

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel S. Ario, :
Insurance Commissioner of the :
Commonwealth of Pennsylvania, :
Plaintiff :

v. : No. 269 M.D. 2001

Reliance Insurance Company, :
Defendant :

Rec'd By Legal
JAN 15 2010

RE: *Liquidator's Report and Recommendation on Undisputed Guaranty Association Administrative Expenses Submitted through December 31, 2007*

ORDER

AND NOW, this 14th day of January, 2010, upon consideration of the Liquidator's Petition for Approval of Report and Recommendation on Undisputed Guaranty Association Administrative Expenses Submitted through December 31, 2007 ("Petition"), **IT IS HEREBY ORDERED:**

1. The Petition is **GRANTED**;
2. The Reliance Legal Expense Settlement Agreement attached to the Petition as Exhibit B and attached hereto as "Exhibit A" is hereby **APPROVED**;
3. The Total Undisputed Administrative Expenses listed on the Report attached to the Petition as Exhibit D and attached hereto as "Exhibit B" are hereby **APPROVED** as class (a) claims for the "expenses of a guaranty association in handling claims";

Further, the Court finds that the Total Undisputed Administrative Expenses listed on the Report attached to the Petition as Exhibit D were necessary, reasonable and incurred in the best interest of the Estate.

The Liquidator shall serve this Order on the Master Service List and an affidavit with this Court affirming that service was effectuated.

Bonnie B. Leadbetter
BONNIE BRIGANCE LEADBETTER,
President Judge

Certified from the Record

JAN 15 2010

and Order Exit

RELiance LEGAL EXPENSE SETTLEMENT AGREEMENT

This Legal Expense Settlement Agreement ("Agreement") is entered into by and between the following (collectively referred to herein as the "Parties"): (i) Reliance Insurance Company In Liquidation ("Reliance") and (ii) the Guaranty Associations listed on Exhibit A to this Agreement (the "Participating Guaranty Associations"). This Agreement is entered into as of March 27, 2008, and shall be effective as of that date.

RECITALS

WHEREAS, on October 3, 2001, the Pennsylvania Commonwealth Court entered an Order of Liquidation against Reliance with a finding of insolvency and thereafter, the Guaranty Associations assumed certain policy obligations of Reliance and began handling certain Reliance claims, subject to the conditions and limitations of the Guaranty Associations' respective state statutes;

WHEREAS, under Pennsylvania's statute governing the order of distribution in a liquidation, 40 P.S. §221.44, "the expenses of a guaranty association in handling claims" are considered Class (a) administrative expenses. The financial condition of the Reliance estate has permitted Class (a) expenses to be 100% reimbursed.

WHEREAS, the Guaranty Associations report certain legal expenses as Class (a) priority administrative expenses ("Legal Expenses" as defined below) and Reliance has identified certain of these Legal Expenses which will not be reimbursed at any priority or may be reimbursed at a priority other than Class (a) ("Disputed Legal Expenses" as defined below) and the Guaranty Associations disagree with Reliance's determination as to the Disputed Legal Expenses.

WHEREAS, in lieu of the Guaranty Associations having to produce, and Reliance having to review, every Legal Expense in order to identify, quantify and deduct all Disputed Legal Expenses, the Parties have instead negotiated a formula and protocol by which Legal Expenses

will be reduced to reflect Disputed Legal Expenses and have decided to enter into this Legal Expense Settlement to conserve the assets of the Reliance estate, to reduce the time and expense that each party would have to incur in connection with the reimbursement of Legal Expenses, including the costs of any litigation, and in order to resolve this dispute.

TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the promises and the mutual agreements, covenants and provisions contained herein, and other good and valuable consideration, the sufficiency of which the Parties to this Agreement hereby acknowledge, and intending to be legally bound, the Parties agree as follows:

1. **DEFINITIONS.** The following terms as used in this Agreement are defined as follows:
 - a. **Administrative Expenses:** All of the expenses reported as Class (a) priority administrative expenses, including Legal Expenses, in the quarterly Guaranty Association financial reports submitted to Reliance.
 - b. **Coordinating Committee Legal Expenses:** Those Legal Expenses billed by Tom Jenkins, as Chair of the Reliance Coordinating Committee, solely for activities of the Reliance Coordinating Committee.
 - c. **Disputed Legal Expenses:** Those Legal Expenses listed on Exhibit C.
 - d. **Dykema Legal Expenses:** Those Legal Expenses billed by the Dykema law firm solely in connection with the resolution of this Legal Expense Settlement.
 - e. **Exhibit B:** Multiple Tiered Percentage Reduction Analysis.
 - f. **Exhibit C:** A list of Disputed Legal Expenses.
 - g. **Issue Carve-Outs:** Those Legal Expenses described in paragraph 5.

