IN THE COMMONWEALTH COURT OF PENNSYLVANIA

ROBERT L. PRATTER, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Liquidator of Reliance Insurance Company, Plaintiff, v. RELIANCE INSURANCE COMPANY, Defendant.	No. 269 M.D. 2001

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FILED

QUARTERLY REPORT OF THE LIQUIDATOR ON THE STATUS OF THE LIQUIDATION OF RELIANCE INSURANCE COMPANY AS OF SEPTEMBER 30, 2010

I. INTRODUCTION

Robert L. Pratter, Acting Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator ("Liquidator") of Reliance Insurance Company ("Reliance or Estate"), through his undersigned counsel, hereby submits this report on the status of the liquidation of Reliance, incorporating financial results and claims information through September 30, 2010 ("Report").

II. REPORT

A. Financial Statements

1. Special Purpose Statement of Assets and Liabilities

Reliance has prepared and attached as Exhibit A, a Special Purpose Statement of Assets and Liabilities showing the financial position of Reliance at September 30, 2010 and December 31, 2009 ("Statement"). The amounts set forth on this Statement for all other estimated reserves for class (b) liabilities, reinsurance recoverables and several other categories at September 30, 2010 are based upon independent actuarial estimates, utilizing data as of September 30, 2008. These estimates utilized Guaranty Association ("GA") claim data, Proof of Claim ("POC") and Notice of Determination ("NOD") data, pre-liquidation historical data and industry data. Actual liability figures will not be known for several years because, among other things, many of the claims will not develop for some time or are contingent claims dependent on a resolution of underlying litigation which may not be resolved for several years. An independent actuarial firm prepared an analysis of class (b) liabilities on direct business (see paragraph A.9). Due to the inherent complexity of the loss reserving process, the potential variability of the assumptions used and the variability resulting from the effect of the liquidation process, the actual emergence of losses may be significantly different than the estimates included in the Statement.

The reinsurance receivables and reinsurance recoverables shown on the Statement may also change significantly over time because, among other things, a) the amount of reinsurance recoverable will not be known until all valid POCs have been evaluated and allowed amounts determined and b) reinsurance collection will be affected by valid offsets, disputes and uncollectible amounts due to the financial condition of reinsurers.

Thus, the Statement does not fully reflect the effects of the liquidation upon many assets and liabilities and also does not include an estimate of the liquidation expenses that will be incurred by Reliance and the GAs in administering the Estate over time. Reliance liquidation expenses are class (a) first priority payments under the Insurance Department Act of 1921, 40 P.S. §221.1 et seq. ("Act"), as are certain GA expenses to the extent permitted by the Act. Both Liquidator and GA expenses will be significant and will be paid before distributions for claims under policies for losses, class (b) priority, and other lower classes of creditors. Consequently, the ultimate distribution to creditors is unknown at this time. For this reason, third parties should not rely on the financial information contained herein as providing any certainty as to the ultimate distribution that will be made from Reliance. The Notes to the Special Purpose Statements, attached as Exhibit D, describe the limitations of the Statements and should be included in any review of Reliance's financial information.

As of September 30, 2010, the Statement shows estimated total assets were $5.3 billion, with the most significant balance, $2.1 billion, relating to total invested assets. Early access advances to GAs total $2.1 billion (see paragraph C.2). Reinsurance receivables and future reinsurance recoverables were $1 billion.

Total estimated liabilities at September 30, 2010 were $8.9 billion. The largest class of liabilities is class (b) creditor claims which total $7.6 billion. The $7.6 billion is comprised of GA paid losses of $2.8 billion, GA reported reserves of $1.2 billion, NODs issued by the Estate of $787.7 million, and $3 billion for all other reserves. A reduction is shown for $190.7 million in distribution payments already issued to class (b) creditors. The $3 billion is comprised of estimated reserves for current claims, including POCs where a NOD has not yet been issued, estimated amounts for future claims to be reported to the Estate and reserves for GA claims in excess of GA reported reserves. The second largest class of liabilities are class (e) general creditor claims under 40 P.S. §221.44 which total $1.2 billion, subject to valid offsets.

Attached to this report as Exhibit B is a Special Purpose Statement of Changes in Policyholders' Surplus for the nine months ended September 30, 2010 and for the period from October 3, 2001 to September 30, 2010. The estimated net deficit at September 30, 2010 was $3.6 billion, up from $2.7 billion at the date of liquidation, but is subject to change as noted above.

2. Statement of Cash Receipts and Disbursements and Changes in Short and Intermediate Duration Investments

Attached to this report as Exhibit C is a Statement of Cash Receipts and Disbursements and Changes in Short and Intermediate Duration Investments ("Cash Flow Statement") for the period from January 1, 2010 through September 30, 2010. Short and intermediate duration investments available at the beginning of the period were $2.16 billion, decreasing to $2 billion at the end of the period.

Reinsurance collections, totaling $189.5 million, were the primary source of cash receipts for the period. For further explanation of reinsurance collections, see paragraph A.8. Other sources of receipts included premium collections, claim recoveries and investment income. Total cash receipts were $274.7 million for the period.

Cash disbursements for the nine months consisted of early access advances to the GAs of $369.7 million, payments under the second interim distribution to class (b) creditors of $85.1 million (see paragraph D.2), operating expenses of $65.9 million, and losses and allocated loss adjustment expenses ("ALAE") of $1.1 million. Additional detail is provided for operating expenses in paragraph B.2. Total cash disbursements were $521.8 million.

The increase in market value of short and intermediate duration investments managed by investment managers, which is considered a non-cash item, was $40.5 million for the first nine months of 2010, as compared to an increase of $164.3 million experienced during 2009. The total investment return for the portfolio for the nine months ended September 30, 2010 was 5.62%. Overall, short and intermediate duration investments decreased for the nine months ended September 30, 2010 by $206.6 million.

3. Short and Intermediate Duration Investments

Due to strong positive cash flows since the beginning of the liquidation, primarily reinsurance collections and asset sales, the investment portfolio is $2 billion as of September 30, 2010. Excess cash flows over and above the immediate operating needs of the Estate are transferred to investment managers and invested in short and intermediate duration bond portfolios and an equity index fund. An Investment Committee oversees the investment operations at Reliance under approved investment guidelines. The Committee utilizes investment advisors, money managers, valuation consultants and other professionals in its oversight duties. Specific securities held in the portfolio are regularly traded as the managers actively manage the portfolio in accordance with the guidelines.

4. Investments Held in Segregated Accounts

At September 30, 2010, Reliance held $5.6 million in trust for specific obligations to secured creditors relating primarily to losses on assumed reinsurance business. In addition, Reliance held $6.4 million representing collections under large deductible policies, which are not

Estate assets and will be administered and paid to GAs and other claimants in accordance with 40 P.S. §221.23a.

At September 30, 2010, Reliance held $14.9 million solely for the benefit of uncovered claimants (claimants whose class (b) losses are not covered by GAs). This balance consists of funds received from the settlement of the large deductible reimbursement dispute with the GAs, plus accrued interest.

5. **Real Estate**

On April 26, 2010 this Court approved the sale of the last remaining piece of real estate, 3 acres in Loudoun County, VA, and the proceeds of $474,215 were received.

6. **Affiliates and Subsidiaries / Non-Liquid Investments**

Reliance continues to monitor all remaining assets in this category to determine the best strategy and timing for maximizing value. Included in these assets are the Reliance Canadian branch (currently in a separate liquidation proceeding in Canada); RCGIT, the information technology indirect subsidiary of Reliance; residual equity from liquidation of the former Reliance Singapore and UK subsidiaries; and various other illiquid securities, including the investment in Onyx (a private real estate company) whose underlying properties may provide some value in the future.

7. **Premium Balances**

As of September 30, 2010, Reliance estimates current and future premium receivables of $46.1 million which includes billed receivables and an estimate of $33.5 million for future billings under retrospectively rated policies, where future premium billings will be based on paid losses. Premiums on retrospective policies will be billed and collected on an ongoing basis.

Reliance is aggressively pursuing receivable amounts due the Estate and legal proceedings have been initiated where appropriate.

8. Reinsurance

a. Reinsurance Billings and Collections

As of September 30, 2010, reinsurance receivables and future reinsurance recoverables were $1 billion after deductions for estimated future uncollectible amounts and offsets. At September 30, 2010, Reliance held approximately $306 million in collateral from certain reinsurers as security for this exposure. Reinsurance collections for the nine months ended September 30, 2010, totaled $189.5 million with total collections of over $3.3 billion since the date of liquidation. These totals are inclusive of receipts on ordinary ceded loss billings, dispute settlements, commutations, releases of funds from reinsurance trusts and distributions from insolvent reinsurers.

The inventory of billed reinsurance receivables was $86 million as of September 30, 2010, with a significant portion either in dispute, claimed by reinsurers as offsets, or due from insolvent or financially distressed companies. The amount readily available to collect was estimated at $41 million. Included as Exhibit E is a listing of balances due from reinsurers at September 30, 2010.

On a monthly basis, Reliance receives GA data feeds reflecting paid and outstanding claim information. This GA data plus the NODs issued by the Liquidator have generated over $2 billion of post-liquidation reinsurance billings.

Reliance deals with many reinsurers who have significant offset balances due to assumed reinsurance business written by Reliance. The research and reconciliation analysis required for the offset process will continue for several years as claims from the assumed business mature and are reported to the Estate.

b. Reinsurance Collection Issues

Reinsurance is one of the largest assets of Reliance and the structure, procedures and controls within the Reinsurance Department and throughout the Estate operations have been designed to maximize collections in a liquidation environment. Reliance has dedicated staff, many of whom have extensive reinsurance experience, coordinating with reinsurers to provide appropriate claims documentation, respond to inquiries, resolve disputes and verify proper offsets. Reliance also continues to seek additional cooperation and support from insureds, claimants and the GAs in providing timely, complete and accurate claims documentation and data to support reinsurance billings. Reliance has completed 12 reinsurance reviews at various GAs during the first nine months of 2010.

Notwithstanding these efforts, reinsurance collections are a difficult and lengthy process in liquidation. In almost all cases, time frames for responses and payments from reinsurers have lengthened considerably. While there are some reinsurers who have dealt with Reliance in a professional, responsive manner, many do not fall into this category. Many reinsurers now require much more documentation - significantly more than prior to liquidation and often more than is contractually required. The reinsurers then respond with many questions in a series of inquiries before even stating their payment position on the billings. Numerous requests for reinsurer audits have been accommodated and these requests will continue in the future. Some of the audits are used by the reinsurers to inflate perceived or minor discrepancies, which provide reinsurers with a contrived basis for delay, forced compromise, commutation settlement or for trying to avoid liability altogether. Formal and informal dispute resolution actions continue against several reinsurers with substantial overdue balances. At September 30, 2010, Reliance had legal actions pending against CNA, Markel International Insurance Co, Ltd., Odyssey Re and Republic Western, as well as three legal actions pending against Underwriters at Lloyds. Reliance expects to commence additional legal actions against recalcitrant reinsurers in the future, as necessary, to enforce its rights.

Collections in this environment result from constant, intensive day-to-day "blocking and tackling" by the Reinsurance Department, assisted by the Claims Department and other Reliance staff at all levels. Liquidator and Reliance staffs have decades of experience in reinsurance collections, specifically including collections in a run-off or liquidation environment. In addition, they are intimately familiar with the several thousand complex treaties and facultative placements covering the wide variety of Reliance products marketed over the last 20 years. Reliance is in constant contact with its major reinsurers and will continue its aggressive collection efforts.

Reliance also uses commutations as an alternative in dealing with reinsurers. In a commutation, Reliance receives a lump sum payment today from its reinsurer representing an estimate of all known and future unknown losses. During 2007, Reliance targeted a small select group of companies for commutation, where significant data was available on known loss exposures. During 2008 and 2009, as more updated claims information became available and the independent actuarial review was completed, the program expanded and commutations will continue to be a significant source of collections going forward. Reliance is now capable of evaluating commutations for any aspect of its insurance business – by line of business, by reinsurance contract and by reinsurer. Where applicable, commutations are submitted for approval consistent with the asset guidelines previously communicated by this Court.

Reinsurer financial strength remains a problem for the insurance industry in general - particularly in the current economic environment - and will continue to be a major concern for the duration of the liquidation proceedings. Reliance has dedicated resources to monitor the financial condition of its significant reinsurers and where possible will attempt to settle its overall exposure with distressed companies through commutation. In these distressed commutation situations, it is likely that Reliance will accept substantial discounts for its recoverables. Similar to many ongoing insurance entities, Reliance experiences significant write-offs for uncollectible reinsurance and disputes. Thus, an appropriate bad debt reserve has been established.

9. Independent Actuarial Review

In June 2009, PricewaterhouseCoopers LLP ("PwC") completed a post-liquidation independent actuarial review of estimated direct losses and ALAE exposures, both known and unknown, as well as related future reinsurance recoverables. Estimates were based on information as of September 30, 2008, including GA claim data, POC and NOD data, pre-liquidation historical data and industry data modified for current trends as well as prevailing economic, legal and social conditions. The PwC central estimate, which was first reflected in the June 30, 2009 Statement, represents one possible value in the range of acceptable estimates. Actual results will differ from these point estimates, and perhaps significantly. Estimates of ultimate losses and ALAE, which are reflected in the current Statement under class (b) liabilities, have not been updated to reflect any loss experience subsequent to September 30, 2008.

B. Expenses

1. Losses and Allocated Loss Adjustment Expenses

Losses and ALAE shown on the Cash Flow Statement, Exhibit C, represent amounts incurred by the Estate for handling certain creditor claims, POCs, NODs and the related objection process.

