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COMMONWEALTH COURT
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2011 OCT 25 P 2:20

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

IN RE:

**Reliance Insurance Company
In Liquidation**

NO. 1 REL 2001

RE: Liquidator's Report and Recommendation on Undisputed
Guaranty Association Administrative Expenses
Submitted through December 31, 2010

ORDER

AND NOW, this ____ day of _____, 2011, upon consideration of the
Liquidator's Petition For Approval of Report and Recommendation on Undisputed Guaranty
Association Administrative Expenses Submitted through December 31, 2010 ("Petition") and
the representations made therein, it is hereby ORDERED and DECREED that

1. the Petition is GRANTED;
2. the Total Undisputed Administrative Expenses listed on Exhibit B ("Report") to the Petition are hereby approved as class (a) claims for the "expenses of a guaranty association in handling claims";

Further, the Court finds that the Total Undisputed Administrative Expenses listed on the Report and not disputed by the Liquidator were necessary, reasonable, and incurred in the best interest of the Estate.

The Liquidator shall serve this Order on the Master Service List and file an affidavit with this Court affirming that service was effectuated.

Bonnie Brigance Leadbetter
President Judge

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

IN RE:

**Reliance Insurance Company
In Liquidation**

NO. 1 REL 2001

**PETITION FOR APPROVAL OF REPORT AND RECOMMENDATION
ON UNDISPUTED GUARANTY ASSOCIATION ADMINISTRATIVE
EXPENSES SUBMITTED THROUGH DECEMBER 31, 2010**

Petitioner, Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as the Statutory Liquidator (“Liquidator”) of Reliance Insurance Company (“Reliance or Estate”), in compliance with this Court’s Orders of September 9, 2002, November 19, 2007, and December 12, 2008 and pursuant to 40 P.S. §221.45, respectfully petitions this Court for an order approving his Report and Recommendation on Undisputed Guaranty Association (“GA”) Administrative Expenses Submitted through December 31, 2010. In support of this Petition, the Liquidator avers the following:

BACKGROUND

1. Plaintiff, Insurance Commissioner of the Commonwealth of Pennsylvania, was appointed Liquidator of Reliance pursuant to this Court’s Order dated October 3, 2001.
2. On September 9, 2002, and December 12, 2008, this Court entered its Orders (“Claims Orders”) establishing a comprehensive claims procedure in furtherance of the relevant provisions of the Insurance Department Act of 1921, 40 P.S. §§221.1 – 221.63 (“Act”). The Claims Orders and 40 P.S. §221.45 require that the Liquidator present to the

Court a report of claims with his recommendation as to those claims. The December 12, 2008 Order requires the following information to be included in the claims report: "Claimant's name, address, priority class, allowed amount, and the particulars of the claim, including whether the NOD was issued without Objection or after the settlement of an Objection."

3. On November 19, 2007, this Court issued its Order regarding the administration of GA claims ("GA Claims Order") which approved the Liquidator's Amended Petition to Supplement the Court's September 9, 2002 Claims Procedures Order to Address the Administration of Guaranty Association Claims. Pursuant to the GA Claims Order, the Liquidator is only required to issue Notices of Determination ("NODs") for those GA claims which will not be allowed by the Liquidator or which will be contested by the GAs. Undisputed GA claims, including administrative expense claims, are to be submitted for approval in accordance with the provisions of the Claims Orders.

STATE GUARANTY ASSOCIATIONS

4. Most states have established GAs to provide a means for the payment of covered claims under certain property, casualty and worker compensation insurance policies, to avoid excessive delay in the payment of such claims and to avoid financial loss to claimants or policyholders as a result of the insolvency of an insurer.¹ The GAs are separate legal entities created by statute in each state and are obligated to pay covered claims of an insolvent insurer in accordance with, and subject to the limitations set forth in, their governing statutes.² Although certain Reliance claims, under accident and health policies, have been paid by GAs who normally handle life, accident and health obligations, this Report includes

¹ See e.g., 40 P.S. §991.1801(1) of the Pennsylvania Property and Casualty Insurance Guaranty Association Act. The statutes governing GAs in other states have similar provisions.

² See e.g., 40 P.S. §991.1803(b).

only the administrative expense claims of GAs covering property, casualty and worker compensation claims.