h. **Large Deductible Legal Expenses:** Those Legal Expenses to which each Guaranty Association certifies, subject to agreement by Reliance, in the Guaranty Association Certification of Legal Expenses Pursuant to Paragraph 4(C) of the Large Deductible Settlement Agreement entered into between the Liquidator and the Guaranty Associations effective June 20, 2006, as part of the resolution of the large deductible litigation.

i. **Legal Expenses:** Those expenses (both time and expense) reported to Reliance either:

(i) in the legal expense category on the quarterly Guaranty Association financial reports; or

(ii) through ad hoc reporting of expenses not isolated within quarterly financial reports,

for reimbursement as Class (a) priority administrative expenses.

j. **Money Carve-Outs:** Those Legal Expenses described in paragraph 4.

k. **Percentage Reductions:** The Legal Expense reimbursement reductions of 25% or 33% described in paragraph 2.

l. **Revised Administrative Expenses:** Reported Administrative Expenses reduced by the Issue Carve-Outs, Money Carve-Outs, Coordinating Committee Legal Expenses, Dykema Legal Expenses, and Large Deductible Legal Expenses.

m. **Revised Legal Expenses:** Reported Legal Expenses adjusted by deducting any reported legal expenses for the Issue Carve-Outs, Money Carve-Outs, Coordinating Committee Legal Expenses, Dykema Legal Expenses, and Large Deductible Legal Expenses.

n. **Revised Ratio:** The ratio of Revised Legal Expenses to Revised Administrative Expenses.

2. **REIMBURSEMENT REDUCTION FOR LEGAL EXPENSES.**

a. **Guaranty Associations Participating in the Settlement.** The Parties have negotiated a Percentage Reduction which reflects the Disputed Legal Expenses, so that, with some exceptions noted below, Reliance will reimburse the Participating Guaranty Associations' Legal Expenses as Class (a) expenses subject to a Percentage Reduction. The Percentage Reduction is based upon:

- (i) the amount of the Revised Legal Expenses; and/or
- (ii) the ratio of Revised Legal Expenses to Revised Administrative Expenses.

Those Participating Guaranty Associations with:

- (iii) Revised Legal Expenses in excess of \$250,000 or
- (iv) Revised Legal Expenses in excess of \$100,000 and up to \$250,000, plus a Revised Ratio of 10% or greater,

will be subject to a 25% reduction of their Revised Legal Expenses.

The remaining Participating Guaranty Associations will be subject to an 8% reduction of their Revised Legal Expenses.

b. **Outstanding Requests for Information.** Reliance has outstanding information requests to certain Participating Guaranty Associations for details regarding specific Legal Expenses. Once the requested information is provided and the Legal Expenses are properly reported to and substantiated by Reliance, the estimated Percentage Reduction assigned to that Participating Guaranty Association on Exhibit B may change.

c. **Guaranty Associations Not Participating In the Settlement.** A small number of Guaranty Associations have elected not to participate in this Agreement ("Non-Participating Guaranty Associations"). To the extent that any Non-Participating Guaranty Association seeks

to participate in this Agreement in the future, Reliance will review at that time the Legal Expense submission information and determine the applicable Percentage Reduction. A Non-Participating Guaranty Association may become a Participating Guaranty Association and signatory to this Agreement at any time under the Opt-In provision in paragraph 10. To the extent, however, that any Non-Participating Guaranty Association does seek to submit Legal Expenses for reimbursement not pursuant to this Agreement, those Legal Expenses will be subject to Reliance's full review procedures and allowance guidelines. Several of the Non-Participating Guaranty Associations are using statutory deposits to fund their expenses.

d. Notice of Determination. For purposes of this Legal Expense Settlement only, any Percentage Reduction will be given a Notice of Determination ("NOD") with a Class (e) priority and \$-0- allowed amount. The Participating Guaranty Associations agree that they will not object to this priority and/or allowed amount.

e. Application to Legal Expenses Only. The Legal Expense Settlement set forth in this Agreement applies only to those expenses reported in the Legal Expense category. If an expense which would otherwise be a Disputed Legal Expense is reported in any other category of Administrative Expenses, those Disputed Legal Expenses will be deducted in full from the Guaranty Association's Administrative Expenses Submission reimbursement and an NOD with an appropriate priority and allowed amount, as determined by the Liquidator, will be issued.

