

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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**QUARTERLY REPORT OF THE LIQUIDATOR
ON THE STATUS OF THE LIQUIDATION OF
RELiance INSURANCE COMPANY AS OF SEPTEMBER 30, 2009**

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 September 30, 2009 ("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 September 30, 2009 and December 31, 2008 ("Statement"). The amounts set forth on this Statement for losses and loss adjustment expense liabilities, reinsurance recoverables and several other categories for September 30, 2009 are based upon independent actuarial estimates, utilizing data as of September 30, 2008. 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 (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, a) the amount of reinsurance recoverable will not be known until all valid POCs have been evaluated and allowed amounts determined and b) 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 September 30, 2009, the Statement shows estimated total assets were \$5.5 billion, with the most significant balance, \$2.2 billion, relating to total invested assets. Early access advances to GAs total \$1.7 billion (see paragraph C.2). Reinsurance receivables and future reinsurance recoverables were \$1.5 billion.

Total estimated liabilities at September 30, 2009 were \$9.0 billion. The most significant balance of \$4.4 billion is estimated for losses and ALAE to be processed on business classified by Reliance as direct business, virtually all related to class (b) POCs. The \$4.4 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 \$633.2 million offset by the first interim distribution approved by the Court which now totals \$93.7 million. Losses and ALAE paid by the GAs on business classified by Reliance as direct

business were \$2.7 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 nine months ended September 30, 2009 and for the period from October 3, 2001 to September 30, 2009. The estimated net deficit at September 30, 2009 was \$3.6 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, 2009 through September 30, 2009. Short and intermediate duration investments available at the beginning of the period were \$1.5 billion, increasing to \$2.0 billion at the end of the period.

Reinsurance collections, totaling \$250.7 million, were the primary source of cash receipts. Other sources of receipts included premium collections, claim recoveries, investment income and a significant recovery by the Liquidator in a legal action against the former independent actuaries utilized by Reliance prior to liquidation. This \$40 million recovery concludes the legal actions initiated by the Liquidator against third parties liable for injuring Reliance, its policyholders, creditors and the public generally. In all, the Liquidator has recovered more than \$144 million through major third party litigation. For further explanation of reinsurance collections, see paragraph A.8. Total cash receipts were \$344.4 million.

Cash disbursements consisted of operating expenses of \$52.8 million, payments under the first interim distribution to class (b) creditors of \$9.3 million (see paragraph D.2) and losses and ALAE of \$2.0 million. Additional detail is provided for operating expenses in paragraph B.2. Total cash disbursements were \$64.1 million.

The increase in market value of short and intermediate duration investments managed by investment managers, which is considered a non-cash item, was \$170.7 million as compared to a decrease of \$208 million experienced during 2008. The total investment return for the portfolio for the first nine months of 2009 was a positive 13.1% versus a negative 8.91% for 2008. The turnaround in 2009 was largely due to improving financial markets. In the fixed income segment of the portfolio, a portion of the 2008 unrealized loss has been realized during 2009. However, the combined realized losses and unrealized gains in the fixed income portfolio as of November 30, 2009 have improved to the extent that they exceed the unrealized losses at the end of 2008. As of November 30, 2009, the equity market value is 21% under its original cost and the unrealized loss represents only 1.8% of the current portfolio value. The equity component represents 7% of the September 30, 2009 portfolio.

Overall, short and intermediate duration investments increased for the nine months ending September 30, 2009 by \$451.0 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 \$2.0 billion as of September 30, 2009. 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.

4. Investments Held in Segregated Accounts

At September 30, 2009, Reliance held \$6.5 million in trust for specific obligations to secured creditors relating primarily to losses on assumed reinsurance business. In addition, Reliance held \$10.3 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 September 30, 2009, Reliance held \$13.8 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 an 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 (currently in a separate liquidation proceeding in Canada); 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 September 30, 2009, Reliance estimates current and future premium receivables of \$60.9 million which includes billed receivables and an estimate of \$32.9 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 September 30, 2009, reinsurance receivables and future reinsurance recoverables were \$1.5 billion after deductions for estimated future uncollectible amounts and offsets. At September 30, 2009, Reliance held approximately \$421 million in collateral from certain reinsurers as security for this exposure. Reinsurance collections for the nine months ended September 30, 2009, totaled \$250.7 million with total collections of over \$2.9 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 \$137.5 million as of September 30, 2009, consisting primarily of post-liquidation balances. Nearly all of the pre-liquidation balances of \$15 million are either in dispute, claimed by reinsurers as offsets, or are due from

insolvent or financially distressed companies. Included as Exhibit E is a listing of balances due from reinsurers at September 30, 2009.

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 \$1.9 billion of post-liquidation reinsurance billings, of which approximately \$123 million were unpaid at September 30, 2009. The post-liquidation amount readily available to collect is estimated at \$62 million. The remaining balances of \$61 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 the assumed business mature and are reported to the Estate.

b. Reinsurance Collection Issues

Reinsurance is one of the largest assets of Reliance and the structure, procedures and controls within the Reinsurance Department and throughout the Estate operations have been designed 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 36 reinsurance reviews at various GAs during the first 9 months of 2009.

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. At September 30, 2009, Reliance had legal actions pending against GMAC Re, Monumental Life and Republic Western, as well as five legal actions pending against Underwriters at Lloyds. Subsequent to September 30, 2009, Reliance settled two of the legal actions against Underwriters at Lloyds through commutation agreements and initiated a new legal action against Odyssey Re. Reliance expects to commence additional legal actions against recalcitrant reinsurers in the future, 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 also uses commutations as an alternative in dealing with reinsurers. In a commutation, Reliance receives 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 and 2009, as more updated claims information became available and the independent actuarial review was completed, the program expanded and commutations will continue to be a significant source of collections going forward. Where applicable, commutations are 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 June 2009, PricewaterhouseCoopers LLP (“PwC”) completed a post-liquidation independent actuarial review of estimated direct losses and ALAE exposures, both known and unknown, as well as related future reinsurance recoverables. Estimates were based on information as of September 30, 2008, 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 impact of recording the PwC central estimate was a decrease in loss and ALAE reserves on direct business of \$84 million. Additionally the changes in these liabilities resulted in a corresponding decrease in reinsurance recoverables of \$9 million. The PwC central estimate, which was first reflected in the June 30, 2009 Statement, represents one possible value in the range of acceptable estimates. Actual results will differ from these point estimates, and perhaps significantly. Estimates of ultimate losses and ALAE, which are reflected in the current Statement, have not been updated to reflect any loss experience subsequent to September 30, 2008.

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 F is an Operating Expense Analysis which indicates the total dollar amount for each expense category for the nine months ended September 30, 2009, 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 nine months ended September 30, 2009 totaled \$49.7 million, compared to a budget of \$50.7 million and actual expenses in 2008 of \$54.8 million. Additional operating expenses were incurred during the period by the GAs and Reliance paid expense reimbursements of \$3.2 million compared to a budget of \$11.0 million and actual expenses in 2008 of \$8.5 million. Brief explanations regarding certain aspects of the expenses are provided below, by category.

a. Salaries, Employee Benefits and Taxes

At September 30, 2009, Reliance had a total of 193 employees in both the Philadelphia and New York City offices. Since January of 2009, staff count has declined by 30 employees. Reliance also uses consultants to support the operations, especially in the Information Technology ("IT") area. At September 30, 2009, there were 31 consultants of whom 27 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 G is a schedule containing the legal expense detail by firm for the first nine months of 2009. 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 two general categories of legal matters: (1) Estate administration and (2) general asset recovery. Budget variances are due to the variable nature and timing of the legal process in various aspects of the Estate operations. The 13% unfavorable variance in Exhibit F under the caption of legal fees is primarily due to higher than anticipated reinsurance arbitration costs.

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.

