



amended to correct an error regarding the number of POCs received prior to the Claims Bar Date in section II.D.1. on page 19.

## **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 March 31, 2016 and December 31, 2015 (“Statement”). The March 31, 2016 loss and loss expense reserves presented in this Statement represent the estimated ultimate future values for reported claims. Actual liabilities cannot yet be determined because, among other things, many of the claims will not fully develop for some time and some liability claims are dependent on resolution of underlying litigation which may not be resolved for several years. 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 and the amounts ultimately included in any negotiated settlement with claimants, including guaranty associations, and the related Notices of Determination (“NODs”) issued may be significantly different than the estimates included in the Statement. Therefore the total ultimate liabilities of the Estate will differ from the amounts presented in these statements. Due to the

Claims Bar Date established by the Court (see paragraph D.1), the March 31, 2016 and December 31, 2015 reserves no longer contain a provision for unreported claims.

The Statement does not fully reflect the effects of the liquidation upon certain assets and liabilities and does not include an estimate of future liquidation expenses that will be incurred by Reliance in administering the Estate, and by the GAs. 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. The Statement also does not reflect potential claims by the federal government, including any estimate for potential federal income tax liabilities. The federal government takes the position that the Claims Bar Date does not apply to its claims. In addition to federal tax claims, there will likely be claims by the Department of Labor, the Environmental Protection Agency, the Center for Medicare and Medicaid Services, and other federal agencies.<sup>1</sup> Reliance has significant net operating loss carryforwards for tax purposes, which begin to expire in 2019, and may be used to partially offset future net income, thereby reducing tax liabilities. However, actual

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<sup>1</sup> The Department of Labor has already submitted several claims.

tax liabilities inclusive of alternative minimum tax and related payments may be material.

Consequently, as noted above, 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 certainty 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 March 31, 2016, the Statement shows estimated total assets of \$4.6 billion, with the most significant balance, \$2.6 billion, relating to early access advances to GAs. Invested assets total \$1.9 billion (see paragraph C.2). Reinsurance receivables and future reinsurance recoverables total \$57 million.

Total estimated liabilities at March 31, 2016 were \$6.6 billion. The largest class of liabilities is class (b) claims which total \$5.5 billion. The \$5.5 billion is comprised of GA paid losses of \$3.2 billion; GA reported reserves of \$1 billion; NODs issued by the Estate of \$1.1 billion; and \$0.9 billion for all other reserves. A reduction is shown for \$646 million in distribution payments already issued to class (b) claimants through March 31, 2016. The \$0.9 billion for all other reserves is comprised of estimated reserves for open reported claims, including POCs where a NOD has not yet been issued, and reserves for GA claims in excess of GA

reported reserves. The second largest class of liabilities is class (e) general creditor claims (including assumed reinsurance claims) which total \$0.9 billion, subject to valid offsets. However, the Liquidator has issued thousands of class only NODs at the class (e) level, deferring any determination of amount as it is unlikely that distributions will reach the class (e) level. Therefore, actual class (e) liabilities are undoubtedly higher than the figures reported in the Statement.

Attached to this report as Exhibit B is a Special Purpose Statement of Changes in Policyholders' Surplus for the three months ended March 31, 2016, and for the period from October 3, 2001 to March 31, 2016. The estimated net deficit at March 31, 2016, was \$1.9 billion, down 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, 2016, through March 31, 2016. Short and intermediate duration investments available at the beginning of the period were \$2.1 billion, decreasing to \$1.9 billion at the end of the period.

Receipts of \$5.9 million were primarily comprised of investment income of \$10.2 million and reinsurance collections of \$0.9 million offset by realized losses

and return of cash collateral. For further explanation of reinsurance collections, see paragraph A.7.

Cash disbursements for the three months ended March 31, 2016 were \$249.8 million including: distributions to class (b) claimants of \$238.7 million (see paragraph D.3); operating expenses of \$11 million; and allocated loss adjustment expenses (“ALAE”), related to the POC process, of \$0.1 million. Additional detail is provided for operating expenses in paragraph B.2.

The change in value of investments managed by investment managers increased by \$8.7 million for the three months ended March 31, 2016. The amount consists of two non-cash items; an increase in market value of \$12.9 million and decrease of \$4.2 million due to amortization. Overall, short and intermediate duration investments for the three months ended March 31, 2016 decreased by \$235.2 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, the investment portfolio is \$1.9 billion as of March 31, 2016. 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 and immunized bond portfolios. The immunized portfolios are designed to minimize exposure to capital losses. 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. Securities held in the portfolio are regularly monitored as the portfolio is managed in accordance with the guidelines.

#### **4. Investments Held in Segregated Accounts**

At March 31, 2016, Reliance held \$2 million in trust for specific obligations to secured creditors relating primarily to losses on assumed reinsurance business. In addition, Reliance held \$0.6 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 March 31, 2016, Reliance held \$16.7 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. Affiliates and Subsidiaries / Non-Liquid Investments**

Reliance continues to monitor the few remaining assets in this category to determine the best strategy and timing for maximizing value. The primary asset is the Reliance Canadian branch which is currently in a separate liquidation proceeding in Canada. Also included in this category are amounts held in escrow

from the sale of RCGGS in 2013, the information technology former indirect subsidiary of Reliance, and an investment in Reliance Development Figueroa (a private real estate company) which was sold in the second quarter.

## **6. Premium Balances**

As of March 31, 2016, Reliance estimates current and future premium receivables of \$14 million which include billed receivables and an estimate of \$10 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.

## **7. Reinsurance**

### **a. Reinsurance Billings and Collections**

As of March 31, 2016, reinsurance receivables and future reinsurance recoverables were \$57 million after deductions for estimated future uncollectible amounts and offsets. Reliance holds collateral from certain reinsurers as security for parts of this exposure. Reinsurance collections for the three months ended March 31, 2016, totaled \$0.9 million with total collections of approximately \$4 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 net reinsurance receivables was \$17 million as of March 31, 2016, with a minor portion claimed by reinsurers as offsets or due from insolvent or financially distressed companies. The largest receivable is from Swiss Re with no other reinsurer owing over \$1 million.

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 \$2.3 billion of post-liquidation reinsurance billings.

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 as claims from the assumed business mature and are reported to the Estate.

**b. Reinsurance Collection Issues**

Reinsurance was 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 continues to seek cooperation and support from insureds, claimants, and the GAs in providing timely, complete, and accurate claims documentation and data to support reinsurance billings. Reliance completed 4 reinsurance reviews of GAs during the first quarter of 2016.

At March 31, 2016, Reliance had one formal legal action pending against Swiss Re America. Reliance will commence legal actions against any other recalcitrant reinsurers in the future, if necessary, to enforce its rights and will continue its aggressive collection efforts. Similar to many ongoing insurance entities, Reliance has exposure to significant write-offs for uncollectible reinsurance and disputes. Thus, an appropriate bad debt reserve has been established.

Reliance 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. Where applicable, commutations are submitted for approval consistent with the asset guidelines previously communicated by this Court.

#### **8. Actuarial Review of Net Liabilities**

In August 2015, PricewaterhouseCoopers LLP (“PwC”) completed an independent analysis of the asbestos, environmental and other mass tort line of business as of December 31, 2014. Reliance actuaries completed an internal actuarial reserve analysis for all other lines of business as of December 31, 2014. PwC subsequently reviewed the updated Reliance study for all lines and concluded that the Reliance range of reserve estimates as of December 31, 2014 represents a reasonable range of actuarial estimates. The Reliance reserve study was primarily

used for the purpose of updating the distribution model to provide a recommendation to the Court, in 2015, for a distribution for approved class (b) NODs. See paragraph D.3 for more information on distributions.

In addition, the establishment of a Claims Bar Date of March 31, 2016 by this Court eliminated the need to maintain a provision for future claims filed on or after the Claims Bar Date. Accordingly, Reliance has eliminated reserves for unreported claims from the Statement. Reliance has taken the position that the reduction of reserves due to the Claims Bar Date qualifies under Internal Revenue Code provisions regarding exclusions from gross income, and therefore is not subject to federal income tax.

