

At IAS Part 50N of the Supreme Court of the State of New York, County of New York, at the Courthouse, 60 Centre Street, in the Borough of Manhattan, City and State of New York, on the 11 day of OCTOBER, 2002.

P R E S E N T:

HON. CHARLES J. TEJADA
JUSTICE

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Index No.: 403409/2002

In the Matter of
the Application of

ORDER OF CONSERVATION

GREGORY V. SERIO Superintendent of Insurance of the State of New York, for an order to take possession of and to conserve certain trust funds of

RELIANCE INSURANCE COMPANY as successor in interest of RELIANCE INSURANCE COMPANY OF ILLINOIS
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FILED
NOV 18 2002
COUNTY CLERK'S OFFICE
NEW YORK

GREGORY V. SERIO, Superintendent of Insurance of the State of New York ("Petitioner or Superintendent") having moved this Court for an order to take possession of and conserve all trust funds established pursuant to 11 NYCRR §27.13 and §27.14 of the Insurance Law of the State of New York by or on behalf of RELIANCE INSURANCE COMPANY, a commonwealth of Pennsylvania corporation, (hereinafter referred to as "RELIANCE") as successor in interest of RELIANCE INSURANCE COMPANY OF ILLINOIS (hereinafter referred to as "RICI"), and such motion having come on before this Court on the 9th day of September, 2002;

NOW, upon reading and filing the Order to Show Cause made on the 15th day of August, 2002 by HON. MARTIN SCHOENFELD, Justice of the Supreme Court of the State of New York and the petition of GREGORY V. SERIO, Superintendent of Insurance of the State of New York, verified the 30th day of July, 2002 with exhibits thereto, and due proof of service of said

Order to Show Cause and the papers upon which it was granted upon RELIANCE, RICI and BNY Midwest Trust Company, formerly Continental Trust Company Bank, by Affidavit of Lorraine F. Johnson sworn to the 16th day of August, 2002, and it appearing to my satisfaction that:

1. RICI is a corporation organized and existing under the laws of the State of Illinois to conduct the business of insurance;
2. RICI was not licensed to conduct such business in the State of New York;
3. RICI issued insurance policies on an excess and surplus lines basis in the United States, and pursuant to 11 NYCRR §§ 27.13 and 27.14 of the Insurance Law established a trust fund in Chicago, Illinois with CONTINENTAL TRUST COMPANY, formerly CTC Illinois Trust Company and presently BNY MIDWEST TRUST COMPANY ("BNYM"), as trustee, for the protection of its policyholders and beneficiaries in the United States (the "Trust Fund").
4. Pursuant to Regulation 41 of the Rules and Regulations of the Superintendent, 11 NYCRR § 27.13 and § 27.14 and Article 74 of the Insurance Law, the Trust Fund is subject to the jurisdiction of this Court.
5. On January 22, 2001, RELIANCE became the successor in interest of RICI.
6. On October 3, 2001, RELIANCE was declared insolvent under the laws of the Commonwealth of Pennsylvania and placed in liquidation therein.
7. Pursuant to Regulation 41 the Superintendent of Insurance of the State of New York should be directed to take possession of the Trust Fund and other Regulation 41 trust funds for the protection of RICI (now RELIANCE) policyholders and beneficiaries subject to further direction of this Court under and pursuant to the provisions of the Insurance Law of the State of New York.

And Petitioner, having appeared by the HON. ELIOT SPITZER, Attorney General of the State of New York, and due deliberation having been had:

NOW, on the motion of the HON. ELIOT SPITZER, Attorney General of the State of New York, IT IS ORDERED as follows:

1. The petition is granted;
2. GREGORY V. SERIO, Superintendent of Insurance of the State of New York and his successors in office, as Superintendent are appointed the Conservator and are authorized forthwith to take possession of and to conserve the Trust Fund and all other Regulation 41 trust funds established by or on behalf of RICI (now RELIANCE) until the further order of this Court;
3. The Superintendent as Conservator is directed to take such other and further steps as may be required to protect the policyholders and beneficiaries of RICI (now RELIANCE) in the United States pursuant to the Insurance Law and subject to the further order of this Court;
4. Formal notice of the making and entry of this order be given by the Superintendent as Conservator by mail to the Commissioners, Superintendents, or Directors of Insurance of each State, District of Columbia and Puerto Rico, and BNYM, as trustee, and by publication in the New York Times and the Journal of Commerce, commencing three weeks from the date of entry of this order, once a week for two successive weeks;
5. Because RICI (now RELIANCE) has no records in the State of New York, and it is involved in a judicial proceeding in the Commonwealth of Pennsylvania where its records are located, the Superintendent as Conservator is relieved of notifying claimants and policyholders of this Order except as aforesaid in the preceding paragraph;
6. The notice hereinabove prescribed is sufficient notice to all policyholders and beneficiaries of RICI (now RELIANCE) in the United States;
7. RICI (now RELIANCE), its officers, directors, stockholders, depositories, trustees, attorney, managers, agents, servants, employees, policyholders and creditors, and all other persons having in the State of New York any property or records relating to the Trust Fund and all other Regulation 41 trust funds in the State of New York are hereby directed to assign, transfer and deliver to the Superintendent as Conservator and his successors in office, all of such property in whose ever name the same may be, and shall preserve the same and submit them to the Superintendent as Conservator or his agents, for examination at all reasonable times;