Reliance has also undertaken numerous plaintiff actions to recover assets owed to the Estate, including recovery of reinsurance owed to the Estate. Some of these actions seek recovery of deductible amounts that benefit the GAs. As of September 30, 2009, the actions pending include both litigation and arbitrations for (1) approximately \$6 million sought from agencies, third party administrators, brokers or program managers; (2) approximately \$4.1 million sought in bankruptcy proceedings from financially distressed insured for which we have

no collateral, insufficient collateral, or the collateral is disputed; (3) approximately \$9.2 million sought in subrogation matters; (4) approximately \$5 million sought in premium and large deductible collections; (5) approximately \$32 million sought in reinsurance recoveries; and (6) approximately \$2 million sought in other litigation. In the third quarter of 2009, Reliance recovered approximately \$1.9 million through legal actions. Since January 2003 through the third quarter of 2009, Reliance has recovered in excess of \$324 million through legal actions, a portion of which benefits the GAs.

d. Professional Services Expenses

Attached as Exhibit H is a schedule containing the professional service expense detail by vendor name for the first nine months of 2009. 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.

f. Guaranty Association Expenses

The Operating Expense Analysis, Exhibit F, 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 September 30, 2009, is \$205.5 million with another \$47.2 million currently awaiting review and reimbursement. Attached as Exhibit I is a schedule showing the administrative expenses reported to Reliance by GAs as of September 30, 2009.

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 58 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 September 30, 2009, 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 \$421 million); and payments made by Reliance on behalf of certain GAs shortly after October 3, 2001 (approximately \$7 million).

On December 29, 2009, the Liquidator filed his Petition to Approve Liquidator’s Fifth Proposal to Distribute Assets to State Guaranty Associations Pursuant to 40 P.S. §221.36. The

petition seeks to distribute funds to GAs, on an early access basis,, based on 55% of the loss claims incurred by each GA, up to a maximum of each GA's paid loss claims. For those GAs who have already received more than 55% of their incurred loss claims or more than their paid loss claims, as of August 31, 2009, through previous early access distributions, the petition seeks a clawback of those funds with excess amounts being returned to the Liquidator.

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 \$103 million of deductible collections have been distributed to the GAs.

D. Claims Process

The deadline for filing POCs was December 31, 2003. As of September 30, 2009, Reliance has received a total of 159,750 POCs. Of these 159,750 POCs, 10,875 were received after the claim filing deadline, including 95 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 September 30, 2009, Reliance has issued NODs for 150,692 of the 159,750 POCs for a total allowed amount of \$779,171,576. Reliance has now issued NODs for more than 94% of the POCs filed with the Estate. This Court has approved 144,849 of those NODs, as of September 30, 2009, for a total allowed amount of \$692,577,590. Exhibit J breaks down this information by priority class and Exhibit K provides the same information for only the third quarter of 2009. 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 L indicates the status of all 159,750 POCs received as of September 30, 2009. Of the 9,058 POCs remaining to be evaluated, 2,640 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 10,999 claims. Approximately 2,351 of the 9,058 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

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

It is expected that additional claims will develop under the POCs filed without identification of any particular claim. Approximately 3,831 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 September 30, 2009, there were 236 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.

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 September 30, 2009, \$93.7 million has been distributed to class (b) claimants for approximately 4,200 NODs. On December 29, 2009, the Liquidator filed his Petition for Second Interim Distribution which recommended a 10% increase in the distribution percentage for a total interim distribution to all eligible class (b) claimants of 30% of the allowed amount of each NOD which has been approved by the Court.

many years before some of these long tail claims will be resolved so that they can proceed through the review and evaluation process.

And on December 29, 2009, the Liquidator filed his Petition to Supplement the Court's November 19, 2007 First Aggregate Order which seeks a reduction of 20% in the safety factor percentage applicable to any distribution to eligible claimants on Court approved NODs representing claims under aggregate policies. The initial safety factor percentage was 60% to hold back a portion of the aggregate limits for any future adverse claims development. If the Liquidator's recommendation is approved, the safety factor percentage will decrease from 60% to 40%. Other than the reduced safety factor percentage, the 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.

On November 5, 2009, the Liquidator's Report and Recommendation on Resolved Claims as of June 30, 2009 was filed with the Court. On December 16, 2009, this Court approved the report which included 4,409 NODs for a total allowed amount of \$84,487,978.

3. Objections to NODs

As of September 30, 2009, the Liquidator has received a total of 1,047 objections to the 150,692 NODs issued, an objection rate of less than .7%. 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 1,047 objections received through September 30, 2009, 930 have been resolved; 70 of the 117 unresolved objections have been assigned to referees. Exhibit M indicates the status of all objections received through September 30, 2009 and Exhibit N 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 allowed 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 September 30, 2009, the GAs have reported administrative expenses totaling approximately \$258.2 million. Paragraph B.2.f above explains the review process for these administrative expense claims in some detail.

On December 10, 2009, the Liquidator filed a Petition for Approval of Report and Recommendation on Undisputed Guaranty Association Administrative Expenses Submitted Through December 31, 2007. This petition seeks approval of administrative expenses for 24 GAs totaling \$72,202,116 through 2007.

b. Loss and ALAE Payments

Most GAs report their loss and ALAE payments through the UDS interface. As of September 30, 2009, the GAs have paid approximately \$2.8 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 \$421 million held in special deposits. The GAs' outstanding reserve for remaining losses and ALAE totals approximately \$1.2 billion. Therefore, in total through the end of the liquidation, the GAs expect to pay out approximately \$4.0 billion in loss claims and ALAE. Exhibit I shows the total losses and ALAE paid as well as losses and ALAE reserves reported by each GA at September 30, 2009. Both the paid amounts and outstanding reserves reported by GAs over time are graphically shown in Exhibit O attached hereto. As indicated by the graph, the GAs have paid approximately 69% 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.

On September 10, 2009, the Liquidator filed his Second Petition for Approval of Report and Recommendation on Undisputed Guaranty Association Claims through December 31, 2006. This petition recommended the approval of 7,009 claims from 47 GAs (including 4 GAs not participating in the August 13, 2009 GA Report) for a total allowed amount of \$203,950,083. All of the claims included in the Second GA Report have been determined to be class (b) claims by the Liquidator.

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 September 30, 2009, Reliance held collateral of \$925 million to secure current and future obligations. For the nine months ended September 30, 2009, 130 accounts were reviewed, resulting in a release of \$71 million for 68 accounts; denials were issued for 25 accounts; and the remaining 37 accounts were otherwise resolved (e.g., closeouts, no remaining collateral).

2. Reinsurance Cut-Throughs

A committee was established to review and recommend action for cut-through requests submitted to the Liquidator. Since the implementation of the guidelines, 35 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 15 requests, 8 were disapproved by the Liquidator, 2 were withdrawn and 5 were pending before the Liquidator as of the end of the third 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. As of September 30, 2009, 2 of the 4 disputed matters had been approved by the Court and the other 2 remained stayed by the Court upon the consent of the parties.

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

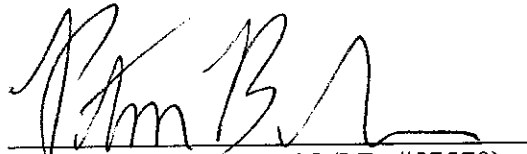
Florida and Idaho have closed their ancillary receiverships and there has been limited activity in the other ancillaries.

As set forth in the Liquidator's Second Interim Distribution Petition, the ancillary receivers in Arizona, Massachusetts, and New Mexico were advised that the Reliance worker compensation claimants resident in their respective states must present their claims against the special deposits held by those ancillary receivers for any payment of their claims. The Division of Banking and Insurance in the U.S. Virgin Islands was also advised that all of the Reliance claimants resident in the U.S. Virgin Islands would have to be paid from the special deposits drawn by the Division of Banking and Insurance.

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.