3. SETTLEMENT PARAMETERS. The Percentage Reduction applied to each Participating Guaranty Association will be based on information submitted through the Second Quarter of 2006 as shown on Exhibit B, subject to the outstanding information requests noted in paragraph 2, and will be applied to Legal Expenses submitted through December 31, 2006. Thereafter, the assigned Percentage Reduction will be applied to all of that Guaranty

Association's future Legal Expense submissions on a quarterly basis for the life of the Reliance estate unless a different Percentage Reduction is warranted as a result of:

a. New information submitted or discovered as a result of a specific request to a Participating Guaranty Association or as a result of a subsequent Legal Expense or Administrative Expense review; or

b. A Participating Guaranty Association requests an adjustment in its Percentage Reduction and satisfies Reliance, through detailed analysis with supporting documentation, that a different percentage should be applicable.

If the Percentage Reduction is adjusted, that adjustment will be applied retroactively to the time frame to which the adjustment applies. If necessary, amended NODs will be issued.

4. MONEY CARVE-OUT. If Legal Expenses in the amount of \$25,000 or more and relating to a single issue or claim are identified through a desktop, on-site, or closed claim file review, the specific expenses relating to the single issue or claim will be analyzed by Reliance on an individual basis and may be disputed or reclassified as a different priority (a "Money Carve Out"). Reliance has already identified Money Carve-Outs for certain Participating Guaranty Associations and, prior to implementation of this Agreement, those Participating Guaranty Associations will be required to quantify the total Money Carve-Out amount charged to Reliance. Reliance reserves the right to identify further Money Carve-Outs for any Participating Guaranty Associations, even after implementation of this Agreement, and to adjust applicable Percentage Reductions accordingly. NODs will be issued for any identified Money Carve-Outs with an appropriate allowed amount and Class (c) priority, unless the particular expense should have been submitted as a Class (b) allocated claim expense. For Money Carve-Out amounts which should have been filed as an allocated Class (b) expense, the

Guaranty Associations may elect to properly reclassify and code these expenses to the applicable claim file. The amount of the Money Carve-Outs will not be included in the Revised Legal Expenses subject to the Percentage Reduction. Participating Guaranty Associations will have an opportunity to object to the priority and/or the allowed amounts of the NODs issued for Money Carve-Outs through the claims procedures established for the administration of Guaranty Association claims by Order of the Commonwealth Court dated November 19, 2007 ("GA Claims Order").

5. ISSUE CARVE-OUT. The following Legal Expenses have been determined to be Issue Carve-Outs:

- a. Receivership case studies;
- b. Allocated Loss Adjustment Expense ("ALAE") and, specifically, costs of defending an insured;
- c. Any expenses that should properly be charged to another receivership estate;
- d. Any expenses relating to Guaranty Association funding, e.g., borrowing of funds, researching funding options, establishment of lines of credit, public bond finance, and investment issues; and
- e. Any expenses related to regulatory proceedings and lawsuits regarding assessment methodology or calculation.
- f. If any other potential issue carve-outs are identified in the future, they will be analyzed on an individual basis and discussed with representatives of the Participating Guaranty Associations. The final determination made by Reliance will be communicated to the Participating Guaranty Associations.

Except for expenses described in 5b, NODs will be issued for Issue Carve-Outs with an appropriate allowed amount and Class (e) priority. Issue Carve-Outs will not be included in Revised Legal Expenses subject to the Percentage Reduction. Guaranty Associations will have an opportunity to object to the priority and/or the allowed amount of NODs issued for Issue Carve-Outs through the claims procedures established for the administration of Guaranty Association claims by the GA Claims Order. For expenses described in 5b, ALAE expenses, the Guaranty Associations may elect to reclassify and code these expenses to the applicable claim file as a Class (b) expense. If necessary, Reliance will issue NODs or file reports with the Court regarding the ALAE expenses in accordance with the GA Claims Order.