5. Certain administrative expenses of the GAs are accorded a priority equal to that of the Liquidator's administrative expenses pursuant to provisions of the Act. Section 221.44(a) of the Act provides as follows:

The order of distribution of claims from the insurer's estate shall be in accordance with the order in which each class of claim is herein set forth. Every claim in each class shall be paid in full or adequate funds retained for such payment before the members of the next class receive any payment. No subclasses shall be established within any class.

(a) The costs and expenses of administration, including but not limited to the following; the expenses of a guaranty association in handling claims.

The types of GA administrative expenses which are submitted to Reliance include expenses in the following broad categories: Employee/Contractor; Claim Adjusting; Professional Services (including certain legal expenses which are not otherwise policy benefit defense costs); Office Rent and Utilities; General Office; and Other Expenses.

6. Early in the liquidation process, the Reliance Internal Audit Department was assigned the task of coordinating with the various GAs to establish and manage a data reporting process for GA administrative expenses. In 2003, Reliance proposed a standard reporting format for administrative expenses and most GAs began reporting using the Reliance format or a similar format. Then the National Conference of Insurance Guaranty Funds ("NCIGF"), a trade association for GAs, developed a Quarterly Financial Report which would become part of the automated interface of the Uniform Data Standards ("UDS") system which is also used to report the paid GA loss claims. All GAs were to start utilizing the UDS "D" record for reporting administrative expenses effective January 1, 2009. Approximately 38 GAs are now utilizing the "D" record and other GAs are still using the 2003 standard

Reliance format or a similar format. Only a few GAs are reporting in a unique non-standard format.

7. Generally, the GAs submit administrative expense reports to Reliance on a quarterly basis. Each submission is subject to an initial desk top review by Reliance staff. The desk top review process is a high level review performed in the Reliance offices where GA expenses are reviewed for reasonableness and consistency. Trend analysis is also performed during the desk top review and the expense submissions are reviewed to verify the proper priority classification. Additional information or documentation may be requested from the GA for individual categories of expenses where more detailed analysis is deemed necessary.

8. In addition, Reliance staff periodically conducts on-site reviews of administrative expenses for selected GAs. Through September 30, 2011, Reliance has conducted 81 on-site reviews, covering 43 GAs. During the on-site reviews the auditor reviews selected invoices for certain administrative expenses, along with supporting documentation to verify the proper priority classification, reasonableness, and accuracy of the expenses charged to Reliance. Certain expenses are allocated by GAs among various insurance companies in rehabilitation or liquidation for which the GA is obligated to pay claims. These allocated expenses are tested to ensure mathematical accuracy and to evaluate the reasonableness of the allocation methodology. Additionally, selected claim files are reviewed to verify the accuracy of claim financial data reported through the UDS feeds, and to assure that fees and related disbursements and other allocated loss adjustment expenses that were paid as claims under policies for losses received proper priority classification.

9. Based on these reviews, the Liquidator determines if the expenses submitted are “expenses of a guaranty association in handling claims” and therefore reimbursable as valid class (a) expenses pursuant to §221.44 (a). If the Liquidator determines that certain expenses are NOT “expenses of a guaranty association in handling claims” and therefore NOT reimbursable as class (a) claims, the GA is asked to revise their quarterly administrative expense submission. If the GA is either unable or unwilling to prepare a revised submission, the amounts identified as not class (a) expenses are deducted to determine the undisputed amount of administrative expenses for the GA. For any expense determined not to be reimbursable or to be reimbursable at a priority lower than class (a), the Liquidator will issue a NOD pursuant to the GA Claims Order and the other Claims Orders which will allow the GA to dispute the administrative expense adjustment.

10. Exhibit A attached to this Petition shows the administrative expenses submitted by each GA, through September 30, 2011, totaling \$302.8 million for all GAs.³ Out of that total amount, Reliance has reimbursed GAs for administrative expenses totaling \$245.6 million with another \$57.3 million currently awaiting review and disposition. GA administrative expenses are now reimbursed only after approval by this Court.

LEGAL EXPENSE SETTLEMENT AGREEMENT

11. During the desk-top and on-site reviews of administrative expense documentation described above, the Liquidator determined that certain legal expenses submitted as administrative expenses by the GAs would not be reimbursed from the Reliance Estate at any priority or might be reimbursed at a priority lower than class (a) (“Disputed

³ Additional information regarding the operations and expenses of the GAs can be found in the Quarterly Status Reports regularly filed with the Court by the Liquidator.