**B. Expenses**

**1. Allocated Loss Adjustment Expenses**

ALAE shown on the Cash Flow Statement, Exhibit C, represent amounts paid by the Estate for processing certain 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 E is an Operating Expense Analysis which indicates the total dollars paid for each expense category for the three months ended March 31, 2016, 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 three months ended March 31, 2016, totaled \$10.8 million, compared to a budget of \$10.5 million and actual expenses in 2015 of \$10.8 million. Through March 31, 2016, this Court has approved a total of approximately \$1.2 billion in administrative expenses incurred and paid by the Liquidator. With the approval of this Court, Reliance reimbursed administrative expenses to the GAs of \$0.2 million in the three months ended March 31, 2016, compared to a budget of \$0.2 million and prior year reimbursements totaling \$14 million. Brief explanations regarding certain aspects of the Reliance administrative expenses are provided below, by category.

**a. Salaries, Employee Benefits and Taxes**

At March 31, 2016, Reliance had a total of 73 employees in both the Philadelphia and New York City offices. Since January of 2016, staff count has declined by 2 employees. Reliance also uses consultants to support its operations, especially in the Information Technology ("IT") area. At March 31, 2016, there

were 14 consultants related to the IT business application systems and production environment.

**b. IT Services**

The IT services, consisting of several outsourcing arrangements coordinated by the IT staff, are designed to provide cost effective, flexible and efficient services. RCGGS, which was a wholly owned indirect subsidiary of Reliance, continues to provide consultants for production support, maintenance, security, and development services for Reliance's business application systems.

**c. Legal Fees and Expenses**

Attached as Exhibit F is a schedule containing the legal expense detail by firm (excluding ALAE) for the three months ended March 31, 2016. In addition to law firms, the schedule may include referees for certain disputed NOD matters, reinsurance arbitrators, and other litigation and legal support service providers. The legal expenses of the Reliance Estate can be divided into three general categories of legal matters: (1) Estate administration; (2) general asset recovery; and (3) disputes regarding certain NODs, priority classification, and other liquidation issues, including disputes with GAs.

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

March 31, 2016, the most significant action pending is an arbitration for approximately \$21 million sought in reinsurance recoveries. Since January 2003 through the first quarter of 2016, Reliance has recovered approximately \$364.1 million through legal actions, a portion of which directly benefits the GAs. In addition, over \$144 million has been recovered from third parties, such as officers and directors.

Many legal matters, as described above, are handled entirely by in-house counsel which minimizes the administrative expenses of the Estate.

**d. Professional Services Expenses**

Attached as Exhibit G is a schedule containing the professional service expense detail by vendor name for the three months ended March 31, 2016. The individual professionals and firms listed in the schedule include, among other things, investment managers, London market broker services, imaging services, actuarial services, IT services, tax and auditing services, as needed. The majority of the professional service expenses are investment manager fees which are directly related to the size of the overall investment portfolio. 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 Philadelphia and New York.

**f. Guaranty Association Expenses**

The Operating Expense Analysis, Exhibit E, lists as expenses of the Estate certain administrative expenses of the GAs which are 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 administrative expense payments made by Reliance to the GAs through March 31, 2016, total \$350.3 million. Under the current reimbursement policy, administrative expenses will be paid to the GAs only after approval by this Court. Reliance conducts periodic desk 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 are 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; claims handling; claims imaging and closed claim procedures; communication protocols; GA data and reinsurance reporting and UDS protocol; reconciliation issues; the priority classification and reporting of administrative expenses including related reviews; and Reliance product and policy information. 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, both of which are subsequently processed in Reliance operating systems to update claim records and generate the related reinsurance billings and notices. Two small GAs are reporting on a manual basis to the Estate. One hundred percent of GA payments and reserves have been matched to Reliance systems.

## **2. Early Access**

At March 31, 2016, early access advances to GAs totaled approximately \$2.6 billion and are comprised of early access post-liquidation cash advances (\$2.15 billion); pre-liquidation statutory deposits (approximately \$422 million); and payments made on behalf of certain life and health, as well as property and casualty, GAs shortly after October 3, 2001 (\$23 million).

## **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, approximately \$159 million of deductible collections have been distributed to the GAs.

**D. Claims Process**

The deadline for filing POCs was December 31, 2003. As of March 31, 2016, Reliance had received a total of 161,447 POCs. Of these 161,447 POCs, 12,748 were received after the claim filing deadline, including 652 new POCs received in the first quarter of 2016. Notwithstanding the claim filing deadline, Reliance has continued to receive new POCs and many of those POCs may be considered timely filed under the Act if the claimant can show good cause for the late filing.

**1. Claims Bar Date**

On July 15, 2014, the Liquidator filed an Application to Establish a Claims Bar Date and for Approval of Notice (“Bar Date Application”) which asked this

Court to establish a date by which all claims against Reliance must be submitted or be forever barred, even if good cause exists for late filing. The Court issued its Order on December 22, 2015, establishing March 31 as the Claims Bar Date (“Claims Bar Date Order”). All claims must have been submitted to Reliance on a POC form, available on the website, **PRIOR TO** March 31, 2016. All POCs received **ON OR AFTER** March 31, 2016 are barred and will not be eligible for any distribution. All POCs must identify a specific claimant with specific and identified existing injuries or damages which arose **PRIOR TO** the Claims Bar Date. From December 31, 2015 through January 30, 2016, notice of the Claims Bar Date Order was provided by first class mail and by publication in various newspapers and trade magazines in both hard copy and on-line versions, as available. Between January 1, 2016 and March 30, 2016, the last day for filing claims, 1,062 POCs were submitted. Based on a preliminary review of those POCs, approximately 415 are believed to be duplicate claims.

## **2. Status of POCs**

As of March 31, 2016, Reliance had issued NODs for 159,286 of the 161,447 POCs for a total allowed amount of approximately \$1.288 billion. Reliance has now issued NODs for more than 98% of the POCs filed with the Estate. This Court has approved 159,099 of those NODs, as of March 31, 2016,

for a total allowed amount of approximately \$1.2 billion.<sup>2</sup> Exhibit H breaks down this information by priority class and Exhibit I provides the same information for only the first quarter of 2016.

Exhibit J indicates the status of all 161,447 POCs received as of March 31, 2016. Of the 2,109 POCs remaining to be evaluated, 317 relate to claims currently being handled by the GAs. These POCs will be addressed by Reliance once the GAs close the claim files and return them to Reliance. In total, GAs are currently handling approximately 5,098 open Reliance claims. Approximately 498 of the 2,109 remaining POCs are either 1) POCs where the claimant has identified a specific claim but the underlying claim has not yet been resolved or proper documentation has not been provided to Reliance<sup>3</sup> 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. If a specific claim was not identified prior to the Claims Bar Date, a \$0 NOD will be issued for that POC.

Approximately 1,249 POCs are in various stages of review and therefore, in one or more aspects, the Estate is awaiting information. As part of that process,

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<sup>2</sup> On June 10, 2016, the Court approved an additional 133 NODs totaling \$25,861,525.

<sup>3</sup> 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 many years before some of these long tail claims will be resolved.

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 March 31, 2016, there were 45 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, this Court issued Orders on May 1, and November 27, 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.

### **3. Status of Distribution**

This Court has approved the Liquidator's recommendations regarding interim distributions to all class (b) Eligible Claimants whose NOD has been approved by this Court as follows:

January 17, 2008 initial 20% interim distribution

March 29, 2010 increase to 30% interim distribution

December 1, 2011 increase to 40% interim distribution

January 13, 2016 increase to 65% interim distribution

The Liquidator continues to periodically issue distribution checks to claimants for any new NODs approved by the Court through the regular filing process. As of March 31, 2016, \$646 million has been distributed to class (b) claimants for 6,459

NODs. In 2017, the Liquidator will begin the process of updating the asset distribution model to provide a recommendation to this Court regarding a further increase in the interim distribution percentage. This will involve not only a substantive review of the POCs received prior to the Claims Bar Date, but also a review of potential adjustments to the claim reserves, as well as other factors. Work on the asset distribution model must be balanced with efforts at reaching final settlements with insureds and GAs, which often involve time commitments by the same Reliance staff.