6. **LARGE DEDUCTIBLE EXPENSES.** Large Deductible Expenses will be deducted from the Guaranty Associations' reported Legal Expenses and will not be part of the Revised Legal Expenses subject to the Percentage Reduction.

7. **FUTURE LEGAL EXPENSE REVIEWS.** After implementation of this Agreement, Reliance will conduct only limited scope on-site or desktop reviews of Guaranty Association Legal Expenses. These limited scope reviews will involve larger legal invoices and will focus on entries reflecting the Issue Carve-Outs and any large expense invoices that could constitute Money Carve-Outs. As a result, the time and expense associated with the Legal Expense Reviews should be significantly reduced since the Reviews will not require identification and quantification of Disputed Legal Expenses, unless related to Issue Carve-Out and Money Carve-Out concerns.

8. **DYKEMA LEGAL EXPENSES.** Reliance will reimburse the Participating Guaranty Associations for 100% of their Dykema Legal Expenses up to a cap of \$300,000 ("Allowed Dykema Legal Expenses"). Allowed Dykema Legal Expenses shall be pro rated

among the Participating Guaranty Associations. Dykema Legal Expenses will not be part of the Revised Legal Expenses subject to the Percentage Reduction. A NOD will be issued with a Class (c) and \$-0- allowed amount for any Dykema Legal Expenses in excess of the Allowed Dykema Legal Expenses. The Participating Guaranty Associations agree not to object to this priority and/or allowed amount.

9. **COORDINATING COMMITTEE LEGAL EXPENSES.** Coordinating Committee Legal Expenses will not be part of the Revised Legal Expenses subject to the Percentage Reduction.

10. **OPT-IN/OPT-OUT PROCEDURES.** A Non-Participating Guaranty Association may Opt-In to the Legal Expense Settlement set forth in this Agreement by notifying the Chief Liquidation Officer at Reliance and obtaining and signing a copy of this Agreement.

A Participating Guaranty Association may opt-out of the Legal Expense Settlement set forth in this Agreement by notifying the Chief Liquidation Officer at Reliance that it desires to opt-out and is not seeking further reimbursement of its Legal Expenses or will seek reimbursement subject to Reliance's full review procedures and allowance guidelines.

11. **NO ADMISSION.** Neither this Agreement nor its terms shall constitute admissions, concessions or acknowledgments by the Parties of liability, wrongdoing, fault or responsibility, or lack thereof, or the validity or invalidity of any legal position or contention, the meaning or intent of any statute or regulation by the Parties, for any purpose whatsoever, except in any action or proceeding to enforce or effectuate the terms of this Agreement. No Party to this Agreement shall, for any purpose whatsoever, rely on, refer to, or offer as evidence this Agreement, or any of its terms or provisions, or any of the negotiations or proceedings giving rise to this Agreement, in any judicial, non-judicial, arbitration or other proceeding, except in an

action or proceeding to enforce or effectuate the terms of this Agreement. Under no circumstances shall this Agreement have any affect on pending litigation involving any of the Guaranty Associations, either as a party, intervenor, or as a direct beneficiary, whether asserted by a Party or non-party to this Agreement. The Guaranty Associations' causes of action, defenses, rights, or the like against any non-party to this Agreement shall under no circumstances be affected in any manner.

The Parties acknowledge that this Agreement resulted from the unique circumstances presented in the Reliance estate and, as such, this Agreement is not a precedent, guideline, admission, or benchmark for any other liquidation estate in Pennsylvania or in any other state. By resolving this dispute, the Parties reserve their rights to contest the Legal Expense or similar issues in any other estate. The Parties also acknowledge that neither the Insurance Commissioner nor the Insurance Department of the Commonwealth of Pennsylvania are parties to this Agreement in a general capacity; except that the Insurance Commissioner has entered into this Agreement solely in his capacity as the Liquidator of Reliance. This Agreement is not binding on the Liquidator in any other estate or the Commissioner in his other capacities, nor shall this Agreement be deemed an admission or interpretation of 40 P.S. §221.44 by the Commissioner or the Pennsylvania Insurance Department or the Guaranty Associations.