Legal Expenses”). The GAs disagreed with the Liquidator’s determination regarding the Disputed Legal Expenses.

12. However, in an effort to conserve the assets of the Reliance Estate, to reduce the time and expense necessary to review all documentation related to the Disputed Legal Expenses, and to avoid the costs of litigation in disputing the myriad issues relating to the Disputed Legal Expenses, the Liquidator and the GAs negotiated a formula and protocol by which the total of each GA’s legal expenses would be reduced to reflect a settlement of the Disputed Legal Expenses (“Legal Expense Settlement”). The Legal Expense Settlement Agreement, which was executed and effective as of March 27, 2008, was approved by this Court on January 14, 2010 in connection with the Report and Recommendation on Undisputed GA Administrative Expenses Submitted through December 31, 2007.⁴ The reduction in legal expenses for each GA participating in the Legal Expense Settlement is reflected in the column titled “Excluded Administrative Expenses”.

13. All but a few GAs have elected to participate in the Legal Expense Settlement. Any GA participating in the Legal Expense Settlement which failed to provide the necessary information for the Liquidator to calculate the applicable reduction under the Legal Expense Settlement is excluded from this Report, but may be included in subsequent reports. Any GA who did not participate in the Legal Expense Settlement is either excluded from this Report or, if included on the Report, their total legal expenses have been excluded.

LIMITS ON GUARANTY ASSOCIATION ADMINISTRATIVE EXPENSES

14. As part of the desk top and on-site reviews, Reliance performs trend and comparative analyses of GA administrative expenses in relation to the total amount of GA

paid losses. Through this process, Reliance has identified certain GA submissions which have a significantly higher ratio of administrative expenses as a percentage of GA paid losses. The Liquidator believes that a benchmark limit on administrative expenses in relation to paid losses is warranted: a) to impose a degree of accountability for those GAs whose ratio of administrative expenses to paid losses are disproportionally higher than the vast majority of GAs; (b) to ensure that GA expenses are not disproportionally charged to Reliance as claim payments are winding down; and c) to ensure consistency of reimbursement and relative equal treatment among all GAs.

15. In developing an appropriate benchmark limit for a GA ratio level of administrative expenses versus paid losses, the Liquidator reviewed, among other things: a) comparisons to the aggregate expense ratio for all GAs (currently approximately 11%); b) "Study of Property and Casualty Insurance Guaranty Fund Expenses" dated October 17, 2007 by the NCIGF (which indicated an average of approximately 10%); and c) each GA's line of business and statutory limits on claim payments. Based on the analysis, an upper limit for administrative expenses of 18% of paid losses was established.

16. The dollar amount of administrative expenses that exceed 18% of a GA's paid losses are excluded from this Report, subject to a minimum payment of \$10,000. If any GA's administrative expense reimbursement payment would be reduced below \$10,000 due to the 18% benchmark limit, a minimum reimbursement of \$10,000 is allowed. NODs have been and will be issued to those GAs who have exceeded the 18% benchmark limit, disallowing the administrative expenses that exceed the benchmark. Each GA will have the opportunity to

⁴ A copy of the Liquidator's Report and Recommendation on Undisputed Guaranty Association Administrative Expenses Submitted through December 31, 2007 can be found on the website as document #2467. It includes a copy of the Legal Expense Settlement Agreement as Exhibit B. The corresponding Order is document #2515.

dispute the 18% limit imposed on their administrative expenses and it is likely that one or more GAs will dispute this benchmark.

17. Reliance notifies a GA in writing when the 18% benchmark limit has been reached and advises that no further administrative expenses will be reimbursed. At that time, Reliance requests an explanation for what factors might be contributing to an unusually high ratio of administrative expenses to paid losses. If a GA provides an explanation, those factors are considered to determine if an exception is warranted, and adjustments have been made in limited circumstances. Additionally, if subsequent loss claims paid by a GA bring the total administrative expenses of that GA back within the 18% benchmark limit, then the excluded expenses would be reversed and subject to reimbursement, including those previously in excess of the limit.

