

Rec'd By E-mail
AUG 25 2009

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

***IN RE: Commutation, Settlement Agreement and Release between
Reliance Insurance Company (In Liquidation) and Clarendon
National Insurance Company, Clarendon America Insurance
Company, Harbor Specialty Insurance Company and Clarendon
Select Insurance Company***

ORDER

AND NOW, this 25th day of August, 2009, upon consideration of the Liquidator's Petition for Approval of the Commutation, Settlement Agreement, and Release ("Settlement Agreement") between Reliance Insurance Company ("Reliance or Estate") and Clarendon National Insurance Company, Clarendon America Insurance Company, Harbor Specialty Insurance Company and Clarendon Select Insurance ("Reinsurer"):

The Court accepts the Liquidator's representations that the Settlement Agreement is in the best interest of the Reliance Estate, as the Settlement Agreement allows the Liquidator to terminate and commute the Reinsurance Agreement and the Estate will receive an economic benefit amounting to \$9,498,000.00;

Further, the Court accepts the Liquidator's representations that the Settlement Agreement is a fair and reasonable settlement of the Reinsurer's obligations to the Reliance Estate under the Reinsurance Agreement, and that the payment contemplated under the Settlement Agreement constitutes fair and reasonable value to the Reliance Estate;

Accordingly, the Petition for Approval is hereby **GRANTED** and the Commutation, Settlement Agreement and Release attached hereto and marked as "Exhibit A" is hereby **APPROVED**.

Further, counsel for the Liquidator is directed to serve a copy of this order upon those listed on the Master Service List and file with the Court an affidavit that service has been effectuated.


BONNIE BRIGANCE LEADBETTER,
President Judge

COMMUTATION, SETTLEMENT AGREEMENT AND RELEASE

THIS COMMUTATION, SETTLEMENT AGREEMENT AND RELEASE ("Agreement"), made effective and entered into this 9 day of March, 2009 by and between Clarendon National Insurance Company, Clarendon America Insurance Company, Harbor Specialty Insurance Company and Clarendon Select Insurance Company (hereinafter collectively known as "Clarendon") and Reliance Insurance Company (In Liquidation) through Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, in his capacity as Statutory Liquidator of Reliance Insurance Company (In Liquidation) (hereinafter known as "Reliance"). David S. Brietling, Chief Liquidation Officer, is acting on behalf of Joel S. Ario, who is acting on behalf of Reliance pursuant to the powers granted to him under Title 40, Purdon's Statutes, Section 221.20, et seq. and other applicable statutes, regulations and laws. Clarendon and Reliance shall hereinafter be referred to collectively as the "Parties" and individually as a "Party."

RECITALS

- a. The Parties entered into contracts of reinsurance wherein Clarendon obligated itself to accept from Reliance the cession of a certain percentage of liabilities with respect to risks written or assumed by Reliance and/or agents of Reliance as set forth more particularly on the attached Exhibit A (the "Reliance Ceded Contracts"), and;
- b. The Parties entered into certain other contracts of reinsurance wherein Reliance obligated itself to accept from Clarendon the cession of a certain percentage of liabilities with respect to risks written or assumed by Clarendon, and/or agents of Clarendon as set forth more particularly on the attached Exhibit B (the "Reliance Assumed Contracts"), and;

EXHIBIT A

c. The Reliance Ceded Contracts and the Reliance Assumed Contracts referred to in Recitals A and B above shall be interpreted to include, in addition to those contracts set out in Exhibits A and B, any and all other contracts of reinsurance whereby Reliance or Clarendon ceded reinsurance to the other, respectively, but which were not included in Exhibits A or B (collectively referred to as the "Contracts"), and;

d. Pursuant to the Contracts, there are loss developments, the total amount of which are not fully known or not yet capable of determination, representing liabilities which are or may come due from Clarendon to Reliance and/or from Reliance to Clarendon, respectively, and;

e. Clarendon has filed various Proofs of Claim seeking reinsurance recoveries from the Reliance estate relating to the Reliance Assumed Contracts and other matters, and such Proofs of Claim are listed in Exhibit C (collectively, the "Clarendon POCs"), and;

