

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

RECEIVED AND FILED  
COMMONWEALTH COURT  
OF PA (PHILA)

2009 DEC 29 A 11:59

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

***In Re: PETITION TO APPROVE LIQUIDATOR'S FIFTH PROPOSAL TO  
DISTRIBUTE ASSETS TO GUARANTY ASSOCIATIONS  
PURSUANT TO 40 P.S. §221.36***

**ORDER**

AND NOW, this \_\_\_\_ day of \_\_\_\_, 2010, upon consideration of the Petition to Approve Liquidator's Fifth Proposal to Distribute Assets to Guaranty Associations Pursuant to 40 P.S. § 221.36, and there being no objections, it is hereby ORDERED and DECREED that the Petition is GRANTED, including the authority of the Liquidator to:

- (a) make a fifth early access distribution to the GAs;
- (b) calculate the early access distribution on an Incurred Loss basis;

- (c) set a 55% level on total early access distributions, subject to a distribution cap of Paid Loss;
- (d) adjust paid and/or reserve claim data submissions from the GAs used in the calculation of early access distributions; and
- (e) withhold early access distributions from any GA whose data submissions are un-reconciled until such time as reconciliation issues are resolved.

Additionally, the Court affirms the obligation of the GAs, under the Refunding Agreements previously approved by this Court, to refund any early access distributions received which exceed the 55% level and Paid Loss cap upon the demand of the Liquidator.

And further, the Liquidator shall provide all the GAs and all listed on the Master Service List with notice of this Order, shall post a true and correct copy in PDF format on the Reliance Documents website ([www.reliancedocuments.com](http://www.reliancedocuments.com)), and shall file an affidavit with this Court affirming that service was so effected.

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**BONNIE BRIGANCE LEADBETTER**  
President Judge

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 :  
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Plaintiff, : No. 269 M.D. 2001  
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v. :  
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RELIANCE INSURANCE COMPANY, :  
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Defendant. :  
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**PETITION TO APPROVE  
LIQUIDATOR'S FIFTH PROPOSAL TO DISTRIBUTE ASSETS  
TO GUARANTY ASSOCIATIONS PURSUANT TO 40 P.S. §221.36**

Petitioner, Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator ("Liquidator") of Reliance Insurance Company ("Reliance"), petitions the Court for approval of this fifth proposal to distribute assets to state guaranty associations pursuant to 40 P.S. §221.36.

**BACKGROUND**

1. On October 3, 2001, this Court entered an Order of Liquidation with respect to Reliance Insurance Company ("Reliance") pursuant to the Pennsylvania Insurance Department Act, 40 P.S. §§221.1 – 221.63 ("the Act").

2. The Act empowers the liquidator to "collect all debts and moneys due and claims belonging to the insurer which it is economical to collect. . . . to do such other acts as are necessary or expedient to collect, conserve or protect its assets or property. . . ." 40 P.S. §221.23(6).

3. One of the principal functions of the Liquidator is to marshal the assets of the insolvent insurer with the goal of distributing the assets pro rata among the classes of creditors according to the priorities set forth in 40 P.S. §221.44. Aside from first priority administrative claims, claims under policies for losses have the highest priority.

**Statutory Provision for Early Access to Guaranty Associations**

4. Once an insolvent insurer such as Reliance is placed in liquidation, the various state guaranty associations, security funds or entities performing substantially equivalent functions throughout the nation (collectively "GAs") are triggered to perform their statutory function of paying certain types of covered claims pursuant to the statutory limitations in each state. Most guaranty associations or equivalent statutes provide that once a GA has paid a covered claim that would otherwise have been an obligation of the insolvent insurer, the claimant receiving the GA payment is deemed to have assigned his rights under the policy to the GA for purposes of the priority of distribution under 40 P.S. §221.44. See 40 P.S. §991.1816.

5. Based on their payment of covered claims pursuant to their statutory obligations, GAs in the Reliance estate are and will remain the largest class (b) claimants of the estate.

6. The Act provides a mechanism for early distribution of estate assets (sometimes referred to as "early access") to GAs to assist them in fulfilling their obligation to pay claims against the insolvent insurer. The statute provides:

the liquidator shall make application to the Commonwealth Court for approval of a proposal to disburse assets out of [the insolvent insurer's] marshaled assets, from time to time as such assets become available, to any guaranty

association in the Commonwealth or in any other state  
having substantially the same provision of law.