18. A further limit on GA administrative expenses is imposed by the Liquidator when a GA is no longer handling and paying Reliance claims. When a GA has closed all claims and has not reported any paid losses or open claim reserves for 3 consecutive months, Reliance notifies the GA that further administrative expenses will not be reimbursed as of a specific cut-off date. Expenses incurred prior to the cut-off date, but reported after that, may qualify for reimbursement. NODs will be issued to GAs disallowing any administrative expenses submitted after the cut-off date and a GA may, at that point, challenge this limitation on GA administrative expenses. This limit was necessary to prevent GAs from continuing to charge expenses to Reliance even when no Reliance claims are being paid. In certain circumstances, a limited amount of administrative expenses are allowed after the cut-off date if Reliance requests the GA to perform specific tasks.

**REPORT AND RECOMMENDATION ON UNDISPUTED GA
ADMINISTRATIVE EXPENSES SUBMITTED THROUGH DECEMBER 31, 2010**

19. The Report, attached as Exhibit B, lists the undisputed administrative expenses for 46 GAs through December 31, 2010. Certain GAs are not included in this Report because

a) the GA has not provided valid administrative expense submissions from liquidation through 12-31-10;

b) one or more open issues exist which impact the Liquidator's ability to quantify the GA's undisputed administrative expenses;

c) the GA did not execute any refunding agreement pursuant to this Court's December 11, 2003 Order approving the Petition to Approve Liquidator's Amended First Proposal to Distribute Assets to State Guaranty Associations Pursuant to 40 P.S. §221.3⁵; or

d) the GA has not provided the necessary information for the Liquidator to calculate the applicable reduction under the Legal Expense Settlement described above.

The Liquidator is in contact with each of the GAs in order to address the unresolved issues related to the review of their administrative expense submissions.

20. The columns included in the Report, Exhibit B, consist of the following:

Total Submitted Administrative Expenses: This column reflects the total amount of administrative expenses submitted by each GA prior to any reductions or adjustments for excluded expenses.

Excluded Administrative Expenses: This column shows administrative expenses submitted by the GAs which the Liquidator is not allowing as a class (a) reimbursable expense either because the priority class and/or the amount are disputed. This column also

includes a) reductions pursuant to the Legal Expense Settlement; b) any amounts in excess of the 18% ratio of administrative expenses to paid losses, subject to the minimum payment; and c) any amounts excluded because a GA has not reported paid losses or open claim reserves for three consecutive months. Each GA has been notified of the reason why administrative expense amounts in this column are being excluded.

Inception to Date Undisputed Administrative Expenses: This column shows the Total Submitted Administrative Expenses of the GAs from the inception of the liquidation through December 31, 2010, less the Excluded Administrative Expenses in column 2.

Expenses Previously Approved by the Court: This includes amounts previously approved by the Court either in previous Reports or pursuant to the Legal Expense Settlement or pursuant to the Deductible Settlement Agreement approved by this Court on June 20, 2006.

Total Undisputed Administrative Expenses (Pending Court Approval): This column represents the remainder of GA administrative expenses which are undisputed by the Liquidator after subtracting the Excluded Administrative Expenses (column 2) and the Expenses Previously Approved by the Court (column 4) from the Total Submitted Administrative Expenses (column 1). The Liquidator is seeking approval from this Court for the amounts shown in this column for each individual GA.

21. All of the Total Undisputed Administrative Expenses listed in Exhibit B have been determined by the Liquidator to be class (a) "expenses of a guaranty association in handling claims". Unless otherwise resolved, NODs will be issued to each GA for the individual expenses which comprise their Excluded Administrative Expenses and each GA will be able to dispute the NOD pursuant to this Court's Claims Orders. If any payments

⁵ The Massachusetts GA executed a Limited Scope Refunding Agreement and the exhibits indicate whether the entry listed relates to worker compensation claims or non-worker compensation claims.

submitted through the quarterly administrative expense submissions for class (a) expense claims are determined by the Liquidator to be appropriate class (b) claims under policies for losses, a class (a) \$0 NOD will be issued to the GA with an explanation that the payment will be considered for class (b) priority with an appropriate amount if the GA submits the claims through their automated UDS feed. The GA will have the option of resubmitting the payment as a class (b) claim or disputing the NOD which did not allow the claim as class (a).