f. Reliance has submitted reinsurance billings seeking reinsurance recoveries from Clarendon relating to the Reliance Ceded Contracts and other matters, and Clarendon asserts that, assuming such contracts are valid and enforceable, there is \$1,060,000 in audit premium that Reliance has not previously credited or paid to Clarendon in respect of the Reliance Ceded Contracts;

g. The Parties recognize and understand that, based upon current economic projections, a substantial portion of Clarendon's obligations to Reliance and Reliance's obligations to Clarendon under the Contracts may become payable (if at all) in the future rather than at present, and that a settlement and commutation of the Parties' respective obligations to each other under the Contracts per the terms of this Agreement and based upon present

calculations of the reported outstanding losses represents a compromise of the Parties respective positions under the Contracts, and;

h. Notwithstanding anything in this Agreement to the contrary, this Agreement is intended to settle disputed claims between the Parties under the Contracts and does not constitute an admission by either Party regarding the enforceability or interpretation of the Contracts or the validity of any amounts sought by either Party under the Contracts, and;

i. The Parties agree that it is in each of their respective best interests and in the best interests of their respective policyholders, reinsurers, and creditors to adjust and settle their disputes under the Contracts in accordance with, and subject to, the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual benefits to be received by the Parties and the mutual covenants and agreements herein contained, the Parties hereby agree as follows:

Article 1 – Release of Clarendon

1. Subject to the second and third sentences of this Article 1 and receipt by Reliance of the Consideration as set forth and defined in Article 6 herein, together with any collection expenses and accrued interest due as is more particularly described in Articles 10(c) and 11 below, and in further consideration of the release contained in Article 2 herein, Reliance hereby irrevocably releases Clarendon, its affiliates, predecessors, successors, assigns, and its present or former shareholders, officers, directors, agents, sub-agents, brokers and sub-brokers from One Hundred Percent (100%) of all claims, defenses, adjustments, obligations, liabilities, offsets, actions, causes of action, proofs of claim, suits, debts, sums of money, accounts, reckonings, bonds, bills, covenants, contracts, conversions, costs, agreements, promises, damages, expenses, judgment claims, and demands whatsoever (collectively, "Claims") arising out of any source

whatsoever, including, without limitation, Claims arising out of, or in connection with, Clarendon's participations on the Contracts (whether or not any of the Contracts are void or voidable), and whether or not such Claims are fixed or contingent, known or unknown, or suspected or unsuspected by either Clarendon or Reliance. Notwithstanding anything in this Agreement to the contrary, the releases contained in the previous sentence are only made on behalf of Reliance Insurance Company (in Liquidation) in its own right and as successor in interest by merger to its former subsidiaries shown on the attached Exhibit F and, without limiting the generality of the foregoing, specifically do not apply to Claims arising from business written on contracts issued by the Canadian Branch of Reliance Insurance Company, Reliance National Insurance Co. (Europe) Limited, Reliance National Asia RE PTE, Ltd. or any other former non-domestic subsidiary that is not part of Reliance Insurance Company (in Liquidation) as a result of a merger (collectively, the "Non-Domestic Reliance Entities"). Notwithstanding anything in this Agreement to the contrary, the releases contained in this Article 1 do not apply to any Claims asserting a breach of any provision of this Agreement or otherwise seeking to enforce this Agreement and the rights created hereunder.

Article 2 - Release of Reliance

2. Subject to Article 3 and the second and third sentences of this Article 2 and in consideration of the release set out in Article 1 herein, Clarendon hereby irrevocably releases Reliance, its affiliates, predecessors, successors, assigns, present or former shareholders, officers, directors, receivers, liquidators, administrators, agents, sub-agents, brokers and sub-brokers from One Hundred Percent (100%) of all Claims arising out of any source whatsoever, including, without limitation, Claims arising out of, or in connection with, Reliance's participations on the Contracts (whether or not any of the Contracts are void or voidable), and whether or not such

Claims are fixed or contingent, known or unknown, or suspected or unsuspected by either Clarendon or Reliance. Notwithstanding anything in this Agreement to the contrary, the releases contained in the previous sentence are only given by Clarendon to Reliance Insurance Company (in Liquidation) in its own right and as successor in interest by merger to its former subsidiaries shown on the attached Exhibit F and, without limiting the generality of the foregoing, specifically do not apply to Claims arising from business written on contracts issued by the Non-Domestic Reliance Entities. Notwithstanding anything in this Agreement to the contrary, the releases contained in this Article 2 do not apply to any Claims asserting a breach of any provision of this Agreement or otherwise seeking to enforce this Agreement and the rights created hereunder.

