY 4TH CAT XOL	07/01/1993	1.48000
417CAA	COMMERCIAL FIDELITY 2ND XOL	04/01/1994	5.49590
418CAA	COMMERCIAL FIDELITY 3RD XOL	04/01/1994	5.85000
431DAA	HEALTH CARE \$1M XS \$1M	12/31/1994	7.44190
433DAA	HEALTH CARE \$10M XS \$5M	12/31/1994	8.26200
435CAA	PROPERTY TECH RISK XOL 10MX15M	07/01/1994	1.19770
450CAA	PROPERTY 4 X 1 (94)	07/01/1994	2.22000
451CAA	PROPERTY 5 X 5 (94)	07/01/1994	2.38000
453CAA	MISC PROF E&O 50% QS TO 2M	07/01/1994	5.00000
454DAA	INT'L D&O \$3M XS \$2M	12/31/1994	5.00000
455DAA	INT'L D&O \$5M XS \$5M	12/31/1994	5.00000
459CAA	CASUALTY 1ST CAT XOL	07/01/1994	6.00000
460CAA	CASUALTY 2ND CAT XOL	07/01/1994	6.40000
462CAA	CASUALTY 4TH CAT XOL	07/01/1994	3.39000
480DAA	WC 3RD - \$10 M XS \$10.5 M	12/31/1994	6.03000
486DAA	HEALTH CARE \$10M XS \$15M	12/31/1994	3.62070
503GAA	HEALTH CARE \$10M XS \$5M	12/31/1995	7.17330
504GAA	HEALTHCARE 10M XS 15M	12/31/1995	3.52610
525FAA	INT'L PROP XOL 4M XS 4M	10/01/1995	3.44830
526FAA	INT'L PROP XOL 7M XS 8M	10/01/1995	3.26420
528EAA	NON-AIRLINE XOL 5M XS 5M	04/01/1995	25.00000
534EAA	PROPERTY TECH RISK XOL 10M X15M	07/01/1995	2.87770
537EAA	B&M XOL 15M XS 10M	07/01/1995	1.70780
538GAA	CASUALTY 5TH CAT XOL 10M X 70M	12/31/1995	3.08370
565EAA	MISC E&O 50% 2M QS SP RV SEC B	07/01/1995	12.00000
567EAA	D&O SMALL ACCTS 50% 2M QS	07/01/1995	12.00000
571EAA	INT'L D&O/E&O 1ST XOL 1M XS 1M	07/01/1995	12.00000
571FAA	W/C 3RD XOL 10M XS 10.5M	12/31/1995	5.99100
574EAA	MARINE 1ST XS LIAB 4MX1M SP RV	12/31/1995	10.20000
575EAA	MARINE 1ST ENERGY 1.5M XS 1M	12/31/1995	12.00000
576EAA	AVIATION NON AIRLINE XL 1MX1M	12/31/1995	12.00000
577EAA	ECS 1ST CAS CAT XOL 5M XS 5M	07/01/1995	12.00000
577FAA	INT'L 2ND D&O/E&O	12/31/1995	7.50000
578FAA	INT'L 3RD D&O/E&O	12/31/1995	10.00000
582EAA	CASUALTY 2ND CAT XOL 10M X 10M	07/01/1995	9.59760
583EAA	CASUALTY 3RD CAT XOL 20M X 20M	07/01/1995	4.71520
584EAA	CASUALTY 4TH CAT XOL 30M X 40M	07/01/1995	5.19860
602JAA	AVIATION NON AIRLINE XL 1MX1M	12/31/1996	10.00000
606IAA	WC 3RD XOL 10M XS 10.5M	12/31/1996	6.00000
606JAA	INT'L D&O/E&O 1ST XOL 1M XS 1M	12/31/1996	10.00000
607JAA	INT'L D&O/E&O 18MX2M	12/31/1996	7.50000
608KAA	CASUALTY CAT XOL	12/31/1996	4.26180
616HAA	COMBINED PROPERTY XOL	07/01/1996	1.86000
620GAA	INT'L PERSONAL ACCD. 4.7M/300K	01/01/1996	1.92300