To the extent there are Guaranty Associations which opt not to participate in this Agreement and there ensues any litigation regarding the reimbursement of Legal Expenses, the Participating Guaranty Associations agree that they will not intervene nor participate in any such proceedings, except to the extent compelled to do so by legal process or Court order.

12. **INTEGRATION.** This Agreement sets forth the entire agreement between the Parties with respect to the issues involved in this dispute and may be amended only by written

instrument signed by the Party or Parties to be charged with the amendment. Neither the Parties nor their agents have made promises or oral or written statements other than those that appear within this Agreement with respect to the resolution of this dispute.

13. **CHOICE OF LAW AND VENUE.** This Agreement shall be deemed to have been entered into and shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania as applied to contracts made and to be performed entirely within that Commonwealth. The Parties agree that any lawsuit necessary for the enforcement of this Agreement shall not be construed as limiting the ability of the Guaranty Associations to assert rights pursuant to the Guaranty Associations' state statutes except insofar as the assertion of such a right would conflict with the terms of this Agreement.

14. **ADVICE OF COUNSEL.** The Parties to this Agreement acknowledge that each has had access to the advice of independent counsel, has carefully and completely read this Agreement, understands fully the provisions of this Agreement, and signs this Agreement voluntarily and without duress or lack of authority or capacity.

15. **COUNTERPARTS.** This Settlement Agreement may be executed in counterparts, and delivered by facsimiles or electronic mail, each of which shall be deemed an original and all of which together shall constitute one and the same instruments.

16. **REPRESENTATIVES.** The individuals who sign this Agreement represent that they have been duly authorized to execute on behalf of the Parties that they purport to represent.

17. **INFORMED CONSENT.** The Parties acknowledge that they (or their designated representatives(s)) have read this Agreement, that they fully understand and appreciate the meaning of this Agreement, that it fully reflects the entirety of the agreement between the Parties, that no representation, inducement, or warranty has been made to any Party

by any other Party hereto except as set forth herein, and that they knowingly and voluntarily enter into this Agreement and agree to comply with its terms and conditions.

18. CONSTRUCTION. It is acknowledged by the Parties that the language of this Agreement was drafted and negotiated by both parties, that the parties dealt at arms' length and that there should be no presumption in favor of either Party, but rather the document shall be given a neutral construction.

[END OF DOCUMENT - SIGNATURE PAGES TO FOLLOW]

Dated: May 7, 2008

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)

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

EXHIBIT A
RELIANCE LEGAL EXPENSE SETTLEMENT AGREEMENT

PARTICIPATING GUARANTY ASSOCIATIONS

Alabama Insurance Guaranty Association
Alaska Insurance Guaranty Association
Arizona Property and Casualty Insurance Guaranty Fund
Arkansas Property & Casualty Guaranty Fund
Colorado Insurance Guaranty Association
Connecticut Insurance Guaranty Association
Delaware Insurance Guaranty Association
District of Columbia Insurance Guaranty Association
Florida Insurance Guaranty Association
Florida Workers' Compensation Insurance Guaranty Association
Georgia Insurers Insolvency Pool
Hawaii Insurance Guaranty Association
Idaho Insurance Guaranty Association
Illinois Insurance Guaranty Fund
Indiana Insurance Guaranty Association
Iowa Insurance Guaranty Association
Kansas Insurance Guaranty Association
Kentucky Insurance Guaranty Association
Louisiana Insurance Guaranty Association
Maine Insurance Guaranty Association
Maryland Property & Casualty Insurance Guaranty
Massachusetts Insurers Insolvency Fund
Michigan Property and Casualty Guaranty Association
Minnesota Insurance Guaranty Association
Mississippi Insurance Guaranty Association
Missouri Property and Casualty Insurance Guaranty Association
Montana Insurance Guaranty Association
Nebraska Property and Liability Insurance Guaranty Association
Nevada Insurance Guaranty Association
New Hampshire Guaranty Association
New Jersey Property-Liability Insurance Guaranty Association