Article 3 - Preservation of Claims in Respect of Credit General

3. Notwithstanding the releases contained in Articles 1 and 2 herein:

a. Nothing in this Agreement shall release any Claims that Clarendon may have against Credit General Insurance Company (in Liquidation), or any of its affiliated companies, predecessors, successors, assigns, present or former shareholders, officers, directors, receivers, liquidators, administrators, agents, sub-agents, brokers and sub-brokers, or policy issuing companies (other than Reliance) (collectively, "Credit General") arising out of any source whatsoever, including, without limitation, (i) any Claims arising in connection with Credit General's participation as a reinsured (or otherwise) under the Reliance Ceded Contracts, (ii) any Claims Clarendon may have that some or all of the Reliance Ceded Contracts are subject to rescission or are otherwise unenforceable in whole or in part, or (iii) any Claims Clarendon may have that amounts sought by Credit General from Clarendon under the Reliance Ceded Contracts are in respect of losses that arose under contracts written by Reliance and therefore are

not recoverable by Credit General. Neither this Agreement nor the payments made hereunder shall constitute a ratification by Clarendon of the Reliance Ceded Contracts or as an admission regarding the enforceability or interpretation of those Contracts or the validity of any amounts sought thereunder by either Reliance or Credit General; and

b. As a condition to the Releases contained in Article 1 and Article 2 of this Agreement, respectively, and the Consideration paid in accordance with Article 6 of this Agreement, Reliance shall obtain from the liquidator for Credit General a letter in the form attached hereto as Exhibit D signed by the liquidator or a duly-authorized representative of the liquidator.

Article 4 -- Reliance's Representations and Warranties

4. Reliance makes the following express representations and warranties to Clarendon:

a. Except as set forth in Article 15, there are no pending agreements, transactions, negotiations, regulatory actions or lawsuits, in which Reliance is involved nor are there any threatened regulatory actions or lawsuits of which it is aware that would render this Agreement or any part thereof void, avoidable, or unenforceable;

b. Reliance has not transferred, assigned, or contracted to transfer or assign to any person, corporation, company or entity any of its rights, title, benefit or obligations directly arising out of or in connection with the Contracts, including without limitation any balances, accounts, costs, claims, counterclaims or demands which are within the contemplation of this Agreement;

c. Reliance has not commuted or otherwise settled with or contracted to commute or settle with any person, corporation, company or entity any of its rights, title, benefit or

obligations directly arising out of or in connection with the Contracts, including without limitation any balances, accounts, costs, claims, counterclaims or demands which are within the contemplation of this Agreement;

d. Except as set forth in Article 15, (i) Reliance is authorized to enter into this Agreement and the transactions contemplated herein, (ii) there are no corporate, third party, regulatory or other consents, authorizations or approvals that have not been obtained which are necessary for Reliance to enter into this Agreement or perform its obligations hereunder, and (iii) the signatory for Reliance is authorized and empowered to execute this Agreement and the transactions contemplated herein and Reliance enters into this Agreement voluntarily;

e. Reliance is the only person who can seek recovery from Clarendon for Claims that arise from or relate to underlying insurance or reinsurance contracts issued by Reliance and which are ceded to the Contracts, and that in respect of such Claims there are no third parties with any direct or indirect rights to seek recovery for such Claims from Clarendon under the Contracts or otherwise; and

f. The Non-Domestic Reliance Entities are not parties to the Reliance Ceded Contracts and cannot otherwise assert direct or indirect Claims against Clarendon under the Reliance Ceded Contracts.