Respectfully submitted:

By:



PRESTON BUCKMAN (I.D. #57570)
Special Funds Counsel
Pennsylvania Insurance Department
Capitol Associates Building
Governor's Office of General Counsel
901 North 7th Street
Harrisburg, PA 17102
(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: December 30, 2009

CERTIFICATE OF SERVICE

I, Marilyn K. Kincaid, hereby certify that on or about this day, pursuant to the Court's Orders of April 1, 2004 and December 12, 2008, service of the foregoing Quarterly Report of the Liquidator on the Status of the Liquidation of Reliance Insurance Company as of September 30, 2009 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: December 30, 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)

Preston M. Buckman, Esquire, (717) 787-6009
Department Counsel for Insurance
Governor's Office of General Counsel
Commonwealth of Pennsylvania
Insurance Department
Office of the Chief Counsel
Capitol Associates Building
901 North 7th Street
Harrisburg, PA 17102
Phone: (717) 787-6009
Fax: (717) 772 4543
E-mail: pbuckman@state.pa.us
(Attorneys for the Pennsylvania
Insurance Department)

Marilyn K. Kincaid, Esquire, (215) 864-4205
Reliance Insurance Company
(in Liquidation)
Three Parkway
5th Floor
Philadelphia, PA 19102
Phone: (215) 864-4205
Fax: (215) 864-4105
E-mail: marilyn.kincaid@relianceinsurance.com
(Attorney for Reliance Insurance
Company (in Liquidation))

Richard F. McMenamin, Esquire, (215) 963-5751
David L. Harbaugh, Esquire
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
Phone: (215) 963-5751
Fax: (215) 963-5001
E-mail: dharbaugh@morganlewis.com
rmcmenamin@morganlewis.com
(Attorneys for Fuji Bank)

Richard F. McMenamin, Esquire, (215) 963-5596
Erica Smith Klocek, Esquire
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
Phone: (215) 963-5596
Fax: (215) 963-5001
E-mail: esklocek@morganlewis.com
rmcmenamin@morganlewis.com
(Attorneys for Milliken & Company)

Richard F. McMenamin, Esquire, (215) 963-5596
Marc A. Shapp, Esquire
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
Phone: (215) 963-5596
Fax: (215) 963-5001
E-mail: mshapp@morganlewis.com
rmcmenamin@morganlewis.com
(Attorneys for The Bank of New York Mellon
(Formerly Mellon Bank, N.A.))

Jayson R. Wolfgang, Esquire, (717) 237-4852
Buchanan Ingersoll
One South Market Square
213 Market Street, 3rd Floor
Harrisburg, PA 17101
Phone: (717) 237-4852
Fax: (717) 233-0852
E-mail: jayson.wolfgang@bipc.com
(Attorneys for Federal Insurance Company)

Rowe W. Snider, Esquire, (312) 443-0700
Steven T. Whitmer, Esquire
Julie L. Young, Esquire
Locke Lord Bissell & Liddell LLP
111 S. Wacker Drive
Chicago, Illinois 60606
Phone: (312) 443-0700
Fax: (312) 443-0336
E-mail: rsnider@lockelord.com
swhitmer@lockelord.com
jyoung@lockelord.com
(Attorneys for Illinois Insurance Guaranty Fund)

Daryn E. Rush, Esquire, (215) 446-6220
Gibbons PC
1700 Two Logan Square
18th & Arch Streets
Philadelphia, PA 19103-2769
Phone: (215) 446-6220
Fax: (215) 446-6336
E-mail: drush@gibbonslaw.com
(Attorney for Baptist Health South Florida, Inc.,
Palm Springs General Hospital, and Travelers
Casualty and Surety Co.)

Amy Daubert, (717) 787-2567
Chief Counsel
Pennsylvania Insurance Department
Office of Chief Counsel
1341 Strawberry Square
Harrisburg, PA 17120
Phone: (717) 787-2567
Fax: (717) 772-1969
E-mail: adaubert@state.pa.us
(Counsel for Joel S. Ario,
Insurance Commissioner of the Commonwealth of
Pennsylvania)

Timothy P. Law, (215) 851-8100
Matthew D. Rosso
Toki Rehder
Reed Smith LLP
2500 One Liberty Place
1650 Market Street
Philadelphia, PA 19103
Phone: (215) 851-8100
Fax: (215) 851-1420
E-mail: tlaw@reedsmith.com
mrosso@reedsmith.com
trehder@reedsmith.com
(Counsel for Unisys Corporation and Tribune
Company, Lincoln National Corporation, Warrantech
et. al)

Samuel M. Danskin, (714) 918-7000
Green & Hall, APC
1851 E. First Street
10th Floor
Santa Ana, CA 92705
Phone: (714) 918-7000
Fax: (714) 918-6996
E-mail: sdanskin@greenhall.com
(Counsel for Brian and Sarah Chisick)

Henry M. Sneath, (412) 288-4000
Bridget M. Gillespie, (412) 288-4017
Picadio Sneath Miller & Norton, P.C.
4710 US Steel Tower
600 Grant Street
Pittsburgh, PA 15219-2702
Phone: (412) 288-4000
(412) 288-4017
Fax: (412) 288-2405
E-mail: hsneath@psmn.com
bgillespie@psmn.com
(Counsel for Washington Mutual Bank (“WAMU”),
as successor to Hawthorne Financial Corp. and
Hawthorne Saving, F.S.B.)

Stephen A. Loney, Jr., (267) 675-4600
Hogan & Hartson LLP
1835 Market Street
29th Floor
Philadelphia, PA 19103
Phone: (267) 675-4600
Fax: 267-675-4601
e-mail: saloney@hhlaw.com
(Counsel for Genworth Life Insurance Company and
Genworth Life and Annuity Insurance Company
(formerly General Electric Capital Assurance
Company, First Colony Life Insurance Life Insurance
Company, Federal Home Life Insurance Company,
and GE Life and Annuity Assurance Company) and
National Structured Settlements Trade Association)

Frank P. DeGiulio, (215) 625-9900
Charles P. Neely
Palmer Biezup & Henderson LLP
956 Public Ledger Building
620 Chestnut Street
Philadelphia, PA 19106-3409
Phone: (215) 625-9900
Fax: (215) 625-0185
e-mail: fpd@pbh.com
cneely@pbh.com
(Counsel for Republic Western Insurance Company)

Objector's List
269 MD 2001

PRO INSURANCE SOLUTIONS, LTD.
30 ST. MARY AXE
LONDON, EC3A 8EP

BASKETBALL PROPERTIES
601 BISCAYNE BLVD
AMERICAN AIRLINES ARENA
MIAMI, FL 33132-1801

BREAUX BROTHERS ENTERPRISE
PO BOX 550
LOREAUVILLE, LA 70552-0550

BUTLER FINANCIAL SOLUTIONS, LLC
JAMES F. MORGANTEEN, ESQ
2200 HIGHWAY 121, SUITE 100
BEDFORD, TX 76021-5983

CALIFORNIA SELF INSURERS' SECURITY FUND
MR. JEFF PETTEGREW, EXECUTIVE DIRECTOR
100 PRINGLE AVE; SUITE 525
WALNUT CREEK, CA 94596-7368

CENTURY INDEMNITY COMPANY
30 S 17TH ST STE 700
UNITED PLAZA
PHILADELPHIA, PA 19103-4001

CHISICK, BRIAN
10212 SUNRISE LN
SANTA ANA, CA 92705-6415

CHISICK, SARAH
10212 SUNRISE LN
SANTA ANA, CA 92705-6415

CIGNA CORPORATION
TWO LIBERTY PLACE
1601 CHESTNUT STREET
PHILADELPHIA, PA 19102

COHEN, EYAL
331 BERKELEY RUN
ATLANTA, GA 30342

CRAWFORD, KENNETH T
4791 LANES POND ROAD
VALDOSTA, GA 31601

FIRST CLASS COVERAGE, INC.
150 BROADWAY STE 2206
C/O LAW OFFICES OF MARK D. LEFKOWITZ
NEW YORK, NY 10038-4493

GALLAGHER BASSETT SERVICES, INC.
C/O HEIDI HAMMAN SHAKELY, ESQ,
ECKERT, SEAMANS CHE
213 MARKET ST
8TH FLOOR
HARRISBURG, PA 17101-2141

HELP DESK, INC.
2200 HIGHWAY 121 STE 100
C/O JAMES F. MORGANSTEEN, ESQ.
BEDFORD, TX 76021-5983

HUDSON NEWS COMPANY
1 MEADOWLANDS PLZ
EAST RUTHERFORD, NJ 07073-2150

INTERGOVERNMENTAL RISK MGNT AGENCY
KEENA MARKS-CUTLER
4 WESTBROOK CORPORATE CTR STE 940
WESTCHESTER, IL 60154-5724

KOT INSURANCE COMPANY LTD
BRENDA L. JENSEN, CIP
C/O AON INTERNATIONAL ENERGY, INC.
1330 POST OAK BLVD, STE 900
HOUSTON, TX 77056

