

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

RECEIVED AND FILED
COMMONWEALTH COURT
OF PA (PHILA)
2010 MAR -8 P 2:19

IN RE: *Commutation, Settlement Agreement and Release between
Reliance Insurance Company (In Liquidation) and
Monumental Life Insurance Company*

ORDER

AND NOW, this ___ day of _____, 2010, upon consideration of the
Liquidator's Petition for Leave to File (1) Commutation, Settlement Agreement and Release and
(2) Confidential Affidavit Under SEAL ("Petition for Leave"), the Court orders that the Petition
is **GRANTED**; further the Liquidator is permitted to file under seal the Commutation,

Settlement Agreement and Release marked as "Sealed Exhibit A" to both the Liquidator's Petition for Leave and the Liquidator's Petition For Approval Of Commutation, Settlement Agreement And Release ("Commutation Petition") and the Confidential Affidavit as "Sealed Exhibit B" to the both the Liquidator's Petition For Leave and the Liquidator's Commutation Petition; and **FURTHER**, the Chief Clerk is directed to file the Settlement Agreement marked as "Sealed Exhibit A" to both the Petition for Leave and the Commutation Petition and the Confidential Affidavit marked as "Sealed Exhibit B" to both the Petition for Leave and the Commutation Petition **UNDER SEAL**, and to maintain the documents as SEALED as well as take all necessary and appropriate precautions to prevent the public disclosure of the confidential documents until further Order of this Court.

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

BONNIE BRIGANCE LEADBETTER
President Judge

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IN RE: *Commutation, Settlement Agreement and Release between
Reliance Insurance Company (In Liquidation) and
Monumental Life Insurance Company*

**LIQUIDATOR'S PETITION FOR LEAVE TO
FILE (1) COMMUTATION, SETTLEMENT AGREEMENT AND RELEASE
AND (2) CONFIDENTIAL AFFIDAVIT UNDER SEAL**

Petitioner Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, in his capacity as Statutory Liquidator ("Liquidator") of Reliance Insurance Company ("Reliance" or "Estate"), respectfully requests that this Court grant the Liquidator leave to file the Commutation, Settlement Agreement and Release ("Settlement Agreement") (attached hereto as Sealed Exhibit A) and file the Confidential Affidavit of Keith Kaplan ("Confidential Affidavit") (attached hereto as Sealed Exhibit B) under seal, and enter an Order directing the Chief Clerk of the Commonwealth Court to file both the Settlement Agreement and Confidential Affidavit under seal. The Settlement Agreement and the Confidential Affidavit are being submitted in support of the Liquidator's Petition for Approval of Commutation, Settlement

Agreement and Release (“Commutation Petition”). In support of this Petition, the Liquidator avers the following:

1. Simultaneously with this Petition, the Liquidator is filing the Commutation Petition which seeks an Order approving the Commutation, Settlement Agreement and Release (“Settlement Agreement”) between Reliance and Monumental Life Insurance Company. The Commutation Petition is supported by the Settlement Agreement which is attached as Sealed Exhibit A and the Confidential Affidavit which is attached as Sealed Exhibit B to the Commutation Petition.

2. Preserving the confidentiality of the information contained in the Confidential Affidavit and the Settlement Agreement will serve important governmental interests, including maximizing the assets of the Estate, enhancing the efficiency and economy of liquidation, and facilitating the Liquidator’s efforts to “protect ... the interests of insureds, creditors and the public generally” 40 P.S. §221.1(c); see 40 P.S. §221.23.

3. The Confidential Affidavit contains sensitive information regarding the Liquidator’s reasons for entering into the Settlement Agreement and how the parties arrived at the final commutation amount. It would be highly prejudicial to the Liquidator, and the creditors and policyholders of Reliance, if details of the Liquidator’s strategies, business valuations, and rationale behind the Settlement Agreement were disclosed to the public and particularly to other reinsurers of Reliance.

