

EX PARTE MOTION OFFICE

APPROVED
FOR THE PAYMENT
OF MOTION FEE
ONLY

At IAS Part 21 of the Supreme Court
of the State of New York, County of
New York, at the courthouse 80
Centre Street, in the County, City
and State of New York, on the 25
day of July, 2012.

PRESENT:

HON. MICHAEL D. STALLMAN, J.S.C.

In the Matter of

the Conservation of the Trust Funds of

RELiance INSURANCE COMPANY
as successor in interest of RELiance INSURANCE
COMPANY OF ILLINOIS.

RECEIVED

JUL 24 2012

Index No.: 403409/02

NEW YORK
COUNTY CLERK'S OFFICE

ORDER TO SHOW CAUSE

FREE

Upon reading the annexed verified petition ("Verified Petition") of Jonathan L. Bing, Special Deputy Superintendent and Agent of Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York as conservator ("Conservator") of a certain trust fund ("Trust Fund") of Reliance Insurance Company ("Reliance") as successor in interest of Reliance Insurance Company of Illinois ("RICI"), duly verified the 20th day of July, 2012 and the exhibit annexed thereto, and upon all other papers previously submitted and all proceedings heretofore had herein, and it appearing that the relief therein prayed for should be granted;

NOW, on motion of John Pearson Kelly, attorney for the Conservator, and after due deliberation having been had thereon,

LET all claimants and parties interested in the affairs of RICI ^{for counsel appear and} show cause before this Court at Motion Submission Part thereof, at the Courthouse located at 60 Centre Street in the County, City and State of New York, Room 130, on the 21st day of September, 2012 ("Return Date") at 9:30 a.m., or as soon thereafter as counsel can be heard, why an order should not be made, pursuant to Article 74 of the New York Insurance Law ("Insurance Law"), *inter alia*:

(1) approving the Conservator's report on the status of the conservation of RIC1 ("Conservation Proceeding") and the financial transactions delineated therein; (2) terminating and closing the Conservation Proceeding; (3) releasing and discharging the Conservator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts and omissions in connection with the Conservation Proceeding; (4) authorizing and directing the Conservator, in his discretion, to ~~destroy~~ transfer or otherwise dispose of any and all of the books, files, records and other property of RIC1, without further order of this Court; and (5) providing for such other and further relief as this Court may deem just and proper;

AND, sufficient cause having been alleged therefore, and this Court having found the form and method of notice specified herein to be the best notice practicable, it is hereby

ORDERED, that service of a copy of this Order to Show Cause and the papers upon which it is granted, be made by: (i) first class mail to Marilyn Kincaid, Esq., Reliance Insurance Company (in liquidation), 1601 Cherry Street, 5th Floor, Philadelphia, Pennsylvania, 19102 on or before the 1st day of August, 2012; (ii) first class mail to David S. Breitling, Chief Compliance Officer, Reliance Insurance Company (in liquidation), Three Parkway, 5th Floor, Philadelphia, Pennsylvania, 19102, on or before the 1st day of August, 2012, and (iii) posting on the Internet web page maintained by the New York Liquidation Bureau at http://www.nylb.org at least 15 days before the Return Date; and it is hereby

ORDERED, that the form and methods of service specified herein are hereby approved as in accordance with the law and as the best notice practicable and shall therefore constitute due and sufficient notice of this Order to Show Cause and scheduled Return Date herein and the Verified Petition and the relief sought therein to all persons and entities entitled to receive such notice; and it is further

ORDERED, that all answering papers and supporting documentation ("Answering Papers") be served on the Superintendent so as to be received at least seven days prior to the Return Date, and that service on the Superintendent shall be made by first class mail at the following address

The Superintendent of Financial Services of the State of New York
as Conservator of Reliance Insurance Company of Illinois
110 William Street
New York, New York 10038
Attention: John Pearson Kelly
General Counsel

and by submitting copies of the Answering Papers, with affidavit of service on the Superintendent as above, to this Court at IAS Part 60 at the Courthouse located at 60 Centre Street, in the County, City and State of New York, on seven days before the Return Date;

and it is further

ORDERED, that in the absence of Answering Papers filed pursuant to the previous paragraph on or prior to the date specified, the Court may enter relief without hearing and no party shall be entitled to be heard thereon; and it is further

ORDERED, that any person or entity that fails to serve Answering Papers as provided herein shall be deemed to have waived any objections to the relief sought in the Verified Petition and shall be barred from raising objections in this or any other proceeding concerning the matters set forth herein; and it is further

ORDERED, that any person or entity that has served Answering Papers as provided herein shall be deemed to have waived any objections that are not set forth in the Answering Papers.

ENTER

J. S.C.

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

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In the Matter of

Index No.: 403409/02

the Conservation of the Trust Funds of

VERIFIED PETITION

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

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Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York ("Superintendent") as conservator ("Conservator") of a certain trust fund ("Trust Fund") of Reliance Insurance Company ("Reliance") as successor in interest of Reliance Insurance Company of Illinois ("RICI"), has appointed agents to carry out, through the New York Liquidation Bureau, the responsibilities of the Conservator. The Conservator by Jonathan L. Bing, Special Deputy Superintendent and agent of the Conservator, respectfully makes the following petition upon information and belief:

1. By order of the Commonwealth Court of Pennsylvania, entered on October 3, 2001, ("Liquidation Order"), the Reliance and the various other Reliance affiliated insurance companies listed in paragraph 27 of the Liquidation Order (the "Reliance Entities") were declared insolvent and placed in liquidation. Pursuant to the Liquidation Order the Insurance Commissioner of the Commonwealth of Pennsylvania was appointed liquidator ("Liquidator"). See Exhibit A of the Conservator's report on the status and request to close the Conservation Proceeding of RICI ("Report"), attached hereto as Exhibit 1. The Liquidation Order is attached to the Report as Exhibit A.

2. By order of the Supreme Court of the State of New York, County of New York, entered on November 18, 2002, ("Conservation Order"), the then-Superintendent of Insurance of

the State of New York and his successors in office were appointed as Conservator of RICl and directed to conserve the Trust Fund established by RICl ("Conservation Proceeding"). See Report Exhibit B. The Superintendent has now succeeded the Superintendent of Insurance of the State of New York as Conservator of RICl.

1. An agreement was subsequently entered into between the Liquidator of the Reliance Entities and the Conservator ("Conservation Agreement"), which was approved by the order of this Court, entered on April 12, 2012 ("Conservation Agreement Order"). The Conservation Agreement Order authorizes the Conservator to distribute the Trust Fund to the Liquidator in accordance with the terms of the Conservation Agreement. The Conservation Agreement and the Conservation Agreement Order are attached to the Report as Exhibits C and D, respectively.

2. As set forth in the Report, the Conservator has remitted the Trust Fund to the Liquidator, in accordance with the Conservation Agreement, fulfilling the sole purpose of the Conservation Proceeding. The Conservation Proceeding is now complete and should therefore be terminated and closed.