LOUISIANA SAFETY ASSOCIATION OF TIMBERMAN
SELF INSURERS FUND
PO BOX 1439
113 MAIN ST
WINNFIELD, LA 71483-1439

Objector's List
269 MD 2001

LOZADA, BIANCA
192-E OVERMOUNT AVE.
WEST PATERSON, NJ 07424

MEDICAL MALPRACTICE INSURANCE POOL OF NEW
YORK STATE
2 PARK AVENUE, SUITE 2600
NEW YORK, NY 10016

MILLER, MARY
PO BOX 3253
RANCHO PALOS VERDE, CA 90274

MORGAN, BEN
2229 HIGHWAY 2
BAKER, FL 32531-7437

RAYBESTOS PRODUCTS CO.
1204 DARLINGTON AVE
CRAWFORDSVILLE, IN 47933-1958

SOUTH CAROLINA SCHOOL BOARDS INSURANCE TRUST
JACQUELYN CURTIN, DIRECTOR OF FINANCE
1027 BARNWELL ST
COLUMBIA, SC 29201-3801

STEWART, ROBBY JOE III
C/O MORGAN & LUTTRELL, L.L.P.
711 NAVARRO ST STE 210
SAN ANTONIO, TX 78205-1739

SWAN TRANSPORTAION COMPANY
C/O MR. D.W. HILLTON, JR., PRESIDENT
2716 LEE ST STE 500
GREENVILLE, TX 75401-4183

TENNESSEE ROAD BUILDERS ASSOCIATION SELF
INSURED TRUST (TRBASIT)
213 5TH AVE N
NASHVILLE, TN 37219-1908

THE FUJI BANK LIMITED
JAMES RITTER
350 SOUTH GRAND AVENUE
SUITE 1500
LOS ANGELES, CA 90071

THURSTON COUNTY
RISK MANAGEMENT DEPT
2000 LAKERIDGE DR SW
OLYMPIA, WA 98502-6001

TIMES MIRROR COMPANY
CARA LEEMAN, DIRECTOR, RISK MANAGEMENT
N/K/A TRIBUNE COMPANY
435 N. MICHIGAN AVE., 6TH FLOOR
CHICAGO, IL 60611

UNISYS CORPORATION
UNISYS WAY
BLUE BELL, PA 19424-0001

WARNER BROS. ENTERTAINMENT INC.
SUCCESSOR-IN-INTEREST TO WARNER BROS. A DIVISION
4000 WARNER BLVD RM 5158 BLDG 156 5158
BURBANK, CA 91522-0001

WARRANTECH AUTOMOTIVE
P O BOX 1179
BEDFORD, TX 76095

WARRANTECH AUTOMOTIVE, INC
JAMES F. MORGANTEEN, ESQ.
2200 HIGHWAY 121
SUITE 100
BEDFORD, TX 76021-5983

WARRANTECH CONSUMER PRODUCTS SERVICES, INC.
JAMES F. MORGANTEEN ESQUIRE
2200 HIGHWAY 121, STE 100
BEDFORD, TX 76021-5983

WARRANTECH HOME ASSURANCE CO.
2200 HIGHWAY 121
SUITE 100
BEDFORD, TEXAS 76021

Objector's List
269 MD 2001

WARRANTECH HOME SERVICE COMPANY
JAMES F. MORGANTEEN, ESQ.
2200 HIGHWAY 121, STE. 100
BEDFORD, TX 76021-5983

WASHINGTON MUTUAL BANK
C/O PICADIO, SNEATH, MILLER, & NORTON
4710 US STEELE TOWER, 600 GRANT ST
PITTSBURGH, PA 15219

WASHINGTON SCHOOLS RISK MANAGEMENT POOL
PO BOX 88700
TUKWILA, WA 98138-2700

WCPS OF FLORIDA INC.
JAMES F. MORGANTEEN, ESQ.
2200 HIGHWAY 121 STE 100
BEDFORD, TX 76021-5983

ALAN FEIN, STEARNS WEAVER MILLER, ET AL
150 W FLAGLER ST STE 2200
MIAMI, FL 33130-1536

ANDERSON KILL & OLICK, P.C.
ROBERT Y. CHUNG, ESQ.
ATTORNEYS AND COUNSELORS AT LAW
1251 AVENUE OF THE AMERICAS
NEW YORK, NY 10020-1182

BAILEY, JOSEPH J ESQ.
PO BOX 1791
934 3RD STREET, STE 800
ALEXANDRIA, LA 71309-1791

BAUTE & TIDUS
JEFFREY A. TIDUS
777 S FIGUEROA ST STE 4900
LOS ANGELES, CA 90017

COZEN O'CONNOR
F. WARREN JACOBY, ESQ.
1900 MARKET ST
PHILADELPHIA, PA 19103-3527

COZEN O'CONNOR
LINDA KAISER CONLEY
1900 MARKET ST
PHILADELPHIA, PA 19103-3527

DEWEY & LEBOEUF LLP
LARRY P. SCHIFFER
1301 AVENUE OF THE AMERICAS
NEW YORK, NY 10019-6092

DLA PIPER LLP US
ONE LIBERTY PLACE
1650 MARKET STREET, SUITE 4900
PHILADELPHIA, PA 19103-7300

GREEN & HALL
SAMUEL M. DANSKIN
1851 EAST FIRST STREET
10TH FLOOR
SANTA ANN, CA 92705-4052

HANDLER, HENNING & ROSENBERG, LLP
ADAM G. REEDY
13300 LINGLESTOWN ROAD
HARRISBURG, PA 17110

HELLER, EHRMAN, WHITE AND MCAULIFFE, LLP
MICHAEL R. WRENN
333 BUSH ST; FL 9
SAN FRANCISCO, CA 94104-2857

JENNER & BLOCK, LLP
DAVID M. KROEGER
330 NORTH WABASH AVENUE
CHICAGO, IL 60611

KELLY, PARKER & COHEN LLP
ROBERT E KELLY, JR., ESQ.
300 N 2ND ST, 10TH FL
HARRISBURG, PA 17101

MAURICE C. HERBERT, JR, ESQ.
8720 HERMITAGE PLACE
RIVER RIDGE, LA 70123-2718

Objector's List
269 MD 2001

MORGAN & LUTTRELL, L.L.P.
711 NAVARRO ST STE 210
SAN ANTONIO, TX 78205-1739

MORGAN LEWIS & BOCKIUS
1701 MARKET ST
PHILADELPHIA, PA 19103-2903

NELSON LEVINE DELUCA & HORST, LLC
FRANCINE L. SEMAYA, ESQ.;
WILLIAM K. BROUDY, ESQ
120 BROADWAY, SUITE 955
NEW YORK, NY 10271

NIXON PEABODY LLP
LYNN R. FIORENTINO
ONE EMBARCADERO CENTER, 18TH FLOOR
SAN FRANCISCO, CA 94111

PLEWS, SHADLEY, RACHER & BRAUN
BRETT E NELSON
1346 N DELAWARE ST
INDIANAPOLIS, IN 46202-2415

PODHURST, ORSECK, PA
25 WEST FLAGLER STREET
#800
MIAMI, FL 33130

PROVOSTY, SADLER, DELAUNAY, FIORENZA & SOBEL
JOSEPH J. BAILLEY
PO BOX 1791
934 THIRD STREET, SUITE 800
ALEXANDRIA, LA 71309-1791

REED SMITH LLP
JOHN SHUGRUE
10 SOUTH WACKER DRIVE
CHICAGO, IL 60606-7507

REED SMITH, LLP
TIMOTHY LAW, JOHN ELLISON, TOKI REHDER
1650 MARKET STREET
2500 ONE LIBERTY PLACE; SUITE 2500
PHILADELPHIA, PA 19103

WALLER, LANSDEN
JAMES M. WEAVER ESQ
511 UNION ST STE 2100
NASHVILLE CITY CENTER
NASHVILLE, TN 37219-1760

WELTON & WILLIAMSON, LLC
MARK WELTON, ATTY
1020 FERDON BOULEVARD SOUTH
CRESTVIEW, FL 32536

WHITE & WILLIAMS LLP
1800 ONE LIBERTY PLACE
PHILADELPHIA, PA 19103-7301

Exhibit A

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

(In Millions)