Article 5 - Clarendon's Representations and Warranties

5. Clarendon makes the following express representations and warranties to Reliance:

a. Except as set forth in Article 15, there are no pending agreements, transactions, negotiations, regulatory actions or lawsuits in which Clarendon is involved nor are there any threatened regulatory actions or lawsuits of which it is aware that would render this

Agreement or any part thereof void, avoidable, or unenforceable;

b. Clarendon has not transferred, assigned, or contracted to transfer or assign to any person, corporation, company or entity any of its rights, title, benefit or obligations directly arising out of or in connection with the Contracts, including without limitation any balances, accounts, costs, claims, counterclaims or demands which are within the contemplation of this Agreement;

c. Clarendon has not commuted or otherwise settled with or contracted to commute or settle with any person, corporation, company or entity any of its rights, title, benefit or obligations directly arising out of or in connection with the Contracts, including without limitation any balances, accounts, costs, claims, counterclaims or demands which are within the contemplation of this Agreement;

d. Except as set forth in Article 15, (i) Clarendon is authorized to enter into this Agreement and the transactions contemplated herein, (ii) there are no corporate, third party, regulatory or other consents, authorizations or approvals that have not been obtained which are necessary for Clarendon to enter into this Agreement or perform its obligations hereunder, and (iii) the signatory for Clarendon is authorized and empowered to execute this Agreement and the transactions contemplated herein and Clarendon enters into this Agreement voluntarily; and

e. Clarendon is the only person who can seek recovery from Reliance for Claims that arise from or relate to underlying insurance or reinsurance contracts issued by Clarendon and which are ceded to the Contracts, and that in respect of such Claims there are no third parties with any direct or indirect rights to seek recovery for such Claims from Reliance under the Contracts or otherwise.

Article 6 -- Consideration

6. In consideration of the agreements, covenants and releases between the Parties as set forth in this Agreement, Clarendon agrees to pay Reliance the total sum of US\$10,558,000 (Ten Million Five Hundred Fifty-Eight Thousand United States Dollars) (the "Consideration"); provided, however:

a. The payment of a portion of the Consideration equal to US\$1,060,000 (One Million Sixty Thousand United States Dollars) shall be made in the form of an offset against audit premiums due Clarendon under the Reliance Ceded Contracts and which Reliance has not previously credited or paid to Clarendon (the "Offset Payment"), and payment of the remaining Consideration equal to US\$9,498,000 (Nine Million Four Hundred Ninety-Eight Thousand United States Dollars) shall be made by wire transfer of immediately available funds to the account set forth in Article 6(c) of this Agreement (the "Cash Payment");

b. The Consideration shall not become due until full satisfaction of all of the following three conditions: (i) notice to Clarendon by facsimile of the execution of this Agreement by Reliance or its assignee, (ii) approval of the Agreement by the Commonwealth Court of Pennsylvania in accordance with Article 15 herein, and (iii) Clarendon's receipt of a letter from the liquidator for Credit General as required under Article 3(b) of this Agreement (collectively, the "Closing Conditions," and individually, "Closing Condition"). The date upon which the last remaining Closing Condition is satisfied shall be the "Completion Date," and the payment of the Consideration as required under Article 6(a) of this Agreement shall occur no later than ten (10) calendar days following the Completion Date. Notwithstanding the foregoing, if the ten (10) calendar day period following the Completion Date expires on a weekend or a holiday, then payment of the Consideration must be completed by the end of the next business day;

c. Clarendon shall transfer the Cash Payment to the following account:

Name of Bank: Mellon Bank
Pittsburgh, PA

ABA Number: 043000261

Credit: Reliance Insurance Company

CHIPS No.: 044840

Account Number: 079-7806

S.W.I.F.T.: MELN US 3P

Ref: Kathy Lee

Upon receipt of the Cash Payment, Reliance will issue final Notices of Determination in the amount of zero for all Clarendon POCs that have not yet received a final Notice of Determination, and Clarendon agrees that it will not file an objection to such Notices of Determination. The Parties also agree that any claim recoveries including but not limited to salvage and subrogation, any escrow funds with third party claim administrators and any unremitted cash with intermediaries that relate to the Contracts is the property of Reliance; and