3. It is respectfully requested that the Conservator, his predecessors and successors in office, and their agents, attorneys and employees, be released and discharged from any and all liability arising from their acts and omissions in connection with the Conservation Proceeding.

4. The Conservator further requests permission of this Court to destroy, transfer or otherwise dispose, in his discretion, of any and all of the books, files, records and other property of RICl, upon termination of the Conservation Proceeding, without further order of this Court.

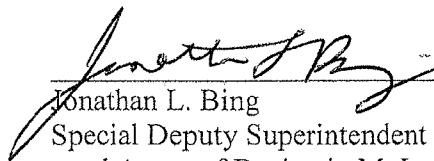
5. No previous application has been made for the relief requested to this or any other court.

WHEREFORE, it is respectfully requested that this Court enter an order:

- a) Approving the Report and financial transactions delineated therein;
- b) Terminating and closing the Conservation Proceeding;
- c) Releasing and discharging the Conservator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts and omissions in connection with the Conservation Proceeding;
- d) Authorizing and directing the Conservator, in his discretion, to destroy, transfer or otherwise dispose of any and all of the books, files, records and other property of RIC, without further order of this Court; and
- e) Providing for such other and further relief as this Court may deem just and proper.

Dated: New York, New York

July 20, 2012

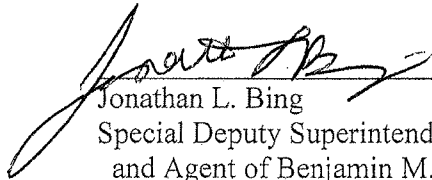

Jonathan L. Bing
Special Deputy Superintendent
and Agent of Benjamin M. Lawskey
Superintendent of Financial Services
of the State of New York as Conservator of
Reliance Insurance Company of Illinois

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)


Jonathan L. Bing, being duly sworn, deposes and says:

That he has read the foregoing Verified Petition and that the same is true to his knowledge except as to the matters therein stated to be alleged on information and belief, and as to those matters he believes them to be true; that the reason the petition is verified by this deponent rather than by the Superintendent of Financial Services of the State of New York is that deponent is the duly appointed Special Deputy Superintendent and Agent of the Superintendent of Financial Services of the State of New York as Conservator of Reliance Insurance Company of Illinois, and as such is acquainted with the facts alleged therein.

Deponent further says that the sources of his information and the grounds of his belief as to the matters to be alleged on information and belief are from or were derived from the records, books and papers of Reliance Insurance Company of Illinois in the possession of the Conservator and communications made to deponent by employees of the Conservator.


Jonathan L. Bing
Special Deputy Superintendent
and Agent of Benjamin M. Lawskey
Superintendent of Financial Services
of the State of New York as Conservator of
Reliance Insurance Company of Illinois

Sworn to before me this
20th day of July, 2012


Notary Public

DEBRA L. BRENNAN
Notary Public, State of New York
No. 01BR6257851
Qualified in Richmond County
Commission Expires March 19, 2016

EXHIBIT 1

**REPORT ON THE STATUS AND REQUEST TO CLOSE THE CONSERVATION
PROCEEDING OF RELIANCE INSURANCE COMPANY OF ILLINOIS**

INTRODUCTION

Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York ("Superintendent") as conservator ("Conservator") of a certain trust fund ("Trust Fund") of Reliance Insurance Company ("Reliance") as successor in interest of Reliance Insurance Company of Illinois ("RICI") has appointed Jonathan L. Bing, as Special Deputy Superintendent and agent of the Conservator ("Special Deputy") to carry out, through the New York Liquidation Bureau ("Bureau"), the responsibilities of the Conservator. The Conservator, by the Special Deputy, hereby submits the Conservator's report ("Report") on the status of the conservation of RICI ("Conservation Proceeding").

This Report sets forth a history of RICI, a summary of the activities that the Conservator has performed pursuant to Article 74 of the New York Insurance Law ("Insurance Law") and the basis for the Conservator's recommendations to: (i) approve this Report and financial transactions delineated herein; (ii) terminate and close the Conservation Proceeding; (iii) release and discharge the Conservator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts and omissions in connection with the Conservation Proceeding; (iv) authorize and direct the Conservator, in his discretion, to destroy, transfer or otherwise dispose of any and all of the books, files, records and other property of RICI, without further order of this Court; and (v) provide for such other and further relief as this Court may deem just and proper.

BACKGROUND

RICI was a corporation organized and existing under the laws of the State of Illinois. RICI was not licensed in the State of New York. RICI conducted business on an unauthorized

basis as an excess and surplus lines insurer in New York State and other states of the United States.

On May 1, 1995, pursuant to 11 NYCRR 27 ("Regulation 41"), specifically §§27.13 and 27.14, RIC I entered into a trust agreement ("Trust Agreement") with Continental Trust Company, presently known as BNY Midwest Trust Company ("BNYM"), and established the Trust Fund in the amount of \$2,500,000. Thereafter, RIC I and Reliance entered into a First Amendment to the Trust Agreement, dated January 22, 2001, ("First Amendment"), changing RIC I's name to "Reliance Insurance Company", pursuant to the Plan and Agreement of Merger, under which RIC I merged with Reliance being the surviving corporation.

By order of the Commonwealth Court of Pennsylvania, entered on October 3, 2001, ("Liquidation Order"), the Reliance entities (the "Reliance Entities") were declared insolvent and placed in liquidation. Pursuant to the Liquidation Order the Insurance Commissioner of the Commonwealth of Pennsylvania was appointed liquidator ("Liquidator"). The Reliance Entities encompass RIC I and all the other insurance companies listed in paragraph 27 of the Liquidation Order. A copy of the Liquidation Order is attached as Exhibit A.

By order of the Supreme Court of the State of New York, County of New York, entered on November 18, 2002, ("Conservation Order"), the then-Superintendent of Insurance of the State of New York and his successors in office were appointed as Conservator of RIC I and directed to conserve the Trust Fund established by RIC I and BNYM. A copy of the Conservation Order is attached as Exhibit B. The Superintendent has now succeeded the Superintendent of Insurance of the State of New York as Conservator of RIC I.

Pursuant to the Conservation Order, Regulation 41 and Insurance Law Article 74, the Conservator was directed to take possession of the Trust Fund, and any other fund subject to Regulation 41, for the protection of RIC I's policyholders and beneficiaries. The assets of the

Trust Fund were thereafter delivered to the Conservator and deposited with the Bank of New York.

An agreement was subsequently entered into between the Liquidator and the Conservator (“Conservation Agreement”), which was approved by order of this Court, entered on April 12, 2012 (“Conservation Agreement Order”). The Conservation Agreement Order authorizes the Conservator to distribute the Trust Fund to the Liquidator in accordance with the terms of the Conservation Agreement. Copies of the Conservation Agreement without exhibits and the Conservation Agreement Order are attached hereto, respectively, as Exhibits C and D.

The Conservation Agreement provides that the Conservator shall distribute the Trust Fund, net of incurred expenses, to the Liquidator upon the Liquidator’s submission of an affidavit, supported by documentary evidence, that establishes that the RICI Policyholders will receive a greater *pro-rata* distribution from the Liquidator out of general assets than they would out of the Trust Fund alone with respect to claims for losses.