40 P.S. §221.36

7. The statute further requires that the proposal shall include provisions for:  
(a) a reserve for the payment of administrative expenses and secured claims; (b)  
disbursement of assets marshaled to date and the prospect of future disbursements as  
assets become available; (c) equitable allocation to the various GAs; and (d) the securing  
by the liquidator of an agreement to return assets under certain circumstances to ensure  
pro rata distributions amongst members of the same class of creditors.

8. On November 10, 2003, the Liquidator filed an Amended Petition to  
Approve Liquidator's First Proposal to Distribute Assets to State Guaranty Associations  
("Amended First Proposal").<sup>1</sup> The purpose of this Amended First Proposal was to provide  
the GAs with early access to the available funds of Reliance for their use in the payment  
of covered class (b) claims, pursuant to the framework set forth in the Amended First  
Proposal.

9. In paragraph 26 of the Amended First Proposal, the Liquidator sought  
Court approval to allocate that first distribution pursuant to a formula using "total paid  
loss and allocated loss adjustment expenses ("ALAE") on covered class (b) claims,"  
("Paid Loss"). The Paid Loss methodology was considered most expedient for  
calculating distributions until GA reserves for future losses could be properly estimated.

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<sup>1</sup> The Amended First Proposal is available on the Reliance Documents website  
([www.reliancedocuments.com](http://www.reliancedocuments.com)) as document number 713.

The Liquidator anticipated, however, that future distributions would be paid to the GAs based upon “undisputed claim payments made or to be made by the GA and reported by the GA to the Liquidator” (“Incurred Loss”). See Amended First Proposal, ¶27 (emphasis added). The Amended First Proposal sought an early access distribution of \$400 million.

10. The Amended First Proposal was approved by Order of this Court on December 11, 2003. The December 11, 2003, Order provides that “the terms of the Liquidator’s Amended First Proposal, including but not limited to the treatment of statutory deposits, and the Liquidator’s proposal concerning accounting for the time value of money shall be applicable to future early access distributions and the Liquidator shall seek Court approval as to the amount of cash to be distributed only and shall distribute that amount consistent with the terms of the Liquidator’s Amended First Proposal.” By approving the “terms” of the Amended First Proposal, the Court also approved the use of Incurred Loss based distribution methodology for future distributions.

11. The Liquidator has subsequently filed three further Proposals for the distribution of early access with the Court as follows:

(a) a Second Proposal to distribute \$375 million was filed on August 4, 2004 and approved by the Court by Order dated September 20, 2004;

(b) a Third Proposal to distribute \$300 million was filed on August 26, 2005 and approved by the Court by Order dated October 3, 2005; and

(c) a Fourth Proposal to distribute \$200 million was filed on November 17, 2006 and approved by the Court by Order dated March 9, 2007.

12. As in the Amended First Proposal, in each of the subsequent three Proposals, the Liquidator determined that Paid Loss continued to be the appropriate basis for calculating the distributions and obtained the Court's approval to release the distributions on that basis.

#### **Fifth Proposal to Distribute Assets**

13. In accordance with the December 11, 2003 Order, the Liquidator now seeks approval for this Fifth Proposal to Distribute Assets ("Fifth Proposal") to the various GAs as set forth in Exhibit A attached, consistent with the terms of the Amended First Proposal.

14. In a departure from the four prior early access proposals, however, it is the Liquidator's determination to calculate this fifth distribution based on Incurred Loss as set forth in paragraph 27 of the Amended First Proposal and approved by the Court.<sup>2</sup> The Liquidator has revised the allocation methodology because it is now possible at this juncture in the Reliance liquidation to better estimate the GA's ultimate exposures. It is the Liquidator's determination that *all* GAs total early access distributions now be set at 55% of Incurred Loss, subject to a distribution cap of Paid Loss. The Incurred Loss calculation is based on Paid Loss plus GA outstanding reserves as reported by the GA through Uniform Data Source ("UDS") submissions.<sup>3</sup> The Incurred Loss calculation may

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<sup>2</sup> An Incurred Loss basis for distribution is also consistent with the language of 40 P.S. § 221.36(c).