d. The Parties acknowledge and agree that the Consideration set forth in Article 6 and the manner of payment set forth in Article 6(a) reflects the payment by Clarendon to Reliance of (i) US\$9,460,000 (Nine Million Four Hundred Sixty Thousand United States Dollars) in the aggregate for the settlement of losses ceded under Broker Reference Numbers NW010391J, NW010393K and NW010390L referenced in Exhibit A, (ii) US\$898,000 (Eight Hundred Ninety-Eight Thousand United States Dollars) in the aggregate for the settlement of losses ceded under Broker Reference Numbers NW010401J, NW010401K, and NW010400L referenced in Exhibit A, and (iii) US\$200,000 (Two Hundred Thousand United States Dollars) for the settlement of losses ceded under Clarendon Ref # 02765195 referenced in Exhibit A

(collectively, the "Loss Payments"), and further represents the corresponding payment by Reliance to Clarendon of (iv) US\$960,000 (Nine Hundred Sixty Thousand United States Dollars) in the aggregate for the settlement of premiums ceded under Broker Reference Numbers NW010391J, NW010393K and NW010390L referenced in Exhibit A, and (v) US\$100,000 (One Hundred Thousand United States Dollars) for the settlement of premiums ceded under Broker Reference Numbers NW010401J, NW010401K, and NW010400L referenced in Exhibit A (collectively, the "Premium Payments"). The Parties further acknowledge and agree that Clarendon may further allocate the Loss Payments to specific losses ceded under the Reliance Ceded Contracts set forth above in its sole and absolute discretion.

Article 7 – Successors and Assigns

7. This Agreement shall inure to the benefit of and bind the Parties and their respective successors and assigns.

Article 8 – Independent Investigation

8. Each of the Parties acknowledges that it has entered into this Agreement in reliance upon its own independent investigation and analysis of the Contracts and its respective rights and obligations thereunder, and not on the basis of any representation made or not made by the other Party hereto except those representations and warranties contained in Articles 4 and 5, respectively. Each of the Parties further acknowledges that it has read this Agreement, that it has had the opportunity to discuss it with legal counsel, and that it fully understands all of the terms herein.

Article 9 – Integration and Waiver

9. This Agreement shall constitute the entire agreement between the Parties pertaining to the subject matter hereof, and supersedes any and all prior or contemporaneous

understandings or agreements. No supplement, modification, waiver or termination hereof shall be binding or enforceable unless executed in writing by the Parties to be bound thereby. No delay, omission or forbearance on the part of any Party to this Agreement in exercising or enforcing any right, power or remedy under this Agreement shall impair such right, power or remedy or operate as a waiver thereof. The single or partial exercise or enforcement of such right, power or remedy shall not preclude any other or further exercise or enforcement thereof or of any other right, power or remedy. The rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers and remedies provided by law.

Article 10 – Remedies

10. In the event that Clarendon fails to pay the Consideration to Reliance by the date required under Article 6(b) of this Agreement, Reliance shall have all rights and remedies available at law or in equity. In addition, Reliance shall have the express right to:

a. deem the entire Agreement null and void by notice in writing to Clarendon per Article 13 herein and to seek recovery of all sums due or to become due under the Contracts, or;

b. bring suit on the Agreement including interest on the agreed-upon but unpaid amount as set out in Article 10(c).

c. Without prejudice to Reliance's rights to rescind this Agreement pursuant to Article 10(a) above, if Clarendon does not pay all of the Consideration recited herein to Reliance by the date required under Article 6(b) of this Agreement, Clarendon shall pay interest on any unpaid sums at a rate which is equal to one percentage point (1.00%) over the Prime Rate (the base rate on corporate loans at large U.S. money center commercial banks) as published in

The Wall Street Journal on the Completion Date, but in no event shall said interest be calculated at less than six percent (6%) per annum.

Article 11 - Expenses of Collection

11. Subject to the provisions of Article 10(c) herein, if Clarendon fails to pay the Consideration to Reliance by the date required under Article 6(b) of this Agreement, Clarendon agrees to reimburse Reliance for all reasonable expenses including, without limitation, attorney fees which are incurred by Reliance in the enforcement of this Agreement and collection of the Consideration together with any interest accrued upon such reasonable expenses from the date of payment of such expenses at the rate set out in Article 10(c) above.