621GAA	INT'L PERSONAL ACCD. 10M / 5M	01/01/1996	2.54200
622GAA	INT'L PERSONAL ACCD. 15M/15M	01/01/1996	1.96100
622HAA	B&M XOL 25M XS 25M	07/01/1996	.78000
623GAA	INT'L PERSONAL ACCD. 30M / 30M	01/01/1996	3.57100
625JAA	MARINE 1ST XS LIAB 4MX1M SP RV	12/31/1996	10.00000
626JAA	MARINE 1ST ENRGY 1.5MX1M SP RV	12/31/1996	10.00000
647HAA	CASUALTY 2ND CAT XOL	07/01/1996	5.64000
648HAA	CASUALTY 3RD CAT XOL	07/01/1996	4.20200
654JAA	HEALTHCARE 4TH XOL 10M XS 5M	12/31/1996	7.17300
655JAA	HEALTHCARE 5TH XOL 10M XS 15M	12/31/1996	3.58000
658KAA	REINSTATEMENT PREM. PROTECTION	12/31/1996	37.05000
695GAA	WHOLE ACCT REINST PREM PROT	05/01/1996	35.00000
702NAA	HEALTHCARE \$10M XS \$5M	12/31/1997	7.17000
703NAA	HEALTHCARE \$10M XS \$15M	12/31/1997	3.58000
712NAA	MARINE 1ST XS LIAB 4MX1M SP RV	12/31/1997	7.21880
717KAA	SUPER CAT XOL 50M XS UL	01/01/1997	8.28000
719JAA	INT'L PROPERTY 2M XS 2M	01/01/1997	4.95000
720JAA	INT'L PROPERTY 4M XS 4M	01/01/1997	5.52000
721JAA	INT'L PROPERTY 7M XS 8M	01/01/1997	5.33000
722JAA	INT'L PROPERTY 5M XS 15M	01/01/1997	5.65000
725SAA	REINSTATEMENT PREM. PROTECTION	12/31/1997	34.45000
731LAA	B&M XOL 25M XS 25M	07/01/1997	.62000
731NAA	INT'L D&O/E&O 1ST XOL 1MX1M SP	12/31/1997	7.50000
732LAA	COMBINED PROPERTY XOL 15MXS10M	07/01/1997	1.42000
732NAA	INT'L D&O/E&O \$18M XS 2M	12/31/1997	8.00000
735NAA	CAMPANIA XOL	10/01/1997	6.23000
736NAA	CAMPANIA XOL	10/01/1997	7.68000
756MAA	CASUALTY 2ND CAT XOL	12/31/1997	4.12000
768KAA	CAMPANIA XOL 1M XS 500K	01/01/1997	6.23000
769KAA	CAMPANIA XOL 3.5M XS 1.5M	01/01/1997	7.68000
824VAA	PROPERTY 1ST XOL - 15M X 10M	07/01/1998	1.27000
825VAA	PROPERTY 2ND XOL 25M X 25M	07/01/1998	.58000
861MAA	SUPER-CAT-MULTI-LINE CLASH	01/01/1998	8.04000
879MAA	INT'L PROPERTY 2M XS 2M	01/01/1998	5.48000
646HAA	ECS 1ST CAS CAT XL 5MX5M SP RV	07/01/1996	10.00000
577EAA	ECS 1ST CAS CAT XOL 5M XS 5M	07/01/1995	12.00000
776MAA	ECS CASUALTY PER RISK 2ND XOL	12/31/1997	2.57000
777MAA	ECS CASUALTY PER RISK 3RD XOL	12/31/1997	3.27000
778MAA	ECS CASUALTY PER RISK 4TH XOL	12/31/1997	6.47000
544FAA	ECS GL/PL \$17.5 XS \$20M	12/31/1995	7.06210
543FAA	ECS GL/PL \$7.5M XS \$12.5M	12/31/1995	2.86610
542FAA	ECS GL/PL \$7.5M XS \$5M	12/31/1995	2.54760
572EAA	ECS GL/PL 1ST XOL 3MX2M SP RVW	12/31/1995	12.00000
651JAA	ECS GL/PL 1ST XOL 3MX2M SP RVW	12/31/1996	10.00000
792MAA	ECS GL/PL 1ST XOL 3MX2M SP RVW	12/31/1997	6.07200
617JAA	ECS GL/PL XOL 10M XS 12.5M	12/31/1996	2.82000
618JAA	ECS GL/PL XOL 17.5M XS 22.5M	12/31/1996	7.06000
616JAA	ECS GL/PL XOL 7.5M XS 5M	12/31/1996	2.55000
887VAA	ECS GL/POLLUTION XOL 5TH LAYER	07/01/1998	4.09000
573EAA	ECS SURETY 1ST XOL 2.25MX750K	10/01/1995	12.00000
672HAA	ECS SURETY 1ST XOL 2.25MX750K	10/01/1996	8.50000
725MAA	ECS SURETY 1ST XOL 2.25MX750K	10/01/1997	7.50000
801XAA	ECS SURETY 1ST XOL 2MX1M SP RV	10/01/1998	8.50000
880MAA	INT'L PROPERTY 4M XS 4M	01/01/1998	5.95000