2. Operating Expenses

The operating expenses of Reliance relate to efforts by the Liquidator to marshal and maximize the assets of the Estate for the benefit of all Reliance policyholders and claimants, as well as to review and determine the ultimate liabilities of the Estate, to fulfill the public policies and purposes of the Act and the liquidation process, and to investigate and hold accountable those third parties responsible for the insolvency of Reliance.

Attached as Exhibit F is an Operating Expense Analysis which indicates the total dollars paid for each expense category for the nine months ended September 30, 2010 and compares actual performance to budgeted amounts and prior year's actual expenses. As detailed in the Operating Expense Analysis and supporting schedules, the administrative expenses of Reliance for the nine months ended September 30, 2010, totaled $43.1 million, compared to a budget of $46.0 million and actual expenses in 2009 of $49.7 million. Reliance paid expense reimbursements to GAs of $22.8 million compared to a budget of $22.8 million and actual expenses in 2009 of $3.2 million. Brief explanations regarding certain aspects of the expenses are provided below, by category.

On September 27, 2010, this Court approved the administrative expenses paid by the Liquidator for 2009 in the amount of $64.7 million. Through September 30, 2010, this Court has approved a total of approximately $814.5 million in administrative expenses incurred and paid by the Liquidator.

a. Salaries, Employee Benefits and Taxes

At September 30, 2010, Reliance had a total of 165 employees in both the Philadelphia and New York City offices. Since January of 2010, staff count has declined by 21 employees. Reliance also uses consultants to support the operations, especially in the Information Technology ("IT") area. At September 30, 2010, there were 31 consultants of whom 28 were related to the IT business application systems and production environment.

b. IT Outsourcing Expenses

The third party provider outsourcing agreement with Acxiom to maintain the IT technical infrastructure necessary to execute Reliance's business application systems ended November 30, 2010. The agreement had covered data center and network equipment, software and services, plus support services for help desk, desktops, on-site servers, and operational and disaster recovery. In 2010, when Reliance completed expense reduction initiatives which included moving from a mainframe computer to a more cost effective in-house server environment, Reliance's outsourcing requirements were reduced. The IT services previously provided through Acxiom are now provided through a combination of other outsourcing arrangements and in-house resources at significantly reduced costs with improved flexibility. RCG IT, which is a wholly owned subsidiary of Reliance, continues to provide production support, maintenance, security, and development services for Reliance's business application systems.

c. Legal Fees and Expenses

Attached as Exhibit G is a schedule containing the legal expense detail by firm (excluding ALAE) for the third quarter of 2010. In addition to law firms, the schedule includes referees for disputed NOD matters, reinsurance arbitrators and other litigation and legal support service providers. The legal expenses of the Reliance Estate can be divided into two general categories of legal matters: (1) Estate administration and (2) general asset recovery. Issues arising from the administration of the Estate, which include ordinary operations and the complex Reliance products and business structures, implicate the laws of many jurisdictions, including state, federal and foreign.

Reliance has also undertaken numerous plaintiff actions to recover assets owed to the Estate, including the recovery of reinsurance. Some of these actions seek recovery of deductible amounts that benefit only the GAs. As of September 30, 2010, the pending actions include both litigation and arbitrations, for (1) approximately $1.5 million sought from agencies, third party administrators, brokers or program managers; (2) approximately $4.3 million sought in bankruptcy proceedings from financially distressed insureds for which we have no collateral, insufficient collateral, or the collateral for our claim is disputed; (3) approximately $5.6 million sought in subrogation matters; (4) approximately $3 million sought in premium and large deductible collections; (5) approximately $13.7 million sought in reinsurance recoveries; and (6) approximately $2 million sought in other litigation. In the third quarter of 2010, Reliance recovered approximately $4 million through legal actions. Since January 2003 through the third quarter of 2010, Reliance has recovered in excess of $338 million through legal actions, a portion of which benefits the GAs.

d. <u>Professional Services Expenses</u>

Attached as Exhibit H is a schedule containing the professional service expense detail by vendor name for the nine months ended September 30, 2010. The individual professionals and firms listed in the schedule include, among other things, investment managers, London market broker services, imaging services, auditing services, actuarial services, and permanent and temporary staffing services which provide resources for the IT, Claims and Reinsurance Departments as needed. The professional service expense schedule also contains entries for professional services provided to Reliance by the Pennsylvania Insurance Department, either directly by the professional staff of the Office of Liquidations, Rehabilitations and Special Funds, or through specialized consultants hired to assist the Liquidator in administering the liquidation of Reliance.

e. Rent

Rent is primarily attributable to office space in New York and Philadelphia. Reliance reconfigures workspace wherever possible in order to reduce costs by consolidating space requirements.

f. Guaranty Association Expenses

The Operating Expense Analysis, Exhibit F, lists as administrative expenses of the Estate certain expenses of the GAs which are incurred in handling claims of Reliance policyholders and claimants, pursuant to 40 P.S. §221.44(a). Reliance receives regular quarterly reports from most GAs and their valid class (a) administrative expenses are reimbursed on an ongoing basis. The total GA administrative expenses paid by Reliance from inception of the liquidation through September 30, 2010, was $231.4 million with another $50.2 million currently awaiting review and reimbursement. Attached as Exhibit I is a schedule showing the administrative expenses reported to Reliance by GAs as of September 30, 2010.

Reliance conducts periodic desk and on-site reviews of GA administrative expenses and makes appropriate adjustments. With respect to inaccurate administrative expense data, overpayments, reductions, reclassifications or adjustments, both the Liquidator and the GAs have reserved their respective rights to seek appropriate relief, if and as needed. As Reliance ultimately evaluates these expenses, the vast majority will be allowable as class (a) claims. However, there will likely be certain disagreements between the Liquidator and the GAs that will be addressed and resolved by the Court.

C. <u>National Conference of Insurance Guaranty Funds ("NCIGF")</u>

The GAs are an essential part of the liquidation safety net, providing significant coverage to certain policyholders and paying covered claims as defined and required by their respective statutes. The liquidation of Reliance, as the largest U.S. property and casualty liquidation, has been challenging for all involved, including GAs. From the start of the liquidation, Reliance met regularly with a task force and various working groups organized through the NCIGF, whose members include almost all of the state property and casualty insurance GAs in the United States. The meetings have focused on continuing operational issues such as large deductible reimbursements; claim handling and closed claim procedures; communication protocols; GA data reporting and UDS protocol; reconciliation issues; the priority, classification and reporting of administrative expenses and related reviews; and Reliance product and policy information. Another area of continuous discussion is the necessity for coordination of reinsurance reviews and loss reporting to maximize reinsurance collections. The NCIGF, most GAs, and Reliance have established a close working relationship and will continue to address the extensive and complex issues involved in the Reliance Estate in a professional, mutually cooperative and beneficial manner.

1. Status of Uniform Data Standards ("UDS")

A dedicated department within Reliance was established early in the liquidation to coordinate with the various GAs and their vendors in managing the data reporting process and reviewing exception items. There are now 58 GAs reporting monthly paid and outstanding loss information through a UDS automated interface, both of which are subsequently processed in Reliance operating systems to update claim records and generate the related reinsurance billings and notices. Two small GAs are reporting on a manual basis to the Estate. Over 99% of GA payments and reserves have been matched to Reliance systems.

2. Early Access

On December 29, 2009, the Liquidator filed his Fifth Early Access Proposal, and on February 23, 2010, this Court approved the proposed early access advance based on 55% of the loss claims incurred by each GA, up to a maximum of each GA's paid loss claims. The approved payments total approximately $400 million which has been paid to the GAs. Those GAs who had already received more than 55% of their incurred loss claims through previous early access distributions, have refunded excess amounts of approximately $28.6 million to the Liquidator.

3. Large Deductible Policies

Pursuant to large deductible agreements with certain insureds executed prior to liquidation, those insureds either made arrangements for Reliance to process their claims within the deductible while the insured funded the claims payments, or in some cases, Reliance paid all claims and subsequently billed and collected the deductible amounts from the insureds. In either event, most insureds with large deductible policies were required to provide collateral to Reliance to secure their obligations to pay or to reimburse Reliance for claims paid by Reliance within the deductible.

The provisions of 40 P.S. §221.23a, adopted in 2004 by the Pennsylvania legislature, conferred the benefit of the large deductible reimbursements solely on the GAs and created numerous additional duties and responsibilities for a liquidator in the handling of insured collateral and collection of deductibles. The GAs are coordinating with Reliance to ensure a cooperative implementation of 40 P.S. §221.23a. On a gross basis, approximately $116 million of deductible collections has been distributed to the GAs.

D. <u>Claims Process</u>

The deadline for filing POCs was December 31, 2003. As of September 30, 2010, Reliance has received a total of 160,012 POCs. Of these 160,012 POCs, 11,212 were received after the claim filing deadline, including 128 new POCs received in the third quarter of 2010. Notwithstanding the claim filing deadline, Reliance continues to receive new POCs and many of these POCs may be considered timely filed if the claimant can show good cause for the late filing.

1. <u>Status of POCs</u>

As of September 30, 2010, Reliance has issued NODs for 153,681 of the 160,012 POCs for a total allowed amount of $885,266,882. Reliance has now issued NODs for more than 96% of the POCs filed with the Estate. This Court has approved 151,408 of those NODs, as of September 30, 2010, for a total allowed amount of $825,763,725. Exhibit J breaks down this information by priority class and Exhibit K provides the same information for only the third quarter of 2010. Although Reliance has addressed a significant portion of the pending POCs, it is expected that new POCs will continue to be filed as claims, previously unknown or contingent, continue to develop.

Exhibit L indicates the status of all 160,012 POCs received as of September 30, 2010. Of the 6,331 POCs remaining to be evaluated, 1,695 relate to claims currently being handled by the GAs and these POCs will be addressed by Reliance once the GAs close their claim files and return them to Reliance. In total, GAs are currently handling approximately 7,829 open Reliance claims. Approximately 1,643 of the 6,331 POCs are either 1) POCs where the claimant has identified a specific claim but the underlying claim has not yet been resolved ("contingent claim") or proper documentation has not been provided to Reliance or 2) POCs where the claimant has notified Reliance that there may be a claim in the future, but has not yet identified any particular claim.[1] It is expected that additional claims will develop under the POCs filed without identification of any particular claim.

Approximately 2,673 POCs are in various stages of review and evaluation and therefore, in one or more aspects, the Estate is awaiting information. As part of that process, Reliance requests additional information from the claimant, or other sources, as necessary. When complete information is provided quickly, the POC will move to the next category of ready to evaluate. As of September 30, 2010, there were 320 POCs ready to evaluate and for which NODs will be issued within 180 days. The movement of POCs through the various categories is

[1] Reliance wrote a variety of long tail lines of business, including: (1) workers compensation; (2) medical malpractice; (3) construction defect; (4) errors & omissions; (5) directors & officers liability; (6) environmental (asbestos and pollution); and (7) professional liability. For reasons unrelated to the Reliance receivership, but based rather on the nature of the insurance coverage written by Reliance and the claims under those policies, it will be many years before some of these long tail claims will be resolved so that they can proceed through the review and evaluation process.

a continuous process when adequate information is provided by claimants. In 2007 this Court issued Orders on May 1, and November 19, requiring claimants to submit complete information about their claims in a timely fashion. Those Orders continue to assist the Liquidator in obtaining current and timely information from claimants.

2. Status of Distribution

On January 17, 2008, this Court approved the Liquidator's Petition for First Interim Distribution allowing a 20% distribution to all class (b) claimants whose NOD is approved by this Court. On March 29, 2010, this Court issued its order approving the Liquidator's Petition for Second Interim Distribution. The recommended 10% increase in the distribution percentage was approved for all class (b) Eligible Claimants for a total cumulative interim distribution of 30% of the allowed amount of each NOD (subject to the aggregate safety factor) which has been approved by the Court.

On February 23, 2010, this Court approved the Liquidator's Petition to Supplement the Court's November 19, 2007 First Aggregate Order, reducing by 20% (from 60% to 40%) the safety factor percentage applicable to any distribution calculation to Eligible Claimants on Court approved NODs representing claims under aggregate policies. The safety factor percentage is designed to hold back a portion of the aggregate limits for any future adverse claims development. At September 30, 2010, the total aggregate safety factor as applied to the distribution calculation was $31.3 million.

The Liquidator has continued to periodically issue distribution checks to claimants whose NOD is subsequently approved by the Court. As of September 30, 2010, $190.7 million has been distributed to class (b) claimants for approximately 5,000 NODs. On November 24, 2010, the Liquidator submitted his Report and Recommendation on Resolved Claims as of June 30, 2010 which seeks approval of an additional 1448 NODs for $37,948,570.

3. Objections to NODs

As of September 30, 2010, the Liquidator has received a total of 1,243 objections to the 160,012 NODs issued, an objection rate of approximately 0.7%. Large groups of these objections relate to several claimants with similar types of claims and thus are resolved collectively through the dispute resolution process. Of the 1,243 objections received, 1000 have been resolved and 74 of the 243 unresolved objections have been assigned to referees. Exhibit M indicates the status of all objections received through September 30, 2010 and Exhibit N breaks down this information by priority class and also includes the allowed amounts for objections in each priority class.