The Conservation Agreement provides that the Trust Funds distributed to the Liquidator will be treated as general assets of the Reliance Entities. The Trust Funds as general assets of the Reliance Entities will be distributed to all claimants of the Reliance Entities, including RICI.

The Conservation Agreement provides that the Conservator shall distribute the Trust Funds, net of incurred expenses, to the Liquidator upon the Liquidator’s submission to the Conservator of an affidavit, supported by financial documentation that establishes, to the satisfaction of the Conservator, that all creditors in the same class as RICI Policyholders, including RICI Policyholders, will ultimately receive a greater *pro-rata* distribution out of the general assets of the Reliance Entities, than RICI Policyholders would receive out of the Trust Funds with respect to claims for losses.

The Conservation Agreement includes important safeguards for the RICI Policyholders. The Liquidator, in accordance with his fiduciary duties, will administer and settle all claims by the RICI Policyholders. Furthermore, the Conservation Agreement requires the Liquidator to include the RICI Policyholders in any distributions that are made out of the general assets, regardless of when and under which conditions the Trust Fund is distributed to them. Thus, the Conservation Agreement prevents the delay in the payment of RICI Policyholders' claims as the Liquidator need not determine prior to payment whether the RICI Policyholders will receive more or less from the Trust Fund than the general assets.

Additionally, the Conservation Agreement requires the Liquidator to provide the Conservator with an affidavit ("Affidavit") sufficient to establish the distribution of the Trust Fund pursuant to Article III of the Conservation Agreement. *See Exhibit C.*

In accordance with the Conservation Agreement, the Liquidator provided the Conservator with the Affidavit stating that the RICI Policyholders will receive a greater *pro-rata* distribution out of the general assets of Reliance, than out of the Trust Fund, and sought a distribution of the Trust Fund to the Liquidator.

Accordingly, pursuant to the Conservation Agreement and Conservation Agreement Order, the Conservator remitted to the Liquidator the remainder of the Trust Fund after the payment of administrative expenses. The transferred amount consisted of cash in the total amount of \$4,389,850 which was distributed to the Liquidator on May 18, 2012.

**FINANCIAL CONDITION OF
RICI AS OF MAY 31, 2012**

Upon the commencement of this Conservation Proceeding, the Trust Fund consisted of cash and invested assets in the total amount of \$3,823,746. Net investment income on the Trust Fund totaled \$774,429 from the Conservation Order Date through May 31, 2012, the date selected by the Conservator for closing its books ("Closing Date"). For the period between the Conservation Order Date and the Closing Date, the Conservator paid administrative expenses in the amount of \$208,325, which includes \$76,546 for the salaries of the Conservator's staff; \$31,504 for employee benefits; \$19,676 for rent and related expenses; \$9,636 for professional fees (e.g., accountants to prepare financial statements and other consultants for litigation support); \$27,407 for overhead expenses (e.g., insurance, office equipment and supplies, printing, postage and telephone service); and \$ 43,556 for other miscellaneous expenses. On May 18, 2012, after the Conservator's administrative expenses were paid in the amount of \$208,325, the Conservator remitted to the Liquidator, via wire transfer, the remainder of the Trust Fund, which amounted to \$4,389,850. RICI's comparative balance sheet as of the Conservation Order Date and the Closing Date, and statement of changes in cash and invested assets for the period between the Conservation Order Date and the Closing Date (collectively, "Financial Statements") are attached hereto as Exhibit E. The Financial Statements detail the receipts collected and disbursements made by the Conservator from the Conservation Order Date through the Closing Date.

THE CONSERVATION PROCEEDING MAY BE TERMINATED

The Conservator has remitted the Trust Fund to the Liquidator, in accordance with the Conservation Agreement, fulfilling the sole purpose of the Conservation Proceeding. The Conservation Proceeding is now complete and should therefore be terminated and closed.

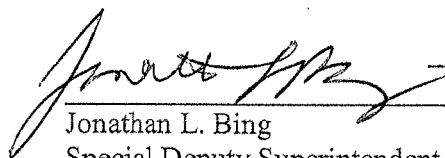
RELIEF SOUGHT

The Conservator submits this Report in order to describe to this Court the status of the Conservation Proceeding. In support of the Conservator's recommendations stated herein, the Conservator has submitted to this Court the Verified Petition of the Special Deputy. Based on the facts set forth in the Verified Petition and herein, the Conservator requests in the Verified Petition that this Court issue an order, which:

- (i) Approves the Report and the financial transactions delineated herein;
- (ii) Terminates and closes the Conservation Proceeding;
- (iii) Releases and discharges the Conservator, his predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts and omissions in connection with the Conservation Proceeding;
- (iv) Authorizes and directs the Conservator, in his discretion, to destroy, transfer or otherwise dispose of any and all of the books, files, records and other property of RICL, without further order of this Court; and
- (v) Provides for such other and further relief as this Court may deem just and proper.

Dated: New York, New York

July 20, 2012



Jonathan L. Bing
Special Deputy Superintendent and Agent of
Benjamin M. Lawsky, Superintendent of
Financial Services of the State of New York
as Conservator of Reliance Insurance
Company of Illinois

EXHIBIT “A”

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

v.

Reliance Insurance Company,
Defendant

No. 269 M.D. 2001

FILED
CLERK OF COURT
JUL 1 2 23 PM '01

ORDER OF LIQUIDATION

AND NOW, this 3rd day of October, 2001, upon consideration of the Petition of M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her capacity as Rehabilitator of Reliance Insurance Company for Liquidation in accordance with Article V of the Insurance Department Act of 1921, as amended, 40 P.S. §211, et seq. and the Consent thereto, it is hereby **ORDERED** and **DECREED** that said Petition is **GRANTED**.

It is further **ORDERED** and **DECREED** that:

1. The rehabilitation of Reliance Insurance Company ("Reliance" or the "Company") commenced under this Court's Order of May 29, 2001 is hereby **TERMINATED**.

2. Reliance is hereby found to be and is declared **INSOLVENT**, as that term is defined in 40 P.S. §§ 221.3, and as provided in 40 P.S. §§ 221.14(1) and 221.19.

3. Commissioner M. Diane Koken and her successors in office (the "Commissioner") are hereby **APPOINTED** Liquidator of Reliance and the Liquidator or her designees (the "Liquidator") are directed immediately to take possession of Reliance's property, business and affairs as Liquidator, and to liquidate Reliance in accordance with Article V of the Insurance Department Act of 1921, as amended (40 P.S. §§211 et seq.) (the "Act"), and to take such action as the interest of the policyholders, creditors or the public may require.

4. The Liquidator is hereby **VESTED** with all the powers, rights, and duties authorized under the Act and other applicable law.