8. That RICI (now RELIANCE), its officers, directors, stockholders, depositories, trustees, attorneys, managers, agents, servants, employees, policyholders and creditors, and all other persons, be and they are hereby restrained from dealing with or disposing of the Trust Fund and all other Regulation 41 trust funds or from doing or permitting to be done any act or thing which might waste said Trust Fund or other Regulation 41 trust funds or allow or suffer the obtaining of preferences, judgments, attachments, garnishments or other liens, or the making of any levy against said Trust Fund or other Regulation 41 trust funds while in the possession or control of the Superintendent as Conservator;

9. That the officers, directors, stockholders, depositories, trustees, attorneys, managers, agents, servants, employees, policyholders and creditors of said RICI (now RELIANCE), and all other persons be and they hereby are enjoined and restrained from bringing or further prosecuting any action at law, suit in equity, special or other proceedings with respect to the Trust Fund or any other Regulation 41 trust fund against RICI (now RELIANCE), its depositories, and the trustees of the Trust Fund or any Regulation 41 trust funds or the Superintendent, individually or as Conservator, or from making or executing any levy or legal process within the State of New York upon the Trust Fund or any Regulation 41 trust funds or from in any way interfering with the Superintendent of Insurance of the State of New York or his successors in office in his or their possession, control, conservation and management of the Trust Fund or any Regulation 41 trust funds in the State of New York or in the discharge of the Insurance Law of the State of New York (but only with respect to the Trust Fund or any other Regulation 41 trust funds in the State of New York);

10. The Superintendent as Conservator and his successors in office as Superintendent be and they are hereby authorized, permitted and allowed to sell, assign and transfer any and all of the stocks, bonds and securities that constitute the Trust Fund or other Regulation 41 trust funds in the State of New York, in his possession or which may hereafter come into his possession belonging to RICI (now RELIANCE), in conservation, at market price or better, or when there is no market price, at the best price obtainable, at private sale and at such times and upon such terms and conditions as in his discretion he deems for the best interest of the policyholders, and creditors of RELIANCE, in conservation, and in furtherance of the conservation of the Trust Fund and all other Regulation 41 trust funds and that he be authorized, permitted and allowed to take such steps and to make and execute such agreements and other papers as may be necessary to effect and carry out such sales, transfers and assignments; and

11. That all further papers in this proceeding shall bear the caption and be entitled:

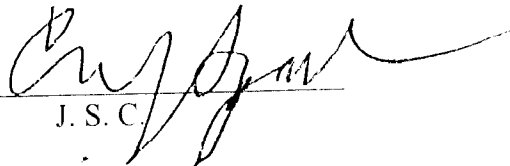
"SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK"

In the Matter of
the Conservation of
the Trust Funds of

RELIANCE INSURANCE COMPANY as successor in interest of
RELIANCE INSURANCE COMPANY OF ILLINOIS"

in place and stead of the caption as heretofore used.

E N T E R



J. S. C.

CHARLES J. TEJADA

LAD/ma
L2251/reliance ordercons

FILED
NOV 18 2002
COUNTY CLERK'S OFFICE
NEW YORK

In accordance with Part 130, I advise that the following papers are attached:

Order of Conservation

Lawrence A. Dinerstein, Esq.
Senior Attorney
N.Y. State Dept. of Insurance
Liquidation Bureau
123 William Street
New York, NY 10038
(212) 341-6638



Lawrence A. Dinerstein

PRESENT: Hon. Charles J. Tejada
Justice

PART 50N

GREGORY V. SERIO

INDEX NO. 403409/02

MOTION DATE

- v -

MOTION SEQ. NO.

RELIANCE INSURANCE CO. as successor in interest of RELIANCE INSURANCE CO. OF ILLINOIS

MOTION CAL. NO.

The following papers, numbered 1 to were read on this motion to/for

- Notice of Motion/ Order to Show Cause - Affidavits - Exhibits ...
- Answering Affidavits - Exhibits
- Replying Affidavits

PAPERS NUMBERED

Cross-Motion: Yes No

~~Upon the foregoing papers, it is ordered that this motion~~

Upon the foregoing papers, it is ordered that this motion: is granted

Pursuant to Insurance Law Section 7404, petitioner's Order of Conservation is granted and petitioner is directed to take possession of the Trust fund as established pursuant to 11 NYCRR §27.13 and §27.14 for the protection of respondent's policyholders and beneficiaries.

FILED
NOV 01 2002
COUNTY CLERK'S OFFICE
NEW YORK

NYS SUPREME COURT
RECEIVED
OCT 22 2002
T.A.B. MOTION
SUPPORT OFFICE

Dated: October 11, 2002

[Signature]
J.S.C.

Check one: FINAL DISPOSITION NON-FINAL DISPOSITION

[Handwritten signature]

MOTION/CASE IS RESPECTFULLY REFERRED TO JUSTICE

SUPREME COURT: NEW YORK COUNTY

In the Matter of
The Application of

GREGORY V. SERIO, as Superintendent of Insurance of the State of
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ORDER OF CONSERVATION

ELIOT SPITZER Attorney General
Attorney for the Superintendent of
Insurance

Office and Post Office Address
120 Broadway, New York, N.Y. 10271
Tel. (212) 416-8658

Personal service of a copy of

within..... day of
is admitted this..... day of
.....20

Sir:

Please take notice that the within is a true
copy of
duly filed and entered in the office of the clerk
of County, on
the day of 20

Yours, etc.,
ELIOT SPITZER
Attorney General.

Attorney for

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To . Esq.

Attorney for

Sir

Please take notice that the within

will be presented for settlement and signature
herein to the Hon.
one of the judges of the within named Court, at

in the Borough of
City of New York, on the . day of

. 20 . at M.

Date, N.Y.

Yours, etc.,

ELIOT SPITZER

Attorney General.

Attorney for

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

To . Esq.

Attorney for