4. GA Claims

In addition to the individual POCs filed by claimants, the GAs have each filed omnibus POCs representing their claim against the Estate. In addition to evaluating all POCs filed by policyholders and other claimants, it is also necessary to review and evaluate administrative expense claims, loss and ALAE claims, unearned premium claims, and any other claims submitted by the GAs, and reconcile the GA quarterly expense reports and UDS data with Reliance books and records. As a group, the GAs represent the largest creditor of the Estate. On November 19, 2007, this Court issued its Order ("GA Claims Order") approving the Liquidator's Amended Petition to Supplement the September 9, 2002 Claims Procedures Order To Address the Administration of GA Claims. The GA claims process presents several unique issues and this Order approved procedures which allowed the Liquidator to address those issues.

a. Administrative Expense Claims

Certain allowed GA administrative expenses are priority class (a) claims under 40 P.S. §221.44. As previously noted, most GAs report their administrative expenses on a quarterly basis and are reimbursed on a regular basis. As of September 30, 2010, the GAs have reported administrative expenses totaling approximately $293.1 million. Paragraph B.2.f above explains the review process for these administrative expense claims in some detail. On January 14, 2010, this Court approved the first Liquidator's Report and Recommendation on Undisputed Guaranty Association Administrative Expenses through December 31, 2007, thereby approving administrative expenses for 24 GAs totaling $72,202,116. On October 28, 2010 the Liquidator filed his Petition for approval of Report and Recommendation on Undisputed Guaranty Association Administrative Expenses Submitted through December 31, 2008. The petition recommended approval of administrative expenses for 45 GAs totaling $41,569,684.

b. Loss and ALAE Payments

Most GAs report their loss and ALAE payments through the UDS interface (see paragraph C.1 above). As of September 30, 2010, the GAs have paid approximately $2.88 billion for losses and ALAE under Reliance policies and $1.64 billion of cash advance distributions have been made to them through early access, in addition to $421 million held in special deposits. The GAs' outstanding reserve for remaining losses and ALAE totals approximately $1.173 billion. Therefore, in total through the end of the liquidation, the GAs have estimated approximately $4 billion in loss claims and ALAE. Exhibit I shows the total losses and ALAE paid as well as losses and ALAE reserves reported by each GA at September 30, 2010.

Both the paid amounts and outstanding reserves reported by GAs over time are graphically shown in Exhibit O attached hereto. As indicated by the graph, the GAs have paid approximately 71% of the total dollar amount that they ultimately expect to incur for all claims. These totals do not include past or future GA administrative expenses.

As of September 30, 2010, this Court has approved class (b) claims totaling $956,894,414 for GAs, some of which may be subject to 40 P.S. §221.40(d) regarding aggregate limits.

c. Life and Health Guaranty Associations

On August 3, 2010, this Court approved the first Liquidator's Petition for Approval of Reports and Recommendations on Undisputed Life and Health Guaranty Association Claims through December 31, 2009. The Life and Health GAs covered the contractual obligations under accident and health policies issued by Reliance. The Order approved administrative expense claims for 49 Life and Health GAs totaling $6,445,970 and loss/ALAE claims for 51 Life and Health GAs totaling $32,073,449.

d. Guaranty Association Notices of Determination

On November 24, 2010, the Liquidator filed a Petition for Approval of Report and Recommendations on Guaranty Association Notices of Determination through December 31, 2008 ("GA NOD Report"). This GA NOD Report is the first report filed by the Liquidator for approval by this Court of undisputed NODs issued to the GAs. It seeks approval of 36 NODs issued to the GAs, to which the GAs did not object, for $1,929,234.

Pursuant to the GA Claims Order, NODs are issued to the GAs only when a GA claim, or portion of a GA claim, will not be allowed by the Liquidator. Some of the NODs issued to the

GAs may be disputed by the GAs and those will be resolved through the objection process set forth in the September 9, 2002 and December 12, 2008 case management orders.

Only undisputed GA NODs or those GA NODs which are resolved by the Liquidator after an objection is filed will be included on the GA NOD Report. When GA claims are allowed in full, the claims will be included in the Report and Recommendation on Undisputed GA Claims.

E. Other Operational Updates

1. Collateral Release

Pursuant to the November 30, 2001 Order of this Court, the Liquidator has established a structured process to carefully review requests for the release of collateral held to secure obligations for direct insureds (primarily large deductible policies), certain reinsurers (including captive reinsurers), and premium receivables. The extensive review process includes input from several Reliance departments, including Policy Finance and Administration, Actuarial, Claims, and Finance. As of September 30, 2010, Reliance held collateral of $747 million to secure current and future obligations. For the nine months ended September 30, 2010, 135 accounts were reviewed, resulting in a release of $59 million for 74 accounts; no collateral was released for 38 accounts; and the remaining 23 accounts were otherwise resolved (e.g., closeouts, no remaining collateral).

2. Reinsurance Cut-Throughs

A committee was established to review and recommend action for reinsurance cut-through requests submitted to the Liquidator. Since the implementation of the guidelines, 38 cut-through requests have been submitted to the Liquidator. The Liquidator has approved 25 of these requests. Of these 25, 24 have been approved by the Court and 1 was pending before the Court. Of the remaining 13 requests, 8 were disapproved by the Liquidator, 2 were withdrawn and 3 were pending before the Liquidator as of the end of the third quarter. Two of the 8 requests that were disapproved by the Liquidator were never contested, 2 were also disapproved by the Court and 4 were disputed. As of September 30, 2010, 1 of the 4 disputed matters had been stayed by the Court upon the consent of the parties, 1 was dismissed with prejudice upon stipulation of the parties and approval of the Court, and 2 were approved the Court.

3. Ancillary and Foreign Receiverships

Ancillary receivership proceedings were initiated in Arizona, Arkansas, Florida, Idaho, Maryland, Massachusetts, New Mexico, New York, North Carolina, Oregon, Puerto Rico, and South Carolina, primarily to trigger the obligations of GAs in those states or to take possession of the statutory deposits so that they could be transferred to the appropriate state GA. Both Florida and Idaho have closed their ancillary receiverships and there has been limited activity in the other ancillaries.

As previously reported, the Reliance Canadian ("CN") branch was placed in liquidation in Canada and the Reliance Liquidator was appointed as an inspector in those proceedings. KPMG, in its capacity as liquidator of the CN branch, oversees daily operations. The CN court recently ordered a final claims bar date of December 17, 2010 for all policy loss claims. Although a long-term run-off plan has been developed and is being monitored by KPMG and Reliance, a sales or assumption transaction may be possible, depending on market conditions, and would be considered at the appropriate time.

Respectfully submitted:

By: ______________________

PRESTON BUCKMAN (I.D. #57570)
Special Funds Counsel
Pennsylvania Insurance Department
Capitol Associates Building
Office of Chief Counsel
901 North 7th Street
Harrisburg, PA 17102
(717) 787-6009

Attorney for Robert L. Pratter, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Statutory Liquidator of RELIANCE INSURANCE COMPANY

Dated: December 22, 2010

CERTIFICATE OF SERVICE

I, Marilyn K. Kincaid, hereby certify that on or about this day, pursuant to the Court's Orders of April 1, 2004 and December 12, 2008, service of the foregoing Quarterly Report of the Liquidator on the Status of the Liquidation of Reliance Insurance Company as of December 31, 2009 was made on the attached Master Service List and Objector's List through the transmission of a Notice of Filing and through posting of a true and correct copy in PDF file format on the Reliance Documents website (www.reliancedocuments.com).

Dated: December 22, 2010

Marilyn K Kincaid

MARILYN K. KINCAID

Master Service List

Robert L. Pratter, Acting Insurance Commissioner of the Commonwealth of Pennsylvania
v.
Reliance Insurance Company
No. 269 M.D. 2001 (Commonwealth Court of Pennsylvania)

Preston M. Buckman, Esquire, (717) 787-6009
Department Counsel for Insurance
Governor's Office of General Counsel
Commonwealth of Pennsylvania
Insurance Department
Office of the Chief Counsel
Capitol Associates Building
901 North 7th Street
Harrisburg, PA 17102
Phone: (717) 787-6009
Fax: (717) 772 4543
E-mail: pbuckman@state.pa.us
(Attorneys for the Pennsylvania
Insurance Department)

Marilyn K. Kincaid, Esquire, (215) 864-4205
Reliance Insurance Company
(in Liquidation)
Three Parkway
5th Floor
Philadelphia, PA 19102
Phone: (215) 864-4205
Fax: (215) 864-4105
E-mail: marilyn.kincaid@relianceinsurance.com
(Attorney for Reliance Insurance
Company (in Liquidation))

Richard F. McMenamin, Esquire, (215) 963-5751
David L. Harbaugh, Esquire
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
Phone: (215) 963-5751
Fax: (215) 963-5001
E-mail: dharbaugh@morganlewis.com
rmcmenamin@morganlewis.com
(Attorneys for Fuji Bank)

Richard F. McMenamin, Esquire, (215) 963-5596
Erica Smith Klocek, Esquire
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
Phone: (215) 963-5596
Fax: (215) 963-5001
E-mail: esklocek@morganlewis.com
rmcmenamin@morganlewis.com
(Attorneys for Milliken & Company)

Richard F. McMenamin, Esquire, (215) 963-5596
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
Phone: (215) 963-5596
Fax: (215) 963-5001
E-mail: rmcmenamin@morganlewis.com
(Attorneys for The Bank of New York Mellon
(Formerly Mellon Bank, N.A.)

Jayson R. Wolfgang, Esquire, (717) 237-4852
Buchanan Ingersoll
One South Market Square
213 Market Street, 3rd Floor
Harrisburg, PA 17101
Phone: (717) 237-4852
Fax: (717) 233-0852
E-mail: jayson.wolfgang@bipc.com
(Attorneys for Federal Insurance Company)

Rowe W. Snider, Esquire, (312) 443-0700
Steven T. Whitmer, Esquire
Julie L. Young, Esquire
Locke Lord Bissell & Liddell LLP
111 S. Wacker Drive
Chicago, Illinois 60606
Phone: (312) 443-0700
Fax: (312) 443-0336
E-mail: rsnider@lockelord.com
swhitmer@lockelord.com
jyoung@lockelord.com
(Attorneys for Illinois Insurance Guaranty Fund)

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Daryn E. Rush, Esquire, (215) 446-6220
Gibbons PC
1700 Two Logan Square
18th & Arch Streets
Philadelphia, PA 19103-2769
Phone: (215) 446-6220
Fax: (215) 446-6336
E-mail: drush@gibbonslaw.com
(Attorney for Baptist Health South Florida, Inc., Palm Springs General Hospital, and Travelers Casualty and Surety Co.)

Amy Daubert, (717) 787-2567
Chief Counsel
Pennsylvania Insurance Department
Office of Chief Counsel
1341 Strawberry Square
Harrisburg, PA 17120
Phone: (717) 787-2567
Fax: (717) 772-1969
E-mail: adaubert@state.pa.us
(Counsel for Joel S. Ario,
Insurance Commissioner of the Commonwealth of Pennsylvania)

Timothy P. Law, (215) 851-8100
Matthew D. Rosso
Toki Rehder
Reed Smith LLP
2500 One Liberty Place
1650 Market Street
Philadelphia, PA 19103
Phone: (215) 851-8100
Fax: (215) 851-1420
E-mail: tlaw@reedsmith.com
mrosso@reedsmith.com
trehder@reedsmith.com
(Counsel for Unisys Corporation and Tribune Company, Lincoln National Corporation, Warrantech et. al)

Samuel M. Danskin, (714) 918-7000
Green & Hall, APC
1851 E. First Street
10th Floor
Santa Ana, CA 92705
Phone: (714) 918-7000
Fax: (714) 918-6996
E-mail: sdanskin@greenhall.com
(Counsel for Brian and Sarah Chisick)

Henry M. Sneath, (412) 288-4000
Bridget M. Gillespie, (412) 288-4017
Picadio Sneath Miller & Norton, P.C.
4710 US Steel Tower
600 Grant Street
Pittsburgh, PA 15219-2702
Phone: (412) 288-4000
(412) 288-4017
Fax: (412) 288-2405
E-mail: hsneath@psmn.com
bgillespie@psmn.com
(Counsel for Washington Mutual Bank ("WAMU"), as successor to Hawthorne Financial Corp. and Hawthorne Saving, F.S.B.)