ASSETS OF THE ESTATE

5. The Commissioner, as Liquidator, is vested with title to all property, assets, contracts and rights of action ("assets") of Reliance, of whatever nature and wherever located, whether held directly or indirectly, as of the date of the filing of the Petition for Liquidation. All assets of Reliance are hereby found to be in custodia legis of this Court; and this

Court specifically asserts, to the fullest extent of its authority, (a) in rem jurisdiction over all assets of the Company wherever they may be located and regardless of whether they are held in the name of the Company or any other name; (b) exclusive jurisdiction over all determinations of the validity and amount of claims against Reliance; and (c) exclusive jurisdiction over the determination of the distribution priority of all claims against Reliance.

6. The filing or recording of the Order with the clerk of the Commonwealth Court or with the recorder of deeds of the county in which the principal business of Reliance is conducted, or the county in which its principal office or place of business is located, shall impart the same notice as a deed, bill of sale or other evidence of title duly filed or recorded with that recorder of deeds would have imparted.

7. All banks, investment bankers, companies, other entities or other persons having in their possession assets which are, or may be, the property of Reliance, shall, unless otherwise instructed by the Liquidator, deliver the possession of the same immediately to the Liquidator, and shall not disburse, convey, transfer, pledge, assign, hypothecate, encumber or in any manner dispose of the same without the prior written consent of, or unless directed in writing by, the Liquidator.

8. All persons and entities are enjoined from disposing of or destroying any records pertaining to any transactions between Reliance and any party.

9. The amount recoverable by the Liquidator from any reinsurer shall not be reduced as a result of this Order of Liquidation.

regardless of any provision in a reinsurance contract or other agreement. Payment made directly by the reinsurer to an insured or other creditor of Reliance shall not diminish the reinsurer's obligation to Reliance, except to the extent provided by law.

10. All agents, brokers, and other persons having sold policies of insurance issued by Reliance shall account for and pay all unearned commissions and all premiums, collected and uncollected, for the benefit of Reliance directly to the Liquidator, within 30 days of notice of this Order. No agent, broker, reinsurance intermediary or other person shall disburse or use monies which come into their possession and are owed to, or are claimed by, Reliance for any purpose other than payment to the Liquidator.

11. If requested by the Liquidator, all attorneys employed or retained by Reliance or performing legal services for Reliance as of the date of this Order shall, within 30 days of such request, report to the Liquidator the name, company claim number (if applicable) and status of each matter they are handling on behalf of Reliance. Said report shall include the full caption, docket number and name and address of opposing counsel in each case and an accounting of any funds received from or on behalf of Reliance for any purpose and in any capacity.

12. Any entity furnishing telephone, water, electric, sewage, garbage, delivery, trash removal, or utility services to Reliance shall maintain such service and create a new account for the Liquidator as of the date of this Order upon instruction by the Liquidator.

13. Any entity (including any affiliate of Reliance) which has custody or control of any data processing information and records (including but not limited to source documents, all types of electronically stored information, master tapes or any other recorded information) relating to Reliance, shall transfer custody and control of such records in a form readable by the Liquidator to the Liquidator as of the date of this Order, unless instructed to the contrary by the Liquidator.

14. Any entity (including any affiliate of Reliance) furnishing claims processing or data processing services to Reliance shall maintain such services and transfer any such accounts to the Liquidator as of the date of this Order, unless instructed to the contrary by the Liquidator.

15. Reliance, its affiliates, and their officers, directors, trustees, employees, consultants, agents, and attorneys, shall: surrender peacefully to the Liquidator the premises where Reliance conducts its business; deliver all keys or access codes thereto and to any safe deposit boxes; advise the Liquidator of the combinations or access codes of any safe or safekeeping devices of Reliance or any password or authorization code or access code required for access to data processing equipment; and shall deliver and surrender peacefully to the Liquidator all of the assets, books, records, files, credit cards, and other property of Reliance in their possession or control, wherever located, and otherwise advise and cooperate with the Liquidator in identifying and locating any of the foregoing.

16. Except for contracts of insurance and for reinsurance, all executory contracts to which Reliance is a party as of the date of this Order

may be affirmed or disavowed by the Liquidator within 90 days of the date of this Order.

CONTINUATION AND CANCELLATION OF COVERAGE

17. All policies and contracts of insurance, whether issued within this Commonwealth or elsewhere, in effect on the date of this Order shall continue in force only with respect to risks in effect at that time, for the lesser of the following: (a) thirty days from the date of this Order; (b) until the normal expiration of the policy or contract providing insurance coverage; (c) until the insured has replaced the insurance coverage with equivalent insurance with another insurer or otherwise terminated the policy; or (d) until the Liquidator has effected a transfer of the policy obligation pursuant to Section 221.23(8). All policies or contracts of insurance issued by Reliance are hereby cancelled and terminated for all purposes effective thirty days from the date of this Order.

WORKERS COMPENSATION AND PERSONAL INJURY PROTECTION CLAIMS

18. For a period not to exceed 90 days from entry of this Order, the Liquidator is authorized but not obligated, in her sole discretion, to make arrangements for the continued payment in full of the claims under policies of workers compensation and under policies providing personal injury protection (PIP) by making the facilities, computer systems, books, records and arrangements with third party administrators (to the extent possible) of Reliance available for the processing and payment of such

claims, to any affected guaranty association (or other entity that is the functional equivalent) and to states and state officials holding statutory deposits for the benefit of such workers compensation and PIP claimants, provided, however, that such guaranty associations, states or state officials shall provide or make available the funds to make the actual payment of such claims. In circumstances where a guaranty association certifies in writing to the Liquidator that it does not have the immediate ability to fund the payment of workers compensation and PIP claims that are its obligation by law, the Liquidator is authorized to advance the funds, if available, from Reliance to pay such claims on a temporary basis for a period not to exceed 90 days, provided that the guaranty association enters into a written agreement that such advances shall be treated as a distribution pursuant to 40 P.S. §221.36. The Liquidator shall have the discretion to accept such interim assurances as she deems adequate in lieu of a formal agreement.

NOTICE AND PROCEDURES FOR FILING CLAIMS

19. The Liquidator shall give notice by first-class mail to all persons which or who may have claims against Reliance, contingent or otherwise, as disclosed by its books and records, and advising claimants to file with the Liquidator their claims together with proper proofs thereof on or before the date (which shall be no earlier than one year from the date of the notice) the Liquidator shall specify therein. The Liquidator shall also cause a notice to be published in newspapers of general circulation where Reliance has its principal places of business, as well as in the national edition of the Wall Street Journal, (a) specifying the last day for the filing of claims; (b) advising all persons of the procedure by which all persons may

present their claims to the Liquidator; (c) advising all persons of the Liquidator's office wherein they may present their claim; and (d) advising all persons of their right to present their claim or claims to the Liquidator. Any and all persons, firms, or corporations having or claiming to have any accounts, debts, claims or demands against Reliance, contingent or otherwise, or claiming any right, title, or interest in any funds or property in the possession of the Liquidator are required to file with the Liquidator at the location designated in the above-described notices, on or before the date specified by the Liquidator as the last date upon which to file a claim (which shall be no earlier than one year from the date of the notice), a properly completed proof of claim or be thereafter barred as claimants against any assets in the hands of the Liquidator, unless a late filing is permitted under 40 P.S. §221.37. No person shall participate in any distribution of the assets of Reliance unless such claims are filed and presented in accordance with and within the time limit established by the Liquidator, subject to the provisions for the late filing of claims in 40 P.S. §221.37.