22. The amounts reported in Exhibit B for each GA were calculated using the administrative expense submissions for the period covered by this Report, inception through December 31, 2010. Any administrative expenses submitted by a GA after December 31, 2010 will be included on future reports if the payment amounts are undisputed. Further, as the Liquidator continues his periodic desk-top and on-site reviews of GA administrative expenses submissions, the Liquidator reserves his right to revise amounts previously approved by the Court and there may be adjustments to the Total Undisputed Administrative Expense amounts listed in Exhibit B for each GA. Those future adjustments, if undisputed, will be included in future reports. If a future adjustment is disputed, the Liquidator will issue a NOD which will allow the GA to dispute the administrative expense adjustment as provided in the GA Claim Order and the other Claims Orders.

23. The GA administrative expenses included in the Report as Total Undisputed Administrative Expenses are undisputed and therefore, pursuant to the GA Claims Order, NODs were not issued regarding these administrative expense claims. Because NODs were not issued and the administrative expense claims are undisputed, no objections have been filed regarding these claims and the Report does not include a column indicating "whether the NOD was issued without Objection or after the settlement of an Objection" as set forth in the

December 12, 2008 Order. The “particulars of the claim” required by the Claims Orders is provided in this Petition.

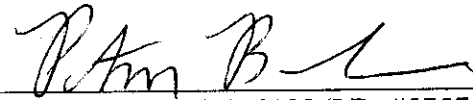
24. The Liquidator believes that the Total Undisputed Administrative Expenses determined as class (a) claims for each GA listed in the Report, Exhibit B, are appropriate, fair, equitable and consistent with the relevant provisions of the Act and this Court’s Orders. The Liquidator further believes that the approval of the undisputed administrative expense claims listed on Exhibit B is in the best interests of the Reliance Estate, its policyholders, claimants and other creditors.

25. Pursuant to 40 P.S. §221.45(b) and relevant provisions of the Claims Orders and the GA Claims Order, the Liquidator respectfully requests that this Court approve and allow the Total Undisputed Administrative Expenses as class (a) claims for each GA listed in the Report.

WHEREFORE, the Liquidator respectfully requests that this Court enter an Order as follows:

- a. granting the Petition;
- b. approving the Total Undisputed Administrative Expenses listed on Exhibit B to the Petition as class (a) claims for the “expenses of a guaranty association in handling claims”; and
- c. finding that the Total Undisputed Administrative Expenses listed on Exhibit B and undisputed by the Liquidator were necessary, reasonable, and incurred in the best interest of the Estate.

Respectfully submitted:

By: 
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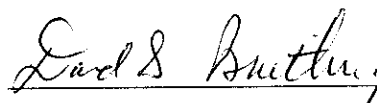
Date: October 25, 2011

VERIFICATION

I, David S. Brietling, am authorized by the Insurance Commissioner of the Commonwealth of Pennsylvania, pursuant to 40 P.S. §221.23, to act on his behalf in his capacity as the Liquidator of Reliance Insurance Company and to supervise the daily operations as Chief Liquidation Officer for 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.

Date: October 25, 2011

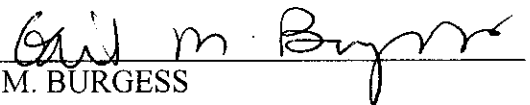


DAVID S. BRIETLING
Chief Liquidation Officer

CERTIFICATE OF SERVICE

I, Gail M. Burgess, 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 was made on the attached Master Service List and Claim Objectors 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: October 25, 2011



GAIL M. BURGESS

Master Service List

IN RE: Reliance Insurance Company In Liquidation
No. 1 REL 2001 (Commonwealth Court of Pennsylvania)

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and GE Life and Annuity Assurance Company) and
National Structured Settlements Trade Association)

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Claim Objector List

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GROUP/YORBA PARK MEDICAL GROUP
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SUCCESSOR-IN-INTEREST TO WARNER BROS. A
DIVISION O
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EXHIBIT A

Reliance Insurance Company (In Liquidation)
Total GA Administrative Expenses Submitted and Paid Through September 30, 2011

