





Copies of the Declaration Pages evidencing coverage provided to Adventist under these Reliance insurance policies are attached to this Petition as Exhibit "A."

2. The Adventist policies identified in Exhibit "A" and issued by Reliance were reinsured by Gencon. The relevant reinsurance agreement, listing a block of policies with prefixes NKA or NKB 11200 through NKA or NKB 11201 is attached to this Petition as Exhibit "B."

3. Following an Order of Liquidation declaring Reliance insolvent on October 3, 2001, the Liquidator petitioned this Court for the approval of "Guidelines for Enforcement of 40 P.S. § 221.34" ("Guidelines") relating to the process and standards for permitting a reinsurer of Reliance to make direct payments to a Reliance policyholder. The Guidelines were approved, and by Order of this Court dated April 26, 2002, the Guidelines established the necessary conditions precedent to any agreement by the Liquidator to permit direct payment by a reinsurer.

4. Pursuant to Paragraph 3 of the Guidelines, Gencon submitted written requests to the Liquidator seeking approval of direct payments by Gencon to Adventist. The written requests of Gencon are attached to this Petition as Exhibit "C."

5. Upon submission of documentation in support of Gencon's application to the Liquidator, the Liquidator has approved the written request of Gencon seeking approval of direct payment of reinsurance to Adventist. The Liquidator has concluded that Gencon's reinsurance contract complies with 40 P.S. § 221.34, the Guidelines and the Order.

6. Specifically, the Liquidator has reviewed the Gencon reinsurance contract and determined that it is a binding contract which specifically provides for a direct coverage

obligation (a "cut through") by Gencon to Adventist in the event of the insolvency of Reliance in place of and in substitution for any obligations of Reliance to Adventist, as required by Paragraph 4(b) of the Guidelines, 40 P.S. § 221.34 and the Order. In Article XIII.C of the reinsurance agreement attached as Exhibit "B," the agreement provides as follows:

It is further agreed and understood that as to all reinsurance made, ceded, renewed or otherwise becoming effective hereunder, in the event of insolvency of [Reliance] the reinsurance shall be payable by [Gencon] to the Named Insured under the Policies when [Gencon] with the consent of the Named Insureds under the Policies has assumed the obligations of [Reliance] under any of the Policies as direct obligations of [Gencon] under any such policy and in substitution for the obligations of [Reliance] to such payees.

This language of the reinsurance agreement allows Gencon to pay the Named Insured, Adventist, directly if Gencon assumes the obligation and Adventist consents. This is accomplished by the execution of the "Assumption and Substitution by Reinsurer" document and "Informed Consent to Substitution of Reliance" document, both of which were executed and are discussed in Paragraphs 8 and 9 below, as Exhibits "D" and "E," respectively.

7. In addition, the Liquidator determined that the Gencon reinsurance agreement in Article XIII.C., quoted in Paragraph 6 above, specifically identifies that the "cut through" payment is to be made to "the Named Insured under the Policies." Article I.A (Definitions) of the reinsurance agreements defines "Policies" as policies of insurance issued by Reliance to Adventist "as described in Schedule I to this agreement." "Schedule I" to the reinsurance agreement identifies the range of relevant policy numbers of the Adventist policies issued, which includes the policy numbers listed in Paragraph 1 above. This identification of the payee within the reinsurance agreements complies with Paragraph 4(a) of the Guidelines, 40 P.S. § 221.34 and the Order.

8. Gencon executed an "Assumption and Substitution by Reinsurer" for each policy written on a form authorized by the Guidelines and the Order. These documents provide that Gencon has unequivocally assumed a direct coverage obligation to Adventist, that the "cut-through" payment will be made in satisfaction of the coverage obligations assumed by Reliance to Adventist, and that Gencon releases Reliance from all liability as required by Paragraphs (b), (c) and (e) of the Guidelines, 40 P.S. § 221.34 and the Order. The Assumption and Substitutions by Reinsurer are attached to this Petition as Exhibit "D."

9. Adventist executed an "Informed Consent to Substitution of Reliance" for each policy written on a form authorized by the Guidelines and the Order. These documents provide for Adventist's informed consent to the direct coverage relationship, which is in substitution for the relationship between Adventist and Reliance and consent to the release of Reliance for all claims by Adventist against Reliance relating to coverage assumed by Gencon as required by Paragraph 4(e) of the Guidelines, 40 P.S. § 221.34 and the Order. The Informed Consents to Substitution of Reliance are attached to this Petition as Exhibit "E."

10. In accordance with Paragraph 4(e), the Liquidator has determined that there are no other contractual provisions that Gencon and Adventist have to comply with, other than obtaining the consent of the insured, which they have done by obtaining the informed consent of the insured as described in Paragraph 9 above.

11. Pursuant to Paragraph 11 of the Guidelines and the Order, the Liquidator submits the Gencon documentation to this Court and recommends approval of direct payment by Gencon.


Accordingly, M. Diane Koken, Commissioner of the Insurance Department of the Commonwealth of Pennsylvania, in her official capacity as Liquidator of Reliance Insurance

Company, hereby respectfully requests that this Court grant this Petition and enter the Order attached confirming the approval of the Liquidator and permitting the direct payment from Gencon Insurance Company of Vermont to the General Conference of Seventh-Day Adventist Church.

Respectfully submitted,

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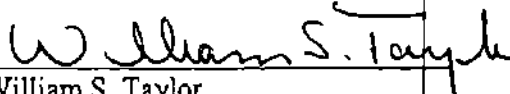
JAN 27 2003 3:49PM BUR OF LIC AND REINS. NO. 0070

VERIFICATION

I, William S. Taylor, Deputy Insurance Commissioner of the Pennsylvania Insurance Department, Office of Liquidations, Rehabilitations and Special Funds, am duly authorized to make this Verification for and on behalf of M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, as Statutory Liquidator ("Liquidator") of Reliance Insurance Company. I have read the Petition for Approval of Direct Payment of Reinsurance Proceeds Pursuant to 40 P.S. § 221.34 by Gencon Insurance Company of Vermont to the General Conference of Seventh Day Adventist Church and verify that the matters stated therein 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 Pa. C. S. § 4904 relating to unsworn falsification to authorities.

Executed on January 27 2003.

  
William S. Taylor  
Deputy Insurance Commissioner of  
Pennsylvania Insurance Department

## CERTIFICATE OF SERVICE

I hereby certify that on January 28, 2003 I caused a copy of the Petition for Approval of Direct Payment pursuant to 40 P.S. § 221.34 by Gencon Insurance Company of Vermont, to the General Conference of Seventh Day Adventist Church by Petitioner M. Diane Koken, Insurance Commissioner of Pennsylvania, in her official capacity as Statutory Liquidator of Reliance Insurance Company, Proposed Order and Verification to be served by first class mail, postage prepaid, addressed to all persons listed on the attached Master Service List and:

Kevin Doukmetzian, Esquire  
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Eric Rothschild

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