EXPENSES, PAYMENTS AND LAWSUITS

20. Without filing a petition for distribution, the Liquidator shall have the discretion to pay as costs and expenses of administration, pursuant to 40 P.S. §221.44, the actual, reasonable and necessary costs of preserving or recovering assets of Reliance and the costs of goods or services provided to and approved by Reliance (In Rehabilitation) or this Court during the period of Rehabilitation and that are unpaid as of the date of this Order. The rights and liabilities of Reliance and of its creditors,

policyholders, trustees, shareholders, members, and all other persons interested in this estate shall be determined in accordance with the Act as of the date of the filing of the Petition for Liquidation.

21. Reliance, its affiliates, or their directors, officers, trustees, employees, attorneys, brokers, consultants, agents, insureds, creditors, and any other persons, wherever located, are enjoined from: (a) the transaction of further business; (b) transferring, selling, concealing, terminating, canceling, destroying, disbursing, disposing of or assigning any assets, funds or other property of any nature; (c) any interference, in any manner, with Commissioner M. Diane Koken or her successors, or any of her designees in liquidating Reliance's business and affairs; (d) any waste of Reliance's assets or property; (e) the dissipation and transfer of bank accounts and negotiable instruments; (f) the institution or further prosecution of any actions in law or equity on behalf of or against Reliance; (g) the obtaining of preferences, judgments, attachments, garnishments or liens against Reliance's assets, property and policyholders; (h) the levy of execution process against Reliance and its assets, property and policyholders; (i) the negotiation or execution of any agreement of sale or deed conveying personal or real property for nonpayment of taxes or assessments or for any other purpose; (j) withholding from the Liquidator or her designees or removing, concealing, transferring or destroying books, accounts, documents, policies or policy related documents or other records relating to Reliance's business; (k) making any assessments or indirectly collecting such assessments by setting them off against amounts otherwise payable to Reliance; (l) attempting to collect unpaid premiums, deductibles

or self insured retentions from Reliance's insureds; and (m) the taking of any other action which might lessen the value of Reliance's assets or property, prejudice the rights and interests of policyholders and creditors, or interfere in the administration of the proceeding.

22. Unless the Liquidator consents thereto in writing, no action at law or equity, or arbitration or mediation, shall be brought against Reliance or the Liquidator, whether in this Commonwealth or elsewhere, nor shall any such existing action be maintained or further prosecuted after the date of this Order. All actions, including arbitrations and mediations, currently pending against Reliance in the courts of the Commonwealth of Pennsylvania or elsewhere are hereby stayed. All actions, arbitrations and mediations, against Reliance or the Liquidator shall be submitted and considered as claims in the liquidation proceeding.

23. All proceedings in which Reliance is obligated to defend a party in any court of this Commonwealth are hereby stayed for ninety (90) days from the date this Order. The Liquidator, pursuant to 40 P.S. §221.5(a), her designees and/or the Pennsylvania Property and Casualty Insurance Guaranty Association may petition this Court for extensions as needed in the exercise of their respective discretion. With respect to suits and other proceedings in which Reliance is obligated to defend a party, pending outside the Commonwealth of Pennsylvania and in federal courts of the United States, this Order constitutes the request of this Court for comity in the imposition of a 90-day stay by such courts or tribunals, and that those courts afford this order deference by reason of this Court's responsibility for

and supervisory authority over the rehabilitation of Reliance, as vested in this Court by the Pennsylvania Legislature. The Liquidator is authorized to cooperate in assisting any guaranty association in any jurisdiction to enforce any stay of any action provided for in any relevant law of another state. Any person that fails to honor a stay ordered by this Court or violates any provision of this Order, where such person has a claim against Reliance, shall have their claim subordinated to all other claims in the same class, with no payment being made with respect to such claim until all others in the same class have been paid in full, in addition to any other remedies available at law or in equity.

24. No judgment or order against Reliance or its insureds entered after the date of filing of the Petition for Liquidation, and no judgment or order against Reliance entered at any time by default or by collusion, need be considered as evidence of liability or quantum of damages by the Liquidator.

25. No action or proceeding in the nature of an attachment, garnishment, or execution shall be commenced or maintained in this Commonwealth or elsewhere against Reliance or the Liquidator, or their assets.

26. All secured creditors or parties, pledges, lienholders, collateral holders or other person claiming secured, priority or preferred interests in any property or assets of Reliance are hereby enjoined from taking any steps whatsoever to transfer, sell, assign, encumber, attach,

dispose of, or exercise, purported rights in or against any property or assets of Reliance except as provided in 40 P.S. §221.43.

27. All references to "Reliance" herein shall include the former subsidiaries which were previously merged into Reliance Insurance Company with approval of the Commissioner, including Reliance National Indemnity Company, Reliance National Insurance Company, United Pacific Insurance Company, Reliance Direct Company, Reliance Surety Company, Reliance Universal Insurance Company, United Pacific Insurance Company of New York and Reliance Insurance Company of Illinois.

28. This Order shall be effective on the date of entry specified above and supercedes this Court's Order of May 29, 2001.

29. Further, this Order supercedes any order entered by this Court prior to 12:00 noon, October 3, 2001.

The Rehabilitator, through its counsel, is hereby directed to forthwith, serve a copy of this order upon all parties listed on the master service list via fax and/or e-mail and U.S. mail, if necessary. The Rehabilitator, through its counsel, is directed to file with the court in the Office of the Prothonotary, 9th Floor the Widener Building, 1339 Chestnut Street, Philadelphia, PA 19107, by 1:00 p.m. October 9, 2001 an affidavit, that service, as outlined above, has been effectuated.


JAMES GARDNER COLINS, Judge

EXHIBIT “B”

At IAS Part 50th 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

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

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, RIC1 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. RIC1 is a corporation organized and existing under the laws of the State of Illinois to conduct the business of insurance;
2. RIC1 was not licensed to conduct such business in the State of New York;
3. RIC1 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 RIC1.
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 RIC1 (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 RIC1 (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 RIC1 (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 RIC1 (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 RIC1 (now RELIANCE) in the United States;
7. RIC1 (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

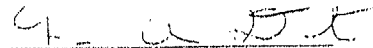
LAD/ma
12251/reliance ordercons

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

- v -

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

MOTION DATE

MOTION SEQ. NO.

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

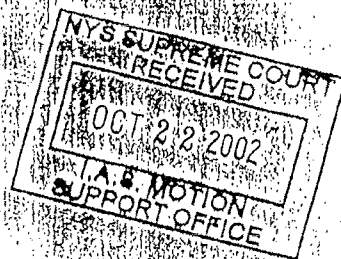
PAPERS NUMBERED

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 04 2002
COUNTY CLERK'S OFFICE
NEW YORK

MOTION/CASE IS RESPECTFULLY REFERRED TO
JUSTICE

Dated: October 11, 2002

CMP
J.S.C.