Legal Entity Name	Total Submitted Administrative Expenses	Total Administrative Expenses Paid	Pending Disposition
Alabama Insurance Guaranty Association	\$ 6,184,596.74	\$ 5,734,945.24	\$ 449,651.50
Alaska Insurance Guaranty Association	818,912.26	791,370.84	27,541.42
Arizona Property & Casualty Insurance Guaranty Fund	1,721,285.71	909,996.44	811,289.27
Arizona State Compensation Fund	-	-	-
Arkansas Property & Casualty Advisory Association	369,765.64	299,033.37	70,732.27
California Insurance Guaranty Association	77,114,470.55	62,843,273.70	14,271,196.85
Colorado Insurance Guaranty Association	1,850,957.00	1,742,632.69	108,324.31
Connecticut Insurance Guaranty Association	5,840,645.86	5,473,127.47	367,518.39
Delaware Insurance Guaranty Association	1,258,836.96	897,598.82	361,238.14
District of Columbia Insurance Guaranty Association	944,238.39	830,625.53	113,612.86
Florida Insurance Guaranty Association	4,409,000.96	4,295,024.89	113,976.07
Florida Workers Compensation Insurance Guaranty Association	7,529,184.06	7,383,143.70	146,040.36
Georgia Insurers Insolvency Pool	5,179,024.11	4,862,732.24	316,291.87
Hawaii Insurance Guaranty Association	692,909.80	658,985.47	33,924.33
Idaho Insurance Guaranty Association	284,895.00	280,179.37	4,715.63
Illinois Insurance Guaranty Fund	9,379,875.81	7,470,342.39	1,909,533.42
Indiana Insurance Guaranty Association	1,375,828.34	1,129,280.96	246,547.38
Iowa Insurance Guaranty Association	928,446.64	751,775.41	176,671.23
Kansas Property & Casualty Insurance Guaranty Association	1,129,142.00	1,090,353.41	38,788.59
Kentucky Insurance Guaranty Association	1,467,208.73	1,342,766.36	124,442.37
Louisiana Insurance Guaranty Association	2,027,415.84	1,559,153.37	468,262.47
Maine Insurance Guaranty Association	881,809.30	670,728.88	211,080.42
Maryland Property & Casualty Insurance Guaranty Corporation	7,685,165.26	4,774,399.32	2,910,765.94
Massachusetts Insurers Insolvency Fund (non wc only)	1,457,719.64	1,415,732.95	41,986.69
Massachusetts Insurers Insolvency Fund (wc only)	5,047,879.82	-	5,047,879.82
Michigan Property & Casualty Guaranty Association	7,174,492.53	6,630,062.60	544,429.93
Minnesota Insurance Guaranty Association	1,737,303.00	1,451,292.11	286,010.89
Mississippi Insurance Guaranty Association	2,832,619.19	2,622,727.72	209,891.47
Missouri Property & Casualty Insurance Guaranty Association	2,141,511.31	2,001,560.75	139,950.56
Montana Casualty Insurance Guaranty Association	525,408.00	499,730.71	25,677.29
Nebraska Property & Liability Insurance Guaranty Association	566,936.56	140,799.02	426,137.54
Nevada Insurance Guaranty Association	1,679,000.92	755,697.34	923,303.58
New Hampshire Insurance Guaranty Association	1,515,680.56	1,403,922.57	111,757.99
New Jersey Compensation Rating and Inspection Bureau	4,081,303.02	3,983,502.36	97,800.66
New Jersey Property & Liability Insurance Guaranty Association	1,981,553.07	1,737,661.63	243,891.44
New Jersey Surplus Lines Guaranty Fund	644,620.49	635,872.17	8,748.32
New Mexico Insurance Guaranty Association	692,808.32	606,620.78	86,187.54
New York Property & Casualty Insurance Security Fund, New York Public Motc	66,930,812.00	49,327,495.32	17,603,316.68
North Carolina Insurance Guaranty Association	5,057,318.84	4,629,469.49	427,849.35
North Dakota Insurance Guaranty Association	64,036.01	64,871.36	(835.35)
Ohio Insurance Guaranty Association	1,924,815.89	1,447,687.15	477,128.74
Oklahoma Property & Casualty Insurance Guaranty Association	2,089,535.58	1,520,141.69	569,393.89
Oregon Insurance Guaranty Association	987,818.84	665,389.44	322,429.40
Pennsylvania Property & Casualty Insurance Guaranty Association	2,094,990.64	1,917,449.87	177,540.77
Pennsylvania Workers Compensation Security Fund	13,917,072.28	10,544,868.92	3,372,203.36
Puerto Rico Miscellaneous Insurance Guaranty Association	815,706.00	177,049.01	638,656.99
Rhode Island Property & Casualty Insurance Guaranty Association	892,193.85	816,652.64	75,541.21
South Carolina Property & Casualty Insurance Guaranty Association	3,729,910.51	3,655,551.07	74,359.44
South Dakota Insurance Guaranty Association	152,174.39	136,568.09	15,606.30
Tennessee Insurance Guaranty Association	4,944,283.88	4,588,437.41	355,846.47
Texas Property & Casualty Insurance Guaranty Association	17,769,855.25	17,269,163.06	500,692.19
US Virgin Islands Insurance Guaranty Associations	-	-	-
Utah Property & Casualty Insurance Guaranty Association	1,149,921.52	1,059,295.82	90,625.70
Vermont Property & Casualty Guaranty Association	559,109.48	467,668.65	91,440.83
Virginia Property & Casualty Guaranty Association	3,468,119.18	3,086,756.53	381,362.65
Washington Insurance Guaranty Association	2,938,610.00	2,517,895.46	420,714.54
West Virginia Insurance Guaranty Association	393,381.59	348,094.92	45,286.67
Wisconsin Insurance Security Fund	1,685,416.89	1,536,874.73	148,542.16
Wyoming Insurance Guaranty Association	129,895.00	129,126.62	768.38
Total	\$ 302,847,429.01	\$ 245,583,159.83	\$ 57,264,269.18