881MAA	INT'L PROPERTY 7M XS 8M	01/01/1998	6.51000
882MAA	INT'L PROPERTY 5M XS 15M	01/01/1998	5.51000
885MAA	JUA DEPOPULATION PROG CAT XOL	04/30/1998	7.00000
02T	SECOND CATASTROPHE XOL	19951231	0.040683C
04P	CATASTROPHE 2ND XOL	19940101	0.035000C
04T	4TH CATASTROPHE XOL	19951231	0.028711C
05T	5TH CATASTROPHE XOL	19951231	0.009653C
06I	3RD WORKERS COMP XOL	19961231	0.060000C
06P	CATASTROPHE 4TH XOL	19931231	0.030000C
06T	6TH CATASTROPHE XOL	19951231	0.020455C
07P	CATASTROPHE 5TH XOL	19940101	0.010000C
07T	1ST AGGREGATE XOL	19960101	0.037510C
08K	2ND CASUALTY CAT XOL	19961231	0.042618C
08P	CATASTROPHE 6TH XOL	19940101	0.022500C
08T	2ND AGGREGATE XOL	19960101	0.031457C
08U	1ST PROPERTY CAPACITY XOL	19961231	0.028500C
09P	AGGREGATE 1ST XOL	19940101	0.040000C
09T	1ST PROPERTY CAPACITY XOL	19960101	0.029265C
09U	2ND PROPERTY CAPACITY XOL	19970101	0.010400C
10P	2ND AGGREGATE EXCESS OF LOSS	19940101	0.032700C
10T	2ND PROPERTY CAPACITY XOL	19960101	0.014234C
10U	3RD PROPERTY CAPACITY XOL	19970101	0.005300C
11P	1ST CAPACITY EXCESS OF LOSS	19940101	0.025000C
11T	3RD PROPERTY CAPACITY XOL	19960101	0.008116C
11U	1ST CATASTROPHE XOL	19961231	0.014800C
12P	2ND CAPACITY EXCESS OF LOSS	19940101	0.015000C
12U	2ND CATASTROPHE XOL	19961231	0.014600C
13P	3RD CAPACITY EXCESS OF LOSS	19930101	0.008400C
13U	3RD CATASTROPHE XOL	19961231	0.013100C
15P	OCEAN MARINE 2ND EXCESS	19940101	0.012331C
17K	SUPER CAT XOL (MULTI-LINE) 97	19970101	0.082800C
20P	THIRD CASUALTY CLASH XOL	19940101	0.045000C
24U	1ST PROPERTY CAPACITY XOL 1998	19971231	0.023900C
25U	2ND PROPERTY CAPACITY XOL 1998	19971231	0.008600C
26U	3RD PROPERTY CAPACITY XOL 1998	19971231	0.005200C
27U	CATASTROPHE 1ST XOL (1998)	19971231	0.015900C
28784	28784 1ST GLOBAL CAT XOL	19831231	0.009500C
28U	28U 2ND GLOBAL CAT	19971231	0.013900C
29U	29U 3RD GLOBAL CAT 1998	19971231	0.014200C
35U	RIC UMBRELLA XOL (1997-1998)	19971101	0.050000C
374	CLASH 4TH XOL	19900101	0.033300C
38P	2ND U/L CASULATY CLASH-RSR/RSP	19940101	0.073500C
38T	1ST CASUALTY CLASH XOL	19960101	0.096000C
39T	2ND CASUALTY CLASH XOL	19951231	0.095976C
40T	3RD CASUALTY CLASH XOL	19960101	0.047152C
41T	4TH CASUALTY CLASH XOL	19960101	0.051986C
42T	5TH CASUALTY CLASH XOL	19960101	0.030837C
432	CAPACITY 1ST XOL	19900101	0.010300C
433	CAPACITY 2ND XOL	19900101	0.013000C
434	CAPACITY 3RD XOL	19900101	0.011400C
43U	CATASTROPHE 4TH XOL (1998)	19971231	0.045000C
44P	PROP CAT REINSTATEMENT - 2ND	19940101	0.025500C
45P	RSR SUNRISE COVER	19940101	0.043900C
46H	1ST CASUALTY CAT XOL	19960701	0.100000C