4. The Liquidator has been and will be negotiating settlements or commutations with a number of Reliance’s reinsurers. If the analysis supporting the amounts the Liquidator is willing to accept from a particular reinsurer is made public, other reinsurers will be able to use that information in determining their own negotiating positions. This is likely to set a ceiling on

the amounts the Liquidator will be able to collect from other reinsurers, thereby hampering efforts to maximize the recovery of Estate assets. Settlement agreements between insurers, even outside of the liquidation process, often contain confidentiality provisions for this very reason.

5. The Confidential Affidavit and the Settlement Agreement may also contain sensitive information regarding the underlying reinsurance agreements that could affect the Liquidator's position in pending or future reinsurance disputes, both formal and informal. It would be highly prejudicial to the Liquidator, and the creditors and policyholders of Reliance, if details of the Liquidator's strategies, business valuations, and rationale behind the Settlement Agreement were disclosed to the public and particularly to other reinsurers with whom Reliance is or may be involved in disputes.


6. Consistent with the foregoing, if any Reliance policyholder or creditor (other than another reinsurer of Reliance, including affiliates) with a demonstrable and not adverse interest in the subject matter of the Confidential Affidavit or Settlement Agreement wishes to review the Confidential Affidavit or Settlement Agreement, the Liquidator, subject to the Court's approval (and in the case of the Settlement Agreement, the consent of the Reinsurer as provided in the Settlement Agreement), will provide it to that person or entity upon their execution of a confidentiality agreement limiting the use of and prohibiting disclosure of the information contained therein. This represents the least restrictive means of accomplishing the necessary purpose of maintaining the confidentiality of these materials.

7. The Liquidator requests that, in resolving this Petition, the Court review the Confidential Affidavit and Settlement Agreement in camera, grant the Petition, and direct the Chief Clerk to file both the Confidential Affidavit and the Settlement Agreement under seal. Should the Court be inclined to deny the Petition, the Liquidator respectfully requests that the

Court permit the Liquidator the opportunity to withdraw this Petition, the Commutation Petition, the Confidential Affidavit and the Settlement Agreement to avoid any prejudice which may befall the Liquidator, the Estate, and its creditors and policyholders or, in the case of the Settlement Agreement, may befall the Reinsurer from premature public disclosure of the information contained in the Confidential Affidavit or the Settlement Agreement.

WHEREFORE, the Liquidator respectfully requests that this Court enter an Order in the form attached hereto (1) granting the Liquidator leave to file the Settlement Agreement under seal as Sealed Exhibit A to this Petition and the Commutation Petition and the Confidential Affidavit of Keith Kaplan as Sealed Exhibit B to this Petition and the Commutation Petition, and (2) directing the Chief Clerk of the Commonwealth Court to file the Settlement Agreement under seal as Sealed Exhibit A to this Petition and to the Commutation Petition and the Confidential Affidavit as Sealed Exhibit B to this Petition and to the Commutation Petition.

Respectfully submitted,


PRESTON BUCKMAN (I.D. #57570)
Special Funds Counsel
Pennsylvania Insurance Department
Capitol Associates Building
Office of Chief Counsel
901 North 7th Street
Harrisburg, PA 17102
(717) 787-6009

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

Dated: March 3, 2010

VERIFICATION

I, David S. Brietling, Chief Liquidation Officer for Reliance Insurance Company, in liquidation, am authorized by Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, pursuant to 40 P.S. §221.23, to act on his behalf in his capacity as the Statutory Liquidator of Reliance Insurance Company. I hereby verify that the facts set forth in the foregoing pleading are true and correct to the best of my knowledge, information and belief.

I understand that this Verification is made subject to the penalties of 18 P.S. §4904 relating to unsworn falsification to authorities.

Executed on March 8, 2010



DAVID S. BRIETLING

CERTIFICATE OF SERVICE

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

Dated: March 8, 2010


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: धारबाugh@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)

Exhibit A

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel Ario
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Defendant.

DOCKET NO. 269 MD 2001

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SEALED EXHIBIT A TO THE PETITION
TO FILE CONFIDENTIAL AFFIDAVIT UNDER SEAL

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

Exhibit B

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DOCKET NO. 269 MD 2001

IN RE: Commutation, Settlement Agreement and Release between
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