Article 12 - Choice of Laws

12. The performance and interpretation of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania with respect to any dispute arising under this Agreement between the Parties.

Article 13 -- Notices

13. All notices required under this Agreement shall be as follows:

a. Any notice or other communication under or in connection with this Agreement shall be in writing and shall be delivered personally or sent by first class post/mail (or by air mail if overseas) or by overnight courier service or by fax, to the addresses of the Parties as set out in Exhibit E attached hereto or to such other person or address as any Party may specify by notice in writing to the others.

b. In the absence of evidence of earlier receipt, any notice or other communication shall be deemed to have been duly served if (i) sent by first class post on the second business day after posting; (ii) sent by overnight courier on the next business day after mailing (iii) sent by air mail, six (6) days after posting, and; (iv) if delivered personally, when

left during normal business hours at the address set out in Exhibit E or any alternative address specified by the receiving Party.

Article 14 – Interpretation

14. The language of this Agreement is the result of negotiation between the Parties, and any ambiguities in said language shall not be presumptively construed against or in favor of any party or parties hereto.

Article 15 – Execution and Approval

15. This Agreement may be signed and exchanged in counterpart by facsimile and this Agreement as so signed and exchanged will constitute the binding Agreement of the Parties. This Agreement is subject to final approval by the Commonwealth Court of Pennsylvania (the Court), which has jurisdiction over the liquidation of Reliance. Upon execution by all Parties hereto, Reliance shall promptly make application to the Court to secure said approval. In the event the Court does not approve this Agreement, then upon such notice of disapproval, Reliance shall notify Clarendon and this Agreement will become null and void and have no further force or effect as between the Parties.

Article 16 – No Admission of Liability

16. Notwithstanding anything contained in this Agreement to the contrary, this Agreement and any payments made pursuant to it are entirely without prejudice to the Parties' respective rights under any other agreements, and shall not constitute an admission, ratification, or waiver of any right or claim by any Party under any such agreements. This Agreement and any negotiations in connection therewith shall not be introduced into evidence in any court or any proceeding for any purpose other than in connection with disputes regarding the

implementation, interpretation and/or enforcement of this Agreement.

Article 17 – Miscellaneous

17. The Parties acknowledge and agree as follows:

a. For a period of twenty four (24) months following the effective date of this Agreement, the Parties agree to cooperate with each other in providing the other Party with such financial information, loss notices, loss proofs of loss and other data, copies of documents and other materials and information that such Party may reasonable request with respect to the Contracts to assist the other part so as to enable it to pursue recovery of losses ceded to the Contract from the Parties' retrocessionaires.

b. Reliance will accept and cooperate fully with Clarendon's exercise of its discretion under Article 6(d) of this Agreement to allocate the Loss Payments to specific losses under the Reliance Ceded Contracts and take any and all action reasonably necessary to implement those allocations.

c. Reliance will provide Clarendon loss detail on losses arising under RUM0278/97 to the extent available so as to enable it to bill its reinsurers or retrocessionaires for amounts that Clarendon has paid to a third party in respect of those losses.

d. The Parties shall be responsible for paying all of their own respective legal fees and expenses incurred in connection with the negotiation, execution and delivery of this Agreement.

e. The Parties shall take any and all action reasonably necessary to consummate the transactions contemplated in this Agreement.

[signature pages follow]

IN WITNESS WHEREOF, the parties have hereunto set their hands as of the
dates set forth.

RELIANCE INSURANCE COMPANY (In Liquidation)

By: *Ernie D. Smith*
Title: *Chief Liquidation Officer*
Date: *March 4, 2009*

CLARENDON NATIONAL INSURANCE COMPANY

By:
Title:
Date:

CLARENDON AMERICA INSURANCE COMPANY

By:
Title:
Date:

IN WITNESS WHEREOF, the parties have hereunto set their hands as of the
dates set forth.