	<u>Sept. 30, 2009</u>	<u>Dec. 31, 2008</u>
ASSETS		
Short and intermediate duration investments	\$ 1,983.3	\$ 1,532.3
Investments held for secured creditors	16.8	22.8
Investments held for uncovered claimants	13.8	12.0
Real estate investments	0.5	0.5
	<hr/>	<hr/>
Invested assets excluding affiliates	2,014.4	1,567.6
	<hr/>	<hr/>
Investments in affiliates	137.9	137.9
	<hr/>	<hr/>
Total invested assets	2,152.3	1,705.5
Premium balances	60.9	61.3
Reinsurance receivable	137.5	164.2
Reinsurance recoverables	1,388.2	1,587.0
Early access advances to guarantee associations	1,721.3	1,722.2
Other assets	29.3	31.1
	<hr/>	<hr/>
	5,489.5	5,271.3
	<hr/>	<hr/>
LIABILITIES		
Losses and loss adjustment expenses - paid by guaranty associations	2,697.0	2,602.6
Losses and loss adjustment expenses - direct	4,437.4	4,797.3
Losses and loss adjustment expenses - assumed	1,242.8	1,165.8
Notices of Determination issued for class (b) creditors	633.2	510.1
Asset distributions to class (b) creditors	(93.7)	(73.8)
Net outstanding Notices of Determination issued for class (b) creditors	539.5	436.3
Funds held	75.2	59.0
Other liabilities	53.2	40.8
	<hr/>	<hr/>
Total liabilities	9,045.1	9,101.8
	<hr/>	<hr/>
Net deficit	\$ (3,555.6)	\$ (3,830.5)
	<hr/>	<hr/>

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 adjustment 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 B

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

(In Millions)

	Nine Months Ended Sept. 30, 2009	Period From Oct. 3, 2001 To Sept. 30, 2009
Policyholders' surplus - beginning of period	(\$3,830.5)	(\$2,683.5)
Underwriting loss	(66.4)	(1,962.2)
Net investment income	53.0	333.8
Other income/(expense) *	130.1	602.0
Net realized and unrealized capital gains/(losses)	<u>158.2</u>	<u>154.3</u>
Change in policyholders' surplus	<u>274.9</u>	<u>(872.1)</u>
Policyholders' surplus - end of period	<u><u>(\$3,555.6)</u></u>	<u><u>(\$3,555.6)</u></u>

* Significant items in the 2009 other income/(expense) includes a recovery related to the last of the third party litigation settlements and a benefit related to a change in the estimated provision for uncollectible reinsurance recoverable. Significant other income/(expense) prior to 2009 included settlements with directors and officers and the parent company as well as the elimination of other liabilities relating primarily to pre-rehabilitation expenses 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 adjustment 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, 2009 TO SEPTEMBER 30, 2009 - UNAUDITED**

(In Millions)

<u>Cash Receipts:</u>	
Reinsurance collections	\$250.7
Premium collections	4.8
Claim recoveries	2.1
Investment income received	52.7
Settlement of third party litigation	40.0
Other including realized gains and losses	<u>(5.9)</u>
Total Cash Receipts	<u>344.4</u>
<u>Cash Disbursements:</u>	
Asset Distribution	(9.3)
Loss and allocated loss adjustment expenses	(2.0)
Operating expenses	<u>(52.8)</u>
Total Cash Disbursements	<u>(64.1)</u>
Net change in short and intermediate duration investments from cash activity	<u>280.3</u>
<u>Non-cash items affecting short and intermediate term investments:</u>	
Change in value of investments managed by investment managers	<u>170.7</u>
Total Non-cash activity	<u>170.7</u>
Net change in short and intermediate duration investments	451.0
Beginning Balance - Short and intermediate duration investments	<u>1,532.3</u>
Ending Balance - Short and intermediate duration investments	<u><u>\$1,983.3</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 September 30, 2009 and December 31, 2008, also include \$10.3 million and \$15.6 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 \$32.9 million and \$35.8 million at September 30, 2009 and December 31, 2008, 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 \$15.8 million and \$12.4 million at September 30,

2009 and December 31, 2008, 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 September 30, 2009 were calculated using data as of September 30, 2008. Reliance engaged PricewaterhouseCoopers LLP to perform an analysis of loss and allocated loss expense reserves on direct business. The impact of the analyses resulted in a decrease in loss and allocated loss expense reserves on direct business of \$84 million which was first reflected in the June 30, 2009 statement. 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 September 30, 2008.

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. 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 September 30, 2009 and December 31, 2008 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 based on data as of September 30, 2008 created a corresponding decrease of \$9

million in reinsurance recoverables and was first reflected in the June 30, 2009 statement. 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 September 30, 2009 total early access amounts include early access cash payments to the GAs of \$1.27 billion, statutory deposits of \$421 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. Asset distributions through September 30, 2009 and December 31, 2008 totaled \$93.7 and 73.8 million, respectively. Distribution payments will continue to

be issued on a quarterly basis to claimants whose NODs are subsequently approved by the Court.

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

Net outstanding Notices of Determination represent the Notices of Determination issued for class (b) creditors of \$633.2 million at September 30, 2009 and \$510.1 million at December 31, 2008 less the cash distributions to class (b) creditors of \$93.7 million through September 30, 2009 and \$73.8 million through December 31, 2008, respectively.

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 2011. The minimum future rental payments under noncancelable operating leases are \$3.8 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)
REINSURANCE RECEIVABLE
SEPTEMBER 30, 2009 - UNAUDITED

REINSURANCE COMPANY NAME

OFFSHORE MARINE INDEMNITY	\$9,487,375	
MUNICH REINS AMERICA, INC.	8,049,967	
AXA REASSURANCE	7,652,149	
MONUMENTAL LIFE INS. CO.	7,586,159	
ZURICH REINS. (NORTH AMER0	6,158,167	
PHOENIX LIFE INS CO.	5,846,182	
ODYSSEY REINSURANCE CORP.	5,521,843	
GORDIAN RUN-OFF LTD.	4,747,377	
LLOYDS 53 /P L D DENIS	4,340,063	
CONTINENTAL CASUALTY COMPANY	3,826,689	
ZURICH SPECIALTIES LONDON LTD.	3,825,461	
REPUBLIC WESTERN INS CO.	3,365,292	
LLOYDS 435 /D P MANN	3,043,444	
WESTPORT INS. CO. (FKA ERC)	3,041,825	
SCOR REINSURANCE COMPANY	2,651,845	
LLOYDS 1215 /B J HURST	2,600,438	
GERLING GLOBAL RE CORP.	2,528,937	
LLOYDS 340 /J P TILLING	2,360,396	
HIH CASUALTY & GENERAL	2,241,792	
LLOYDS 1007 /NOVAE SYNDICATE	2,162,267	
CAL-SOUTHAMPTON REINSURANCE	1,962,337	
CONN. GENERAL LIFE INS. CO.	1,934,957	
GEN RE LIFE CORPORATION	1,877,208	
TRENWICK AMERICA REINSURANCE	1,621,783	
WHITE MOUNTAINS REINSURANCE CO	1,595,568	
EVEREST REINSURANCE COMPANY	1,519,887	
CSC ASSURANCE LTD	1,483,798	
HANNOVER RUCKVERSICHERUNGS AG.	1,466,634	
PMA CAPITAL INSURANCE CO.	1,451,239	
QBE INTERNATIONAL INS. LTD	1,431,101	
HARTFORD FIRE INSURANCE CO.	1,398,321	
FREMONT INDEMNITY CO.	1,355,739	
LLOYDS SYNDICATE # 1211/0314	1,328,955	
PAN-AMERICAN LIFE INSURANCE CO	1,271,879	
CORNHILL INSURANCE PLC	1,226,782	
LLOYDS 183 /R LONG	1,226,774	
SWISS RE FRANKONA RUCKVERSICH-	1,132,806	
GENERAL REINSURANCE CORP	1,113,934	
ODYSSEY RE (BERMUDA) LTD.	1,056,610	
SIGNET STAR REINSURANCE CO.	1,006,562	
	<hr/>	
RECEIVABLES OVER \$1 MILLION	119,500,541	87%
RECEIVABLES UNDER \$1 MILLION	<hr/> 17,999,259	<hr/> 13%
TOTAL RECEIVABLES	<u><u>\$ 137,499,800</u></u>	<u><u>100%</u></u>