Check one: ☒ FINAL DISPOSITION ☐ NON-FINAL DISPOSITION

PRO. ATT.

Index No.:

SUPREME COURT: NEW YORK COUNTY

In the Matter of
The Application of

GREGORY V. SERIO, as 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

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

EXHIBIT “C”

CONSERVATION AGREEMENT

CONSERVATION AGREEMENT (the "Agreement") entered into between Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania as Liquidator (the "Liquidator") of the Reliance Insurance Company entities including Reliance Insurance Company of Illinois ("RICI") and Benjamin M. Lawskey, Superintendent of the New York State Department of Financial Services, as Conservator (the "Conservator") of RICI, by which the Liquidator and the Conservator shall coordinate the distribution of certain trust funds deposited in New York that are being conserved by the Conservator.

WHEREAS, RICI was merged into Reliance Insurance Company ("Reliance"), effective January 1, 2001, by approval of the Insurance Commissioner of Pennsylvania and Reliance was placed in liquidation on October 3, 2001 by Order of the Commonwealth Court of Pennsylvania and the Insurance Commissioner of the Commonwealth of Pennsylvania was appointed as Liquidator;

WHEREAS, by order of the Supreme Court of the State of New York filed on November 18, 2002 (the "Conservation Order"), Gregory V. Serio, then Superintendent of Insurance of the State of New York and his successors in interest were appointed Conservator and directed to conserve funds in a trust established by RICI and Continental Trust Company, presently known as BNY Midwest Trust Company ("BNYM"), as Trustee in Chicago, Illinois in accordance with a Trust Agreement effective May 1, 1995 and subsequently amended. A copy of the Trust Agreement and all attachments thereto (the "Trust Agreement") is annexed hereto as Exhibit "A";

WHEREAS, RICI, pursuant to NYCRR Sections 27.13 and 27.14 (Regulation 41), deposited the trust funds made up of cash, securities and other property in the amount of \$2,500,000 for the benefit of policyholders of RICI (the "RICI Policyholders"), as defined in the Trust Agreement, in order to sell surplus excess lines insurance in New York and other states as an unauthorized insurer. When the Conservation Order was entered, the amount conserved on November 18, 2002 was \$3,823,746;

WHEREAS, the Trust Agreement provides, in part, that the trust funds, including interest and earnings thereon (the "Trust Funds"), shall be used for the payment of claims for losses under RICI policies, as defined in the Trust Agreement, and upon full payment of all claims for losses, shall then be used for payment of claims for return of unearned premium;

WHEREAS, pursuant to the Conservation Order, BNYM delivered the Trust Funds to the Conservator who has deposited them in an account at The Bank of New York;

WHEREAS, the Conservator has a fiduciary obligation to distribute the Trust Funds to RICI Policyholders, as defined in the Trust Agreement, in accordance with Article 74 of the New York Insurance Law;

WHEREAS, the Liquidator is in possession of RICl's records and is required to fix and determine all claims against RICl, including claims by RICl Policyholders as defined in the Trust Agreement;

WHEREAS, it is in the best interest of RICl Policyholders for the Conservator and Liquidator to coordinate distribution of the Trust Funds and avoid duplication of effort and expense;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

1.1 The "Liquidator" is Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, as Liquidator of Reliance Insurance Company of Illinois and the Reliance entities. The "Reliance Entities" encompass Reliance Insurance Company of Illinois and all the other insurance companies listed in paragraph 27 of the Reliance liquidation order. A copy of the liquidation order is attached as Exhibit B.

1.2 The "Conservator" is Benjamin M. Lawskey, Superintendent of the New York State Department of Financial Services, as Conservator of Reliance Insurance Company of Illinois.

1.3 "RICl" is Reliance Insurance Company of Illinois.

1.4 The "Trust" is the Trust created pursuant to the Trust Agreement dated May 1, 1995 between RICl and Continental Trust Company, presently known as BNY Midwest Trust Company.

1.5 "BNYM" was formerly known as Continental Trust Company and is presently known as BNY Midwest Trust Company.

1.6 The "RICl Policyholders" United States residents who are holders, assignees, pledgees and mortgagees of RICl policies ("policyholders") and claimants against policyholders who have timely filed claims in the receivership proceeding of the Reliance Entities involving policies written in states where RICl did business as an unauthorized insurer.

1.7 The "Trust Agreement" is the Trust Agreement between RICl and BNYM and any amendments thereto.

1.8 The "Trust Funds" are the funds that RICl deposited with BNYM pursuant to the Trust Agreement, together with all interest and earnings related thereto. As of December 31, 2010 the Trust Funds totaled approximately \$4.4 million.

1.9 The "Receivership Court" is the Commonwealth Court of Pennsylvania supervising the liquidation of all the Reliance Entities including RICl.

1.10 The "Conservation Court" is the Supreme Court of the State of New York supervising the conservation of RICl.

1.11 The "Receivership Proceeding" is the proceeding pending in the Commonwealth Court of Pennsylvania under the supervision of the Receivership Court.

1.12 The "Conservation Proceeding" is the proceeding pending in the Supreme Court of the State of New York under the supervision of the Conservation Court.

1.13 The "Conservation Order" is the order of the Supreme Court of the State of New York filed on November 18, 2002. A copy of the Conservation Order is attached as Exhibit C.

1.14 The "Liquidation Order" is the order of the Commonwealth Court of Pennsylvania filed on October 3, 2001.

1.15 The "Agreement" is the Conservation Agreement between the Liquidator and the Conservator.

ARTICLE II

CONSERVATION OF THE TRUST FUNDS

2.1 The Conservator shall maintain the Trust Funds in any manner permitted by law until he distributes the Trust Funds to the Liquidator in accordance with Article III.

2.2 The Conservator shall pay the expenses of the Conservation Proceeding out of the Trust Funds.

ARTICLE III

DISTRIBUTION OF THE TRUST FUNDS

3.1 The Conservator shall distribute the Trust Funds, net of incurred expenses, to the Liquidator upon the Liquidator's submission to the Conservator of an affidavit, supported by financial documentation as described in Section 5.1, that establishes, to the satisfaction of the Conservator, that all creditors in the same class as RICl Policyholders, including RICl Policyholders, will ultimately receive a greater pro-rata distribution out of the general assets of the Reliance Entities, than RICl Policyholders would receive out of the Trust Funds with respect to claims for losses. The Conservator will provide the Liquidator with a breakdown of expenses charged to RICl in the Conservation Proceeding.

3.2 (a) For the purpose of determining the proper ratios to be utilized in Sections 3.1, the Liquidator shall not consider claims by RICl Policyholders for return of unearned premium in connection with determining the pro-rata distribution to be made out of the Trust Funds unless there are no claims by RICl Policyholders for losses.

(b) For the purpose of establishing the proper ratios to be utilized in Section 3.1, the general assets shall be deemed to include the Trust Funds.