Stephen A. Loney, Jr., (267) 675-4600
Hogan & Hartson LLP
1835 Market Street
29th Floor
Philadelphia, PA 19103
Phone: (267) 675-4600
Fax: 267-675-4601
e-mail: saloney@hhlaw.com
(Counsel for Genworth Life Insurance Company and Genworth Life and Annuity Insurance Company (formerly General Electric Capital Assurance Company, First Colony Life Insurance Life Insurance Company, Federal Home Life Insurance Company, and GE Life and Annuity Assurance Company) and National Structured Settlements Trade Association)

Frank P. DeGiulio, (215) 625-9900
Charles P. Neely
Palmer Biezup & Henderson LLP
956 Public Ledger Building
620 Chestnut Street
Philadelphia, PA 19106-3409
Phone: (215) 625-9900
Fax: (215) 625-0185
e-mail: fpd@pbh.com
cneely@pbh.com
(Counsel for Republic Western Insurance Company)

Craig Tractenberg, (212) 940-3722
NIXON PEABODY LLP
Two Penn Center
1500 JFK Blvd
Suite 200
Philadelphia, PA 19102
Phone: (212) 940-3722
Fax: (866) 852-3722
E-Mail: ctractenberg@nixonpeabody.com
(Counsel for Massachusetts Insurers Insolvency Fund)

Nicholas E. Chimicles, Esquire, (610) 642-8500
Anthony A. Geyelin, Esquire
Chimicles & Tikellis LLP
361 W. Lancaster Avenue
Haverford, PA 19041
Phone: (610) 642-8500
Fax: (610) 649-3633
Email: Nick@Chimicles.com
TonyGeyelin@Chimicles.com
(*Counsel for Petitioner, the Certified Class in the In re Phoenix Leasing Limited Partnership Litigation)*

Objector’s List

APRIA HEALTHCARE GROUP, INC.
LEGAL DEPARTMENT
26220 ENTERPRISE CT
LAKE FOREST, CA 92630-8405

ARMSTRONG WORLD INDUSTRIES , INC.
CONNIE FRITZ
2500 COLUMBIA AVE
LANCASTER, PA 17603-4117

BASKETBALL PROPERTIES
601 BISCAYNE BLVD
AMERICAN AIRLINES ARENA
MIAMI, FL 33132-1801

BRISTOL PARK MEDICAL GROUP
C/O WENDY PORTILLO ST JOSEPHS HEALTH
500 S MAIN ST STE 700
ORANGE, CA 92868-4514

CALIFORNIA SELF INSURERS' SECURITY FUND
LYNN FIORENTINO, ESQ.
C/O NIXON PEABODY LLP
ONE EMBARCADERO CENTER; 18TH FLOOR
SAN FRANCISCO, CA 94111-3600

CATALINA EXPRESS
BERTH 95
SAN PEDRO, CA 90731

CHISICK, BRIAN
10212 SUNRISE LN
SANTA ANA, CA 92705-6415

CHISICK, SARAH
10212 SUNRISE LN
SANTA ANA, CA 92705-6415

CIGNA CORPORATION
TWO LIBERTY PLACE
1601 CHESTNUT STREET
PHILADELPHIA, PA 19102

COHEN, EYAL
7569 SAN MATEO DR. EAST
BOCA RATON, FL 33433

CRAWFORD, KENNETH T
4791 LANES POND ROAD
VALDOSTA, GA 31601

CSAC EXCESS INSURANCE AUTHORITY
75 IRON POINT CIRCLE, SUITE 200
FOLSOM, CA 95630

GALLAGHER BASSETT SERVICES, INC.
C/O HEIDI HAMMAN SHAKELY, ESQ, ECKERT, SEAMANS CHE
213 MARKET ST
8TH FLOOR
HARRISBURG, PA 17101-2141

HILLCREST PHYSICIANS MEDICAL GROUP
C/O WENDY PORTILLO - ST. JOSEPH HEALTH SYSTEM
500 S MAIN ST STE 700
ORANGE, CA 92868-4514

HOME BUILDERS ASSOCIATION OF TENNESSEE SIT
C/O TUNE ENTREKIN & WHITE PC
315 DEADERICK ST STE 1700
NASHVILLE, TN 37238

HUDSON NEWS COMPANY
1 MEADOWLANDS PLZ
EAST RUTHERFORD, NJ 07073-2150

INTERGOVERNMENTAL RISK MGNT AGENCY
KEENA MARKS-CUTLER
4 WESTBROOK CORPORATE CTR STE 940
WESTCHESTER, IL 60154-5724

KOT INSURANCE COMPANY LTD
BRENDA L. JENSEN, CIP
C/O AON INTERNATIONAL ENERGY, INC.
1330 POST OAK BLVD, STE 900
HOUSTON, TX 77056

Objector's List

LAKE AT LAS VEGAS JOINT VENTURE
1605 LAKE LAS VEGAS PKWY
HENDERSON, NV 89011-2803

LOCAL GOVERNMENT INSURANCE
COOPERATIVE (LOGIC)
PO BOX 1616
HENDERSONVILLE, TN 37077-1616

LOUISIANA SAFETY ASSOCIATION OF
TIMBERMAN SELF INSURERS FUND
PO BOX 1439
113 MAIN ST
WINNFIELD, LA 71483-1439

MARKOVITS, GEORGE
GLENN FINLEY & ASSOCIATES
7 PARK LN
NORTH SALEM, NY 10560-1002

MARYLAND MOTOR TRUCK ASSN
WORKERS COMP SELF INSURANCE GROUP
3000 WASHINGTON BLVD
BALTIMORE, MD 21230-1026

MEDICAL MALPRACTICE INSURANCE POOL OF
NEW YORK STATE
2 PARK AVENUE, SUITE 2600
NEW YORK, NY 10016

MILLER, MARY
PO BOX 3253
RANCHO PALOS VERDE, CA 90274

MORGAN, BEN
2229 HIGHWAY 2
BAKER, FL 32531-7437

OMEGA NATCHIQ, INC.
4418 PESSON RD
NEW IBERIA, LA 70560-8750

RAYBESTOS PRODUCTS CO.
1204 DARLINGTON AVE
CRAWFORDSVILLE, IN 47933-1958

SOUTH CAROLINA SCHOOL BOARDS
INSURANCE TRUSTJACQUELYN CURTIN,
DIRECTOR OF FINANCE
1027 BARNWELL ST
COLUMBIA, SC 29201-3801

ST. JOSEPH HEALTH FOUND. OF NO. CALIF.
C/O WENDY PORTILLO ST. JOSEPH HEALTH
SYSTEM
500 S MAIN ST STE 700
ORANGE, CA 92868-4514

ST. JOSEPH HERITAGE MEDICAL
GROUP/YORBA PARK MEDICAL GROUP
C/O WENDY PORTILLO - ST. JOSEPH HEALTH
SYSTEM
500 S MAIN ST STE 700
ORANGE, CA 92868-4514

ST. JUDE HERITAGE MEDICAL GROUP
C/O WENDY PORTILLO, ST. JOSEPH HEALTH
SYSTEM
500 S MAIN ST STE 700
ORANGE, CA 92868-4514

SWAN TRANSPORTAION COMPANY
C/O MR. D.W. HILLTON, JR., PRESIDENT
2716 LEE ST STE 500
GREENVILLE, TX 75401-4183

TENNESSEE ROAD BUILDERS ASSOCIATION
SELF INSURED TRUST (TRBASIT)
213 5TH AVE N
NASHVILLE, TN 37219-1908

THE FUJI BANK LIMITEDJAMES RITTER
350 SOUTH GRAND AVENUE
SUITE 1500
LOS ANGELES, CA 90071

THURSTON COUNTYRISK MANAGEMENT DEPT
2000 LAKERIDGE DR SW
OLYMPIA, WA 98502-6001

TIMES MIRROR COMPANY
CARA LEEMAN, DIRECTOR, RISK MANAGEMENT
N/K/A TRIBUNE COMPANY
435 N. MICHIGAN AVE., 6TH FLOOR
CHICAGO, IL 60611

WARNER BROS. ENTERTAINMENT INC.
SUCCESSOR-IN-INTEREST TO WARNER BROS. A DIVISION O
4000 WARNER BLVD RM 5158 BLDG 156 5158
BURBANK, CA 91522-0001

WASHINGTON SCHOOLS RISK MANAGEMENT POOL
PO BOX 88700
TUKWILA, WA 98138-2700

ALAN FEIN, STEARNS WEAVER MILLER, ET AL
150 W FLAGLER ST STE 2200
MIAMI, FL 33130-1536

ANDERSON KILL & OLICK, P.C.
ROBERT Y. CHUNG, ESQ.
ATTORNEYS AND COUNSELORS AT LAW
1251 AVENUE OF THE AMERICAS
NEW YORK, NY 10020-1182

BAILEY, JOSEPH J ESQ.
PO BOX 1791
934 3RD STREET, STE 800
ALEXANDRIA, LA 71309-1791

COZEN O'CONNOR
F. WARREN JACOBY, ESQ.
1900 MARKET ST
PHILADELPHIA, PA 19103-3527

DEWEY & LEBOEUF LLP
LARRY P. SCHIFFER
1301 AVENUE OF THE AMERICAS
NEW YORK, NY 10019-6092

DICKSTEIN & SHAPIRO
MARK KOLMAN, ESQ.
1825 EYE STREET, N.W.
WASHINGTON, DC 20006

DLA PIPER LLP US
ONE LIBERTY PLACE
1650 MARKET STREET, SUITE 4900
PHILADELPHIA, PA 19103-7300

FINEMAN, KREKSTEIN & HARRIS, PCJAY
BARRY HARRIS
BNY MELLON CENTER
1735 MARKET ST, SUITE 600
PHILA, PA 19103

FOLEY & LARDNERROBERT LEVENTHAL
555 S. FLOWER ST
STE 3500
LOS ANGELES, CA 90071

GILBERT LLP
1100 NEW YORK AVE NW
SUITE 700
WASHINGTON, DC 20005-3934

GLENN FINLEY & ASSOCIATES
2024 WILLIAMSBRIDGE RD
BRONX, NY 10461-1629

GREEN & HALL
SAMUEL M. DANSKIN
1851 EAST FIRST STREET
10TH FLOOR
SANTA ANN, CA 92705-4052

HANDLER, HENNING & ROSENBERG, LLP
ADAM G. REEDY
13300 LINGLESTOWN ROAD
HARRISBURG, PA 17110

JENNER & BLOCK, LLP
DAVID M. KROEGER
330 NORTH WABASH AVENUE
CHICAGO, IL 60611

JONES DAY
MATTHEW R. DIVELBISS, ESQ.
500 GRANT STREET, SUITE 4500
PITTSBURG, PA 15219-2514

KELLY, PARKER & COHEN LLP
ROBERT E KELLY, JR., ESQ.
5425 JONESTOWN ROAD, SUITE 103
HARRISBURG, PA 17112

KLEHR HARRISON HARVEY BRANZBURG LLP
WILLIAM A. HARVEY,
WILLIAM J. CLEMENTS
1835 MARKET STREET
PHILADELPHIA, PA 19103

LAW OFFICE OF MAX RENEA HICKS
MAX RENEA HICKS
101 W 6TH ST STE 504
AUSTIN, TX 78701-2934

NELSON LEVINE DELUCA & HORST, LLC
FRANCINE L. SEMAYA, ESQ.;
WLLIAM K. BROUDY, ESQ
ONE BATTERY PARK PLAZA
32ND FLOOR
NEW YORK, NY 10004

OLIVER, LOUIS ESQ.
PO BOX 1616
105 HAZEL PATH
HENDERSONVILLE, TN 37077-1616

PODHURST, ORSECK, PA
25 WEST FLAGLER STREET
#800
MIAMI, FL 33130

REED SMITH LLPJOHN SHUGRUE
10 SOUTH WACKER DRIVE
CHICAGO, IL 60606-7507

WALLER, LANSDEN
JAMES M. WEAVER ESQ
511 UNION ST STE 2100
NASHVILLE CITY CENTER
NASHVILLE, TN 37219-1760

SANTORO, DRIGGS, WALCH, KEARNEY,
HOLLEY & THOMPSON
400 SOUTH FOURTH STREET
THIRD FLOOR
LAS VEGAS, NV 89101

KING, KREBS & JURGENS
HENRY A. KING
201 SAINT CHARLES AVE; 45TH FLOOR
NEW ORLEANS, LA 70170-1034

LAW OFFICE OF JOHN W. WOLF, P.S.
MICHAEL R. WRENN
TWO UNION SQUARE
601 UNION STREET, SUITE 5110
SEATTLE, WA 98101

MORGAN LEWIS & BOCKIUS
1701 MARKET ST
PHILADELPHIA, PA 19103-2903

NELSON, LEVINE, DE LUCA & HORST, LLC
MICHAEL J KURTIS
518 TOWNSHIP LINE RD
STE 300
BLUE BELL, PA 19422

PLEWS, SHADLEY, RACHER & BRAUN
BRETT E NELSON
1346 N DELAWARE ST
INDIANAPOLIS, IN 46202-2415

PROVOSTY, SADLER, DELAUNAY,
FIORENZA & SOBEL
JOSEPH J. BAILLEY PO BOX 1791
934 THIRD STREET, SUITE 800
ALEXANDRIA, LA 71309-1791

TUNE, ENTREKIN & WHITE, PC
315 DEADERICK ST
STE 1700
NASHVILLE, TN 37238

WELTON & WILLIAMSON, LLC
MARK WELTON, ATTY
1020 FERDON BOULEVARD SOUTH
CRESTVIEW, FL 32536

ECKERT SEAMANS CHERIN & MELLOTT, LLC
JAMES A. DIAMOND, ESQ.
213 MARKET STREET, 8TH FLOOR
HARRISBURG, PA 17101

Objector's List

REED SMITH LLP
JOHNATHAN YOUNG ESQ
599 LEXINGTON AVENUE
NEW YORK, NY 10022-7650

REED SMITH LLP
ALAN K COTLER
2500 ONE LIBERTY PLACE
1650 MARKET STREET
PHILADELPHIA, PA 19103-7301

RAYNES MCCARTY
STEPHEN RAYNES, ESQ.
1845 WALNUT STREET, 20TH FLOOR
PHILADELPHIA, PA 19103

LAW OFFICES ELLIOTT,
GREENLEAF & BALABAN
WILLIAM R. BALABAN, ESQ.
GOVERNOR'S ROW
27 NORTH FRONT STREET; PO BOX 1284
HARRISBURG, PA 17108-4264

MONTGOMERY, MCCRAKEN, WALKER, &
RHOADS, LLP
123 SOUTH BROAD STREET
PHILADELPHIA, PA 19109

MCNAIR LAW FIRM, P.A.M.
GRAIG GARNER, JR
PO BOX 11390
COLUMBIA, SC 29211-1390

KLEHR, HARRISON, HARVEY, BRANZBURG, LLP
DOUGLAS F. SCHLEICHER
1835 MARKET ST, 14TH FLOOR
PHILADELPHIA, PA 19103

NIXON PEABODY LLP
2 PENN CENTER
SUITE 200
PHILADELPHIA, PA 19102

SALTZ, MONGELUZZI, BARRETT & BENESKY,
PCCHARLES J. KOCHER
ONE LIBERTY PLACE, 52ND FLOOR
1650 MARKET STREET
PHILADELPHIA, PA 19103

