

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. DIANE KOKEN :
Insurance Commissioner of the :
Commonwealth of Pennsylvania, :

Plaintiff, :

v. :

RELiance INSURANCE COMPANY, :

Defendant. :

DOCKET NO. 269 MD 2001

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COMMONWEALTH COURT OF PENNSYLVANIA
JUDICIAL CENTER
300 SOUTH 4TH STREET
HARRISBURG, PA 17102

MAGELLAN INSURANCE :
COMPANY, LTD., :

Petitioner, :

v. :

M. DIANE KOKEN :
Insurance Commissioner of the :
Commonwealth of Pennsylvania, :

Respondent. :

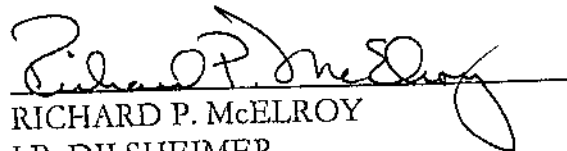
**JOINT PETITION FOR APPROVAL OF
STIPULATION REGARDING LETTER OF CREDIT**

Plaintiff M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner"), as Liquidator of Reliance Insurance Company ("Liquidator"), by her undersigned counsel, petitions this Court on an agreed basis with Magellan Insurance Company ("Magellan") for entry of an Order Approving the Stipulation

Regarding the Letter of Credit No. D-291449, and all amendments thereto, in the form attached to this Petition (the "Stipulation and Order"). This Petition is based upon the agreement of the parties to entry of the Stipulation and Order as requested.

Respectfully submitted,

BLANK ROME COMISKY & MCCAULEY LLP

By: 
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M. Diane Koken, Insurance Commissioner
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Liquidator for Reliance Insurance Company

Dated: March 22, 2002

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. Diane Koken,
Insurance Commissioner of the
Commonwealth of Pennsylvania
Plaintiff

v.

Reliance Insurance Company,
Defendant

No. 269 M.D. 2001

Magellan Insurance Company Ltd.
Petitioner,

v.

M. Diane Koken
Respondent.

STIPULATION AND ORDER

Magellan Insurance Company Ltd. ("Magellan") and M. Diane Koken, the Insurance Commissioner of the Commonwealth of Pennsylvania, as Liquidator for Reliance Insurance Company ("Liquidator"), by and through their undersigned counsel, hereby stipulate and agree as follows:

1. On February 11, 2002, this Court entered an Order which enjoined the Liquidator "from drawing down on the Letter of Credit No. D-291449 and all amendments thereto issued pursuant to the Tri-Arc Residual Value Quota Share Reinsurance Treaty;" and

which further provided that "the status quo ante shall be maintained pending further order of the Court."

2. During the pendency of the above-captioned matter, and subject to further provisions of this Stipulation, Magellan will not terminate or seek to not renew that certain January 15, 1999 Letter of Credit, effective December 31, 1999 and as previously extended, from Brown Brothers Harriman & Co. to Magellan in favor of Reliance National Insurance Company (the "Letter of Credit").

3. The Letter of Credit is currently extended until October 1, 2002. Magellan will extend the Letter of Credit in six month intervals from time to time during the pendency of this matter as necessary to insure that the Letter of Credit remains in full force and effect until the dispute between Magellan and Reliance is fully and finally resolved, after exhaustion of all appeal rights, by way of judgment of the Court, or any agreement or settlement between duly authorized representatives of Magellan and the Liquidator. Both parties agree that where they have a choice as to the timing of appeals or other forms of review, that they will seek such review as promptly as possible given the applicable procedural rules, and, as necessary, will promptly seek any certifications or permissions required for prompt and expedited review.

4. With respect to any renewal of the Letter of Credit, Magellan will renew the Letter of Credit at least thirty (30) days before the then current date of expiration with a copy of the renewal application, and thereafter a copy of the extended Letter of Credit, to Richard P. McElroy, Esquire, Blank Rome Comisky & McCauley LLP, One Logan Square, Philadelphia, PA 19103, as counsel for the Liquidator. Failure of Magellan to renew the

Letter of Credit, to provide a copy of the renewal application, and a copy of the Letter of Credit as extended to counsel for the Liquidator thirty (30) days prior to the expiration date will entitle the Liquidator to apply to the Court for such relief as the Court deems just and appropriate.

5. Notwithstanding the provisions of the forgoing paragraphs, Magellan reserves the right to apply for leave of the Commonwealth Court, upon good and sufficient cause shown, to terminate or not to renew the Letter of Credit during the pendency of this matter. Magellan shall not terminate or not renew the Letter of Credit unless the Commonwealth Court on application by Magellan enters an Order permitting Magellan to terminate or not renew the Letter of Credit. Copies of any such application shall be sent to Richard P. McElroy, Esquire, Blank Rome Comisky & McCauley LLP, One Logan Square, Philadelphia, PA 19103, as counsel for the Liquidator.

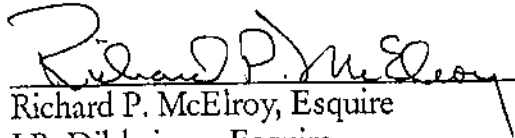
6. Nothing in this Stipulation and Order shall be taken to mean that Reliance either does or does not have a right to draw down on the Letter of Credit absent the provisions of this Stipulation and Order or that Magellan either does or does not have an obligation to increase or renew the Letter of Credit absent the provisions of this Stipulation and Order.

7. Upon approval of this Stipulation and Order by the Commonwealth Court, Magellan shall deliver a copy of the Court-approved, fully executed Stipulation and Order to Brown Brothers Harriman & Co., 1531 Walnut Street, Philadelphia, PA 19102, with a copy of the transmittal letter to Brown Brothers Harriman & Co. to Richard P. McElroy, Esquire, Blank Rome Comisky & McCauley LLP, One Logan Square, Philadelphia, PA 19103.

8. The effective date of this Stipulation shall be March 15, 2002.



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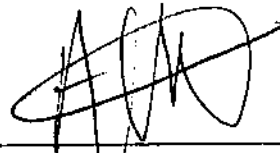
SO ORDERED BY THE COURT:

JAMES GARDNER COLINS, President Judge

Dated: _____, 2002.

CERTIFICATE OF SERVICE

I, Alphonso David, hereby certify that this day a true and correct copy of the foregoing Joint Petition for Approval of Stipulation Regarding Letter of Credit was served on all persons listed on the attached Master Service List by facsimile and U.S. Mail, postage prepaid.

A handwritten signature in black ink, appearing to be 'AD', written over a horizontal line.

ALPHONSO DAVID

Dated: March 22, 2002

Master Service List

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v.

Reliance Insurance Company

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

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