**4. Aggregate Safety Factor Percentage**

On November, 19, 2007, this Court first approved the Liquidator’s recommendation for application of an aggregate safety factor percentage (“SFP”) that is designed to hold back a portion of the aggregate limits for any future adverse claims development in order to comply with 40 P.S. §221.40(d). That Order also required the Liquidator to “consider, for future distributions, whether the Safety Factor Percentage should be adjusted”. The Court issued Orders approving the SFP applicable to any distribution on NODs approved by the Court for claims under aggregate policies as follows:

November 19, 2007	initial 60% aggregate safety factor
February 23, 2010	decrease to 40% aggregate safety factor
December 9, 2011	decrease to 30% aggregate safety factor

At March 31, 2016, the total aggregate SFP hold back as applied to the distribution calculation was \$54.8 million.

On January 13, 2016, the Court issued an order directing the Liquidator to reconsider the aggregate SFP in light of the Claims Bar Date of March 31, 2016. On February 2, 2016, the Liquidator filed her Supplemental Response and Application for Approval of Plan to Eliminate the Aggregate Safety Factor Percentage. In its Order of March 3, 2016, the Court largely approved the Liquidator's plan to eliminate the aggregate SFP and required the Liquidator to report whether the volume or types of POCs filed prior to the Claims Bar Date would have any impact on the approved plan to ultimately eliminate the aggregate SFP.

Following a review of the POCs related to Aggregate Policies<sup>4</sup> which were filed prior to the Claims Bar Date, the Liquidator has determined that neither the volume nor the types of those POCs will have any impact on the elimination of the aggregate SFP.

(a) The Liquidator determined that the Aggregate Limits cannot be exceeded by any POCs filed prior to the Claims Bar Date, for 62 Aggregate NODs

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<sup>4</sup> An "Aggregate Policy" is a Reliance policy which has an aggregate total or maximum limit. An "Aggregate Limit" is a provision in a policy that limits the maximum liability of an insurer under that policy. For example, if during the policy term, there are losses totaling \$5,000,000 from several occurrences, but there is a policy aggregate limit of \$3,000,000, the insurer would not be liable for more than \$3,000,000 for that policy period. Professional liability policies and comprehensive general liability policies are examples of types of policies that typically have Aggregate Limits. "Aggregate NODs" are NODs issued for claims under Aggregate Policies.

already issued. Thus the aggregate SFP has been eliminated as to those 62 Aggregate NODs and catch-up distributions totaling approximately \$52 million will be issued for these NODs prior to June 30, 2016;

(b) The Liquidator also determined that the Aggregate Limits have been exceeded under Aggregate Policies involving 7 POCs filed prior to the Claims Bar Date. Amended Aggregate NODs will be issued by June 30, 2016 for those 7 POCs in order to pro rate the allowed amounts so that the Aggregate Limits are not exceeded. Once the objection deadline has passed as to the amended Aggregate NODs, the Liquidator will submit them to the Court for approval and catch-up distributions will be paid in the next scheduled quarterly distribution after the amended Aggregate NODs are approved by the Court;

(c) In addition to the Aggregate NODs described in sub-paragraph (a) above, there are 16 POCs pending under Aggregate Policies for which NODs have not yet been issued. The Liquidator believes that it is not necessary to apply an aggregate SFP to NODs which will be issued for these 16 POCs because \$0 NODs will be issued once the Aggregate Limits have been exhausted by previously issued NODs; and

(d) Finally, at this time, the Liquidator does not believe it will be necessary to apply an aggregate SFP to any future NODs under Aggregate Policies, but will seek the approval of this Court if that should change.

## **5. Objections to NODs (non-GA claimants)**

As of March 31, 2016 the Liquidator has received a total of 1,784 objections to the 159,286 NODs issued to claimants (other than GAs), an objection rate of approximately 1%. Large groups of these objections related to several claimants with similar types of claims and thus have been resolved collectively through the dispute resolution process. Of the 1,784 objections received, 1,782 have been resolved and both of the 2 unresolved objections have been assigned to referees. Exhibit K indicates the status of all objections received through December 31, 2015, and Exhibit L breaks down this information by priority class and also includes the allowed amounts for objections by non-GA claimants in each priority class.

## **6. GA Claims**

In addition to the POCs filed by non-GA claimants, each of the GAs have filed omnibus POCs representing their claims against the Estate. In addition to processing all POCs filed by policyholders and other claimants, it is also necessary to review administrative expense claims, loss claims (including ALAE), 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. The GAs, as a group, are the largest creditor of the Estate. On November 19, 2007, this Court issued its Order approving the Liquidator's Amended Petition to

Supplement the September 9, 2002 Claims Procedures Order To Address the Administration of GA Claims (“GA Claims Order”). The GA claims process presents several unique issues and the GA Claims Order approved procedures which allowed the Liquidator to address those issues.

**a. Administrative Expense Claims**

Certain 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. As shown on Exhibit M, the GAs have reported administrative expenses totaling approximately \$368 million (net of \$24.6 million in Court approved disallowed amounts) through March 31, 2016. Paragraph B.2.f above explains the review process for these administrative expense claims in some detail. Through March 31, 2016, this Court has approved approximately \$338.7 million in administrative expenses for the Property Casualty GAs.

**b. Loss Payments Including ALAE**

Most GAs report their loss payments, including ALAE, through the UDS interface (see paragraph C.1 above). As of March 31, 2016, the GAs have paid approximately \$3.2 billion for losses, including ALAE, under Reliance policies and \$2.15 billion of cash advances have been made to them through early access, in addition to \$422 million held in special deposits. The GAs’ outstanding reserve for remaining losses, including ALAE, totals just under \$1 billion. Therefore, in

total through the end of the liquidation, the GAs have estimated approximately \$4.1 billion in loss claims, including ALAE. Exhibit M shows the total losses paid (including ALAE) as well as loss reserves (including ALAE) reported by each GA at March 31, 2016.

Both the paid amounts and outstanding reserves reported by GAs over time are graphically shown in Exhibit N attached hereto. As indicated by the graph, the GAs have paid approximately 77% 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.

As of March 31, 2016, this Court has approved class (b) claims totaling \$2.1 billion for GAs, some of which may be subject to 40 P.S. §221.40(d) regarding aggregate limits.<sup>5</sup>

**c. Life and Health Guaranty Associations**

The Life and Health GAs covered the contractual obligations under accident and health policies issued by Reliance. Through March 31, 2016, this Court has approved administrative expense claims for 50 Life and Health GAs totaling \$6.5 million and loss claims, including ALAE, for 51 Life and Health GAs totaling \$32.3 million.

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<sup>5</sup> On March 10, 2016 the Court approved an additional 7,511 class (b) claims by the California Insurance Guaranty Association allowing \$238,361,396.

**d. Guaranty Association Notices of Determination**

Pursuant to the GA Claims Order, NODs are issued to the GAs only when a GA claim, or portion of a GA claim, will not be allowed by the Liquidator.

Through March 31, 2016, the Liquidator has issued 774 NODs to GAs.

Only undisputed GA NODs or those GA NODs which are resolved by the Liquidator after an objection is filed will be submitted to this Court for approval in the Report and Recommendation on GA NODs. Undisputed GA claims not associated with a NOD will be included on either the Report and Recommendation on Undisputed GA Claims or the Report and Recommendation on GA Undisputed Administrative Expenses. Through March 31, 2016, this Court has approved 698 NODs issued to the GAs for a total allowed amount of approximately \$46.7 million and a total disallowed amount of approximately \$29.8 million.<sup>6</sup>

Some of the NODs issued to the GAs have been disputed by the GAs and those will be resolved through the objection process set forth in Pa. R.A.P. No. 3781 and the applicable provisions of the Act. Through March 31, 2016, objections have been filed to the NODs issued for 34 GA claims, 30 of which have been resolved. The 4 objections unresolved as of March 31, 2016, have since been resolved by a settlement with the California Insurance Guarantee Association. Most of the disputes arising from NODs issued to GAs have involved either a

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<sup>6</sup> On June 7, 2016, the Court approved another 7 NODs pursuant to a settlement with the California Insurance Guarantee Association, allowing \$3,081,785 and disallowing \$924,352.

dispute as to whether certain ALAE expenses should be assigned class (a) priority rather than the class (b) priority assigned by the Liquidator, or a dispute as to whether certain GA expenses should be allowed at class (a) priority or be excluded from reimbursement at all by the Estate.

**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 March 31, 2016, Reliance held collateral of \$298 million to secure current and future obligations. For the three months ended March 31, 2016, 25 accounts were reviewed, resulting in a release of \$5 million for 15 accounts; no collateral was released for 4 accounts; and the remaining 6 accounts were otherwise resolved (e.g., closeouts, no remaining collateral).