Exhibit F

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

	Year to Date September 2009		Actual to Budget Variance	%	Change	Year to Date September 2008		Variance to Prior Year	%	Change
	Actual	Budget				Actual				
Salaries										
Regular Salaries	\$18,969,184	\$19,230,276	(\$261,092)	-1.36%		\$21,604,589	(\$2,635,405)	-12.20%		
Performance-Retention Incentives	6,278,662	6,321,679	(43,017)	-0.68%		6,787,024	(508,362)	-7.49%		
Severance	1,648,685	1,307,524	341,161	26.09%		1,142,612	506,073	44.29%		
Total Salaries	26,896,531	26,859,479	37,052	0.14%		29,534,225	(2,637,694)	-8.93%		
Employee Benefits										
Health and Disability Benefits	1,478,932	1,544,439	(65,507)	-4.24%		1,640,471	(161,539)	-9.85%		
SIP-Contributions and Fees	2,517,696	2,612,852	(95,156)	-3.64%		2,119,922	397,774	18.76%		
Other Benefits	10,419	26,575	(16,156)	-60.79%		34,693	(24,274)	-69.97%		
Total Employee Benefits	4,007,047	4,183,866	(176,819)	-4.23%		3,795,086	211,961	5.59%		
Payroll Taxes	1,756,120	1,783,145	(27,025)	-1.52%		1,924,557	(168,437)	-8.75%		
Total Salaries, Benefits and Taxes	32,659,698	32,826,490	(166,792)	-0.51%		35,253,868	(2,594,170)	-7.36%		
IT Services	6,036,655	6,382,081	(345,426)	-5.41%		6,570,247	(533,592)	-8.12%		
Legal Fees	2,236,072	1,975,500	260,572	13.19%		3,252,890	(1,016,818)	-31.26%		
Professional and Other Services	4,679,670	5,050,524	(370,854)	-7.34%		5,468,152	(788,482)	-14.42%		
Rent										
Corporate Home Office	1,617,037	1,698,384	(81,347)	-4.79%		1,729,515	(112,478)	-6.50%		
Record Archiving Services	770,972	823,400	(52,428)	-6.37%		582,565	188,407	32.34%		
Other Rent Items	30,197	56,760	(26,563)	-46.80%		80,435	(50,238)	-62.46%		
Total Rent	2,418,206	2,578,544	(160,338)	-6.22%		2,392,515	25,691	1.07%		
Equipment										
Computer Equipment	197,137	226,909	(29,772)	-13.12%		423,159	(226,022)	-53.41%		
Office Machine Rent & Repair	11,295	18,909	(7,614)	-40.27%		17,545	(6,250)	-35.62%		
Data Processing Software	345,447	394,995	(49,548)	-12.54%		494,322	(148,875)	-30.12%		
Total Equipment	553,879	640,813	(86,934)	-13.57%		935,026	(381,147)	-40.76%		
Other Operating										
Travel	97,995	176,888	(78,893)	-44.60%		114,530	(16,535)	-14.44%		
Professional Dues & Conferences	22,846	33,608	(10,762)	-32.02%		26,372	(3,526)	-13.37%		
Insurance	165,334	176,257	(10,923)	-6.20%		162,498	2,836	1.75%		
Voice and Data Communication	214,120	175,357	38,763	22.11%		183,058	31,062	16.97%		
Supplies and Subscriptions	136,192	161,285	(25,093)	-15.56%		147,004	(10,812)	-7.35%		
Postage, Freight & Express	38,146	57,725	(19,579)	-33.92%		163,250	(125,104)	-76.63%		
Bank Charges	100,011	83,175	16,836	20.24%		91,416	8,595	9.40%		
Real Estate	24,573	6,300	18,273	290.05%		6,280	18,293	291.29%		
Taxes, BBA and Other	272,645	330,525	(57,880)	-17.51%		27,581	245,064	888.52%		
Total Other Operating	1,071,862	1,201,120	(129,258)	-10.76%		921,989	149,873	16.26%		
Subtotal	49,656,042	50,655,072	(999,030)	-1.97%		54,794,687	(5,138,645)	-9.38%		
Guaranty Association Expenses	3,221,799	11,000,000	(7,778,201)	-70.71%		8,544,390	(5,322,591)	-62.29%		
Total Operating Expenses	\$52,877,841	\$61,655,072	(\$8,777,231)	-14.24%		\$63,339,076	(\$10,461,235)	-16.52%		
Loss/LAE	2,014,855	2,507,922	(493,067)	-19.66%		2,000,301	14,554	0.73%		

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 G

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
LEGAL FEES AND EXPENSES
FOR THE PERIOD JANUARY 1, 2009 TO SEPTEMBER 30, 2009 - UNAUDITED**

VENDOR NAME

ADORNO & YOSS, LLP.	\$29,084
AVALON CONSULTING, LLC.	15,090
AZURE ADVISORS, INC.	72,757
BLANEY MCMURTRY LLP	66,376
BLANK ROME LLP	63,151
BRAVERMAN KASKEY	58,360
CHARLES M. FOSS	57,727
CONFLICT RESOLVED, LLC	5,040
DEUTSCH, KERRIGAN & STILES LLP	128,543
DUANE MORRIS LLP	46,348
ELIZABETH M. THOMPSON	39,007
ESQUIRE DEPOSITION SERVICES, LLC.	16,330
FOX, ROTHSCHILD LLP	17,841
FRIDAY ELDREDGE & CLARK LLP	7,255
GOLKOW TECHNOLOGIES INC	44,657
JONATHAN ROSEN	5,250
MARTIN D. HABER ESQ.	27,825
OBERMAYER REBMANN MAXWELL & HIPPEL, LLP.	12,268
PEPPER HAMILTON LLP.	1,327,266
PHAIR GLOBAL RESOLUTIONS LLC	25,755
ROSENN JENKINS & GREENWALD LLP	5,663
SCRIBNER, HALL & THOMPSON, LLP.	14,493
STEPHEN B GREENFIELD	15,597
THE MCS GROUP, INC.	10,180
WALSH COLUCCI LUBELEY EMRICH & WALSH PC	9,356
WOLF BLOCK SCHORR & SOLIS-COHEN LLP.	76,999
TOTAL VENDORS UNDER \$5,000	<u>37,854</u>

TOTAL LEGAL FEES AND EXPENSES

\$2,236,072

Exhibit H

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
PROFESSIONAL SERVICE EXPENSES
FOR THE PERIOD JANUARY 1, 2009 TO SEPTEMBER 30, 2009 - UNAUDITED**

VENDOR NAME

ABERDEEN ASSET MANAGEMENT INC.	\$610,958
BMS INTERMEDIARIES, LTD.	763,525
BNY MELLON CASH INVESTMENT STRATEGIES	161,391
CALLAN ASSOCIATES INC.	71,325
CERIDIAN EMPLOYER SERVICES	51,667
DIRECT CONSULTING	95,132
DORANNE BIGELOW & ASSOCIATES INC	75,888
ERNST & YOUNG	203,887
FILEX DOCUMENT IMAGING SERVICES, INC.	108,382
JILL S QUAGLIARIELLO	12,425
MARY PAT COTTY	6,767
MARYELLEN R. DURNING	26,318
PA. DEP'T. - LIQUIDATION CONSULTANTS	51,465
PA. DEP'T. - OFFICE OF LIQUIDATIONS	191,105
PRICEWATERHOUSE COOPERS, LLP	358,353
PYRAMIS GLOBAL ADVISORS TRUST COMPANY	630,740
RCG INFORMATION TECHNOLOGY INC	42,800
REINSURANCE SOLUTIONS INTERNATIONAL, L.L.C.	84,741
ROY MELANDER	107,686
SUSAN ALTSCHULER	45,682
THE BANK OF NEW YORK MELLON	262,832
WESTERN ASSET MANAGEMENT COMPANY	490,000
WORLDWIDE CLAIMS MANAGEMENT SERVICES, INC.	210,438
TOTAL OTHER VENDORS UNDER \$5,000	16,162
TOTAL PROFESSIONAL SERVICE EXPENSES	<u><u>\$4,679,670</u></u>