47H	SECOND CASUALTY CAT XOL	19960701	0.056400C
50P	RSR SUNRISE COVER	19950101	0.043900C
526	CLASH MINI 2ND RCUF XOL	19900101	0.051500C
548	4TH CAT XOL	19871231	0.014800C
55M	RIC/RN 1ST CAS. CLASH XOL 1998	19971231	0.071438C
56M	RIC/RN 2ND CAS. CLASH XOL 1998	19971231	0.041200C
58K	REINSTATEMENT COVER	19970101	0.370500C
61M	SUPER CAT XOL (MULTI-LINE) 98	19980101	0.080400C
64P	CATASTROPHE 2ND XOL	19941231	0.040200C
66P	CATASTROPHE 4TH XOL	19941231	0.025400C
67P	CATASTROPHE 5TH XOL	19941231	0.009900C
68P	CATASTROPHE 6TH XOL	19950101	0.021000C
69P	AGGREGATE 1ST XOL	19950101	0.039800C
70P	AGGREGATE 2ND XOL	19950101	0.032400C
711	1ST PROPERTY CAPACITY XOL	19910101	0.012100C
712	2ND PROPERTY CAPACITY XOL	19910101	0.013600C
713	3RD PROPERTY CAPACITY XOL	19910101	0.012200C
71P	1ST PROPERTY CAPACITY XOL	19950101	0.024500C
72P	2ND PROPERTY CAPACITY XOL	19950101	0.013600C
73P	3RD PROPERTY CAPACITY XOL	19950101	0.008300C
758	4TH CASUALTY CLASH XOL	19910101	0.033060C
761	2ND UNDERLYING CASUALTY XOL	19910101	0.051800C
786	1ST AGGREGATE XOL	19910101	0.020500C
787	2ND AGGREGATE XOL	19910101	0.027800C
788	3RD AGGREGATE XOL	19910101	0.015789C
79T	PROPERTY CATASTROPHE XOL	19970801	0.020000C
804	CATASTROPHE 1ST XOL	19900101	0.008200C
805	CATASTROPHE 2ND XOL	19900101	0.022100C
807	CATASTROPHE 4TH XOL	19891231	0.014700C
808	CATASTROPHE 5TH XOL	19900101	0.024300C
812	AGGREGATE 1ST XOL	19900101	0.018500C
813	AGGREGATE 2ND XOL	19900101	0.026300C
814	AGGREGATE 3RD XOL	19900101	0.014800C
85T	5TH PROPERTY CATASTROPHE	19980801	0.019300C
941	GLOBAL 4TH CATASTROPHE EXCESS	19861231	0.015260C
954	4TH CORP. CASUALTY CLASH XOL	19920101	0.032940C
959	2ND CATASTROPHE EXCESS OF LOSS	19910101	0.031400C
95G	REINSTATEMENT PREMIUM PROTECT	19960501	0.350000C
961	4TH CATASTROPHE EXCESS OF LOSS	19901231	0.019600C
962	5TH CATASTROPHE EXCESS OF LOSS	19910101	0.023400C
97182	THIRD FIDELITY EXCESS OF LOSS	19970101	0.035200C
97183	THIRD FIDELITY EXCESS OF LOSS	19970101	0.032700C
976	CORP 2ND OCEAN MARINE XOL	19920101	0.019380C
986	RSP/RSR 2ND UNDERLYING CAS XOL	19920101	0.050600C
P32	1ST AGGREGATE XOL	19920101	0.021120C
P33	SECOND AGGREGATE XOL	19920101	0.026800C
P34	THIRD AGGREGATE XOL	19920101	0.013600C
P36	CATASTROPHE 2ND XOL	19920101	0.025970C
P38	CATASTROPHE 4TH XOL	19911231	0.028944C
P39	CATASTROPHE 5TH XOL	19920101	0.009610C
P40	CATASTROPHE 6TH XOL	19920101	0.019300C
P41	FIRST PROPERTY CAPACITY XOL	19920101	0.015100C
P42	SECOND PROPERTY CAPACITY XOL	19920101	0.013300C
P43	THIRD PROPERTY CAPACITY XOL	19920101	0.011200C