## **2. Reinsurance Cut-Throughs**

A committee was established to review and recommend action for reinsurance cut-through requests submitted to the Liquidator. Since the implementation of the guidelines, 46 cut-through requests have been submitted to the Liquidator. The Liquidator has approved 34 of these requests. Of the 34 approved by the Liquidator, 32 have been approved by the Court, 1 request is due to be filed with the Court for approval and 1 was deemed withdrawn. Of the remaining 12 requests not approved by the Liquidator, 9 were disapproved by the Liquidator and 3 were withdrawn. Four of the 9 disapproved requests were never contested, 1 was also disapproved by the Court, and 4 disapprovals were disputed. As of March 31, 2016, 1 of the 4 disputed matters was pending before the Court, 1 was dismissed with prejudice upon stipulation of the parties and approval of the Court, and 2 were approved by the Court.

## **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. Arkansas, Florida,

Idaho, Maryland, and South Carolina have closed their ancillary receiverships and there has been limited activity in the other ancillary estates.

The states of Arizona, Massachusetts, and Oregon have elected to retain their statutory deposits for worker compensation claims as the sole means of recovery for their worker compensation claimants. The US Virgin Islands has elected to retain its statutory deposit as the sole means of recovery for all of its claimants.

As previously reported, the Reliance Canadian (“CN”) branch (included in “Investment in affiliates” as shown on Exhibit A) was placed in liquidation in Canada and the Reliance Liquidator was appointed as an inspector in those proceedings. KPMG Inc., in its capacity as liquidator of the CN branch, oversees daily operations. The CN liquidator continues to run-off CN in an orderly manner. However, the CN liquidator may consider commercially reasonable ways to expedite the completion of the estate, including resolution of claims and potentially a claims determination and valuation process.

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Respectfully submitted:

By:  \_\_\_\_\_

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Commissioner of the Commonwealth of  
Pennsylvania, in her official capacity as  
Statutory Liquidator of RELIANCE  
INSURANCE COMPANY

Dated: June 24, 2016

**A**

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

<b>ASSETS</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Short and intermediate duration investments	\$ 1,860.8	\$ 2,096.0
Investments held for secured creditors	2.6	2.4
Investments held for uncovered claimants	16.7	16.5
Invested assets excluding affiliates	1,880.1	2,114.9
Investments in affiliates	52.0	52.0
Total invested assets	1,932.1	2,166.9
Premium balances	14.0	13.3
Reinsurance receivable	17.0	14.8
Reinsurance recoverables	40.0	43.8
Early access advances to guaranty associations	2,587.3	2,594.1
Other assets	18.3	18.3
Total Assets	<u>4,608.7</u>	<u>4,851.2</u>
<b>LIABILITIES</b>		
Secured Creditors - Funds held	36.8	40.4
Class (a) liabilities		
Liquidator expenses incurred since liquidation	1,262.5	1,251.6
Liquidator expenses paid since liquidation	<u>(1,262.5)</u>	<u>(1,251.6)</u>
Liquidator expenses - unpaid	-	-
Guaranty association expenses - submitted	367.4	363.1
Guaranty association expenses - paid	<u>350.3</u>	<u>350.1</u>
Guaranty association expenses - unpaid	17.1	13.0
Other class (a) liabilities	<u>26.1</u>	<u>8.0</u>
Total class (a) liabilities	43.2	21.0
Class (b) liabilities		
Guaranty association paid losses	3,180.7	3,166.5
Guaranty association reported reserves	965.6	963.0
Notices of determination issued	1,106.2	1,097.3
Gross distribution calculation	(700.8)	(416.1)
Reduction for aggregate policies	<u>54.8</u>	<u>33.5</u>
Asset distribution payments	<u>(646.0)</u>	<u>(382.6)</u>
All other estimated reserves	<u>915.3</u>	<u>983.0</u>
Total class (b) liabilities	5,521.8	5,827.2
Class (c) liabilities	-	-
Class (d) liabilities	-	-
Class (e) liabilities		
Notices of determination issued	149.3	149.0
Losses and reserves on assumed business	763.5	764.7
Other class (e) liabilities	<u>5.4</u>	<u>5.2</u>
Total class (e) liabilities	918.2	918.9
Class (f) liabilities	-	-
Class (g) liabilities - Notices of determination issued	32.8	32.8
Class (h) liabilities	-	-
Class (i) liabilities	-	-
Total liabilities	<u>6,552.8</u>	<u>6,840.3</u>
Net deficit	<u>(\$1,944.1)</u>	<u>(\$1,989.1)</u>

The special purpose statement of assets and liabilities 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 liquidation, future administration expenses, and various potential exposures, recoveries or benefits. The special purpose statement of assets and liabilities 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 NAIC.

See accompanying notes.

**B**

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

(In Millions)

	<b>Three Months Ended March 31, 2016</b>	<b>Period From Oct. 3, 2001 To March 31, 2016</b>
Policyholders' surplus - beginning of period	(\$1,989.1)	(\$2,683.5)
Underwriting gain/(loss)	27.6	(1,164.1)
Net investment income	5.9	678.7
Other income/(expense) (1)	2.8	921.2
Net realized and unrealized capital gains/(losses)	<u>8.7</u>	<u>303.6</u>
Change in policyholders' surplus	<u>45.0</u>	<u>739.4</u>
Policyholders' surplus - end of period	<u><u>(\$1,944.1)</u></u>	<u><u>(\$1,944.1)</u></u>

(1) Significant items prior to 2016 includes settlements with directors / officers and the parent company, changes in the estimate for uncollectible reinsurance, the elimination of various liabilities relating primarily to pre-rehabilitation expenses which are class (e) creditor claims that were not assigned a dollar value in the POC process and are unlikely to be paid or offset against any other asset in the Estate and federal income tax refund.

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 effect 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 accompanying notes.

**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, 2016 TO MARCH 31, 2016 - UNAUDITED**

(In Millions)

Cash Receipts:

Reinsurance collections	\$0.9
Claim recoveries	0.1
Investment income received	10.2
Other including net realized losses of \$4.2 million	<u>(5.3)</u>
Total Cash Receipts	<u>5.9</u>

Cash Disbursements:

Operating expenses	(11.0)
Asset distribution on class (b) NODs	(238.7)
Allocated loss adjustment expenses	<u>(0.1)</u>
Total Cash Disbursements	<u>(249.8)</u>

Net change in short and intermediate duration investments from cash activity	<u>(243.9)</u>
---------------------------------------------------------------------------------	----------------

Non-cash items affecting short and intermediate term investments:

Change in value of investments managed by investment managers	<u>8.7</u>
Total Non-cash activity	<u>8.7</u>

Net change in short and intermediate duration investments	(235.2)
Beginning Balance - Short and intermediate duration investments	<u>2,096.0</u>
Ending Balance - Short and intermediate duration investments	<u><u>\$1,860.8</u></u>

*See accompanying notes.*

**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 - Nature of operations and basis of presentation**

Reliance Insurance Company ("the Company") was placed into rehabilitation by order of the Commonwealth Court of Pennsylvania ("the Court") on May 29, 2001. On October 3, 2001, the Company was declared insolvent by order ("the Order") of the Court. The Order of the Court appointed the Insurance Commissioner of Pennsylvania as Liquidator of the Company ("the Liquidator"). Representatives of the Liquidator oversee the daily operations of the Company. The Order applies to all former subsidiaries of Reliance Insurance Company that were previously merged into Reliance Insurance Company, including Reliance National Indemnity Company, Reliance National Insurance Company, United Pacific Insurance Company, Reliance Direct Insurance Company, Reliance Surety Company, Reliance Universal Insurance Company, United Pacific Insurance Company of New York, and Reliance Insurance Company of Illinois. The entity is now known as Reliance Insurance Company (in Liquidation) ("Reliance") or ("the Estate").

The principal activities since the date of liquidation consist of the collection and marshalling of assets and determination of claims. All creditor claims submitted to Reliance 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 is claims for losses under policies issued prior to liquidation. Ultimately, the net assets of the Estate are expected to be distributed to creditors.