Exhibit A

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES - UNAUDITED
(In Millions)

	September 30, 2010		December 31, 2009 *	
ASSETS				
Short and intermediate duration investments		$ 1,952.0		$ 2,158.6
Investments held for secured creditors		12.0		15.7
Investments held for uncovered claimants		14.9		14.1
Real estate investments		-		0.5
Invested assets excluding affiliates		1,978.9		2,188.9
Investments in affiliates		134.8		134.8
Total invested assets		2,113.7		2,323.7
Premium balances		46.1		58.7
Reinsurance receivable		85.8		112.7
Reinsurance recoverables		945.0		1,195.0
Early access advances to guaranty associations		2,085.6		1,720.1
Other assets		28.3		31.0
Total Assets		5,304.5		5,441.2
LIABILITIES				
Secured Creditors - Funds held		44.1		68.0
Class (a) liabilities				
Liquidator expenses incurred since liquidation	1,035.9		991.8	
Liquidator expenses paid since liquidation	(1,035.9)		(991.8)	
Liquidator expenses - unpaid	-		-	
Guaranty association expenses - submitted	293.1		268.4	
Guaranty association expenses - paid	231.4		208.5	
Guaranty association expenses - unpaid	61.7		59.9	
Other class (a) liabilities	16.2		6.7	
Total class (a) liabilities		77.9		66.6
Class (b) liabilities				
Guaranty association paid losses	2,798.2		2,730.5	
Guaranty association reported reserves	1,173.4		1,207.4	
Notices of determination issued	787.7		743.8	
Gross distribution calculation	(222.0)		(125.9)	
Reduction for aggregate policies	31.3		31.8	
Asset distribution payments	(190.7)		(94.1)	
All other estimated reserves (including IBNR)	3,032.2		3,131.2	
Total class (b) liabilities		7,600.8		7,718.8
Class (c) liabilities		-		-
Class (d) liabilities		-		-
Class (e) liabilities				
Notices of determination issued	81.6		74.2	
Losses and reserves on assumed business	1,084.8		1,108.1	
Other class (e) liabilities	34.3		31.9	
Total class (e) liabilities		1,200.7		1,214.2
Class (f) liabilities		-		-
Class (g) liabilities - Notices of determination issued		15.9		14.3
Class (h) liabilities		-		-
Class (i) liabilities		-		-
Total liabilities		8,939.4		9,081.9
Net deficit		($3,634.9)		($3,640.7)

* December 2009 has been restated see note 1

The special purpose statement of assets and liabilities of Reliance Insurance Company (in Liquidation) is prepared on a unique financial reporting basis, in that, the statement does not fully reflect the effect of the company's liquidation. The liquidation process will result in the realization of amounts on transfer or disposition of assets and in the satisfaction of liabilities at amounts substantially different than those reflected in the accompanying statement of assets and liabilities. The statement does not include any adjustment that might result from the outcome of the uncertainties related to the liquidation, future administration expenses, and various potential exposures, recoveries or benefits. The special purpose statement of assets and liabilities is not intended to be in conformity with, and will vary significantly from generally accepted accounting principles and statutory accounting practices for a property and casualty insurance company as prescribed by the NAIC.

The accompanying notes are an integral part of the financial statements.

Exhibit B

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
SPECIAL PURPOSE STATEMENT OF CHANGES IN POLICYHOLDERS' SURPLUS - UNAUDITED

(In Millions)

	Nine Months Ended September 30, 2010	**Period From Oct. 3, 2001 To September 30, 2010**
Policyholders' surplus - beginning of period (1)	($3,640.7)	($2,683.5)
Underwriting loss	(106.5)	(2,199.8)
Net investment income	40.2	395.0
Other income/(expense) (2)	3.3	614.7
Net realized and unrealized capital gains/(losses)	68.8	238.7
Change in policyholders' surplus	5.8	(951.4)
Policyholders' surplus - end of period	($3,634.9)	($3,634.9)

(1) December 2009 restated see note 1

(2) Significant other income/(expense) prior to 2010 included settlements with directors and officers and the parent company as well as the elimination of other liabilities relating primarily to pre-rehabilitation expenses which are class creditor claims and are unlikely to be paid or offset against any other assets of the Estate, and a benefit to a change in the estimated provision for uncollectible reinsurance recoverable.

The special purpose statement of changes in policyholders' surplus of Reliance Insurance Company (in Liquidation) is prepared on a unique financial reporting basis, in that, the statement does not fully reflect the effect of the company's liquidation. The liquidation process will result in the realization of amounts on transfer or disposition of assets and in the satisfaction of liabilities at amounts substantially different than those reflected in the accompanying statement of assets and liabilities. The statement does not include any adjustment that might result from the outcome of the uncertainties related to the future effects of the liquidation and various potential exposures, recoveries or benefits.

The special purpose statement of changes in policyholders' surplus is not intended to be in conformity with, and will vary significantly from, generally accepted accounting principles and statutory accounting practices for a property and casualty insurance company as prescribed by the National Association of Insurance Commissioners

The accompanying notes are an integral part of the financial statements.

Exhibit C

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS, AND CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS
FOR THE PERIOD JANUARY 1, 2010 TO SEPTEMBER 30, 2010 - UNAUDITED

(In Millions)

Cash Receipts:	
Reinsurance collections	$189.5
Premium collections	6.0
Claim recoveries	2.2
Investment income received	41.2
Other including realized gains and losses	35.8
Total Cash Receipts	274.7
Cash Disbursements:	
Early access advances to guaranty associations	(369.7)
Asset distribution on class (b) NODs	(85.1)
Operating expenses	(65.9)
Loss and allocated loss adjustment expenses	(1.1)
Total Cash Disbursements	(521.8)
Net change in short and intermediate duration investments from cash activity	(247.1)
Non-cash items affecting short and intermediate term investments:	
Change in value of investments managed by investment managers	40.5
Total Non-cash activity	40.5
Net change in short and intermediate duration investments	(206.6)
Beginning Balance - Short and intermediate duration investments	2,158.6
Ending Balance - Short and intermediate duration investments	$1,952.0

The accompanying notes are an integral part of the financial statements.

Exhibit D

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
NOTES TO THE FOLLOWING UNAUDITED STATEMENTS:

SPECIAL PURPOSE STATEMENT OF ASSETS AND LIABILITIES,
SPECIAL PURPOSE STATEMENT OF CHANGES
IN POLICYHOLDERS' SURPLUS, AND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND
CHANGES IN SHORT AND INTERMEDIATE DURATION INVESTMENTS

Note 1 - Nature of operations and basis of presentation

Reliance Insurance Company ("the Company") was placed into rehabilitation by order of the Commonwealth Court of Pennsylvania ("the Court") on May 29, 2001. On October 3, 2001, the Company was declared insolvent by order ("the Order") of the Court. The Order of the Court appointed the Insurance Commissioner of Pennsylvania as Liquidator of the Company ("the Liquidator"). Representatives of the Liquidator oversee the daily operations of the Company. The Order applies to all former subsidiaries of Reliance Insurance Company that were previously merged into Reliance Insurance Company, including Reliance National Indemnity Company, Reliance National Insurance Company, United Pacific Insurance Company, Reliance Direct Insurance Company, Reliance Surety Company, Reliance Universal Insurance Company, United Pacific Insurance Company of New York, and Reliance Insurance Company of Illinois. The entity is now known as Reliance Insurance Company (in Liquidation) ("Reliance") or ("the Estate").

The principal activities since the date of liquidation consist of the collection and marshalling of assets and determination of claims. All creditor claims submitted to Reliance must be evaluated through the Proof of Claim ("POC") process to determine and assign the proper class priority and dollar value. The largest class of creditors is claims for losses under policies issued prior to liquidation. Ultimately, the net assets of the Estate are expected to be distributed to creditors.

Priority of Claims and Distribution to Creditors

Reliance will distribute funds to creditors in accordance with the Insurance Department Act of 1921 (the "Act"), 40 P.S. Section §221.44, which governs asset distributions from insolvent insurance estates. The following summarizes the classes of creditors under the Act:

(a) The costs and expenses of administration, including but not limited to the actual and necessary costs of preserving or recovering the assets of the insurer, compensation for all services rendered in the liquidation, reasonable attorney's and other expenses and fees.

(b) All claims under policies for losses wherever incurred, including third-party claims, and all claims against the insurer for liability for bodily injury or for injury to or destruction of tangible property which are not under policies, shall have the next priority.

(c) Claims of the Federal government.

(d) Debts due to employees for services performed to the extent that they do not exceed $1,000 and represent payment for services performed within one year before the filing of the petition for liquidation.

(e) Claims under nonassessable policies for unearned premium or other premium refunds and claims of general creditors.

(f) Claims of any state or local government.

(g) Claims filed late and certain other special claims.

(h) Surplus or contribution notes, or similar obligations, and premium refunds on assessable policies.

(i) The claims of shareholders or other owners.

Every claim in each class shall be paid in full or adequate funds retained for such payment before the members of the next class receive any payment. No subclasses shall be established within any class.

Claims that are lower than class (b) priority are generally not assigned a dollar value during the POC process. These claimants are being advised that a value will be determined only if the Estate believes that sufficient funds will be available for distributions to creditors below class (b). Claims lower than class (b) are not reported as liabilities on the Special Purpose Statement of Assets and Liabilities with the exception of certain reinsurance liabilities which could have offset implications and claims in which a Notice of Determination ("NOD") has been issued.

Change in accounting basis – Reliance is on a modified cash basis of accounting accepted by the Pennsylvania Department of Insurance which is a cash basis with adjustments. Prior to 2010, these adjustments consisted of adjustments to the carrying value of investments to fair value, accruals for estimates of liabilities for losses and loss adjustment expenses and accruals for premiums due to Reliance and estimated premiums due to Reliance in the future based on loss experience. In 2010, an accrual for the liability owed to the Guaranty Association ("GA") for administrative expenses incurred by the GAs in processing Reliance's claims was also recorded. This accrual was based on the GA submitted expenses to Reliance less amounts paid. The December 2009 balance sheet presented has been restated to include a GA expense liability of $59.9 million and the associated equity adjustment. These GA expense accruals are not an estimate of all future administrative expenses to be incurred by the GAs.

The Special Purpose Statements of Assets and Liabilities and Changes in Policyholders' Surplus ("Statements") of Reliance are prepared on a unique financial reporting basis, in that, the Statements do not fully reflect the effect of the Estate's liquidation. The liquidation process will result in the realization of amounts on transfer or disposition of assets and in the satisfaction of liabilities at amounts substantially different than those reflected in the Special Purpose Statement of Assets and Liabilities. The Statements do not include an estimate of liquidation administrative expenses or any adjustments that might result from the outcome of the uncertainties related to the future effects of the liquidation and various potential exposures, recoveries or benefits.

The Statements and the Statement of Cash Receipts and Disbursements and Changes in Short and Intermediate Duration Investments are not intended to be in conformity with, and will vary significantly from, generally accepted accounting principles and statutory accounting practices for a property and casualty insurance company as prescribed by the National Association of Insurance Commissioners. The statements include Reliance and its domestic property and casualty insurance operations. Loss and loss adjustment expenses are presented gross of reinsurance.

The preparation of financial statements requires the use of estimates and assumptions that affect amounts reported in these financial statements and accompanying notes. Actual results may vary from these estimates.

Note 2 – Cash disbursements

Cash disbursements for which checks have been issued, but which are outstanding at the date of the Special Purpose Statements of Assets and Liabilities are not recorded as deductions to short and intermediate duration investments. Check disbursements are recorded as deductions to short and intermediate duration investments only when presented to the bank.

Note 3 – Short and intermediate duration investments

Short and intermediate duration investments consist primarily of short-term investments and marketable bonds and notes. Such investments are recorded at fair value using recognized national pricing services. However, no accrued but unpaid interest income is reported in the Special Purpose Statements of Assets and Liabilities related to such investments.

Note 4 – Investments held in segregated accounts

Investments held in segregated accounts, which consist primarily of short-term fixed maturity investments, are reported at fair value. However, no accrued or unpaid interest is reported in the accompanying financial statements. These investments include amounts to secure obligations of Reliance arising from certain reinsurance contracts and funds collected on large deductible policies. Funds collected on large deductible policies, which are not assets of the Estate, are $6.4 million and $9.6 million at September 30, 2010 and December 31, 2009, respectively and will be administered and paid to the GAs and creditors in accordance with the Act , 40 P.S. §221.23a.

Investments held for uncovered claimants are held pursuant to a settlement agreement entered into as of February 10, 2006 ("Settlement Agreement") with various state GAs. Pursuant to the Settlement Agreement, Reliance reduced the large deductible reimbursements otherwise due and owed to each of the various state GAs and established a fund for the exclusive benefit of uncovered (not covered by a GA) class (b) claimants.

Note 5 – Real estate investments

Real estate investments include direct ownership of real estate which is reported at net realizable value.

Note 6 – Investments in affiliates

Investments in affiliates include the net assets of the Estate's non-insurance subsidiaries, foreign insurance subsidiaries (residual interest) and Canadian branch, which is under liquidation proceedings in Canada. The carrying value of certain of these investments has been adjusted to reflect an estimate of net realizable value. Market values are not available for these entities, therefore proceeds from the ultimate disposition of these entities may be significantly different than the amount reflected in the Special Purpose Statements of Assets and Liabilities.