EXHIBIT B

Reliance Insurance Company (In Liquidation)
Report of GA Undisputed Administrative Expenses ("UAE") Submitted Through December 31, 2010

Legal Entity Name	Total Submitted Administrative Expenses	Excluded Administrative Expenses	Inception to Date Undisputed Administrative Expenses	Expenses Previously Approved by Court	Total Undisputed Administrative Expenses (Pending Court Approval)
Alabama Insurance Guaranty Association	\$ 6,184,596.76	\$ 12,708.61	\$ 6,171,888.15	\$ 5,006,967.30	\$ 1,164,920.85
Alaska Insurance Guaranty Association	818,912.26	8,730.06	810,182.20	734,121.52	76,060.68
Colorado Insurance Guaranty Association	1,850,957.00	6,501.31	1,844,455.69	1,510,016.63	334,439.06
Connecticut Insurance Guaranty Association	5,840,645.86	19,344.95	5,821,300.91	4,792,107.62	1,029,193.29
Delaware Insurance Guaranty Association	1,258,836.97	244,832.46	1,014,004.51	897,598.81	116,405.70
District of Columbia Insurance Guaranty Association	944,238.39	10,041.51	934,196.88	664,488.13	269,708.75
Florida Insurance Guaranty Association, Incorporated	4,409,000.93	110,718.29	4,298,282.64	4,232,443.84	65,838.80
Florida Workers Compensation Insurance Guaranty Association	7,529,183.76	122,394.96	7,406,788.80	7,060,082.60	346,706.20
Georgia Insurers Insolvency Pool	5,179,024.11	43,499.81	5,135,524.30	4,458,618.66	676,905.64
Hawaii Insurance Guaranty Association	692,909.80	12,873.84	680,035.96	601,409.48	78,626.48
Idaho Insurance Guaranty Association	284,895.00	458.63	284,436.37	266,246.11	18,190.26
Illinois Insurance Guaranty Fund	9,379,875.81	1,120,974.19	8,258,901.62	7,470,342.39	788,559.23
Indiana Insurance Guaranty Association	1,375,828.34	541,068.23	834,760.11	816,708.87	18,051.24
Iowa Insurance Guaranty Association	928,446.64	191,803.72	736,642.92	704,585.66	32,057.26
Kansas Property & Casualty Insurance Guaranty Association	1,129,142.00	4,492.07	1,124,649.93	965,328.24	159,321.69
Kentucky Insurance Guaranty Association	1,467,208.73	17,683.47	1,449,525.26	1,234,627.93	214,897.33
Maine Insurance Guaranty Association	881,809.30	145,135.14	736,674.16	670,728.88	65,945.28
Massachusetts Insurers Insolvency Fund (WC Only)	1,457,719.64	9,839.19	1,447,880.45	11,883.66	1,435,996.79
Michigan Property & Casualty Guaranty Association	7,174,492.53	369,144.90	6,805,347.63	6,051,742.12	753,605.51
Mississippi Insurance Guaranty Association	2,832,619.19	42,872.91	2,789,746.28	2,327,507.13	462,239.15
Missouri Property & Casualty Insurance Guaranty Association	2,141,511.31	1,708.69	2,139,802.62	1,831,289.00	308,513.62
Montana Casualty Insurance Guaranty Association	525,408.00	7,300.37	518,107.63	415,236.86	102,870.77
Nevada Insurance Guaranty Association	1,734,678.96	579,418.13	1,155,260.83	1,000.47	1,154,260.36
New Hampshire Insurance Guaranty Association	1,515,680.56	10,665.34	1,505,015.22	1,236,895.80	268,119.42
New Jersey Workers' Compensation Security Fund	1,981,553.07	65,400.62	1,916,152.45	1,647,706.72	268,445.73
New Jersey Property & Liability Insurance Guaranty Association	4,081,303.02	39,094.64	4,042,208.38	3,901,080.49	141,127.89
New Jersey Surplus Lines Guaranty Fund	644,620.49	7,790.01	636,830.48	631,669.80	5,160.68
North Carolina Insurance Guaranty Association	5,057,318.84	234,863.17	4,822,455.67	4,088,085.44	734,370.23
North Dakota Insurance Guaranty Association	64,036.01	55,486.01	10,000.00 *	10,000.00	-
Ohio Insurance Guaranty Association	1,924,815.89	193,678.64	1,731,137.25	1,702,277.22	28,860.03
Oklahoma Property & Casualty Insurance Guaranty Association	2,036,525.01	199,919.35	1,836,605.66	1,476,293.80	360,311.86
Pennsylvania Property & Casualty Insurance Guaranty Association	2,094,990.64	91,065.57	2,003,925.07	1,766,926.59	236,998.48
Pennsylvania Workers' Compensation Security Fund	13,917,072.28	2,577,563.46	11,339,508.82	10,546,126.20	793,382.62