**Priority of Claims and Distribution to Creditors**

Reliance will distribute funds to creditors in accordance with the Insurance Department Act of 1921 (the "Act"), 40 P.S. Section §221.44, which governs asset distributions from insolvent insurance estates. The following summarizes the classes of creditors under the Act:

- (a) The costs and expenses of administration, including but not limited to the actual and necessary costs of preserving or recovering the assets of the insurer, compensation for all services rendered in the liquidation, reasonable attorney's and other expenses and fees.
- (b) All claims under policies for losses wherever incurred, including third-party claims, and all claims against the insurer for liability for bodily injury or for injury

to or destruction of tangible property which are not under policies, shall have the next priority.

- (c) Claims of the Federal government.
- (d) Debts due to employees for services performed to the extent that they do not exceed \$1,000 and represent payment for services performed within one year before the filing of the petition for liquidation.
- (e) Claims under nonassessable policies for unearned premium or other premium refunds and claims of general creditors.
- (f) Claims of any state or local government.
- (g) Claims filed late and certain other special claims.
- (h) Surplus or contribution notes, or similar obligations, and premium refunds on assessable policies.
- (i) The claims of shareholders or other owners.

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.

Claims that are lower than class (b) priority are generally not assigned a dollar value during the POC process. These claimants are being advised that a value will be determined only if the Estate believes that sufficient funds will be available for distributions to creditors below class (b). Claims lower than class (b) are not reported as liabilities on the Special Purpose Statement of Assets and Liabilities with the exception of certain reinsurance liabilities which could have offset implications and claims in which a Notice of Determination ("NOD") has been issued.

Reliance is on a modified cash basis of accounting accepted by the Pennsylvania Department of Insurance which is a cash basis with adjustments.

The Special Purpose Statements of Assets and Liabilities and Changes in Policyholders' Surplus ("Statements") of Reliance are prepared on a unique financial reporting basis, in that, the Statements do not fully reflect the effect of the Estate'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 administrative 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 also do not include any estimate for potential federal income tax liabilities. Reliance has significant net operating losses for tax purposes, which begin to expire in 2019, and may be used to partially offset future income. However, actual tax liabilities and related payments may be material.

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 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 in segregated accounts, which consist primarily of short-term fixed maturity investments, are reported at fair value. However, no accrued or unpaid interest is reported in the accompanying financial statements. These investments include amounts to secure obligations of Reliance arising from certain reinsurance contracts and funds collected on large deductible policies. Funds collected on large deductible policies, which are not assets of the Estate, are \$0.6 million and \$0.4 million at March 31, 2016 and December 31, 2015, respectively and will be administered and paid to the GAs and creditors in accordance with the Act , 40 P.S. §221.23a.

Investments held for uncovered claimants are held pursuant to a settlement agreement entered into as of February 10, 2006 (“Settlement Agreement”) with various state GAs. Pursuant to the Settlement Agreement, Reliance reduced the large deductible reimbursements otherwise due and owed to each of the various state GAs and

established a fund for the exclusive benefit of uncovered (not covered by a GA) class (b) claimants.

**Note 5 – Investments in affiliates**

Investments in affiliates include amounts held in escrow from the sale of RCGGS, the former information technology subsidiary and Canadian branch, which is under liquidation proceedings in Canada. The carrying value 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 6 – Premium balances**

Premium balances include accrued retrospective premiums of \$10 million and \$10 million at March 31, 2016 and December 31, 2015, 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 \$3.1 million and \$2.5 million at March 31, 2016 and December 31, 2015, 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 7 – Reinsurance recoverable, Class (b) liabilities and Class (e) losses and reserves on assumed business**

Class (b) liabilities is comprised of GA paid losses, GA reported reserves, NODs issued by the Estate and all other estimated reserves. The NOD issued amount is adjusted by \$646 million in distribution payments to creditors. All other estimated reserves is comprised of estimated reserves for reported claims, including POCs where a NOD has not yet been issued, and estimated reserves for GA claims in excess of reported reserves. All other estimated reserves are net of anticipated salvage and subrogation and second injury fund recoveries. The Statement does not fully reflect the effects of the liquidation upon certain assets and liabilities and does not include an estimate of future liquidation expenses that will be incurred by Reliance in administering the Estate, and by the GAs.

The March 31, 2016 loss and loss expense reserves presented in this Statement represent the estimated ultimate future values for reported claims. Due to the Court establishing a Bar Date of March 31, 2016 the March 31, 2016 and December 31, 2015 reserves do not contain a provision for unreported claims.

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 class (b) 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 March 31, 2016 and December 31, 2015 Special Purpose Statements of Assets and Liabilities.

Reinsurance recoverables 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. 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 8 – Early access advances to GAs**

During 2003, 2004, 2005, 2007, 2010, 2013 and 2015, the Commonwealth Court approved Early Access petitions in accordance with Section §221.36 of the Act which provides a mechanism for early distribution of assets to various state GAs to assist those associations in fulfilling their obligation to pay certain policy claims of the Estate. 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 of Reliance.

Payments made to various state GAs under Early Access petitions are recorded as assets in the accompanying Special Purpose Statement of Assets and Liabilities as they represent payments made in advance of distributions to other claimants. GA advances will be reclassified and no longer recorded as assets when the Commonwealth Court of Pennsylvania approves the distributions to the GAs.

At March 31, 2016 total early access amounts include early access cash payments to the GAs of \$2.15 billion, statutory deposits of \$422 million, and payments made by Reliance on behalf of certain GAs shortly after October 3, 2001.

**Note 9 – Secured Creditors – 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 10 - Guaranty Association expenses unpaid**

Guaranty Association expenses unpaid represent total GA submitted expenses to Reliance less the portion disallowed by the Court and the portion reimbursed. Reliance conducts periodic desk and on-site reviews of GA administrative expenses to verify the validity of these expenses. The majority of the unpaid amounts will be valid class (a) expenses and will be reimbursed to the GAs. Reliance withholds payment of expenses it believes are not valid administrative expenses. There will likely be certain disagreements between the Liquidator and the GAs that will be addressed and resolved by the Court.

**Note 11 – Class (a) other liabilities**

Class (a) other liabilities are principally outstanding checks.

**Note 12 – Guaranty Association paid losses**

Guaranty Association paid losses include payments reported by GAs and processed in the Estate’s operating systems.

**Note 13 – Guaranty Association reported reserves**

Guaranty Association reported reserves include case reserves reported by GAs and processed in the Estate’s operating systems.

**Note 14 – Notices of Determination issued**

NODs are issued by the Estate 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 Estate 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 are included in the Special Purpose Statements of Assets and Liabilities when issued.

**Note 15 – Asset distributions to class (b) creditors**

On January 13, 2016, the Court approved the Liquidator’s Petition for a Interim Distribution, allowing a 65% distribution to all class (b) claimants whose NODs has been approved by the Court. Distribution amounts for claims under Aggregate Policies were subject to an adjustment calculated pursuant to the Orders issued by the Court on November 19, 2007, February 23, 2010 and December 9, 2011 approving the Liquidator’s Petitions to Address Claims Under Aggregate Policies. Asset distributions through March 31, 2016 and December 31, 2015 totaled \$646 and \$382.6 million,

respectively. On March 3, 2016, the Court approved a plan proposed by the Liquidator for eliminating the aggregate safety factor percentage applied to NODs issued under aggregate policies. Accordingly, an additional \$52 million will be distributed in June 2016 for those NODs as to which the aggregate safety factor percentage is eliminated. Distribution payments will continue to be issued on a quarterly basis to claimants whose NODs are subsequently approved by the Court.

**Note 16 – Commitments**

As of March 31, 2016, Reliance leases office space under operating leases expiring in 2016 and 2017. The minimum future rental payments under noncancelable operating leases as of March 31, 2016 are as follows (in millions of dollars):

2016	\$	0.6
2017		<u>0.2</u>
Total	\$	<u>0.8</u>

The cancelable commitments total \$0.9 million for 2017 and 2018.

**Note 17 – Litigation**

The Estate is a party to litigation both as a plaintiff and as a defendant. The ultimate effect of litigation on the financial condition of the Estate is uncertain and cannot be reasonably estimated, but may be material.

**Note 18 – Other collateral held**

The Estate 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.