Note 7 – Premium balances

Premium balances include accrued retrospective premiums of $33.5 million and $32.8 million at September 30, 2010 and December 31, 2009, respectively. Accrued retrospective premiums are based upon actuarial loss estimates and will be adjusted based on changes in loss estimates. Premiums on retrospective rated policies will be billed and collected on an ongoing basis. Premium balances also include billings related to large deductible policies of $5.5 million and $16.8 million at September 30, 2010 and December 31, 2009, respectively. Other premium balances include estimates and may not reflect all transactions processed by agents, insureds and program managers. Certain balances may only be collectible through legal proceedings. Due to these uncertainties, balances ultimately collectible may be significantly different than the amount reflected in the Special Purpose Statements of Assets and Liabilities.

Note 8 – Reinsurance recoverable, Class (b) liabilities and Class (e) losses and reserves on assumed business

Class (b) liabilities is comprised of GA paid losses, GA reported reserves, NODs issued by the Estate and all other estimated reserves. The NOD issued amount is adjusted by $190.7 million in distribution payments to creditors. All other estimated reserves is comprised of estimated reserves for future claims, including POCs where a NOD has not yet been issued, estimated amounts for future claims to be reported to the Estate (IBNR) or estimated reserves for GA claims in excess of reported reserves. All other estimated reserves do not include an estimate for the administrative costs of adjusting claims and have not been discounted to present value. All other estimated reserves are net of anticipated salvage and subrogation and second injury fund recoveries.

The estimate of class (b) liabilities at September 30, 2010 was calculated using data as of September 30, 2008. Reliance engaged PriceWaterhouseCoopers LLP to perform an analysis of loss and allocated loss expense reserves on direct business. The selected best estimate, reflected in the Special Purpose Statements of Assets and Liabilities, represents one possible value in a range of acceptable estimates. Estimates of ultimate loss and allocated loss adjustment expenses have not been updated to reflect any loss experience subsequent to September 30, 2008.

There are numerous factors that contribute to the inherent uncertainty in the process of establishing loss reserves. Among these factors are changes in the inflation rate related to covered damages such as medical care; changes in judicial interpretation of policy provisions; changes in the general attitude of juries in the determination of liability and damages; legislative changes; changes in the medical condition of claimants; and changes in the estimates of the number and/or severity of claims that have been incurred but not reported. In addition, Reliance's regulatory status increases the variability of loss reserves due to its effect on data quality and credibility. The ultimate liability to class (b) claimants will be based solely on POCs filed by claimants and the Liquidator's determination of their value. Due to the inherent complexity of the loss reserving process, the potential variability of the assumptions used and the variability resulting from Reliance's regulatory status, the actual emergence of losses may be significantly different than the amounts reflected in the September 30, 2010 and December 31, 2009 Special Purpose Statements of Assets and Liabilities.

Reinsurance recoverables represents an estimate of the portion of gross loss reserves that will be recovered from reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the gross losses associated with the reinsured policies. A provision for estimated uncollectible reinsurance is recorded based on an evaluation of balances due from reinsurers, changes in the credit standing of the reinsurers, existing coverage disputes as well as an estimate of future disputes with reinsurers and permitted offsets of assumed reinsurance. In light of the inherent uncertainties relating to future insolvencies, settlement compromises and dispute resolutions, the actual uncollectible amounts and offsets may be significantly different than the reserve included in the Special Purpose Statement of Assets and Liabilities.

Note 9 – Early access advances to GAs

During 2003, 2004, 2005, 2007 and 2010, the Commonwealth Court approved Early Access petitions in accordance with Section §221.36 of the Act which provides a mechanism for early distribution of assets to various state GAs to assist those associations in fulfilling their obligation to pay certain policy claims of the Estate. The related agreements executed by the GAs provide that they agree to return assets under certain circumstances to ensure pro rata distributions amongst members of the same class of creditors of Reliance.

Payments made to various state GAs under Early Access petitions are recorded as assets in the accompanying Special Purpose Statement of Assets and Liabilities as they represent payments made in advance of distributions to other claimants. GA advances will be reclassified and no longer recorded as assets when the Commonwealth Court of Pennsylvania approves the distributions to the GAs.

At September 30, 2010 total early access amounts include early access cash payments to the GAs of $1.64 billion, statutory deposits of $421 million, and payments made by Reliance on behalf of certain GAs shortly after October 3, 2001.

Note 10 – Secured Creditors – Funds held

Funds held represent liabilities arising from cash received as collateral on large deductible policies and reinsurance contracts. Funds held liabilities relating to collateral are expected to continue to decrease as policyholders and reinsurers honor their obligations under policies and contracts and the related cash collateral is released. Cash collateral related to large deductible policies is included in "Other assets" in the Special Purpose Statements of Assets and Liabilities.

Note 11 - Guaranty Association expenses unpaid

Guaranty Association expenses unpaid represent total GA submitted expenses to Reliance less the portion reimbursed. Reliance conducts periodic desk and on-site reviews of GA administrative expenses to verify the validity of these expenses. The majority of the unpaid amounts will be valid class (a) expenses and will be reimbursed to the GAs. Reliance withholds payment of expenses it believes are not valid administrative expenses. There will likely be certain disagreements between the Liquidator and the GAs that will be addressed and resolved by the Court.

Note 12 – Class (a) other liabilities

Class (a) other liabilities are principally outstanding checks.

Note 13 – Guaranty Association paid losses

Guaranty Association paid losses include payments reported by GAs and processed in the Estate's operating systems.

Note 14 – Guaranty Association reported reserves

Guaranty Association reported reserves include case reserves reported by GAs and processed in the Estate's operating systems.

Note 15 – Notices of Determination issued

NODs are issued by the Estate in response to a POC filed against the Estate. The NOD includes the classification and value, if any, of the claim as determined by the Estate. NODs issued by the Estate are subject to an objection period, during which the claimant can disagree with the value and classification assigned, and NODs are subject to Court approval. NODs are included in the Special Purpose Statements of Assets and Liabilities when issued.

Note 16 – Asset distributions to class (b) creditors

On March 29, 2010, the Court approved the Liquidator's Petition for a Second Interim Distribution, allowing a 30% distribution to all class (b) claimants whose NODs has been approved by the Court. Distribution amounts for claims under Aggregate Policies were subject to an adjustment calculated pursuant to the Orders issued by the Court on November 19, 2007 and February 23, 2010 approving the Liquidator's Petitions to Address Claims Under Aggregate Policies. Asset distributions through September 30, 2010 and December 31, 2009 totaled $190.7 and $94.1 million, respectively. Distribution payments will continue to be issued on a quarterly basis to claimants whose NODs are subsequently approved by the Court.

Note 17 – Reduction for aggregate policies

The reduction for aggregate policies represents an adjustment to the distribution calculation to interim distributions on NODs under aggregate policies to ensure pro-rata distribution amongst all claimants on the policies. An aggregate limit is a provision in the policy that limits the maximum liability of an insurer under that policy. In accordance with the Act Section §221.40(d), claims under an aggregate limit policy that exceeds the aggregate limit in total should be reduced by a proportional amount such that the total equals the policy limit. As the ultimate losses under these polices have not yet been determined, the ultimate proportional share each claim should receive cannot be determined. Reliance has therefore adjusted the distribution amount by a safety factor approved by the Court for claims under policies with an aggregate limit to allow for potential adverse development that may cause the proportional share of individual claims to change.

Note 19 – Commitments

As of September 30, 2010, Reliance leases office space under operating leases primarily expiring in 2011.

The minimum future rental payments under noncancelable operating leases as of September 30, 2010, are as follows (in millions):

2010	$0.5
2011	1.5
Total	$2.0

Note 20 – Litigation

The Estate is a party to litigation both as a plaintiff and as a defendant. The ultimate effect of litigation on the financial condition of the Estate is uncertain and cannot be reasonably estimated, but may be material.

Note 21 – Other collateral held

The Estate holds significant levels of other collateral from policyholders and reinsurers in the form of letters of credit and surety bonds. This collateral is not included in the

Special Purpose Statement of Assets and Liabilities and will be utilized when payment and other obligations under policies and contracts are not honored by the policyholders or reinsurers.

Exhibit E

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
REINSURANCE RECEIVABLE
SEPTEMBER 30, 2010 - UNAUDITED

REINSURANCE COMPANY NAME		
OFFSHORE MARINE INDEMNITY	$9,591,647	
FINIAL REINSURANCE COMPANY	5,904,031	
ODYSSEY REINSURANCE CORP.	5,320,727	
REPUBLIC WESTERN INS CO.	5,273,956	
MUNICH REINS AMERICA, INC.	3,639,665	
CONTINENTAL CASUALTY COMPANY	3,509,546	
SWISS REINSURANCE AMERICA CORP	2,878,951	
ST PAUL FIRE & MARINE INS CO	2,623,145	
HIH CASUALTY & GENERAL	2,208,103	
FITZWILLIAM/GORDIAN RUN-OFF LTD.	2,137,632	
CONN. GENERAL LIFE INS. CO.	2,007,182	
PMA CAPITAL INSURANCE CO.	1,996,121	
HARTFORD FIRE INSURANCE CO.	1,986,460	
LIBERTY MUTUAL INSURANCE COMPANY	1,638,481	
SWISS RE LIFE & HEALTH AMERICA	1,632,052	
LLOYDS 271 /R B PEARSON	1,579,290	
CSC ASSURANCE LTD	1,570,192	
TRENWICK AMERICA REINSURANCE	1,454,203	
FREMONT INDEMNITY CO.	1,395,405	
PAN-AMERICAN LIFE INSURANCE CO	1,356,583	
WESTPORT INS. CO. (FKA ERC)	1,225,003	
LLOYDS 435 /D P MANN	1,169,920	
CORNHILL INSURANCE PLC	1,169,908	
LLOYDS 314 /C F PALMER	1,073,644	
LINCOLN NAT. LIFE INS CO	1,006,352	
RECEIVABLES OVER $1 MILLION	65,348,199	76%
RECEIVABLES UNDER $1 MILLION	20,451,902	24%
TOTAL RECEIVABLES	**$ 85,800,101**	**100%**

Exhibit F

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
OPERATING EXPENSE ANALYSIS - UNAUDITED

	Year to Date September 2010 Actual	Year to Date September 2010 Budget	Actual to Budget Variance	% Change	Year to Date September 2009 Actual	Variance to Prior Year	% Change
Salaries							
Regular Salaries	$16,475,342	$16,526,271	($50,929)	-0.31%	$18,969,184	($2,493,842)	-13.15%
Performance-Retention Incentives	5,638,696	5,631,363	7,333	0.13%	6,278,662	(639,966)	-10.19%
Severance	1,636,169	1,596,239	39,930	2.50%	1,648,685	(12,516)	-0.76%
Total Salaries	**23,750,207**	**23,753,873**	**(3,666)**	**-0.02%**	**26,896,531**	**(3,146,324)**	**-11.70%**
Employee Benefits							
Health and Disability Benefits	1,495,324	1,579,125	(83,801)	-5.31%	1,478,932	16,392	1.11%
SIP-Contributions and Fees	1,586,599	1,633,000	(46,401)	-2.84%	2,517,696	(931,097)	-36.98%
Other Benefits	15,746	18,520	(2,774)	-14.98%	10,419	5,327	51.13%
Total Employee Benefits	**3,097,669**	**3,230,645**	**(132,976)**	**-4.12%**	**4,007,047**	**(909,378)**	**-22.69%**
Payroll Taxes	**1,534,517**	**1,614,992**	**(80,475)**	**-4.98%**	**1,756,120**	**(221,603)**	**-12.62%**
Total Salaries, Benefits and Taxes	**28,382,393**	**28,599,510**	**(217,117)**	**-0.76%**	**32,659,698**	**(4,277,305)**	**-13.10%**
IT Services	**5,921,270**	**6,639,749**	**(718,479)**	**-10.82%**	**6,036,655**	**(115,385)**	**-1.91%**
Legal Fees	**1,224,305**	**2,516,750**	**(1,292,445)**	**-51.35%**	**2,236,072**	**(1,011,767)**	**-45.25%**
Professional and Other Services	**3,921,808**	**4,665,026**	**(743,218)**	**-15.93%**	**4,679,670**	**(757,862)**	**-16.19%**
Rent							
Corporate Home Office	1,589,672	1,599,302	(9,630)	-0.60%	1,617,037	(27,365)	-1.69%
Record Archiving Services	513,616	493,000	20,616	4.18%	770,972	(257,356)	-33.38%
Other Rent Items	18,367	54,680	(36,313)	-66.41%	30,197	(11,830)	-39.18%
Total Rent	**2,121,655**	**2,146,982**	**(25,327)**	**-1.18%**	**2,418,206**	**(296,551)**	**-12.26%**
Equipment							
Computer Equipment	449,344	257,934	191,410	74.21%	197,137	252,207	127.93%
Office Machine Rent & Repair	9,875	12,565	(2,690)	-21.41%	11,295	(1,420)	-12.57%
Data Processing Software	372,160	351,837	20,323	5.78%	345,447	26,713	7.73%
Total Equipment	**831,379**	**622,336**	**209,043**	**33.59%**	**553,879**	**277,500**	**50.10%**
Other Operating							
Travel	81,753	122,630	(40,877)	-33.33%	97,995	(16,242)	-16.57%
Professional Dues & Conferences	19,287	27,650	(8,363)	-30.25%	22,846	(3,559)	-15.58%
Insurance	165,357	157,381	7,976	5.07%	165,334	23	0.01%
Voice and Data Communication	161,160	170,670	(9,510)	-5.57%	214,120	(52,960)	-24.73%
Supplies and Subscriptions	101,577	129,002	(27,425)	-21.26%	136,192	(34,615)	-25.42%
Postage, Freight & Express	26,437	41,255	(14,818)	-35.92%	38,146	(11,709)	-30.70%
Bank Charges	72,418	94,725	(22,307)	-23.55%	100,011	(27,593)	-27.59%
Real Estate	5,408	7,775	(2,367)	-30.44%	24,573	(19,165)	-77.99%
Taxes, BBA and Other	31,594	40,250	(8,656)	-21.51%	272,645	(241,051)	-88.41%
Total Other Operating	**664,991**	**791,338**	**(126,347)**	**-15.97%**	**1,071,862**	**(406,871)**	**-37.96%**
Subtotal	**43,067,801**	**45,981,691**	**(2,913,890)**	**-6.34%**	**49,656,042**	**(6,588,241)**	**-13.27%**
Guaranty Association Expenses	**22,829,406**	**22,800,000**	**29,406**	**0.13%**	**3,221,799**	**19,607,607**	**608.59%**
Total Operating Expenses Paid	**$65,897,207**	**$68,781,691**	**($2,884,484)**	**-4.19%**	**$52,877,841**	**$13,019,366**	**24.62%**
Loss/LAE	**1,058,088**	**1,243,105**	**(185,017)**	**-14.88%**	**2,014,855**	**(956,767)**	**-47.49%**

The accompanying notes are an integral part of the financial statements.