3.3 If the Conservator distributes the Trust Funds to the Liquidator pursuant to Section 3.1, the Liquidator may treat the Trust Funds as general assets of the Reliance Entities. The Trust Funds as general assets of the Reliance Entities will be distributed to all claimants of the Reliance Entities, including RICL.

ARTICLE IV
DETERMINATION AND ADJUDICATION OF CLAIMS
PAYABLE OUT OF THE TRUST FUNDS

4.1 The Liquidator has, in accordance with the laws of his jurisdiction and pertinent order of the Receivership Court, provided notice to all RICL Policyholders that their claims should be presented in the Receivership Proceeding.

4.2 The Trust Funds will become part of the general assets of the Reliance Entities and the Liquidator shall, in accordance with the laws of his jurisdiction and pertinent order of the Receivership Court, examine and fix all claims by RICL Policyholders that are payable out of the general assets.

4.3 Subject to Article III and Article V, the final adjudication in the Receivership Proceeding of claims payable out of the Trust Funds shall be binding on the Conservator, regardless of whether the Trust Funds are distributed pursuant to Section 3.1.

4.4 RICL Policyholders shall share in the distribution of assets by the Liquidator in the same manner and to the same extent as all other creditors in the same class.

ARTICLE V
FINANCIAL DOCUMENTATION

5.1 The Liquidator shall support the affidavit to be submitted pursuant to Section 3.1 with financial documentation sufficient for the Conservator to verify the Liquidator's conclusions. The following items are examples of the types of documentation that may satisfy this requirement:

- (a) All documents and information provided to the Receivership Court;
- (b) Current financial statements;
- (c) Auditor's reports;
- (d) Actuarial reports and projections;
- (e) Policy runs which would list the name and address of the policyholder, policy number, and the effective and cancellation dates;

- (f) Loss runs for all creditors;
- (g) Loss runs which break out claims by RIC Policyholders;
- (h) List of claims allowed for payment;
- (i) List of disallowed claims;
- (j) Claim Files;
- (k) Policy underwriting files.

5.2 In the event the Conservator, in his sole discretion, determines that the financial documentation provided by the Liquidator pursuant to Section 3.1 does not support the Liquidator's conclusions, the Conservator may require that the Liquidator provide additional documentation or other available information.

ARTICLE VI NOTICE/PETITION FOR COURT APPROVAL

6.1 Articles III, IV and V of the Agreement shall not be effective until the Agreement is approved by the Conservation Court and the order approving the Agreement is entered in the Conservation Proceeding.

6.2 The Conservator shall petition the Conservation Court for an order approving this Agreement and terminating the Conservation Proceeding in accordance with its terms. The petition shall request that the Court schedule a hearing on the Conservator's petition for approval of this Agreement.

6.3 The Liquidator shall provide notice to all RIC Policyholders that the Conservator has petitioned the Conservation Court for an order approving this Agreement. The notice shall state that

- (a) Under to an order of the Supreme Court of the State of New York filed on November 18, 2002, the Conservator is conserving Trust Funds, in the present amount of approximately \$4.4 million pursuant to NYCRR Sections 27.13 and 27.14 (Regulation 41) for the benefit of RIC Policyholders as defined in the Trust Agreement dated May 1, 1995 between RIC and BNYM;
- (b) The Conservator and Liquidator have entered into an Agreement for the purpose of avoiding duplication of effort and expense, by which the Conservator will distribute the Trust Funds to the Liquidator for distribution to the RIC Policyholders;

- (c) The Agreement provides that the Liquidator will combine the Trust Funds with the general assets for distribution to all creditors of the Reliance Entities, including RICl, as the Policyholders will receive a greater pro-rata distribution from the general assets than they would receive from the Trust Funds alone;
- (d) The Agreement provides that the Liquidator will determine the value of all claims and that the final adjudication of claims in the Receivership Proceeding will be binding on the Conservator;
- (e) The Conservation Proceeding will be terminated following distribution of the Trust Funds to the Liquidator;
- (f) A hearing will be scheduled before the Conservation Court which time all persons who object to the Agreement may be heard; and
- (g) RICl Policyholders who wish to be heard must serve written objections on the Conservator by the date prescribed by the Conservation Court. Written objections should be served on the Superintendent of the New York State Department of Financial Services as Conservator of Reliance Insurance Company as successor in interest of Reliance Insurance Company of Illinois, 110 William Street, New York, New York 10038-3889 and must be filed in the Supreme Court of the State of New York, County of New York, in the proceeding entitled In the Matter of the Conservation of Reliance Insurance Company of Illinois, Index No. 403409/02.

ARTICLE VII

GENERAL PROVISIONS

7.1 This Agreement shall be interpreted under and governed by the laws of the State of New York.

7.2 Following approval as provided in Section 7.3 hereof, disputes arising out of this Agreement shall be resolved in the Conservation Proceeding or, subsequent to the termination of the Conservation Proceeding, in the Supreme Court of the State of New York, County of New York. The parties hereto consent to the jurisdiction of the Supreme Court of the State of New York for these stated purposes.

7.3 In the event the Agreement is not approved by the Conservation Court, the parties hereto shall be restored to the status quo ante except that the Conservator shall not be liable for any expenses incurred by the Liquidator in connection with this Agreement.

7.4 The Liquidator warrants that, until such time as the RICl conservation proceeding is terminated and RICl is no longer in conservation, he will defend, indemnify and hold harmless, up to the extent of the value of the Trust Funds, the Conservator, his past, present and future employees, agents, attorneys, successors and assigns from and against any and all claims,

counterclaims, demands, causes of action, judgments, liens, debts, liabilities, costs, fees, disbursements, attorneys' fees (whether incurred under salary, retainer or otherwise), expenses, damages, losses and injuries of any kind, nature or description, known or unknown, suspected or unsuspected, fixed or contingent, which now exist or may hereafter exist, arising out of or in any way connected with this Agreement. Should the Liquidator be required to defend, indemnify and hold harmless the Conservator or any of his past, present and future employees, agents, attorneys, successors and assigns pursuant to this section 7.4, the monies required to satisfy the defense, indemnification and hold harmless warranty shall come solely and exclusively from the Reliance estate. In the event that monies are not available from the Reliance estate to fulfill this warranty, said warranty shall become null and void.

7.6 The failure of a party to the Agreement to enforce any of the provisions herein shall not be construed to be a waiver of the right of such party to enforce any such provisions.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the latest date set forth below:

BENJAMIN M. LAWSKY
Superintendent of the New York
State Department of Financial
Services as Conservator of
RELIANCE INSURANCE COMPANY
OF ILLINOIS

Dated: 10/7/11

By: Jonathan L. Bing
Jonathan L. Bing
Special Deputy Superintendent
and Agent

MICHAEL F. CONSEDINE
Insurance Commissioner of the
Commonwealth as Liquidator of RELIANCE
INSURANCE COMPANY

Dated: 10/14/11

By: David S. Breitling
David S. Breitling
Chief Liquidation Officer

EXHIBIT “D”

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

PRESENT: HON. MICHAEL D. STALLMAN
Justice

PART 21

Re: Reliance Ind. Co.
Et Al.