New Jersey Workers Compensation Security Fund
North Carolina Insurance Guaranty Association
North Dakota Insurance Guaranty Association
Ohio Insurance Guaranty Association
Oklahoma Property and Casualty Insurance Guaranty Association
Oregon Insurance Guaranty Association
Pennsylvania Property and Casualty Insurance Guaranty Association
Rhode Island Insurers' Insolvency Fund
South Carolina Property and Casualty Insurance Guaranty Association
Tennessee Insurance Guaranty Association
Texas Property and Casualty Insurance Guaranty Association
Utah Property and Casualty Guaranty Association
Vermont Property and Casualty Insurance Guaranty Association
Virginia Property and Casualty Insurance Guaranty Association
Washington Insurance Guaranty Association
West Virginia Insurance Guaranty Association
Wisconsin Insurance Security Fund
Wyoming Insurance Guaranty Association

As of May 27, 2008

DET01581811.1
ISSS

updated may 28, 2003

EXHIBIT B

Multiple Tiered Percentage Reduction Analysis
GA's with Revised Legal Expenses > \$250,000 or GA's with Revised Legal Expenses > \$100K and Revised Legal to Revised Total Admin > 10%

Table with columns: GA, Sum of Total Admin, Legal % of Total Admin, Reported Thru, LD Expenses & AMCS Exp, Coard. Com, Revised Legal, Revised Som of Admin, Revised %, Occasionly Reduction, 71,078 AMCS 100% re

GA's that do not meet requirements for 25% reduction (see heading above)

Table with columns: State, Sum of Total Admin, Legal % of Total Admin, Reported Thru, LD Expenses & AMCS Exp, Coard. Com, Revised Legal, Revised Som of Admin, Revised %, Occasionly Reduction

Internal Audit Department

updated may 28, 2008

GA	Sum of Legal	Sum of Total Admin	Legal % of Total Admin	Reported Thru	LD Expenses	Coord. Com & AMS Exp	Possible Carve Outs	Revised Legal	Revised Sum of Admin	Revised %	Quantify Reduction
Arkansas	(4)	-	1.01%	1/1 thru 2 Qtr 2008	8,372	-	-	(8,372)	(8,372)	103.00	0
Utah	(5)	925,483.57			17,874	-	-	(8,521)	907,610	-0.94	0
sub total		925,483.57			26,246	-	-	(16,893)	907,610	0 Total	0
Total adj for MA		9,654,687.82			1,222,674	707,479	5,406,103	94,945,164			1,068,267

99,423,781.68

note - as of 9/27/06 (GFMS legal in Acc, PA, VC, PR & SD are legal reported, NE no charges)

- (1) - Large deductible expenses reflected including those on budgeting expenses, AMS paid at 100%
- (2) - Case cut rules to reduce reported expenses or ALAE that will be removed from prior contract submissions in 2007
- (3) - Legal and Admin expenses for queue only
- (4) - GA subject to existing deposit and is not subject to FID reimbursement process; not applicable to attachment
- (5) - Once legal expenses are properly reported by GA, calculations need to be updated and analysis reflected accordingly

5/30/2008 10:59 AM

Internal Audit Department

2 of 2

EXHIBIT C
RELIANCE LEGAL EXPENSE SETTLEMENT AGREEMENT

DISPUTED LEGAL EXPENSES

1. **GA Jurisdiction.** Legal expenses related to resolution of a jurisdictional issue between two or more guaranty associations.
2. **General.** Legal expenses in connection with issues relating to trade organizations and their activities, for example, PCI and Reinsurance Association of America; research and activities relating to assessments, preparation of white papers.
3. **Impaired Company.** Legal expenses related to an impaired company prior to the date that the GA's responsibilities are triggered by statute.
4. **Legislative Activities.** Legal expenses associated with various legislative activities or issues, including drafting amendments to guaranty association statutes, preparing or reviewing arguments for legislative changes to the GA statute, providing "technical" expertise, responding to questions regarding proposed GA legislation, and lobbying.
5. **NCIGF.** Legal expenses associated with attendance by outside counsel at NCIGF annual meetings, workshops, and legal seminars. Legal expenses in connection with NAIC and IAIR legal issues. Legal expenses associated with NCIGF-related projects including, for example, updating the NCIGF Model Act, analysis of GA funding alternatives, planning for or speaking at the NCIGF Legal Seminar, comparing specific GA statutes to the NCIGF Model Act, and various liquidation issues. *Disputed NCIGF legal expenses do not include NCIGF dues.*
6. **Statutory Determination.** Legal expenses in connection with the application of a GA statutory defense or provision to a specific claim or group of claims to determine whether the claim is a covered claim under the GA Act (e.g., issues involving residency, multiple caps, net worth, bar date, etc) and legal expenses in connection with net worth recoveries under GA net worth recoupment statutes. *Disputed expenses do not include application of the other insurance provision in the GA Acts, which Reliance will treat as a Class (a) administrative expense.*