Exhibit G

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
LEGAL FEES AND EXPENSES (EXCLUDING ALAE)
FOR THE PERIOD JANUARY 1, 2010 TO SEPTEMBER 30, 2010 - UNAUDITED

VENDOR NAME	
ADORNO & YOSS, LLP.	$8,489
ALLEN KUEHNLE STOVALL & NEUMAN LLP	31,841
BLANK ROME LLP	282,747
BRAVERMAN KASKEY	37,308
DEUTSCH, KERRIGAN & STILES LLP	11,429
DUANE MORRIS LLP	174,146
FOX, ROTHSCHILD LLP	19,337
G ALAN BAILEY ESQUIRE	5,966
JONATHAN ROSEN	7,750
MARTIN D. HABER ESQ.	20,000
PEPPER HAMILTON LLP.	523,597
SCRIBNER, HALL & THOMPSON, LLP.	40,476
STRADLEY, RONON, STEVENS, & YOUNG LLP	13,036
VERITEXT NEW YORK REPORTING CO	6,277
WALSH COLUCCI LUBELEY EMRICH & WALSH PC	5,044
TOTAL VENDORS UNDER $5,000	36,862
TOTAL LEGAL FEES AND EXPENSES (EXCLUDING ALAE)	**$1,224,305**

Exhibit H

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
PROFESSIONAL SERVICE EXPENSES
FOR THE PERIOD JANUARY 1, 2010 TO SEPTEMBER 30, 2010 - UNAUDITED

VENDOR NAME	
ABERDEEN ASSET MANAGEMENT INC.	$123,546
BMS INTERMEDIARIES, LTD.	513,043
BNY MELLON CASH INVESTMENT STRATEGIES	254,092
CALLAN ASSOCIATES INC.	73,125
CERIDIAN CORPORATION	52,389
CHARLES PRINCIPE	12,115
DIANE H. CHAIT	9,642
DIRECT CONSULTING	111,604
DORANNE BIGELOW & ASSOCIATES INC	83,416
ERNST & YOUNG	279,350
FEDERATED INVESTORS INC	61,599
FILEX DOCUMENT IMAGING SERVICES, INC.	138,617
JP MORGAN INVESTMENT MANAGEMENT INC	144,735
MARYELLEN R. DURNING	23,337
PA. DEP'T. - LIQUIDATION CONSULTANTS	32,263
PA. DEP'T. - OFFICE OF LIQUIDATIONS	119,114
PRICEWATERHOUSE COOPERS, LLP.	10,959
PYRAMIS GLOBAL ADVISORS TRUST COMPANY	724,719
RCG INFORMATION TECHNOLOGY INC	32,400
ROY MELANDER	100,739
STANDISH MELLON ASSET MANAGEMENT COMPANY LLC	160,463
SUSAN ALTSCHULER	43,554
THE BANK OF NEW YORK MELLON	295,784
W. FRANKLIN MARTIN JR.	11,341
WESTERN ASSET MANAGEMENT COMPANY	373,928
WORLDWIDE CLAIMS MANAGEMENT SERVICES, INC.	125,650
TOTAL OTHER VENDORS UNDER $5,000	10,286
TOTAL PROFESSIONAL SERVICE EXPENSES	**$3,921,808**

Exhibit I

Guaranty Association Data as of
September 30, 2010

STATE	LOCATION	CLAIMS & ALAE PAID	CLAIMS & ALAE RESERVES	ADMIN EXPENSES	TOTAL BY STATE
ALABAMA	P&C	48,662,933.50	65,130,540.88	5,751,693.28	119,545,167.66
ALASKA	P&C	9,404,075.68	4,887,974.66	800,100.90	15,092,151.24
ARIZONA	P&C	6,325,744.26	31,302.70	1,721,285.71	8,078,332.67
ARIZONA	WC	7,952,143.20	10,017,062.12	0.00	17,969,205.32
ARKANSAS	P&C	7,052,474.88	1,275,070.17	354,501.71	8,682,046.76
CALIFORNIA	P&C	653,089,332.62	196,768,822.42	73,907,559.83	923,765,714.87
COLORADO	P&C	21,988,522.25	29,300,683.84	1,681,908.00	52,971,114.09
CONNECTICUT	P&C	46,514,320.89	20,583,769.59	5,491,702.90	72,589,793.38
DELAWARE	P&C	5,404,451.69	2,354,865.73	1,189,808.34	8,949,125.76
DISTRICT OF COLUMBIA	P&C	11,935,782.39	21,826,772.70	839,446.35	34,602,001.44
FLORIDA	P&C	84,190,556.39	1,020,543.76	4,307,254.93	89,518,355.08
FLORIDA	WC	241,045,308.88	49,898,988.15	7,842,040.35	298,786,337.38
GEORGIA	P&C	48,682,862.90	27,505,146.84	4,892,385.39	81,080,395.13
HAWAII	P&C	5,793,327.93	2,278,941.07	671,605.03	8,743,874.03
IDAHO	P&C	2,383,565.19	1,499,657.61	277,170.00	4,160,392.80
ILLINOIS	P&C	53,542,482.35	4,695,861.39	9,202,627.06	67,440,970.80
INDIANA	P&C	5,797,268.24	488,442.61	1,358,177.02	7,643,887.87
IOWA	P&C	10,483,605.67	833,627.37	927,413.43	12,244,646.47
KANSAS	P&C	15,840,373.75	6,093,817.05	1,069,315.00	23,003,505.80
KENTUCKY	P&C	22,795,880.98	24,419,052.32	1,420,536.79	48,635,470.09
LOUISIANA	P&C	65,328,907.29	136,642,316.08	2,027,415.84	203,998,639.21
MAINE	P&C	4,941,056.96	4,626,457.55	809,527.16	10,377,041.67
MARYLAND	P&C	31,254,336.74	7,742,126.81	7,344,828.16	46,341,291.71
MASSACHUSETTS	P&C	47,396,353.33	37,541,037.31	3,410,017.60	88,347,408.24
MICHIGAN	P&C	56,704,165.89	23,933,350.15	6,987,200.11	87,624,716.15
MINNESOTA	P&C	16,814,573.28	4,291,619.58	1,706,649.06	22,812,841.92
MISSISSIPPI	P&C	35,799,705.29	36,330,907.24	2,665,356.50	74,795,969.03
MISSOURI	P&C	35,668,119.03	7,921,487.29	2,053,712.02	45,643,318.34
MONTANA	P&C	4,146,990.81	2,174,408.65	493,944.00	6,815,343.46
NEBRASKA	P&C	7,382,202.76	5,081,816.32	135,806.08	12,599,825.16
NEVADA	P&C	7,383,822.19	5,614,657.37	1,664,453.03	14,662,932.59
NEW HAMPSHIRE	L&H	0.00	0.00	35,918.35	35,918.35
NEW HAMPSHIRE	P&C	13,654,687.06	12,226,309.82	1,413,367.69	27,294,364.57
NEW JERSEY	P&C	74,441,109.13	4,639,082.40	4,044,212.85	83,124,404.38
NEW JERSEY	WC	47,958,469.11	19,518,448.59	2,539,919.34	70,016,837.04
NEW MEXICO	P&C	6,860,599.22	2,461,511.94	692,808.32	10,014,919.48
NEW YORK	P&C	306,616,703.60	53,072,420.98	64,094,005.00	423,783,129.58
NEW YORK	WC	170,923,543.70	67,204,719.09	0.00	238,128,262.79
NOLHGA		0.00	0.00	7,199,787.00	7,199,787.00
NORTH CAROLINA	P&C	69,747,983.12	21,558,571.51	4,863,100.66	96,169,655.29
NORTH DAKOTA	P&C	245,976.90	0.00	64,036.31	310,013.21
OHIO	P&C	9,360,571.50	586,221.00	1,828,877.10	11,775,669.60
OKLAHOMA	P&C	18,467,384.04	7,808,193.88	1,717,460.98	27,993,038.90
OREGON	P&C	22,919,693.50	7,315,266.45	867,320.65	31,102,280.60
PENNSYLVANIA	P&C	39,945,827.27	10,466,909.31	2,059,377.46	52,472,114.04
PENNSYLVANIA	WC	150,378,473.03	58,341,070.86	13,504,592.77	222,224,136.66
PUERTO RICO	P&C	8,674,313.32	451,000.00	701,080.00	9,826,393.32
RHODE ISLAND	P&C	9,688,345.28	2,718,343.01	830,170.30	13,236,858.59
SOUTH CAROLINA	P&C	29,327,758.62	5,934,678.83	1,856,787.39	37,119,224.84
SOUTH DAKOTA	P&C	1,782,424.67	0.00	150,364.39	1,932,789.06
TENNESSEE	P&C	36,732,012.09	26,553,769.99	4,623,471.47	67,909,253.55
TEXAS	P&C	136,196,212.27	78,000,968.31	17,299,312.30	231,496,492.88
UTAH	P&C	8,875,202.82	5,042,551.90	1,102,471.06	15,020,225.78
VERMONT	P&C	7,650,596.48	11,968,925.91	474,797.16	20,094,319.55
VIRGIN ISLANDS	P&C	414,355.00	4,849,901.00	0.00	5,264,256.00
VIRGINIA	P&C	37,133,348.19	23,565,289.84	3,102,477.31	63,801,115.34
WASHINGTON	P&C	31,524,863.85	2,400,954.32	2,864,769.00	36,790,587.17
WEST VIRGINIA	P&C	3,578,889.10	0.00	378,882.26	3,957,771.36
WISCONSIN	P&C	11,073,401.85	3,951,167.95	1,622,412.89	16,646,982.69
WYOMING	P&C	487,998.22	0.00	129,860.00	617,858.22
		2,876,365,990.15	**1,173,447,404.22**	**293,067,081.59**	**4,342,880,475.96**

**** New York WC and NY P&C Administrative Expenses are combined and reported under NY P&C**

Exhibit J

Proof Of Claim Statistics - Inception To Date
September 30, 2010

CLASS DESCRIPTION	TOTAL POCs RECEIVED	POCs RECEIVED AFTER 12-31-03	TOTAL NODs ISSUED	LIQUIDATOR ALLOWED AMOUNTS	NODs APPROVED FOR DISTRIBUTION	NODs AMOUNT APPROVED FOR DISTRIBUTION
NO CLASS ASSIGNED	0	0	0	$0.00	0	$0.00
A - ADMIN COSTS AND EXPENSES	4,021	395	3,704	$0.00	3,627	$0.00
B - POLICY HOLDER CLAIMS	61,476	3,518	57,419	$787,743,191.50	56,315	$743,755,002.51
C - FEDERAL GOVT	9	0	9	$0.00	9	$0.00
D - EMPLOYEES	0	0	0	$0.00	0	$0.00
E - GEN CREDITORS/UNEARNED PREM	65,248	3,575	64,351	$81,621,199.36	63,647	$67,712,595.24
F - STATE/LOCAL GOVT	189	3	189	$7,039.85	190	$7,039.85
G - LATE FILED/SUBROGATION	29,066	3,721	28,006	$15,895,452.20	27,617	$14,289,087.53
H - SURPLUS, PREM REFUNDS	0	0	0	$0.00	0	$0.00
I - SHAREHOLDERS, OTHER OWNERS	3	0	3	$0.00	3	$0.00
TOTAL:	**160,012**	**11,212**	**153,681**	**$885,266,882.91**	**151,408**	**$825,763,725.13**

OTHER COUNTS	INCEPTION TO DATE
POCs With Claims at GAs	1,695
Contingent Unliquidated POCs	1,643
Ready to Evaluate	320
Awaiting Information	2,673
TOTAL:	**6,331**

Exhibit K

Proof Of Claim Statistics - Quarter To Date
September 30, 2010

CLASS DESCRIPTION	TOTAL POCs RECEIVED	TOTAL NODs ISSUED	LIQUIDATOR ALLOWED AMOUNTS	NODs APPROVED FOR DISTRIBUTION	NODs AMOUNT APPROVED FOR DISTRIBUTION
NO CLASS ASSIGNED	0	0	$0.00	0	$0.00
A - ADMIN COSTS AND EXPENSES	1	13	$0.00	0	$0.00
B - POLICY HOLDER CLAIMS	16	292	$12,519,942.93	0	$0.00
C - FEDERAL GOVT	0	0	$0.00	0	$0.00
D - EMPLOYEES	0	0	$0.00	0	$0.00
E - GEN CREDITORS/UNEARNED PREM	100	164	$2,805,982.87	0	$0.00
F - STATE/LOCAL GOVT	0	0	$0.00	0	$0.00
G - LATE FILED/SUBROGATION	11	127	$342,288.62	0	$0.00
H - SURPLUS, PREM REFUNDS	0	0	$0.00	0	$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	0	$0.00	0	$0.00
TOTAL:	**128**	**596**	**$15,668,214.42**	**0**	**$0.00**