RELiance INSURANCE COMPANY (In Liquidation)

By:

Title:

Date:

CLARENDON NATIONAL INSURANCE COMPANY

By:



Title: President & CEO

Date: 5/9/09

CLARENDON AMERICA INSURANCE COMPANY


By:



Title: President & CEO

Date: 5/9/09

HARBOR SPECIALTY INSURANCE COMPANY

By: 
Title: President & CEO
Date: 8/9/09

CLARENDON SELECT INSURANCE COMPANY


By: 
Title: President & CEO
Date: 8/9/09

EXHIBIT A

I. NC Select Fund - - Reliance Policy NXC 0152856

Clarendon Ref # 02765195

II. PRS WC Reinsurance

Broker Reference Number	Effective Date	Reliance Reference Number	Cover	Limits	Clarendon %
NW010391J	7/1/1996	603HAA	WC XS Cessions Treaty	\$2M xs Ded. (or deemed 100K)	33.33%
NW010401J	7/1/1996	608HAA	WC Aggregate Treaty	\$3M xs Agg Attachment	33.33%
NW010393K	7/1/1997	780KAA	WC XS Cessions Treaty	\$2M xs Ded. (or deemed 100K)	40.00%
NW010401K	7/1/1997	785KAA	WC Aggregate Treaty	\$3M xs Agg Attachment	40.00%
NW010390L	7/1/1998	869VAA	WC XS Cessions Treaty	\$2M xs Ded. (or deemed 100K)	40.00%
NW010400L	7/1/1998	864VAA	WC Aggregate Treaty	\$3M xs Agg Attachment	40.00%

EXHIBIT B

Broker	Broker Reference Number	Effective Date	Reliance Reference Number	Cover	Limits	Reliance %
EWB		8/31/1998	4495-98	Automobile and Homeowners	Quota Share	6.00%
EWB		12/31/1999	4495-99	Automobile and Homeowners	Quota Share	7.50%
Kininmonth Lambert	KW0355198	7/1/1998	NZB1670109	Per Risk XOL	\$250K xs \$250K	20.00%
Kininmonth Lambert	KW0355498	7/1/1998	NZB1670109	Per Risk XOL	\$500K xs \$500K	25.00%
Kininmonth Lambert	KW0360698	7/1/1998	NZB1670117	Per Risk XOL Back Up	\$500K xs \$500K	9.30%
Kininmonth Lambert	KW0355399	7/1/1999	NZB1199614	Per Risk XOL	\$2.5M xs \$2.5M	6.76%
EWB		3/15/1995	CP98018	TRM Bus and Limo Commercial Auto Casualty XOL	\$4.5M xs \$500K	11.11%
EWB		6/1/1996	CP96018	TRM Bus and Limo Commercial Auto Casualty XOL	\$4.5M xs \$500K	11.11%
EWB		6/1/1997	CP97018	TRM Bus and Limo Commercial Auto Casualty XOL	\$4.5M xs \$500K	10.00%
EWB		4/1/1996	CP96020	TRM Auto and GL Variable XS of Deductible/SIR	\$2M	5.00%
EWB		4/1/1997	CP97020	TRM Auto and GL Variable XS of Deductible/SIR	\$2M	5.00%
EWB		4/1/1998	CP98020	TRM Auto and GL Variable XS of Deductible/SIR	\$2M	5.00%

EXHIBIT C

POC #	Description
1009998	Re: Reliance Ref 4495-99
2100451	Re: Reliance Ref 4495-98
2100452	Re: Reliance Ref NZB1670109
2100453	Re: Reliance Europe contract
2100454	Re: Reliance Ref NZB1670109
2100456	Re: Reliance Ref NZB1670117
2100457	Re: Reliance Ref NZB1189614
2100458	Re: Reliance Europe contract
2100459	Already closed as duplicate of POC 2100471
2100460	Already closed as duplicate of POC 2100475
2100463	Already closed as duplicate of POC 2100451
2100464	Re: Reliance Ref CP97018
2100465	Re: Reliance Ref CP97020
2100467	Already closed as duplicate of POC 2100453
2100468	Already closed as duplicate of POC 2100454
2100469	Already closed as duplicate of POC 2100452
2100470	Re: Reliance Ref CP98020
2100471	Re: Reliance Ref CP95018
2100472	Already closed as duplicate of POC 2100457
2100473	Already closed as duplicate of POC 2100456
2100474	Already closed as duplicate of POC 2100464
2100475	Re: Reliance Ref CP96018
2100476	Already closed as duplicate of POC 2100470
2100477	Already closed as duplicate of POC 2100465
2100482	Already closed as duplicate of POC 1009998