Legal Entity Name	Total Submitted Administrative Expenses	Excluded Administrative Expenses	Inception to Date Undisputed Administrative Expenses	Expenses Previously Approved by Court	Total Undisputed Administrative Expenses (Pending Court Approval)
Puerto Rico Property & Casualty Insurance Guaranty Association	815,706.00	-	815,706.00	3,623.00	812,083.00
Rhode Island Property & Casualty Insurance Guaranty Association	892,193.85	14,821.39	877,372.46	764,994.77	112,377.69
South Carolina Property & Casualty Insurance Guaranty Association	3,729,910.51	51,178.80	3,678,731.71	1,605,841.26	2,072,890.45
South Dakota Insurance Guaranty Association	152,174.39	7,118.30	145,056.09	136,568.09	8,488.00
Tennessee Insurance Guaranty Association	4,944,283.85	36,012.39	4,908,271.46	4,224,208.57	684,062.89
Texas Property & Casualty Insurance Guaranty Association	17,769,855.25	33,024.06	17,736,831.19	15,915,528.95	1,821,302.24
Utah Property & Casualty Insurance Guaranty Association	1,149,921.52	386.86	1,149,534.66	1,059,295.82	90,238.84
Vermont Property & Casualty Insurance Guaranty Association	559,109.48	8,265.04	550,844.44	426,550.40	124,294.04
Virginia Property & Casualty Insurance Guaranty Association	3,468,119.18	16,675.57	3,451,443.61	2,718,417.35	733,026.26
Washington Insurance Guaranty Association	2,938,610.00	37,888.64	2,900,721.36	5,881.95	2,894,839.41
West Virginia Insurance Guaranty Association	383,381.59	38,203.16	345,178.43	345,146.62	31.81
Wisconsin Insurance Security Funds	1,685,416.89	65,107.16	1,620,309.73	1,434,238.30	186,071.43
Wyoming Insurance Guaranty Association	129,895.00	50,906.68	78,988.32	78,988.32	-
	<u>\$ 137,958,434.61</u>	<u>\$ 7,458,660.30</u>	<u>\$ 130,501,224.31</u>	<u>\$ 108,451,427.37</u>	<u>\$ 22,049,796.94</u>

* GA subject to \$10,000 minimum allowance (Total Submitted Administrative Expenses less Excluded Administrative Expenses would equal \$8,550)