DEPT01\557726.1
11/28/88

Exhibit D

Reliance Insurance Company (in Liquidation)
Report Of Uninsured GA Administrative Expenses Submitted Through December 31, 2007

Legal Entity Name	Total Submitted Administrative Expenses	Excluded Administrative Expenses	Inception to Date Uninsured Administrative Expenses	Expenses Previously Approved by the Court*	Total Uninsured Administrative Expenses (Pending Court Approval)
Alabama Insurance Guaranty Association	\$ 4,405,422.94	\$ 8,397.70	\$ 4,397,025.24	\$ 44,878.98	\$ 4,352,146.26
Alaska Insurance Guaranty Association	687,812.14	8,730.06	679,082.08	15,117.20	663,964.88
Colorado Insurance Guaranty Association	1,354,430.00	20,581.53	1,333,848.47	19,808.35	1,314,040.12
Florida Insurance Guaranty Association	4,217,004.60	10,905.42	4,206,129.18	6,001.43	4,200,127.75
Florida Workers Compensation Insurance Guaranty Association	7,147,860.18	490,453.27	6,657,406.92	36,974.37	6,620,432.55
Georgia Insurers Insolvency Pool	4,070,256.49	28,045.31	4,042,211.18	44,221.94	3,997,989.24
Hawaii Insurance Guaranty Association	587,456.62	12,020.40	575,436.22	14,482.24	560,954.28
Idaho Insurance Guaranty Association	248,461.08	1,775.17	246,685.91	6,734.11	239,951.72
Iowa Insurance Guaranty Association	868,014.49	183,524.17	684,490.32	6,318.22	678,172.10
Kansas Property & Casualty Insurance Guaranty Association	856,287.08	11,798.80	844,488.28	11,234.66	833,253.64
Kentucky Insurance Guaranty Association	1,312,116.86	196,876.08	1,116,240.78	34,826.08	1,081,414.70
Minnesota Insurance Guaranty Association	1,512,062.94	163,164.01	1,348,898.93	21,620.50	1,327,278.43
Mississippi Insurance Guaranty Association	2,114,292.11	41,583.83	2,072,708.28	44,911.53	2,027,796.75
Missouri Property & Casualty Insurance Guaranty Association	1,758,001.46	19,812.42	1,738,189.04	45,033.30	1,693,155.74
Montana Casualty Insurance Guaranty Association	375,178.00	4,062.62	371,115.38	7,793.16	363,322.22
New Jersey Compensation Rating and Inspection Bureau	1,703,828.86	64,972.45	1,638,856.41	17,916.03	1,620,940.38
New Jersey Property and Liability Insurance Guaranty Association	3,811,507.32	51,267.56	3,760,239.76	9,994.75	3,750,245.01
New Jersey Surplus Lines Guaranty Fund	635,993.22	7,981.51	628,011.71	-	628,011.71
North Carolina Insurance Guaranty Association	3,852,019.96	221,289.39	3,630,730.57	2,000.00	3,630,730.57
North Carolina Property & Casualty Insurance Guaranty Association	1,792,114.00	79,107.73	1,713,006.27	-	1,711,906.27
Pennsylvania Workers Compensation Security Fund	12,865,114.00	1,692,290.44	11,172,823.56	21,351.87	11,151,471.69
Tennessee Insurance Guaranty Association	3,873,007.25	32,131.27	3,840,875.98	26,301.55	3,814,574.43
Texas Property & Casualty Insurance Guaranty Association	14,769,891.68	5,927.05	14,763,964.63	129,211.67	14,634,753.06
Wisconsin Insurance Security Funds	1,384,096.00	59,453.44	1,324,642.57	18,179.26	1,306,463.31
Total	\$ 76,202,259.11	\$ 3,415,101.31	\$ 72,787,157.80	\$ 585,041.70	\$ 72,202,116.70

* Legal expenses paid to GA pursuant to the Deductible Settlement. If GA billed Reliance for less than the amount allocated to the GA under the Settlement, the lesser amount is shown.

EXHIBIT D