P69	OCEAN MARINE 2ND EXCESS	19930101	0.011830C
P72	FIRST PROPERTY CAPACITY XS	19930101	0.020000C
P73	SECOND PROPERTY CAPACITY XS	19930101	0.014999E
P74	THIRD PROPERTY CAPACITY XS	19930101	0.013900C
P76	CATASTROPHE 2ND XOL	19930101	0.026316C
P78	CATASTROPHE 4TH XOL	19921231	0.028948C
P79	CATASTROPHE 5TH XOL	19921231	0.010525C
P80	CATASTROPHE 6TH XOL	19921231	0.023684C
P81	AGGREGATE 1ST XOL	19930101	0.021053C
P82	AGGREGATE 2ND XOL	19930101	0.031576C
P83	AGGREGATE 3RD XOL	19930101	0.015789C
P92	FOURTH CASUALTY CLASH XOL	19930101	0.033305C
P95	SECOND U/L CASUALTY CLASH	19930101	0.055600C
25R	Parallel Prop Agg 1st	4/1/1998	10.0000%
26R	Parallel Prop Agg 2nd	4/1/1998	11.3000%
30R	Agri 3rd Net Excess	1/1/1998	4.0700%
59B	Agri 3rd Net Excess	1/1/1999	4.0700%
92B	Agri 3rd Net Excess	1/1/2000	3.7600%
33R	ECO & XPL 1st Layer	4/1/1998	20.0000%
34R	ECO & XPL 2nd Layer	4/1/1998	20.0000%
A83	1st Cat. XOL	6/30/1995	10.0000%
11R	1st Cat. XOL	6/30/1996	35.0000%
Y09	1st Cat. XOL	6/30/1997	14.6700%
38R	1st Cat. XOL	6/30/1998	14.6700%
12R	2nd Cat. XOL	6/30/1996	15.0000%
Y10	2nd Cat. XOL	6/30/1997	5.7100%
39R	2nd Cat. XOL	6/30/1998	6.8600%
A85	3rd Cat. XOL	6/30/1995	19.0000%
13R	3rd Cat. XOL	6/30/1996	19.0000%

Facultative Contracts

NAL0112094	NCC/AV110/13	KANSAS CITY INT'L AIRPORT	11/1/1993
NAL0112097	NCC/AV102/56	CITY & COUNTY DENVER AIRPORT	11/1/1993
NAL1964909	4553A9414506	KANSAS CITY INT'L AIRPORT	11/1/1994
NSA1498817	S-4514	DETROIT EDISON	12/31/1991
NSA1498817	S-4514	DETROIT EDISON	12/31/1991
NZC1497888	.	PUERTO RICO ELECTRIC POWER AU	5/15/1992
NTL1632417	.	LIDLAW ENVIRONMENTAL	7/1/1997
NZB0155418	.	AVOCET TUNGSTEN, INC.	5/1/1999
NZE0150638	.	RADIO FREE ASIA	11/10/1998
NZE0150638	.	RADIO FREE ASIA	11/10/1998
NZE0155907	.	DIVI HOTELS INC	5/1/1999
NZE0155907	.	DIVI HOTELS INC	5/1/1999
NZE0155907	.	DIVI HOTELS INC	5/1/1999
NZE0155907	.	DIVI HOTELS INC	5/1/1999
NZE0155907	.	DIVI HOTELS INC	5/1/1999
NZE0155907	.	DIVI HOTELS INC	5/1/1999
NZE0155907	.	DIVI HOTELS INC	5/1/1999
NZE0155907	.	DIVI HOTELS INC	5/1/1999

Unless specifically identified, the above does not include pools and associations (whether voluntary or involuntary), self-insurance, risk retention groups or underwriting groups.