Exhibit I

**Guaranty Association Data as of
September 30, 2009**

STATE	LOCATION	CLAIMS & ALAE PAID	CLAIMS & ALAE RESERVES	ADMIN EXPENSES	TOTAL BY STATE
ALABAMA	P&C	45,223,368.39	61,073,660.61	5,024,225.32	111,321,254.32
ALASKA	P&C	8,920,957.97	4,211,915.64	739,080.35	13,871,953.96
ARIZONA	P&C	6,324,294.26	37,601.20	1,621,021.45	7,982,916.91
ARIZONA	WC	7,271,207.61	12,626,309.77	0.00	19,897,517.38
ARKANSAS	P&C	6,992,969.54	1,185,743.59	318,636.93	8,497,350.06
CALIFORNIA	P&C	620,961,880.92	187,253,702.73	60,495,524.06	868,711,107.71
COLORADO	P&C	20,954,021.28	30,711,271.99	1,530,773.00	53,196,066.27
CONNECTICUT	P&C	46,875,104.16	19,956,790.16	4,804,765.60	71,636,659.92
DELAWARE	P&C	5,499,290.28	2,238,194.35	1,043,831.51	8,781,316.14
DISTRICT OF COLUMBIA	P&C	11,242,777.41	20,813,410.14	672,054.11	32,728,241.66
FLORIDA	P&C	83,603,657.88	1,420,721.61	4,238,258.01	89,262,637.50
FLORIDA	WC	228,162,904.89	69,409,195.64	7,589,088.08	305,161,188.61
GEORGIA	P&C	47,395,968.15	30,454,554.64	4,671,059.09	82,521,581.88
HAWAII	P&C	5,538,292.24	2,737,956.96	614,135.61	8,890,384.81
IDAHO	P&C	2,331,842.36	2,262,414.89	268,092.00	4,862,349.25
ILLINOIS	P&C	52,728,720.36	5,224,749.41	8,476,984.19	66,430,453.96
INDIANA	P&C	5,742,833.50	648,889.88	1,259,603.22	7,651,326.60
IOWA	P&C	10,406,579.66	912,872.77	890,808.07	12,210,260.50
KANSAS	P&C	15,113,816.68	6,223,156.45	981,509.00	22,318,482.13
KENTUCKY	P&C	21,405,608.08	19,450,513.25	1,488,724.10	42,344,845.43
LOUISIANA	P&C	64,138,712.65	145,940,739.25	2,027,415.84	212,106,867.74
MAINE	P&C	4,829,182.36	3,875,597.56	679,817.88	9,384,597.80
MARYLAND	P&C	29,403,262.70	8,601,936.36	6,519,330.20	44,524,529.26
MASSACHUSETTS	P&C	44,874,453.23	37,871,194.20	3,395,770.92	86,141,418.35
MICHIGAN	P&C	54,134,582.17	29,030,933.86	6,942,011.50	90,107,527.53
MINNESOTA	P&C	16,569,398.62	4,333,777.65	1,652,330.47	22,555,506.74
MISSISSIPPI	P&C	34,806,882.23	19,865,370.24	2,496,224.20	57,168,476.67
MISSOURI	P&C	33,709,877.73	10,871,754.41	1,923,758.48	46,505,390.62
MONTANA	P&C	3,829,063.73	2,184,212.18	419,833.00	6,433,108.91
NEBRASKA	P&C	6,894,798.78	5,985,629.30	135,806.08	13,016,234.16
NEVADA	P&C	6,451,216.14	1,769,890.96	1,470,912.96	9,692,020.06
NEW HAMPSHIRE	L&H	0.00	0.00	35,918.35	35,918.35
NEW HAMPSHIRE	P&C	12,978,148.53	12,116,337.02	1,244,849.34	26,339,334.89
NEW JERSEY	P&C	72,842,045.44	5,969,525.35	4,556,864.19	83,368,434.98
NEW JERSEY	WC	47,849,530.40	14,268,145.48	1,886,876.25	64,004,552.13
NEW MEXICO	P&C	6,403,474.63	2,733,540.34	703,852.12	9,840,867.09
NEW YORK	P&C	292,639,789.37	62,945,750.89	52,991,426.00	408,576,966.26
NEW YORK	WC	163,124,902.10	70,640,373.20	0.00	233,765,275.30
NOLHGA		0.00	0.00	7,199,787.00	7,199,787.00
NORTH CAROLINA	P&C	66,679,754.77	21,816,611.49	4,562,735.58	93,059,101.84
NORTH DAKOTA	P&C	251,262.99	0.00	64,023.25	315,286.24
OHIO	P&C	9,336,936.53	461,236.00	1,719,191.99	11,517,364.52
OKLAHOMA	P&C	18,116,289.05	7,584,776.61	1,673,347.00	27,374,412.66
OREGON	P&C	22,474,127.05	6,459,925.09	837,907.86	29,771,960.00
PENNSYLVANIA	P&C	39,390,605.25	35,963,984.70	1,928,471.50	77,283,061.45
PENNSYLVANIA	WC	144,348,112.81	53,083,293.11	11,661,405.68	209,092,811.60
PUERTO RICO	P&C	8,357,286.19	1,126,000.00	595,404.00	10,078,690.19
RHODE ISLAND	P&C	9,455,102.21	2,836,416.63	777,722.01	13,069,240.85
SOUTH CAROLINA	P&C	31,973,825.25	5,934,665.74	1,860,740.12	39,769,231.11
SOUTH DAKOTA	P&C	1,780,498.28	22,943.40	143,380.39	1,946,822.07
TENNESSEE	P&C	35,333,919.05	28,065,232.06	4,337,357.29	67,736,508.40
TEXAS	P&C	131,510,728.21	79,367,449.53	15,936,026.23	226,814,203.97
UTAH	P&C	8,539,542.43	6,370,682.46	1,086,446.87	15,996,671.76
VERMONT	P&C	7,220,854.06	12,479,556.92	432,863.88	20,133,274.86
VIRGIN ISLANDS	P&C	414,355.00	4,849,901.00	0.00	5,264,256.00
VIRGINIA	P&C	35,497,467.41	21,595,758.53	2,732,562.35	59,825,788.29
WASHINGTON	P&C	31,292,750.59	2,805,167.47	2,785,693.00	36,883,611.06
WEST VIRGINIA	P&C	3,578,889.20	0.00	360,328.77	3,939,217.97
WISCONSIN	P&C	10,908,921.35	4,402,488.63	1,546,571.86	16,857,981.84
WYOMING	P&C	487,998.22	0.00	129,424.00	617,422.22
		2,765,124,642.33	1,213,084,423.30	258,182,562.11	4,236,391,627.74

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

Exhibit J

**Proof Of Claim Statistics - Inception To Date
September 30, 2009**

CLASS DESCRIPTION	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	1	1	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	4,032	395	3,610	\$0.00	3,415	\$0.00
B - POLICY HOLDER CLAIMS	61,825	3,341	55,921	\$696,598,536.19	52,288	\$633,269,902.56
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	64,704	3,284	63,550	\$68,790,719.76	62,233	\$52,956,042.31
F - STATE/LOCAL GOVT	189	3	189	\$7,039.85	189	\$7,039.85
G - LATE FILED/SUBROGATION	28,987	3,851	27,410	\$13,775,280.49	26,712	\$6,344,605.73
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:	159,750	10,875	150,692	\$779,171,576.29	144,849	\$692,577,590.45

OTHER COUNTS	INCEPTION TO DATE
POCs With Claims at GAs	2,640
Contingent Unliquidated POCs	2,351
Ready to Evaluate	236
Awaiting Information	3,831
TOTAL:	9,058

Exhibit K

**Proof Of Claim Statistics - Quarter To Date
September 30, 2009**

CLASS SESCRIPTION	TOTAL POCs RECEIVED	TOTAL NODs ISSUED	LIQUIDATOR ALLOWED AMOUNTS	NODs APPROVED FOR DISTRIBUTION	NODs AMOUNT APPROVED FOR DISTRIBUTION
NO CLASS ASSIGNED	1	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	1	113	\$0.00	52	\$0.00
B - POLICY HOLDER CLAIMS	29	942	\$25,963,996.64	3,116	\$54,933,673.86
C - FEDERAL GOVT	0	0	\$0.00	0	\$0.00
D - EMPLOYEES	0	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	12	199	\$442,196.48	572	\$11,186,547.88
F - STATE/LOCAL GOVT	0	1	\$0.00	1	\$7,039.85
G - LATE FILED/SUBROGATION	52	161	\$63,505.37	629	\$152,975.29
H - SURPLUS, PREM REFUNDS	0	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	0	\$0.00	0	\$0.00
TOTAL:	95	1,416	\$26,469,698.49	4,370	\$66,280,236.88