**E**

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

	Year to Date March 2016		Actual to Budget Variance	%	Change	Year to Date March 2015		Variance to Prior Year	%	Change
	Actual	Budget				Actual				
<b>Salaries</b>										
Regular Salaries	\$2,707,025	\$2,707,879	(\$854)	-0.03%		\$3,356,788	(\$649,763)	-19.36%		
Performance Incentives	3,392,288	3,392,288	0	0.00%		3,651,931	(259,643)	-7.11%		
Severance	649,437	649,435	2	0.00%		105,606	543,831	514.96%		
<b>Total Salaries</b>	<b>6,748,750</b>	<b>6,749,602</b>	<b>(852)</b>	<b>-0.01%</b>		<b>7,114,325</b>	<b>(365,575)</b>	<b>-5.14%</b>		
<b>Employee Benefits</b>										
Health and Disability Benefits	290,819	288,188	2,631	0.91%		359,461	(68,642)	-19.10%		
SIP-Contributions and Fees	102,620	105,000	(2,380)	-2.27%		123,774	(21,154)	-17.09%		
Other Benefits	284	2,100	(1,816)	-86.48%		(7,490)	7,774	-103.79%		
<b>Total Employee Benefits</b>	<b>393,723</b>	<b>395,288</b>	<b>(1,565)</b>	<b>-0.40%</b>		<b>475,745</b>	<b>(82,022)</b>	<b>-17.24%</b>		
<b>Payroll Taxes</b>	<b>526,868</b>	<b>535,779</b>	<b>(8,911)</b>	<b>-1.66%</b>		<b>561,846</b>	<b>(34,978)</b>	<b>-6.23%</b>		
<b>Total Salaries, Benefits and Taxes</b>	<b>7,669,341</b>	<b>7,680,669</b>	<b>(11,328)</b>	<b>-0.15%</b>		<b>8,151,916</b>	<b>(482,575)</b>	<b>-5.92%</b>		
<b>IT Services</b>	<b>1,577,485</b>	<b>1,015,210</b>	<b>562,275</b>	<b>55.39%</b>		<b>1,019,390</b>	<b>558,095</b>	<b>54.75%</b>		
<b>Legal Fees</b>	<b>174,122</b>	<b>328,750</b>	<b>(154,628)</b>	<b>-47.04%</b>		<b>158,120</b>	<b>16,002</b>	<b>10.12%</b>		
<b>Professional and Other Services</b>	<b>746,078</b>	<b>776,039</b>	<b>(29,961)</b>	<b>-3.86%</b>		<b>817,379</b>	<b>(71,301)</b>	<b>-8.72%</b>		
<b>Rent</b>										
Corporate Home Office	258,198	265,638	(7,440)	-2.80%		294,553	(36,355)	-12.34%		
Record Archiving Services	103,955	106,401	(2,446)	-2.30%		122,260	(18,305)	-14.97%		
Other Rent Items	53,104	79,450	(26,346)	-33.16%		3,647	49,457	1356.10%		
<b>Total Rent</b>	<b>415,257</b>	<b>451,489</b>	<b>(36,232)</b>	<b>-8.03%</b>		<b>420,460</b>	<b>(5,203)</b>	<b>-1.24%</b>		
<b>Other Operating</b>										
Travel	4,319	11,161	(6,842)	-61.30%		2,311	2,008	86.89%		
Professional Dues & Conferences	2,587	3,627	(1,040)	-28.67%		3,450	(863)	-25.01%		
Insurance	98,927	111,830	(12,903)	-11.54%		111,831	(12,904)	-11.54%		
Voice and Data Communication	66,852	78,750	(11,898)	-15.11%		65,967	885	1.34%		
Supplies and Subscriptions	11,610	18,225	(6,615)	-36.30%		11,057	553	5.00%		
Postage, Freight & Express	29,586	40,125	(10,539)	-26.27%		3,136	26,450	843.43%		
Office Machine Rent & Repair	2,798	1,515	1,283	84.69%		1,061	1,737	163.71%		
Bank Charges	18,776	21,000	(2,224)	-10.59%		18,711	65	0.35%		
Taxes, BBA and Other	348	250	98	39.20%		10,545	(10,197)	-96.70%		
<b>Total Other Operating</b>	<b>235,803</b>	<b>286,483</b>	<b>(50,680)</b>	<b>-17.69%</b>		<b>228,069</b>	<b>7,734</b>	<b>3.39%</b>		
<b>Subtotal</b>	<b>10,818,086</b>	<b>10,538,640</b>	<b>279,446</b>	<b>2.65%</b>		<b>10,795,334</b>	<b>22,752</b>	<b>0.21%</b>		
<b>Guaranty Association Expenses</b>	<b>167,949</b>	<b>164,321</b>	<b>3,628</b>	<b>2.21%</b>		<b>14,000,000</b>	<b>(13,832,051)</b>	<b>-98.80%</b>		
<b>Total Operating Expenses</b>	<b>\$10,986,035</b>	<b>\$10,702,961</b>	<b>\$283,074</b>	<b>2.64%</b>		<b>\$24,795,334</b>	<b>(\$13,809,299)</b>	<b>-55.69%</b>		

See accompanying notes.

**F**

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)  
LEGAL FEES AND EXPENSES (EXCLUDING ALAE)  
FOR THE PERIOD JANUARY 1, 2016 TO MARCH 31, 2016 - UNAUDITED**

**VENDOR NAME**

CASSELS BROCK & BLACKWELL LLP	\$	7,746
KLEINBARD LLP		52,640
PEPPER HAMILTON LLP.		86,265
SCRIBNER, HALL & THOMPSON, LLP.		25,276
TOTAL OTHER VENDORS UNDER \$5,000		<u>2,195</u>
<b>TOTAL LEGAL FEES AND EXPENSES (EXCLUDING ALAE)</b>	<b>\$</b>	<b><u><u>174,122</u></u></b>

**G**

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)  
PROFESSIONAL SERVICE EXPENSES  
FOR THE PERIOD JANUARY 1, 2016 TO MARCH 31, 2016 - UNAUDITED**

**VENDOR NAME**

CALLAN ASSOCIATES INC.	\$	21,638
CERIDIAN CORPORATION		6,023
ERNST & YOUNG		20,399
FMR LLC (FORMERLY PYRAMIS)		161,172
JP MORGAN INVESTMENT MANAGEMENT INC		135,687
PA. DEP'T. - OFFICE OF LIQUIDATIONS		32,912
REORGANIZED RFS CORP		60,942
SWARTHMORE GROUP, INC		15,368
STANDISH MELLON ASSET MANAGEMENT COMPANY LLC		177,519
SUNGARD AVAILABILITY SERVICES LP		8,700
THE BANK OF NEW YORK MELLON		95,637
TOTAL OTHER VENDORS UNDER \$5,000		<u>10,080</u>
<b>TOTAL PROFESSIONAL SERVICE EXPENSES</b>	<b>\$</b>	<b><u><u>746,078</u></u></b>

**H**

**Proof Of Claim Statistics - Inception To Date  
March 31, 2016**

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	0	0	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	3,984	400	3,865	\$0.00	3,864	\$0.00
B - POLICY HOLDER CLAIMS	61,977	4,662	60,574	\$1,106,227,861.82	60,467	\$1,080,533,426.45
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	65,571	3,745	65,386	\$149,274,876.75	65,348	\$136,553,390.23
F - STATE/LOCAL GOVT	189	3	189	\$7,039.85	189	\$7,039.85
G - LATE FILED/SUBROGATION	29,714	3,938	29,260	\$32,849,168.02	29,219	\$29,604,168.02
H - SURPLUS, PREM REFUNDS	0	0	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	3	0	3	\$0.00	3	\$0.00
<b>TOTAL:</b>	<b>161,447</b>	<b>12,748</b>	<b>159,286</b>	<b>\$1,288,358,946.44</b>	<b>159,099</b>	<b>\$1,246,698,024.55</b>

OTHER COUNTS	INCEPTION TO DATE
POCs With Claims at GAs	317
Contingent Unliquidated POCs	498
Ready to Evaluate	45
Awaiting Information	1,249
<b>TOTAL:</b>	<b>2,109</b>