<sup>3</sup> The allocation set forth in Exhibit A reflects data as of August 31, 2009 reported by GAs. As set forth in paragraph 26 of the Amended First Proposal, the Liquidator shall have the authority to amend Exhibit A to reflect adjustments to the data which the Liquidator deems necessary. Provided, however, Exhibit A shall be finalized prior to any cash distribution. The Liquidator shall file a copy of the final amended Exhibit A with this Court and provide a copy to each GA. Thereafter, the Liquidator shall promptly distribute the

vary in certain instances where the Liquidator deems adjustment to paid and/or reserve claim data appropriate.<sup>4</sup> In any event, no GA will receive more than they have already paid as Paid Loss, even if that amount is less than 55% of Incurred Loss. It is anticipated that this Fifth Proposal will result in the distribution of approximately \$403.5 million to GAs.

15. Under the Incurred Loss based distribution methodology, certain GAs will have exceeded the 55% distribution level. These GAs will be required to refund the excess portion of prior early access distributions pursuant to the Refunding Agreements executed by the GAs as a condition to having received early access (the "Refunding Agreements"). The execution of a Refunding Agreement is a prerequisite to the receipt of early access under 40 P.S. §221.36(b) (4) and the form and substance of the Reliance Refunding Agreements were approved by the Court Order of December 11, 2003.<sup>5</sup> Under paragraph 6 of the Refunding Agreements, within 30 days of a request by the Liquidator, or 90 days if an assessment is necessary, the GA is required to return to the Liquidator any excess early access determined by the Liquidator to be so returnable, including investment income on the amount returned. An interest penalty is provided for amounts

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cash as reflected on the amended Exhibit A in accordance with the provisions of this proposal without further orders of the Court.

<sup>4</sup> Examples of adjustments to Incurred Loss include large deductible reimbursements to the GAs that have not been recorded at the claims level in UDS and adjustments made by the Liquidator to outstanding case reserves on individual claims.

<sup>5</sup> An example of the Refunding Agreements can found as Exhibits G1 and C-2 to the Amended First Proposal.



not returned within the time specified. The total of anticipated refunds is approximately \$23.5 million.

16. As has been the practice in all four prior early access proposals, the allocation methodology presented to the Court has been determined by the Liquidator in consultation with the National Conference of Insurance Guaranty Funds as representative of the GAs.

17. The Liquidator reserves the right to withhold funds from this fifth distribution from any GA with which Reliance has significant issues regarding the reconciliation of the information provided in the UDS submissions. Withheld funds will be released once these issues have been resolved to the Liquidator's satisfaction.

18. Certain GAs have declined to execute the required Refunding Agreements or have executed Limited Scope Refunding Agreements pursuant to the Amended First Proposal and have elected to proceed only against special deposits for reimbursement as to all or certain types of paid claims covered by those special deposits. These GAs are not entitled to any distribution under this Fifth Proposal for paid claims or incurred amounts that are recoverable from those special deposits and no amount is shown for them for the Fifth Total Cash Distribution in Exhibit A.<sup>6</sup>

19. Furthermore, with the agreement of representatives of the Life and Health Insurance Guaranty Associations ("L&H GAs"), the Liquidator has determined

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<sup>6</sup> The GAs who did not execute Full Scope Refunding Agreements are: the Arizona State Compensation Fund – Workers Compensation, the Massachusetts Insurers Insolvency Fund – Workers Compensation, the Oregon Insurance Guaranty Association – Workers Compensation, and the Virgin Islands Insurance Guaranty Association – all lines.

that given the amounts paid to the L&H GAs pursuant to the Amended First Proposal and other deemed early access, and in light of the amount of their claim payments made or estimated to be made, if any, in the future, that no L&H GA will be eligible to receive any early access allocation under this Fifth Proposal.<sup>7</sup> It is, in fact, anticipated that, after verification of undisputed claim payments and resolution of certain other outstanding issues, most, if not all, L&H GAs will exceed the 55% distribution level applicable to all GAs under this Fifth Proposal and will be required to return funds to the Liquidator. Thus, none of the L&H GAs are receiving a distribution in this Fifth Proposal and any refunds due from the L&H GAs will be addressed by the Liquidator pursuant to the Refunding Agreements previously approved by this Court and executed by the L&H GAs.