2100483 Already closed as duplicate of POC 2100456

2116191 Class G Notice of Determination issued

EXHIBIT D

Keith E. Kaplan
Executive Vice President
Reliance Insurance Company in Liquidation
75 Broad Street
New York, New York 10004

Robert Redpath
Senior Vice President and General Counsel
Clarendon Insurance Group
466 Lexington Avenue, Suite 1900
New York, New York 10017

Re: Credit General Insurance Company, in Liquidation, and
Credit General Indemnity Company, in Liquidation (collectively "Credit General")
Commutation between Reliance Insurance Company, in Liquidation and Clarendon National Insurance
Company
Treaty Ref. Nos: NW010391J, NW010391K, NW010390L, NW010401J, NW010401K and NW010400L

Gentleman:

I understand that a commutation is currently being negotiated between the Liquidator of Reliance Insurance Company ("Reliance Liquidator") and Clarendon National Insurance Company ("Clarendon"). As part of that commutation, you have asked for the Credit General Liquidator's position related to the Reliance Liquidator's pursuit of recoveries on claims subject to the Reinsurance Agreements listed on Schedule A to this letter (collectively the "Reinsurance Agreements").

It is the position of the Credit General Liquidator that the Reliance Liquidator is entitled to pursue claims for recovery related to Reliance Policies that are reinsured under the Reinsurance Agreements. The term "Reliance Policies" shall mean all policies issued on Reliance paper or which have a policy number beginning with "NWA" and which are reinsured under the Reinsurance Agreements. The Credit General Liquidator agrees that she will not seek any payment from Clarendon for claims, expenses, reserves, IBNR, IBNER, or liabilities of any other type or nature, arising under the Reliance Policies. It is the intent of the Credit General Liquidator and Reliance Liquidator to eliminate the possibility of double payment/liability on the part of Clarendon for any amounts paid or due under the Reinsurance Agreements and/or the Reliance Policies. The Credit General Liquidator also agrees that she will not claim a credit for, or otherwise adjust the amount that she is seeking from Clarendon as a result of any amounts that have been paid/credited to Reinsurer by Reliance for premium on Reliance Policies.

The commutation between the Reliance Liquidator and Clarendon shall not have any impact on amounts that the Credit General Liquidator seeks to recover from Clarendon under the Reinsurance Agreements other than as set forth above. The Credit General Liquidator continues to reserve all rights under the Reinsurance Agreements.

Sincerely,

Lynda G. Loomis
Chief Deputy Liquidator

Attachment

cc: Kathleen McCain
John H. Carraher, Claims Manager
Kristen J. Brown, General Counsel

EXHIBIT E

For Reliance/the Liquidator

Keith Kaplan

Reliance Insurance Company (In Liquidation)

Three Parkway

Philadelphia, PA 19102

Tel. 215-864-4250

Fax 215-864-1077

For Clarendon

Robert Redpath

Clarendon National Insurance Company

466 Lexington Ave.

Suite 1900

New York NY 10017

Tel. 212-790-9862

Fax 212-790-9806

EXHIBIT F

Mergers of the former Reliance Insurance Group of companies into Reliance Insurance

Company:

Company	State of Domicile	Date of Merger
Reliance Insurance Company of Illinois	Illinois	January 1, 2001
Reliance National Indemnity Company	Wisconsin	February 13, 2001
United Pacific Insurance Company	Pennsylvania	February 13, 2001
Reliance Direct Insurance Company	Pennsylvania	February 13, 2001
Reliance Universal Insurance Company	California	February 13, 2001
United Pacific Insurance Company of New York	New York	February 16, 2001
Reliance National Insurance Company	Delaware	March 6, 2001
Reliance Surety Company	Delaware	March 6, 2001
Reliance Lloyds	Texas	April 6, 2001 (Dissolved)