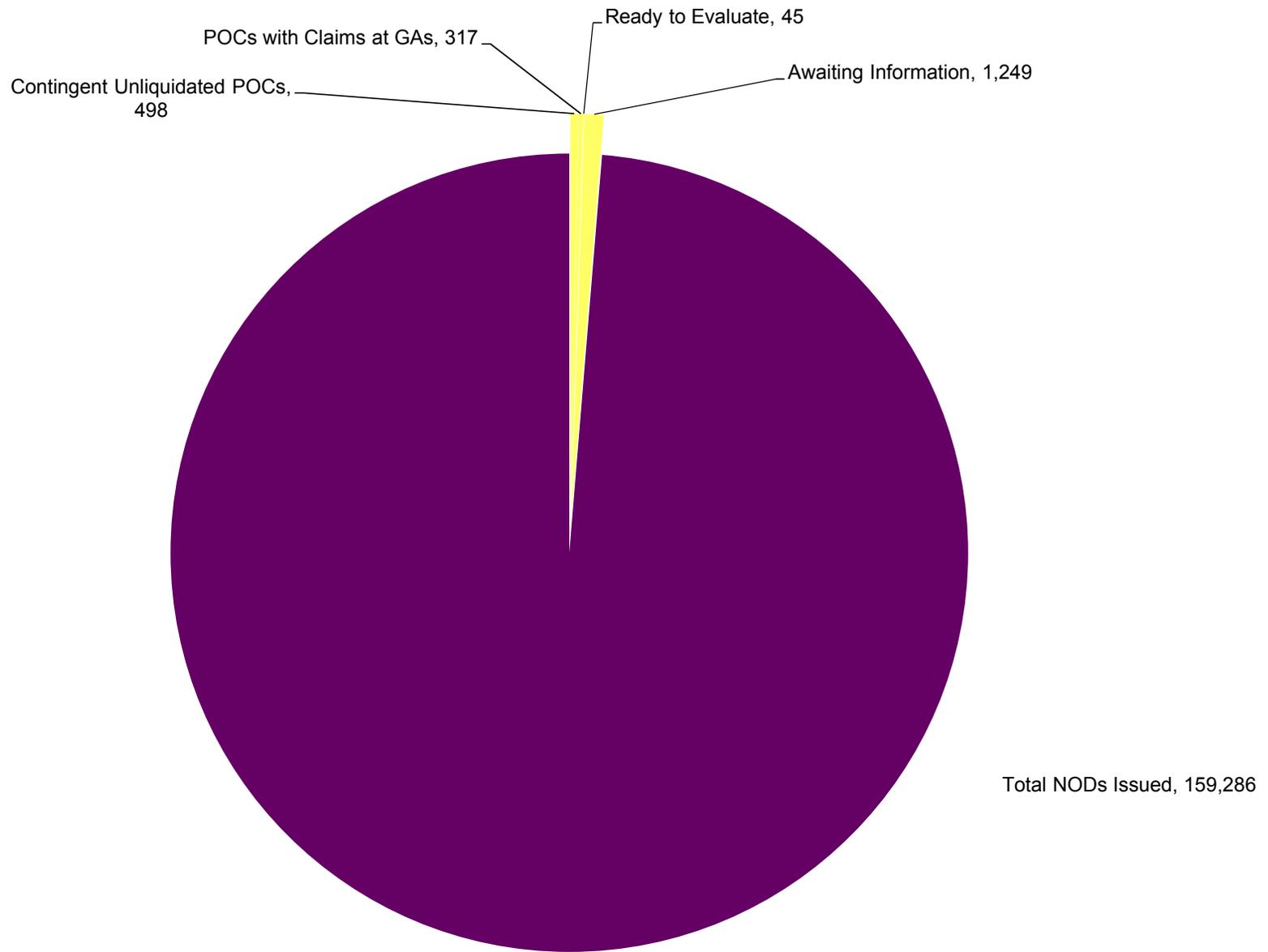
**I**

**Proof Of Claim Statistics - Quarter To Date  
March 31, 2016**

CLASS DESCRIPTION	TOTAL POCs RECEIVED	TOTAL NODs ISSUED	LIQUIDATOR ALLOWED AMOUNTS	NODs APPROVED FOR DISTRIBUTION	NODs AMOUNT APPROVED FOR DISTRIBUTION
NO CLASS ASSIGNED	0	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	0	0	\$0.00	3	\$0.00
B - POLICY HOLDER CLAIMS	298	51	\$8,920,110.44	152	\$27,621,293.87
C - FEDERAL GOVT	0	0	\$0.00	0	\$0.00
D - EMPLOYEES	0	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	20	6	\$244,396.00	22	\$21,775,399.28
F - STATE/LOCAL GOVT	0	0	\$0.00	0	\$0.00
G - LATE FILED/SUBROGATION	334	20	\$0.00	64	\$1,018,934.97
H - SURPLUS, PREM REFUNDS	0	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	0	\$0.00	0	\$0.00
<b>TOTAL:</b>	<b>652</b>	<b>77</b>	<b>\$9,164,506.44</b>	<b>241</b>	<b>\$50,415,628.12</b>

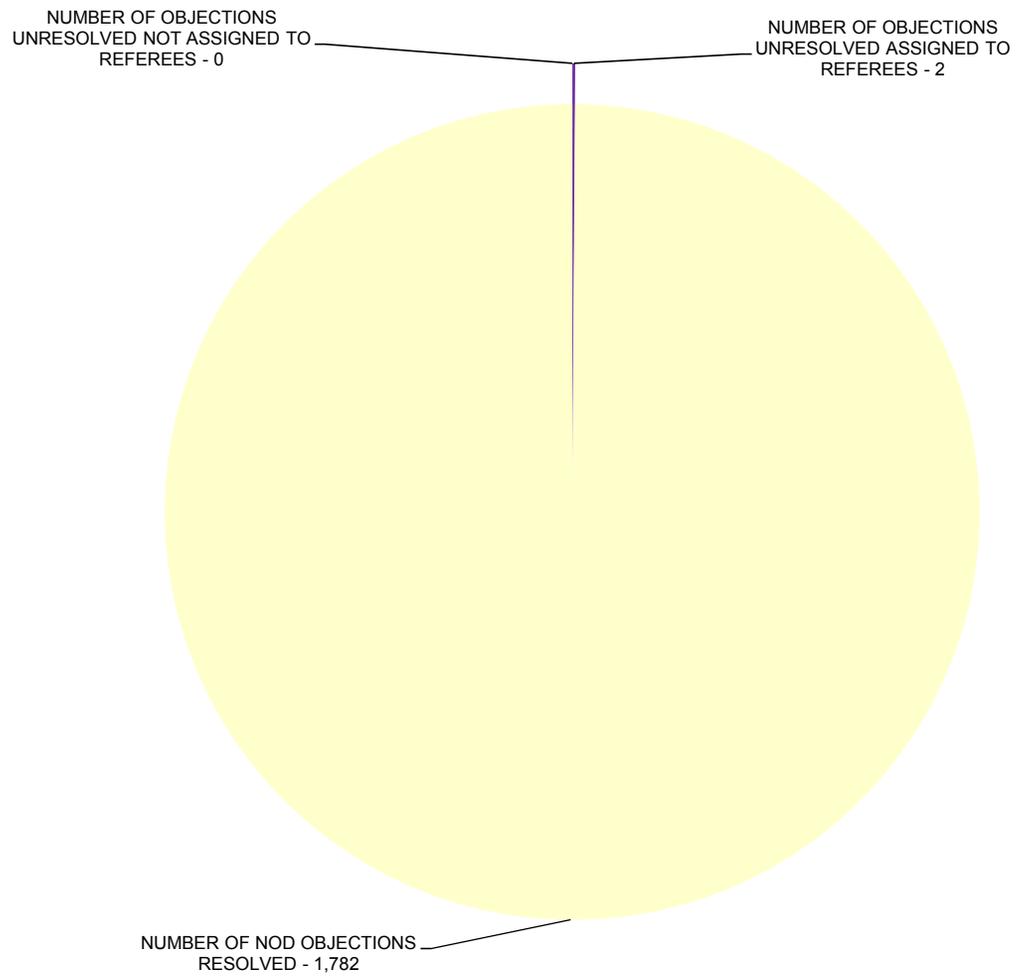
**J**

**Status of POCs as of 3-31-2016**  
**Total:161,447**



**K**

Status of NOD Objections Received Through 3-31-2016  
Total 1,784



**L**

**Objection Statistics - Inception To Date  
March 31, 2016**

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	333	\$32,632,410.47	332	\$32,632,410.47
C - FEDERAL GOVT	0	\$0.00	0	\$0.00
D - EMPLOYEES	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	863	\$22,276,220.28	862	\$15,074,086.79
F - STATE/LOCAL GOVT	1	\$0.00	1	\$0.00
G - LATE FILED/SUBROGATION	446	\$9,108,593.00	446	\$9,108,593.00
H - SURPLUS, PREM REFUNDS	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	\$0.00	0	\$0.00
<b>TOTAL:</b>	<b>1,784</b>	<b>\$64,017,741.75</b>	<b>1,782</b>	<b>\$56,815,608.26</b>