20. A list of the GAs eligible to receive distributions or required to refund distributions under this Fifth Proposal (including the L&H GAs) and the calculations of the applicable distribution or refund amounts, if any, is attached hereto as Exhibit A. The calculations reflect the data that the Liquidator has received from each GA, as adjusted by the Liquidator, and takes into consideration the prior distributions and Attributable Deposits (as defined in the Amended First Proposal)<sup>8</sup> for each.

21. Reliance advanced payments on behalf of certain GAs for (a) the payment after October 3, 2001 (the date of Liquidation) by Reliance of certain workers

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<sup>7</sup> All of the affected associations except the New Hampshire Life and Health Insurance Guaranty Association are represented through a committee, coordinated through the National Organization of Life and Health Insurance Guaranty Associations. The New Hampshire Association is not eligible for a distribution in this Fifth distribution and the Liquidator has agreed with New Hampshire that the issue of distribution refunds, if any, will be addressed in the near future.

<sup>8</sup> Attached as Exhibit B is a current listing of statutory deposits by relevant state and amount.

compensation claims while the files and responsibilities were being transitioned from Reliance to the GAs, as authorized by the October 3, 2001 Liquidation Order; and (b) the benefits of certain claim payments during transition and certain reinsurance on accident and health policies transferred for the benefit of certain L&H GAs. These advance payments were referred to in the Amended First Proposal, subsequent proposals and in the Refunding Agreements as "Other Deemed Early Access."

22. The benefit of the Other Deemed Early Access provided to a GA has not been taken into account in any of the early access proposals, including this Fifth Proposal. Other Deemed Early Access will be addressed in a future early access distribution, if any, or in final early access distribution reconciliation. Future cash distributions will be adjusted to account for the Other Deemed Early Access and the Refunding Agreements shall apply to those distributions.

23. In determining the amount of cash available for distribution in the Fifth Proposal, the Liquidator has considered the nature of the assets owned by the estate and has reserved sufficient assets to pay the administrative expenses of the Liquidator and the class (a) expenses of GAs as required by 40 P.S. §221.36(b)(1). The Liquidator knows of no secured claims that would require a reserve beyond the security interest held, nor any other claims with a priority higher than that of policyholders.

24. In conjunction with the filing of this Petition, the Liquidator is also filing a petition for approval of an increase in the distribution percentage and a petition proposing a revision in the calculation methodology for distributions on claims under aggregate policies. The Liquidator has determined that neither the Petition for Second

Interim Distribution nor the Liquidator's Petition to Supplement the Court's November 19, 2007 First Aggregate Order will adversely affect this recommendation for additional early access distributions to the GAs. The Liquidator believes that, based on current financial information and considering the Court approved Refunding Agreements, both the early access and interim distributions are feasible, as well as a revision in the calculation methodology for distributions on claims under aggregate policies. The most current reported financial information about the Reliance estate can be found in the "Quarterly Report on the Status of the Liquidation of Reliance Insurance Company as of June 30, 2009"<sup>9</sup>

25. The distributions to the GAs in this Fifth Proposal are made in accordance with the requirements of 40 P.S. §221.36 and the terms of the December 11, 2003, Order. The GAs and the Liquidator will each work in good faith to resolve discrepancies or disputes, if any, between the data reported by the GAs and the Liquidator's records, and the Liquidator will make adjustments, if any are necessary, to future early access distributions, or to any general or final distribution, based on the parties' resolution of the discrepancies or disputes.

26. Prior to the discharge of the estate, the Liquidator will make a complete evaluation of the claims of the GAs submitted under their omnibus proof of claim so as to ensure that the amounts distributed to each GA as early access and otherwise, comport with their pro rata entitlement under 40 P.S. §221.44. The Liquidator has already begun

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<sup>9</sup> The Quarterly Report is available on the Reliance Documents website ([www.reliancedocuments.com](http://www.reliancedocuments.com)) as document number 713.

this process with the petitions filed for approval of undisputed GA loss claims on both August 13, 2009 and December 10, 2009.<sup>10</sup>

**Notice**

Pursuant to 40 P.S. §221.36(d), notice of the Fifth Proposal was given on or about November 19, 2009 to various GAs and to the state insurance departments of the states in which Reliance was licensed.