Exhibit L

Status of POCs as of 09-30-2009
Total: 159,750

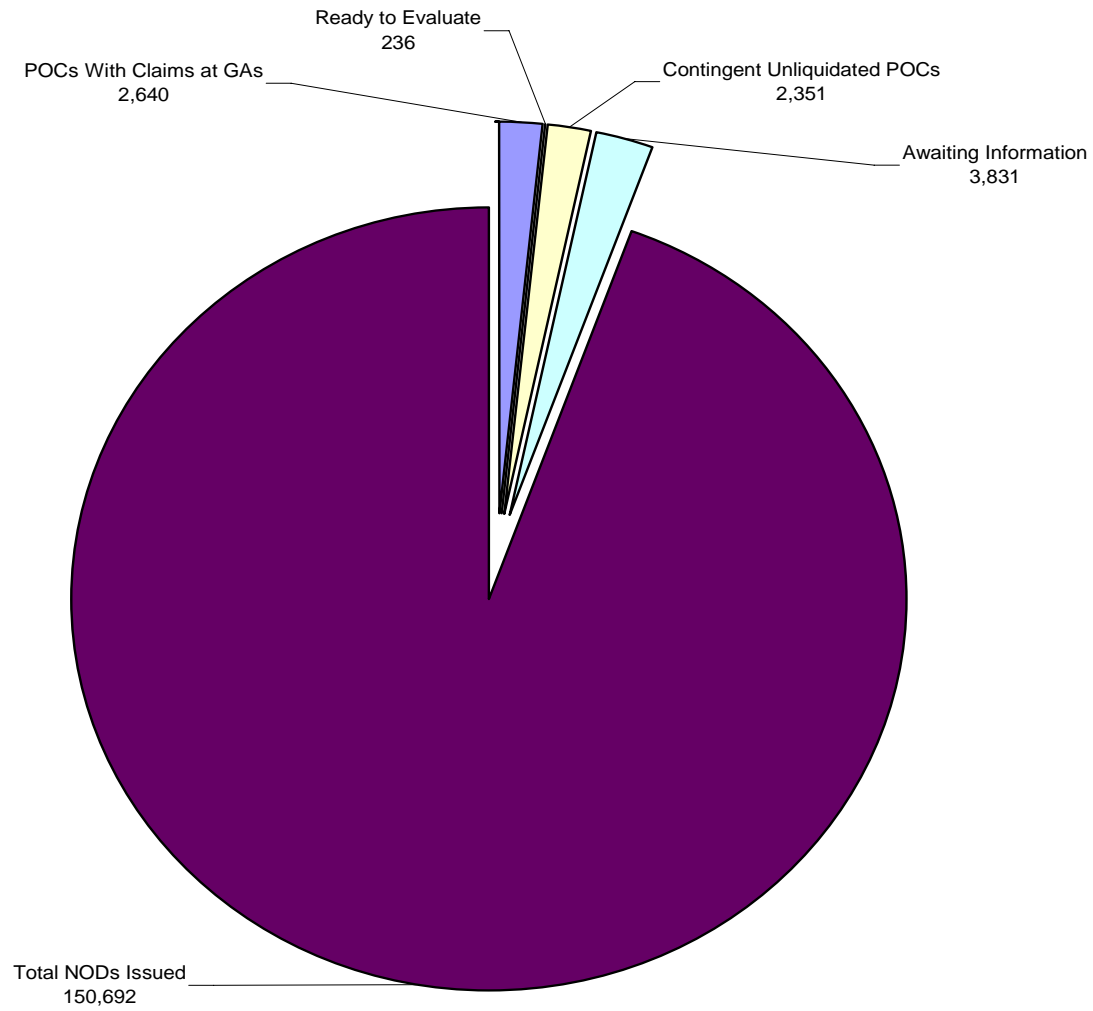


Exhibit M

Status of NOD Objections Received Through 09-30-2009
Total: 1,047

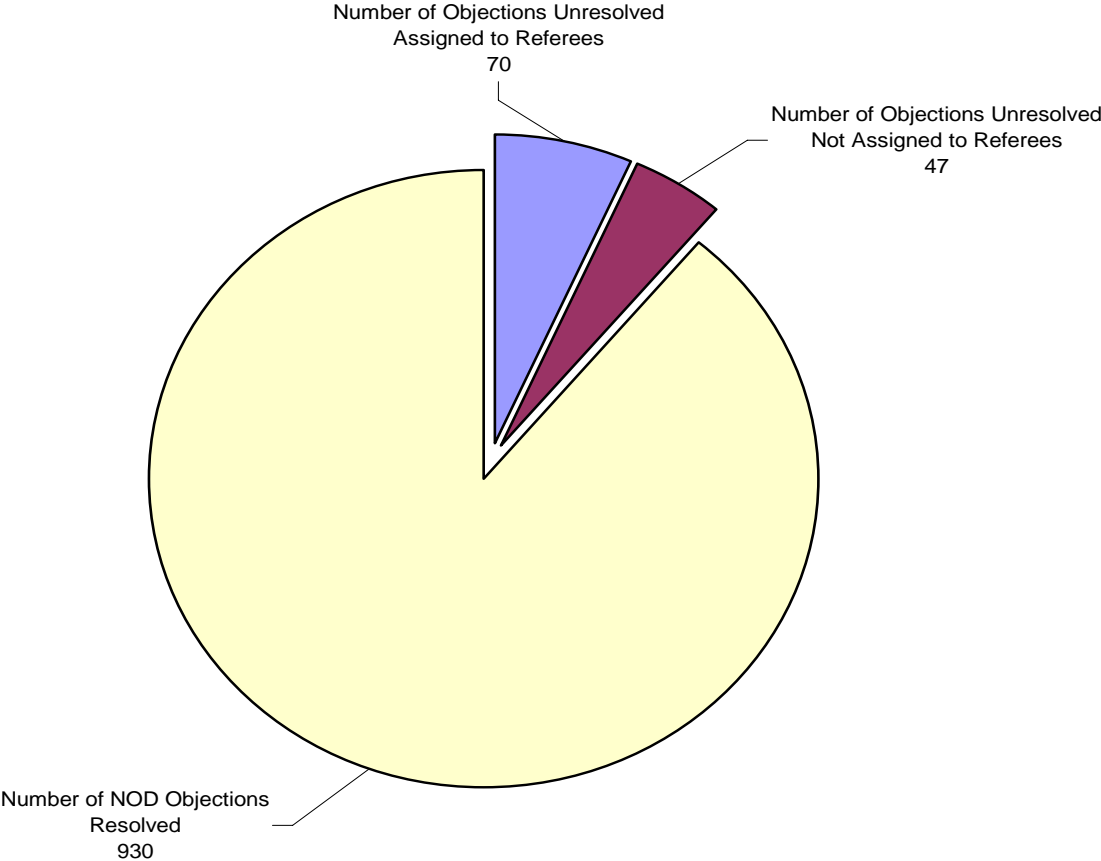


Exhibit N

**Objection Statistics - Inception To Date
September 30, 2009**

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	141	\$518.00	141	\$518.00
B - POLICY HOLDER CLAIMS	249	\$25,282,630.00	218	\$24,523,630.00
C - FEDERAL GOVT	0	\$0.00	0	\$0.00
D - EMPLOYEES	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	597	\$7,732,226.69	527	\$2,953,990.21
F - STATE/LOCAL GOVT	1	\$0.00	1	\$0.00
G - LATE FILED/SUBROGATION	59	\$736,353.50	43	\$736,353.50
H - SURPLUS, PREM REFUNDS	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	\$0.00	0	\$0.00
TOTAL:	1,047	\$33,751,728.19	930	\$28,214,491.71

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	31	\$759,000.00	11	\$759,000.00	20	\$0.00
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	70	\$4,778,236.48	49	\$3,980,472.91	21	\$797,763.57
F - STATE/LOCAL GOVT	0	\$0.00	0	\$0.00	0	\$0.00
G - LATE FILED/SUBROGATION	16	\$0.00	10	\$0.00	6	\$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:	117	\$5,537,236.48	70	\$4,739,472.91	47	\$797,763.57

Exhibit O

Cumulative GA Activity Received Through 09/30/2009

in millions

GA Paid to Date GA Reserves