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	1	\$0.00	1	\$0.00	0	\$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	1	\$7,202,133.49	1	\$7,202,133.49	0	\$0.00
F - STATE/LOCAL GOVT	0	\$0.00	0	\$0.00	0	\$0.00
G - LATE FILED/SUBROGATION	0	\$0.00	0	\$0.00	0	\$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
<b>TOTAL:</b>	<b>2</b>	<b>\$7,202,133.49</b>	<b>2</b>	<b>\$7,202,133.49</b>	<b>0</b>	<b>\$0.00</b>

**M**

**Guaranty Association Data as of  
03-31-2016**

STATE	LOCATION	CLAIMS & ALAE PAID	CLAIMS & ALAE RESERVES	ADMIN EXPENSES	TOTAL BY STATE
ALABAMA	P&C	68,007,607.94	56,191,492.04	9,210,730.89	133,409,830.87
ALASKA	P&C	12,461,595.06	2,259,315.00	1,037,326.58	15,758,236.64
ARIZONA	P&C	6,249,673.47	1,100.00	1,196,503.37	7,447,276.84
ARIZONA	WC	10,995,286.78	7,291,484.51	0.00	18,286,771.29
ARKANSAS	P&C	6,979,475.84	1,074,008.59	485,429.79	8,538,914.22
CALIFORNIA	P&C	700,755,032.02	131,043,361.80	104,883,125.68	936,681,519.50
COLORADO	P&C	26,842,682.59	20,984,750.46	2,474,787.45	50,302,220.50
CONNECTICUT	P&C	50,932,000.82	18,907,275.14	7,295,364.33	77,134,640.29
DELAWARE	P&C	5,721,149.37	3,865,435.30	1,477,833.88	11,064,418.55
DISTRICT OF COLUMBIA	P&C	14,051,919.61	22,993,324.89	1,463,459.89	38,508,704.39
FLORIDA	P&C	84,609,722.87	251,846.70	4,315,662.77	89,177,232.34
FLORIDA	WC	246,201,240.20	40,509,047.14	8,274,876.91	294,985,164.25
GEORGIA	P&C	53,116,975.01	18,662,532.34	5,764,406.91	77,543,914.26
HAWAII	P&C	5,366,064.07	901,747.11	865,678.77	7,133,489.95
IDAHO	P&C	2,897,131.71	262,536.94	345,635.37	3,505,304.02
ILLINOIS	P&C	52,444,584.31	2,980,198.75	8,830,287.07	64,255,070.13
INDIANA	P&C	5,681,815.39	303,377.33	1,033,227.35	7,018,420.07
IOWA	P&C	10,082,952.88	805,874.58	911,300.89	11,800,128.35
KANSAS	P&C	17,284,671.13	5,328,445.07	1,441,502.50	24,054,618.70
KENTUCKY	L&H	109,079.00	0.00	1,709.00	110,788.00
KENTUCKY	P&C	28,742,334.92	23,291,654.82	1,986,904.64	54,020,894.38
LOUISIANA	P&C	69,827,897.19	34,442,159.30	2,025,691.92	106,295,748.41
MAINE	P&C	5,976,877.69	5,868,678.38	934,990.30	12,780,546.37
MARYLAND	P&C	36,560,308.88	15,596,020.81	8,922,416.33	61,078,746.02
MASSACHUSETTS	P&C	13,322,039.27	6,210.58	1,464,386.15	14,792,636.00
MASSACHUSETTS	WC	42,956,766.70	41,580,319.98	6,426,929.18	90,964,015.86
MICHIGAN	P&C	58,288,806.21	9,706,899.28	7,931,884.71	75,927,590.20
MINNESOTA	P&C	18,182,679.52	3,830,381.56	1,917,669.81	23,930,730.89
MISSISSIPPI	P&C	42,739,854.10	13,598,485.08	3,949,694.01	60,288,033.19
MISSOURI	P&C	36,380,508.60	5,204,937.10	2,686,278.33	44,271,724.03
MONTANA	P&C	5,147,629.66	1,824,502.64	776,361.85	7,748,494.15
NEBRASKA	P&C	8,783,498.36	4,079,626.41	876,278.68	13,739,403.45
NEVADA	P&C	9,107,291.08	5,473,416.73	1,319,670.20	15,900,378.01
NEW HAMPSHIRE	L&H	56,659.00	0.00	46,225.00	102,884.00
NEW HAMPSHIRE	P&C	14,958,527.55	12,556,677.62	2,109,908.54	29,625,113.71
NEW JERSEY	P&C	64,717,839.78	13,145,456.87	4,320,955.58	82,184,252.23
NEW JERSEY	SL	11,509,736.26	213,462.00	686,104.51	12,409,302.77
NEW JERSEY	WC	53,226,430.45	18,745,529.03	2,796,753.15	74,768,712.63
NEW MEXICO	P&C	7,608,391.20	1,692,864.65	813,224.12	10,114,479.97
NEW YORK	P&C	334,245,900.57	33,183,309.23	75,064,261.52	442,493,471.32
NEW YORK	PMV	17,928,912.98	1,228,735.64	0.00	19,157,648.62
NEW YORK	WC	202,253,349.09	163,868,827.99	0.00	366,122,177.08
NOLHGA		32,241,440.80	0.00	6,445,769.46	38,687,210.26
NORTH CAROLINA	P&C	78,406,088.76	19,159,913.39	6,152,040.14	103,718,042.29
NORTH DAKOTA	P&C	245,976.90	0.00	8,550.00	254,526.90
OHIO	P&C	9,272,092.18	146,542.82	2,029,317.18	11,447,952.18
OKLAHOMA	P&C	20,244,390.94	6,868,238.20	2,697,559.70	29,810,188.84
OREGON	P&C	24,876,440.90	5,356,915.56	1,325,317.72	31,558,674.18
PENNSYLVANIA	P&C	41,188,658.62	11,472,091.49	2,240,335.20	54,901,085.31
PENNSYLVANIA	WC	166,637,437.19	56,738,239.15	13,198,320.50	236,573,996.84
PUERTO RICO	P&C	8,722,174.04	65,000.00	1,145,043.00	9,932,217.04
RHODE ISLAND	P&C	9,928,763.45	2,745,609.20	943,371.48	13,617,744.13
SOUTH CAROLINA	P&C	26,894,359.47	4,458,596.37	3,879,369.18	35,232,325.02
SOUTH DAKOTA	P&C	1,768,183.61	0.00	155,734.59	1,923,918.20
TENNESSEE	P&C	41,622,754.94	18,070,180.35	6,278,844.38	65,971,779.67
TEXAS	P&C	148,039,244.98	63,454,734.42	20,334,893.98	231,828,873.38
UTAH	P&C	8,699,594.63	3,075,794.08	1,235,630.60	13,011,019.31
VERMONT	P&C	10,445,967.66	3,715,802.07	913,884.58	15,075,654.31
VIRGIN ISLANDS	P&C	658,225.89	1.00	0.00	658,226.89
VIRGINIA	P&C	42,094,367.41	23,417,736.86	4,694,380.49	70,206,484.76
WASHINGTON	P&C	32,153,546.26	2,452,142.02	3,036,665.38	37,642,353.66
WEST VIRGINIA	P&C	3,579,342.69	0.00	345,146.62	3,924,489.31
WISCONSIN	P&C	11,350,038.18	622,770.19	1,888,705.73	13,861,514.10
WYOMING	P&C	487,906.98	0.00	78,935.33	566,842.31
<b>TOTAL:</b>		<b>3,182,869,895.61</b>	<b>965,575,616.56</b>	<b>367,393,253.17</b>	<b>4,515,838,765.34</b>

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

**N**

# Cumulative GA Activity through 03/31/2016

in millions

GA Paid to Date GA Reserves