**WHEREFORE**, the Liquidator asks this Court to

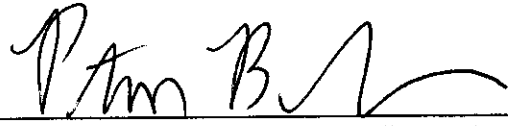
- (a) approve the Liquidator's proposal for a fifth early access distribution to GAs pursuant to 40 P.S. §221.36; and
- (b) authorize the Liquidator to:
  - (i) make a fifth early access distribution to the GAs;
  - (ii) calculate the early access distribution on an Incurred Loss basis;
  - (iii) set a 55% level on total early access distributions, subject to a distribution cap of Paid Loss;
  - (iv) adjust paid and/or claim reserve data submissions from the GAs used in the calculation of early access distributions; and
  - (v) withhold early access distributions from any GA whose data submissions are un-reconciled until such time as reconciliation issues are resolved; and

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<sup>10</sup> The August 13, 2009 petition can be found on the Reliance documents website as document number 2406 and the corresponding Court Order is document number 2423. The December 10, 2009 petition can currently be found under Recent Documents.

(c) affirm the obligation of the GAs, under the Refunding Agreements previously approved by this Court, to refund any early access distributions received which exceed the 55% level and Paid Loss cap upon the demand of the Liquidator.

By:



PRESTON BUCKMAN (I.D. #57570)  
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Attorney for Joel S. Ario,  
Insurance Commissioner of the  
Commonwealth of Pennsylvania, in his  
official capacity as Liquidator of  
Reliance Insurance Company


Dated: December 29, 2009

**VERIFICATION**

I, David S. Brietling, Liquidation Chief Liquidation Officer of Reliance Insurance Company (In Liquidation). I hereby verify that the facts set forth in the foregoing Petition to Approve Liquidator's Fifth Proposal to Distribute Assets to State Guaranty Associations Pursuant to 40 P.S. § 221.36 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.

Date: December ~~20~~ 2009

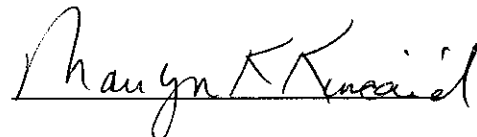
  
\_\_\_\_\_  
David S. Brietling  
Chief Liquidation Officer  
Reliance Insurance Company (In  
Liquidation)



**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 Petition to Approve Liquidator's Fifth Proposal to Distribute Assets to Guaranty Associations Pursuant to 40 P.S. §221.36 was made on the attached Master Service List, the attached list of Guaranty Associations, and to Carl B. Abildso, US Dept of Labor Special Fund, US Department of Labor, ESA/OWCP/DLHWC, Room C-4315, Attn: Fiscal Officer, 200 Constitution Avenue, N.W., Washington, D.C. 20210 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](http://www.reliancedocuments.com)).

Dated: December 24, 2009



MARILYN K. KINCAID

## Master Service List

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v.