EXHIBIT B

For Reliance/The Liquidator

Keith Kaplan
Reliance Insurance Company (In Liquidation)
Three Parkway
Philadelphia, PA 19102
Tel. 215-864-4250
Fax 215-864-1077
Email: Keith.Kaplan@reliancenational.com

For Zurich Specialties London Limited

Patrick Tiernan
Zurich Specialties London Limited
London Underwriting Centre
3 Minster Court
Mincing Lane
London EC3R 7DD
Tel +44 207 648 3442
Fax +44 207 648 3477
Email: patrick.tiernan@zurich.com

EXHIBIT C

Mergers of the former Reliance Insurance Group of companies into Reliance Insurance Company

Company	State of Domicile	Date of Merger
Reliance Insurance Company of Illinois	Illinois	January 1, 2001
Reliance National Indemnity Company	Wisconsin	February 13, 2001
United Pacific Insurance Company	Pennsylvania	February 13, 2001
Reliance Direct Insurance Company	Pennsylvania	February 13, 2001
Reliance Universal Insurance Company	California	February 13, 2001
United Pacific Insurance Company of New York	New York	February 16, 2001
Reliance National Insurance Company	Delaware	March 6, 2001
Reliance Surety Company	Delaware	March 6, 2001
Reliance Lloyds	Texas	April 6, 2001 (Dissolved)

EXHIBIT D

LOC #	LOC #	Amount
Dublin	Tampa	
0009618	33605649	42,965.63
0010940	33613298	212,502.00
0200127	32603202	15,381.40
0202114	33615443	199,412.95
0201567	33613029	1,821.70
0201873	33615366	27,424.39
0200742	33607933	17,833.27
0202087	33615402	40,320.00
0201430	33613319	0.00
0009056	32603994	5,056.58
0010455	33610434	317.65
64040	33613173	416,696.00
0202733	33618552	13,159.43
0301492	33626421	12,951.12
0301493	33626422	24,283.24
0301503	33627248	18,755.05
0301716	33629180	2,656.20
0203540	33620420	296,999.95
Total		1,348,536.56

ADDENDUM #1

to

COMMUTATION, SETTLEMENT AGREEMENT AND RELEASE

A Commutation, Settlement Agreement and Release effective August 5, 2009 was entered into between Reliance Insurance Company (In Liquidation) ("Reliance") as Cedant and Zurich Specialties London Limited as Reinsurer. Now Cedant and Reinsurer have agreed that the Commutation, Settlement Agreement and Release be amended as follows:

Cedant and Reinsurer ratify and confirm the Commutation, Settlement Agreement and Release except as provided herein.

1. Recital B of the Commutation, Settlement Agreement and Release is hereby replaced by the following:

The reinsurance agreements referred to in Recital A above include but are not limited to those set out on Exhibit A attached hereto and are herein collectively referred to as "the Contracts", but shall not include: (i) any of those reinsurance agreements applicable to business transferred from Reliance Surety Profit Center to Travelers Casualty and Surety Company effective April 10, 2000, (ii) any of those reinsurance agreements referred to as "the Contracts" on Exhibit "A" of that certain previous Commutation, Settlement Agreement and Release between the Cedant and the Reinsurer dated the 6th day of January, 2009 and (iii) the following policy details of which are set out below:

Policy 065063098 : Reliance Reference 859XAA

Policy F9031 98 : Reliance Reference 860XAA

Cedant and Reinsurer have executed this Addendum #1 as of the effective date written above.

RELIANCE INSURANCE COMPANY (In Liquidation)

By: *Darl S. Buehling*

Title: Chief Liquidation Officer

Date: *September 18, 2009*

ZURICH SPECIALTIES LONDON, LTD.

By: *[Signature]*

Title: Director

Date: *15 September 2009*

Exhibit B

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel Ario
Insurance Commissioner of the
Commonwealth of Pennsylvania,

Plaintiff,

v.

RELIANCE INSURANCE COMPANY,

Defendant.

DOCKET NO. 269 MD 2001

IN RE: Commutation, Settlement Agreement and Release between
Reliance Insurance Company (In Liquidation) and Zurich Specialties London Limited II

**SEALED EXHIBIT B TO THE PETITION FOR APPROVAL OF
COMMUTATION, SETTLEMENT AND RELEASE AGREEMENT**

**THIS ENVELOPE IS SEALED AND CONTAINS INFORMATION DESIGNATED
CONFIDENTIAL IN THIS CASE. IT IS NOT TO BE OPENED OR THE CONTENTS
THEREOF TO BE DISPLAYED OR REVEALED EXCEPT BY OR UPON ORDER OF
THE COURT OR PURSUANT TO STIPULATION OF BOTH PARTIES TO THIS ACTION.**