INDEX NO.

403409/02

MOTION DATE

2

MOTION SEQ. NO.

2

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

1-4

Cross-Motion: ☐ Yes ☐ No

Upon the foregoing papers, It is ordered that this motion ^{Consent} for an order inter alia appointing a Conservation Agreement, authorizing the Conservator to take various steps, and the remaining the proceeding, is granted without opposition.

Order signed.

FILED

APR 12 2012

NEW YORK
COUNTY CLERK'S OFFICE
HON. MICHAEL D. STALLMAN

Dated: 4/10/12

J.S.C.

Check one: ☒ FINAL DISPOSITION

☐ NON-FINAL DISPOSITION

Check if appropriate: ☐ DO NOT POST

☐ REFERENCE

☐ SUBMIT ORDER/ JUDG.

☐ SETTLE ORDER/ JUDG.

MOTION/CASE IS RESPECTFULLY REFERRED TO JUSTICE
FOR THE FOLLOWING REASON(S):

At IAS Part 21 of the Supreme Court
of the State of New York, County of
New York, at the courthouse,
80 Centre Street, in the County, City
and State of New York, on the 10th
day of April, 2012.

PRESENT:

HON. MICHAEL D. STALLMAN, J.S.C
-----X

In the Matter of

Index No. 403409/02

the Conservation of the Trust Fund of

ORDER **FILED**

RELIANCE INSURANCE COMPANY
as successor in interest of RELIANCE INSURANCE
COMPANY OF ILLINOIS
-----X

APR 12 2012

NEW YORK
COUNTY CLERK'S OFFICE

Jonathan L. Bing, Special Deputy Superintendent and Agent of Benjamin M. Lawsky, the

Superintendent of Financial Services of the State of New York, as conservator (the
"Conservator") of a certain trust fund ("Trust Fund") established by Reliance Insurance
Company ("Reliance") as successor in interest of Reliance Insurance Company of Illinois
("RICI"), having moved this Court for an order: (i) approving the conservation agreement
executed on October 14, 2011 ("Conservation Agreement") entered into between the
Conservator and Michael F. Consedine, Insurance Commissioner of the Commonwealth of
Pennsylvania as liquidator ("Liquidator") of the Reliance Insurance Company entities including
RICI; (b) authorizing the Conservator to distribute the Trust Fund to the Liquidator in
accordance with the Conservation Agreement; and (c) upon distribution of the Trust Fund to the
Liquidator, in accordance with the Conservation Agreement, and the filing of a final report, the
Conservator, his predecessors and successors in office, agents, attorneys and employees shall be

discharged and released from all further liability arising out of this conservation proceeding and that this conservation proceeding shall be terminated; and said motion having duly come on before this Court on the 9th day of April, 2012, and no objections having been made thereto;

UPON, reading and filing the petition of the Special Deputy, duly verified the 21st day of December, 2011, due deliberation having been had thereon, and upon the decision of this Court, and

NOW, on motion of John Pearson Kelly, attorney for the Conservator, it is hereby

ORDERED, that the petition is granted; and it is further

ORDERED, that the Conservation Agreement is approved; and it is further

ORDERED, that the Conservator is authorized to distribute the Trust Assets to the Office Holders in accordance with the Conservation Agreement; and it is further

ORDERED, that upon distribution of the Trust Fund to the Liquidator, in accordance with the Conservation Agreement, and the filing of a final report, the Conservator, his predecessors and successors in office, agents, attorneys and employees will be discharged and released from any and all further liability arising out of this proceeding; and it is further

ORDERED, that the Conservator is hereby authorized to take further actions which, he in his discretion, deems advisable for the protection of the creditors and of the assets in his possession and for the termination of this proceeding.

ENTER

J.S.C.

FILED

APR 12 2012

NEW YORK
COUNTY CLERK'S OFFICE

HON. MICHAEL D. STALLMAN

EXHIBIT “E”

RELIANCE INSURANCE COMPANY OF ILLINOIS
IN CONSERVATION
COMPARATIVE BALANCE SHEET

Conservation Date - November 18, 2002

	May 31, 2012	November 18, 2002
ASSETS		
INVESTED ASSETS		
Cash and Equivalents	-	\$ 116,766
Bonds	-	3,706,980
Total Cash and Invested Assets	-	3,823,746
TOTAL ASSETS	-	\$ 3,823,746

LIABILITIES		
TOTAL LIABILITIES	-	-
SURPLUS	-	\$ 3,823,746
TOTAL LIABILITIES AND SURPLUS	-	\$ 3,823,746

RELIANCE INSURANCE COMPANY OF ILLINOIS
 IN CONSERVATION
 STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS
 FOR THE PERIOD FROM NOVEMBER 18, 2002 TO MAY 31, 2012

		Inception to MAY. 31, 2012
Receipts	Investment Income	774,429
Total Receipts		774,429
Disbursements		
	Transfer to the Liquidator	4,389,850
	Salaries	76,546
	Employee Relations & Welfare	31,504
	Rent and Related Expenses	19,676
	Professional Fees	9,636
	General and Administrative Expenses	27,407
	Other Miscellaneous Expenses	43,556
Total Disbursements		4,598,175
Net Increase (Decrease) in Cash and Invested Assets		(3,823,746)
BEGINNING CASH AND INVESTED ASSETS - NOVEMBER 18, 2002		3,823,746
Unrealized Gain on Investments		-
ENDING CASH AND INVESTED ASSETS - MAY 31, 2012		\$ -

Index No. 403409

Year 2002

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.

ORDER TO SHOW CAUSE AND VERIFIED PETITION
(Final Report)

JOHN PEARSON KELLY

Attorney for the Superintendent of Financial Services of the State of New York as Conservator

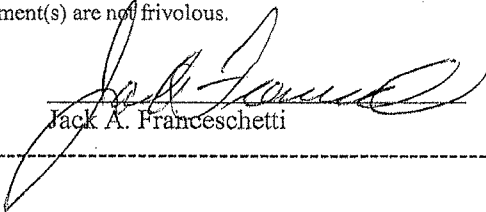
Office and Post Office Address, Telephone

New York Liquidation Bureau
110 William Street
New York, NY 10038
(212) 341-6755
Fax (212) 608-3398

ATTORNEY CERTIFICATION

The undersigned, an attorney admitted to practice in the courts of New York State, certifies that, upon information, belief and reasonable inquiry, the contentions in the above referenced document(s) are not frivolous.

Dated: , 2012
New York, New York


Jack A. Franceschetti

☐ NOTICE OF ENTRY

that the within is a (*certified*) true copy of a
duly entered in the office of the clerk of the within named court on the day of 20

☐ NOTICE OF SETTLEMENT

that an order
settlement to the HON.

of which the within is a true copy will be presented for
one of the judges of the within named court, at
20 at

Dated:

, on

Yours, etc.

JOHN PEARSON KELLY

Attorney for the Superintendent of Financial Services
of the State of New York as Conservator

Office and Post Office Address, Telephone

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New York, NY 10038
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