Reliance Insurance Company

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

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## Guaranty Associations

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# EXHIBIT A

Reliance Insurance Company (in Liquidation)  
Exhibit A

Guaranty Association	Paid Loss *	Incurred Loss *	55% of Incurred Loss	Eligible Distribution	Attributable Deposits	Other Deemed Early Access	Adjusted Eligible Distribution	Previous Early Access Distributions	Fifth Distribution	
									Total Refund Owed	Total Cash Distribution
Alabama Insurance Guaranty Association	44,503,868	106,760,549	58,718,302	44,503,868	180,000	-	44,323,868	24,939,169	-	19,384,699
Alaska Insurance Guaranty Association	8,810,274	13,022,190	7,162,204	7,162,204	-	-	7,162,204	5,282,366	-	1,879,838
Arizona Property and Casualty Insurance Guaranty Fund	6,311,837	6,349,438	3,492,191	3,492,191	495,407	-	2,996,784	3,602,022	605,238	-
Arizona State Compensation Fund	6,986,354	19,612,664			22,794,372	-	-	-	-	-
Arkansas Property and Casualty Guaranty Fund	6,701,856	7,887,600	4,338,180	4,338,180	2,240,468	-	2,097,712	2,281,329	183,617	-
California Insurance Guarantee Association	602,468,513	789,739,146	434,356,530	434,356,530	280,629,836	-	153,726,694	99,295,966	-	54,430,728
Colorado Insurance Guaranty Association	20,052,611	50,682,539	27,875,397	20,052,611	-	-	20,052,611	12,325,569	-	7,727,042
Connecticut Insurance Guaranty Association	46,086,484	66,043,274	36,323,800	36,323,800	-	-	36,323,800	28,151,212	-	8,172,588
Delaware Insurance Guaranty Association	5,287,540	7,525,734	4,139,154	4,139,154	565,000	-	3,574,154	3,076,659	-	497,495
District of Columbia Insurance Guaranty Association	10,443,658	31,257,068	17,191,387	10,443,658	-	-	10,443,658	4,948,529	-	5,495,129
Florida Insurance Guaranty Association	83,459,330	85,166,570	46,841,614	46,841,614	1,303,264	-	45,538,350	52,947,158	7,408,808	-
Florida Workers Compensation Insurance Guaranty Association	214,261,017	284,045,706	156,225,138	156,225,138	3,517,394	-	152,707,744	119,013,841	-	33,693,903
Georgia Insurers Insolvency Pool	45,714,765	76,169,320	41,893,126	41,893,126	-	-	41,893,126	26,907,573	-	14,985,553
Hawaii Insurance Guaranty Association	5,035,521	7,773,478	4,275,413	4,275,413	-	-	4,275,413	3,716,279	-	559,134
Idaho Insurance Guaranty Association	2,325,276	4,581,481	2,519,815	2,325,276	1,101,000	-	1,224,276	562,578	-	661,698
Illinois Insurance Guaranty Fund	49,507,281	54,732,031	30,102,617	30,102,617	-	-	30,102,617	32,706,368	2,603,751	-
Indiana Insurance Guaranty Association	5,458,311	6,107,201	3,358,961	3,358,961	-	-	3,358,961	3,711,945	352,984	-
Iowa Insurance Guaranty Association	9,792,786	10,705,659	5,888,112	5,888,112	-	-	5,888,112	7,230,608	1,342,496	-
Kansas Property & Casualty Insurance Guaranty Association	14,703,191	20,867,419	11,477,080	11,477,080	227,668	-	11,249,412	8,655,030	-	2,594,382
Kentucky Insurance Guaranty Association	21,214,964	40,665,477	22,366,012	21,214,964	24,714	-	21,190,250	11,726,304	-	9,463,946
Louisiana Insurance Guaranty Association	63,527,903	85,130,903	46,821,997	46,821,997	877,000	-	45,944,997	38,055,494	-	7,889,503
Maine Insurance Guaranty Association	4,589,070	8,464,668	4,655,568	4,589,070	-	-	4,589,070	2,803,640	-	1,785,430
Maryland Property & Casualty Insurance Guaranty Corporation	26,745,855	35,347,791	19,441,285	19,441,285	-	-	19,441,285	15,659,149	-	3,782,136
Massachusetts Insurers Insolvency Fund - Non-WC	13,149,212	13,279,881	7,303,935	7,303,935	930,009	-	6,373,925	7,195,093	821,168	-

