

2. The Johns Manville policy identified in paragraph 1 and issued by Reliance was reinsured by Rocky Mountain. The relevant reinsurance agreement is attached to this Petition as Exhibit "A."

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, Rocky Mountain submitted a written request to the Liquidator seeking approval of direct payments by Rocky Mountain to Johns Manville. The written request of Rocky Mountain is attached to this Petition as Exhibit "B."

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

6. Specifically, the Liquidator has reviewed the Rocky Mountain reinsurance contract and determined that it is a binding contract which specifically provides for a direct coverage obligation (a "cut through") by Rocky Mountain to Johns Manville in the event of the insolvency of Reliance in place of and in substitution for any obligations of Reliance to Johns

Manville, 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 “A,” 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 [Rocky Mountain] to the Named Insured under the Policies when [Rocky Mountain] 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 [Rocky Mountain] under any such policy and in substitution for the obligations of [Reliance] to such payees.

This language of the reinsurance agreement allows Rocky Mountain to pay the Named Insured, Johns Manville, directly if Rocky Mountain assumes the obligation and Johns Manville 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 “C” and “D,” respectively

7. In addition, the Liquidator determined that the Rocky Mountain 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 Johns Manville “as described in Schedule I to this agreement.” “Schedule I” to the reinsurance agreement identifies the relevant policy number of the Johns Manville policy issued, identified 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. Rocky Mountain executed an “Assumption and Substitution by Reinsurer” on a form authorized by the Guidelines and the Order. This document provides that Rocky Mountain has unequivocally assumed a direct coverage obligation to Johns Manville, that the

“cut-through” payment will be made in satisfaction of the coverage obligations assumed by Reliance to Johns Manville, and that Rocky Mountain 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 Substitution by Reinsurer is attached to this Petition as Exhibit “C.”

9. Johns Manville executed an “Informed Consent to Substitution of Reliance” on a form authorized by the Guidelines and the Order. This document provides for Johns Manville’s informed consent to the direct coverage relationship, which is in substitution for the relationship between Johns Manville and Reliance and consents to the release of Reliance for all claims by Johns Manville against Reliance relating to coverage assumed by Rocky Mountain as required by Paragraph 4(e) of the Guidelines, 40 P.S. § 221.34 and the Order. The Informed Consent to Substitution of Reliance is attached to this Petition as Exhibit “D.”

10. In accordance with Paragraph 4(e), the Liquidator has determined that there are no other contractual provisions that Rocky Mountain and Johns Manville 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.

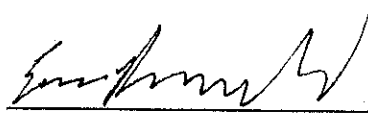
11. Pursuant to Paragraph 11 of the Guidelines and the Order, the Liquidator submits the Rocky Mountain documentation to this Court and recommends approval of direct payment by Rocky Mountain.

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 Rocky Mountain International Insurance Company, Ltd. to Johns Manville Corporation.

Respectfully submitted,

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By:



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Dated: August 28, 2003

VERIFICATION

I, David S. Brietling, have been retained by M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, and am responsible for the on-site insurance and financial operations of Reliance Insurance Company (in Liquidation). I am also responsible for coordinating the activities of the Pennsylvania Insurance Department's Reliance liquidation team. I am authorized by William S. Taylor, Deputy Insurance Commissioner of the Pennsylvania Insurance Department, Office of Liquidations, Rehabilitations and Special Funds, to make this verification on behalf of the 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 Rocky Mountain International Insurance Company, Ltd. to Johns Manville Corporation and hereby verify that the facts set forth in the foregoing Petition are true and correct to the best of my knowledge, information and belief.

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

Date: August 28, 2003

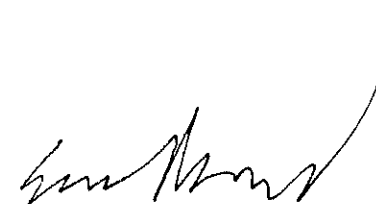


David S. Brietling

CERTIFICATE OF SERVICE

I hereby certify that on August 28, 2003 I caused a copy of the Petition for Approval of Direct Payment pursuant to 40 P.S. § 221.34 by Rocky Mountain International Insurance Company, Ltd., to Johns Manville Corporation 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:

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