Reliance Insurance Company (in Liquidation)  
Exhibit A

Guaranty Association	Paid Loss *	Incurred Loss *	55% of Incurred Loss	Eligible Distribution	Attributable Deposits	Other Deemed Early Access	Adjusted Eligible Distribution	Previous Early Access Distributions	Fifth Distribution	
									Total Refund Owed	Total Cash Distribution
Massachusetts Insurers Insolvency Fund - WC	30,119,236	67,859,761			53,781,239		-		-	-
Michigan Property & Casualty Guaranty Association	51,118,410	80,149,343	44,082,139	44,082,139	-	-	44,082,139	31,093,866	-	12,988,273
Minnesota Insurance Guaranty Association	15,996,475	20,344,851	11,189,668	11,189,668	-	-	11,189,668	10,191,523	-	998,145
Mississippi Insurance Guaranty Association	34,442,264	54,351,405	29,893,273	29,893,273	-	-	29,893,273	21,060,691	-	8,832,582
Missouri Property & Casualty Insurance Guaranty Association	33,066,579	43,938,333	24,166,083	24,166,083	115,000	-	24,051,083	20,360,163	-	3,690,920
Montana Casualty Insurance Guaranty Association	3,725,173	5,874,721	3,231,096	3,231,096	-	-	3,231,096	2,155,951	-	1,075,145
Nebraska Property and Liability Insurance Guaranty Association	6,740,843	12,726,472	6,999,559	6,740,843	-	-	6,740,843	3,752,883	-	2,987,960
Nevada Insurance Guaranty Association	6,400,655	8,170,546	4,493,800	4,493,800	985,000	-	3,508,800	3,373,068	-	135,732
New Hampshire Insurance Guaranty Association	11,927,741	24,044,078	13,224,243	11,927,741	1,278,618	-	10,649,123	6,094,910	-	4,554,213
New Jersey Property-Liability Insurance Guaranty Association	58,908,066	64,960,577	35,728,317	35,728,317	841,568	-	34,886,749	38,516,779	3,630,030	-
New Jersey Compensation Rating and Inspection Bureau	45,388,799	56,980,729	31,339,401	31,339,401	-	-	31,339,401	25,991,391	-	5,348,010
New Jersey Surplus Lines Guaranty Fund	11,863,451	12,759,214	7,017,568	7,017,568	107,144	-	6,910,424	4,390,071	-	2,520,353
New Mexico Insurance Guaranty Association	5,950,822	8,684,362	4,776,399	4,776,399	2,070,909	-	2,705,490	1,670,195	-	1,035,295
New York Workers Compensation Security Fund	151,037,331	221,772,942	121,975,118	121,975,118	-	-	121,975,118	81,436,145	-	40,538,973
New York Property / Casualty Insurance Security Fund	292,359,289	353,305,040	194,317,772	194,317,772	329,453	-	193,988,319	161,857,440	-	32,130,879
North Carolina Insurance Guaranty Association	64,873,144	86,930,618	47,811,840	47,811,840	1,258,004	-	46,553,836	33,462,463	-	13,091,373
North Dakota Insurance Guaranty Association	251,263	251,263	138,195	138,195	-	-	138,195	174,858	36,663	-
Ohio Insurance Guaranty Association	9,146,477	9,607,713	5,284,242	5,284,242	-	-	5,284,242	6,395,762	1,111,520	-
Oklahoma Property & Casualty Insurance Guaranty Association	17,069,158	24,632,161	13,547,688	13,547,688	-	-	13,547,688	11,545,022	-	2,002,666
Oregon Insurance Guaranty Association - Non-WC	14,642,523	14,643,523	8,053,938	8,053,938	-	-	8,053,938	9,973,614	1,919,676	-
Oregon Insurance Guaranty Association - WC	7,660,545	13,772,489			36,148,708	-	-		-	-
Pennsylvania Property & Casualty Insurance Guaranty Association	39,353,088	49,987,186	27,492,952	27,492,952	-	-	27,492,952	24,630,160	-	2,862,792

Reliance Insurance Company (in Liquidation)  
Exhibit A

Guaranty Association	Paid Loss *	Incurred Loss *	55% of Incurred Loss	Eligible Distribution	Attributable Deposits	Other Deemed Early Access	Adjusted Eligible Distribution	Previous Early Access Distributions	Fifth Distribution	
									Total Refund Owed	Total Cash Distribution
Pennsylvania Workers Compensation Security Fund	135,578,393	188,661,686	103,763,927	103,763,927	-	-	103,763,927	71,567,991	-	32,195,936
Puerto Rico Miscellaneous Insurance Guaranty Association	8,357,286	9,483,286	5,215,807	5,215,807	5,000,000	-	215,807	403,614	187,807	-
Rhode Island Insurers' Insolvency Fund	9,143,085	11,979,502	6,588,726	6,588,726	-	-	6,588,726	6,004,284	-	584,442
South Carolina Property & Casualty Insurance Guaranty Association	29,230,328	35,184,204	19,351,312	19,351,312	1,058,910	-	18,292,402	19,641,243	1,348,841	-
South Dakota Property & Casualty Insurance Guaranty Association	1,766,316	1,789,259	984,093	984,093	-	-	984,093	1,237,251	253,158	-
Tennessee Insurance Guaranty Association	33,061,132	61,126,364	33,619,500	33,061,132	-	-	33,061,132	19,687,861	-	13,373,271
Texas Property & Casualty Insurance Guaranty Association	125,544,422	204,911,872	112,701,529	112,701,529	-	-	112,701,529	81,355,277	-	31,346,252
Utah Property & Casualty Insurance Guaranty Association	7,612,105	13,982,787	7,690,533	7,612,105	-	-	7,612,105	4,463,322	-	3,148,783
Vermont Property & Casualty Insurance Guaranty Association	7,061,839	16,660,735	9,163,404	7,061,839	-	-	7,061,839	3,872,285	-	3,189,554
Virgin Islands Insurance Guaranty Association	414,355	5,264,256			1,035,000	-	-	-	-	-
Virginia Property & Casualty Insurance Guaranty Association	33,956,625	55,552,384	30,553,811	30,553,811	1,780,073	-	28,773,738	18,572,796	-	10,200,942
Washington Insurance Guaranty Association	31,420,213	34,182,921	18,800,606	18,800,606	-	-	18,800,606	20,467,659	1,667,053	-
West Virginia Guaranty Association	3,578,889	3,578,889	1,968,389	1,968,389	-	-	1,968,389	1,573,354	-	395,035
Wisconsin Insurance Security Fund	10,633,023	15,035,512	8,269,532	8,269,532	-	-	8,269,532	7,025,469	-	1,244,063
Wyoming Insurance Guaranty Association	487,998	487,998	268,399	268,399	-	-	268,399	320,814	52,415	-
Total P & C	2,667,024,815	3,725,546,766	1,990,470,678	1,955,980,065	420,675,758	-	1,649,063,624	1,269,114,056	23,525,225	403,474,793
NOLGHA	31,981,970	31,981,970	17,590,084	17,590,084	TBD **	16,144,571	1,445,513	5,846,493	-	-
New Hampshire Life	56,659	56,659	31,162	31,162	TBD **	-	31,162	39,451	-	-
Grand Total	2,699,063,444	3,757,585,395	2,008,091,924	1,973,601,311	420,675,758	16,144,571	1,650,540,299	1,275,000,000	23,525,225	403,474,793

\* As adjusted by the Liquidator as described in paragraph 14

\*\* TBD - To be Determined

# EXHIBIT B

**Reliance Insurance Company (In Liquidation)**  
**Schedule of Statutory Deposits**  
**Current Status at December 16, 2009**

**EXHIBIT B**

<u>State</u>		<u>Par Value</u>	<u>Valuation Date</u>	<u>Deposit Value</u>
Alabama	(1)	180,000		180,000
Arizona	(1)	1,000,000	3/14/02	1,031,560
Arizona	(2)	22,030,500	3/14/02	22,258,219
Arkansas	(1)	2,115,000		2,240,468
California	(2)	208,596,910	12/31/05	280,629,836
Delaware	(1)	565,000		565,000
Florida	(1)	4,620,000	10/24/01	4,820,658
Idaho	(2)	1,101,000		1,101,000
Kansas	(1)	223,000	12/12/01	227,668
Kentucky	(1)	25,000	3/02/04	24,714
Louisiana	(1)	877,000		877,000
Massachusetts	(2)	53,172,000		51,611,248
Massachusetts	(1)	3,100,000		3,100,000
Missouri	(1)	115,000		115,000
Nevada	(1)	985,000		985,000
New Hampshire	(1)	1,255,000		1,278,618
New Jersey	(3)	840,000	12/31/03	841,568
New Jersey	(4)	100,000	12/31/03	107,144
New Mexico	(1)	1,810,000	03/04/03	2,070,909
New York	(5)	310,000		329,453
North Carolina	(1)	1,191,000	10/23/01	1,258,004
Oregon	(2)	29,605,000	12/31/05	36,148,708
Puerto Rico	(1)	5,000,000		5,000,000
South Carolina	(1)	1,056,000	5/2/02	1,058,910
Virgin Islands	(1)	1,035,000	3/02/04	1,035,000
Virginia	(1)	1,740,000	8/8/01	1,780,073
<b>Grand Total</b>		<u>342,647,410</u>		<u>420,675,758</u>

(1) Allocated to all lines

(2) Allocated 100% to workers compensation

(3) Allocated 100% private passenger auto liability

(4) Allocated 100% to surplus lines

(5) Allocated to all lines excluding workers compensation

**Par Value** - represents par value of securities on deposit for the following companies: Reliance Ins. Co, Reliance National Indemnity Co., United Pacific Ins. Co., Reliance National Ins. Co, Reliance Ins. Co. of Illinois, Reliance Universal Ins. Co., Reliance Direct Ins. Co., United Pacific Ins. Co. of NY, Reliance Reinsurance Ins. Co., Reliance Surety Co., Reliance Lloyds

**Valuation Date** - Date the market value was assigned to the securities, based on the date the state took control of the securities.