Exhibit L

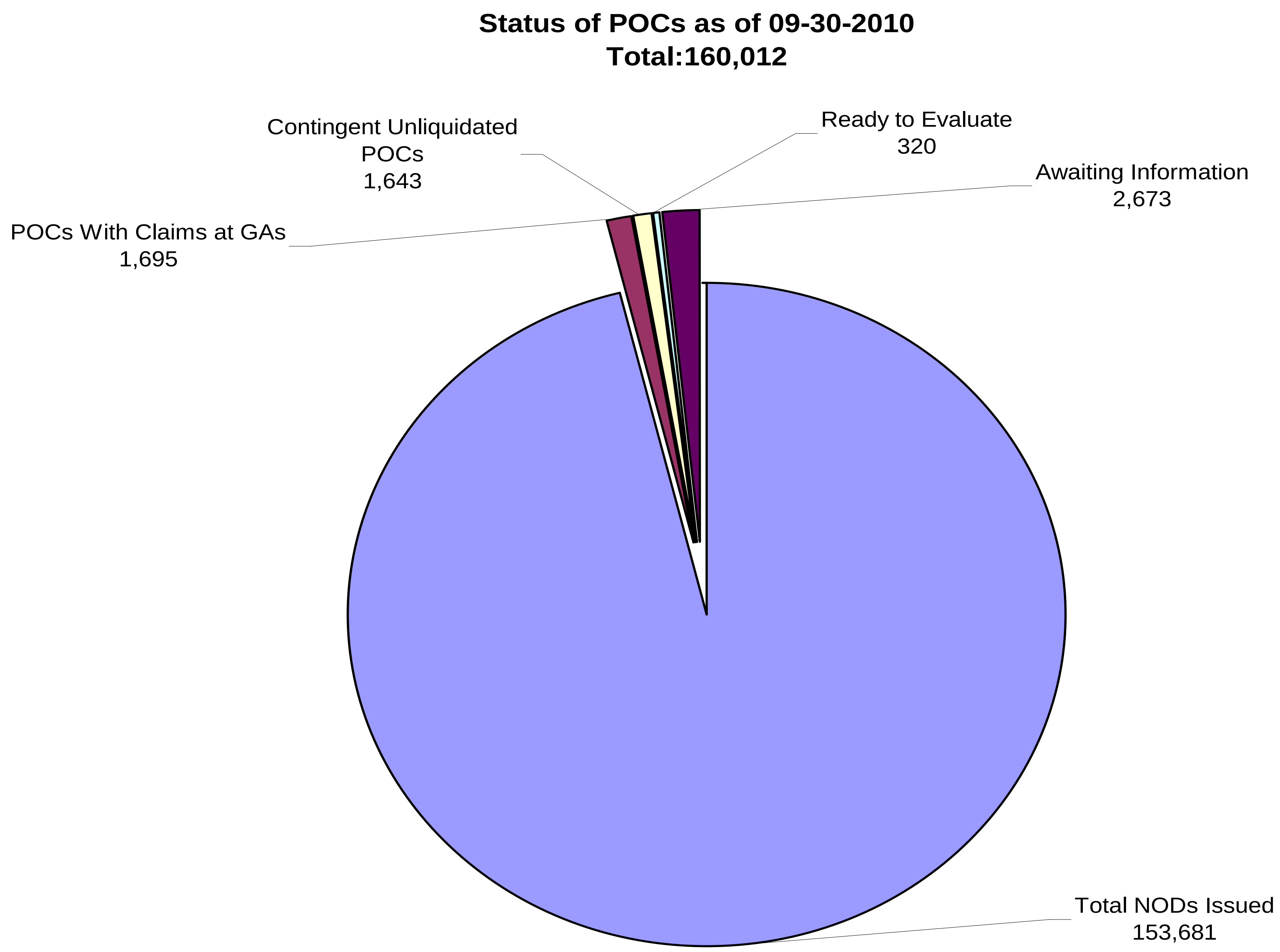

Status of POCs as of 09-30-2010
Total:160,012
Contingent Unliquidated POCs
1,643
Ready to Evaluate
320
Awaiting Information
2,673
POCs With Claims at GAs
1,695
Total NODs Issued
153,681

Exhibit M

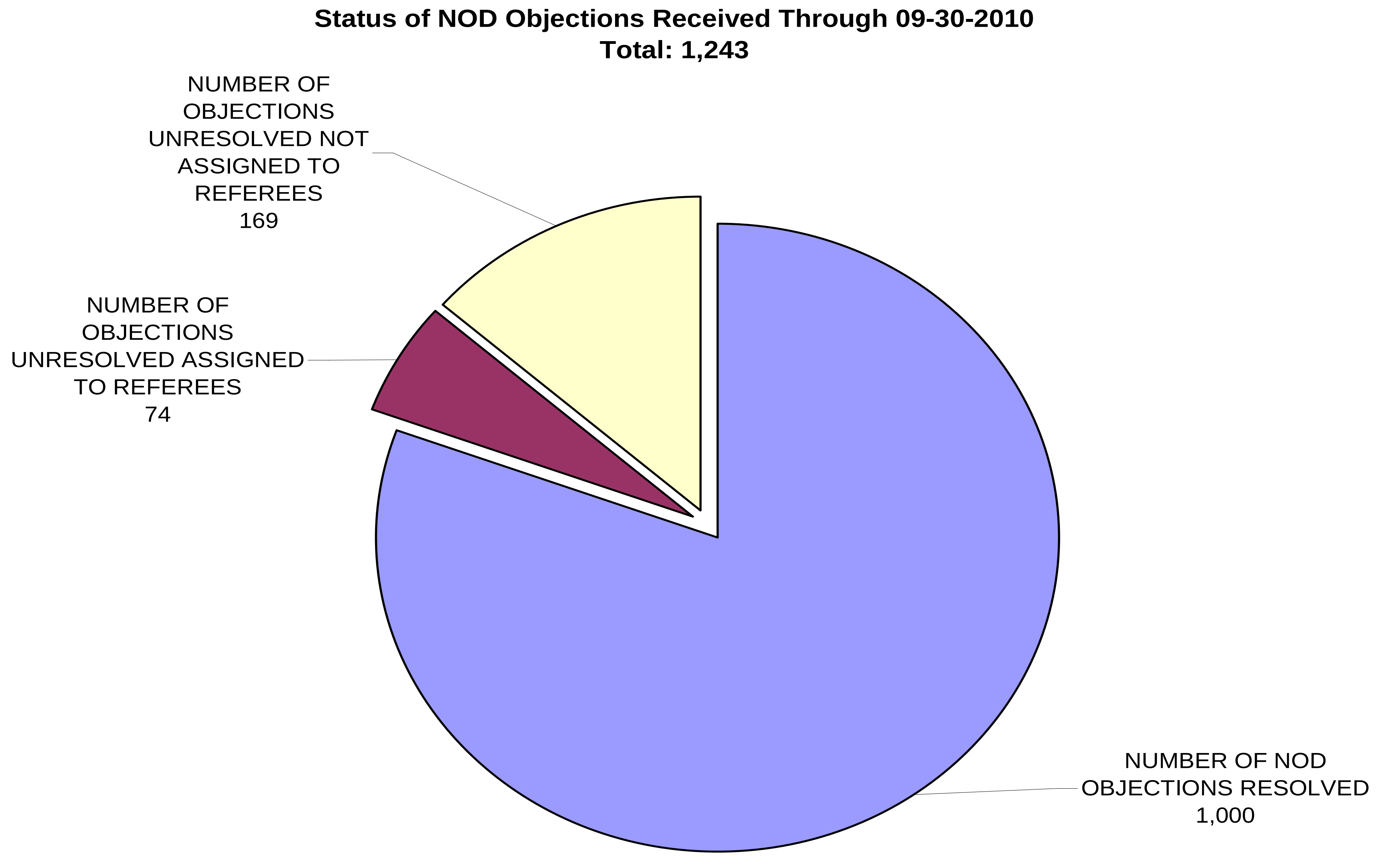

Status of NOD Objections Received Through 09-30-2010
Total: 1,243
NUMBER OF OBJECTIONS UNRESOLVED NOT ASSIGNED TO REFEREES
169
NUMBER OF OBJECTIONS UNRESOLVED ASSIGNED TO REFEREES
74
NUMBER OF NOD OBJECTIONS RESOLVED
1,000

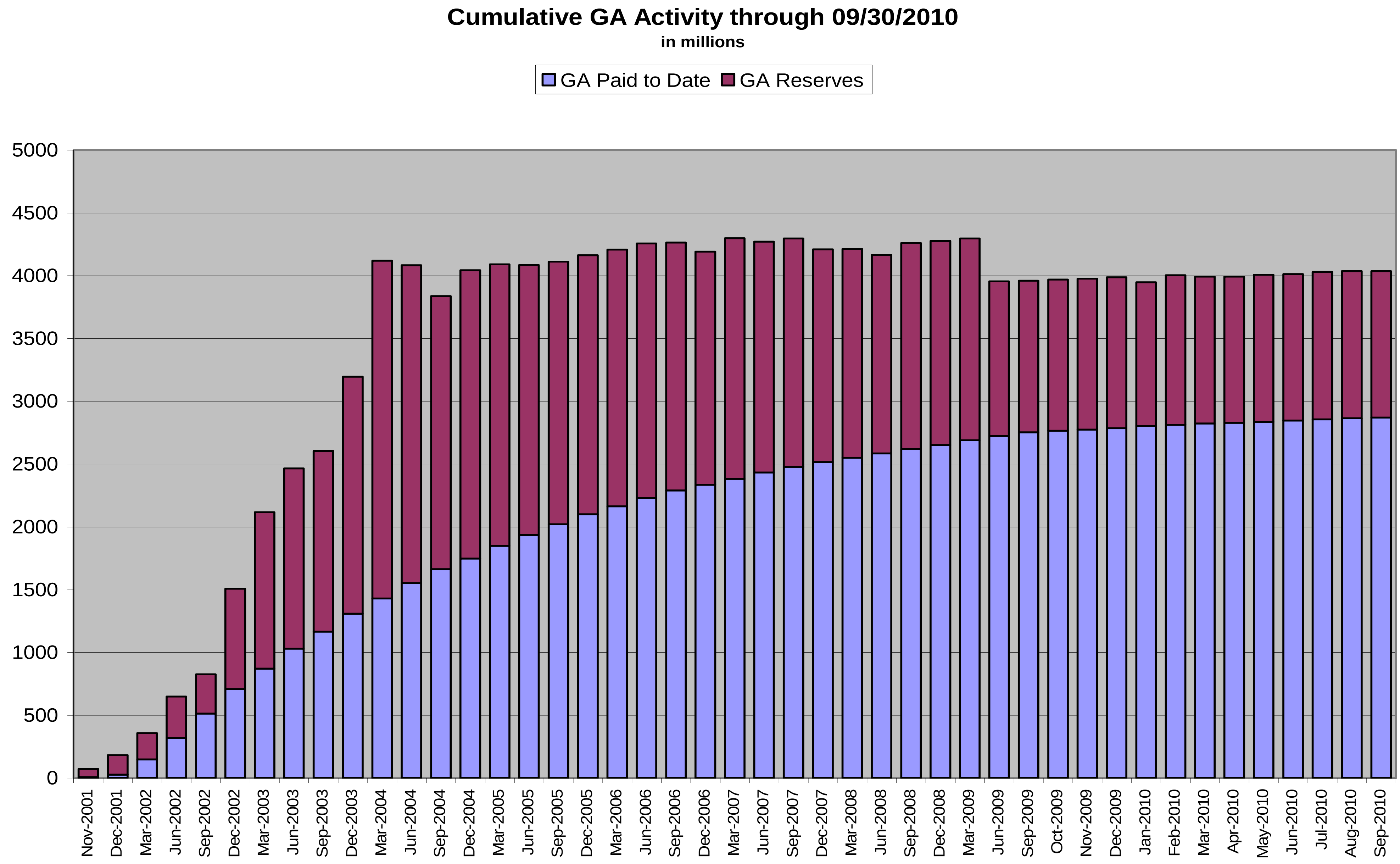
Exhibit N

Objection Statistics - Inception To Date
September 30, 2010

CLASS DESCRIPTION	NUMBER OF NOD OBJECTIONS RECEIVED	LIQUIDATOR ALLOWED AMOUNTS ON OBJECTIONS RECEIVED	NUMBER OF NOD OBJECTIONS RESOLVED	LIQUIDATOR ALLOWED AMOUNTS ON OBJECTIONS RESOLVED
NO CLASS ASSIGNED	0	$0.00	0	$0.00
A - ADMIN COSTS AND EXPENSES	141	$518.00	141	$518.00
B - POLICY HOLDER CLAIMS	258	$25,287,630.00	235	$25,273,630.00
C - FEDERAL GOVT	0	$0.00	0	$0.00
D - EMPLOYEES	0	$0.00	0	$0.00
E - GEN CREDITORS/UNEARNED PREM	784	$14,309,974.69	569	$2,953,990.21
F - STATE/LOCAL GOVT	1	$0.00	1	$0.00
G - LATE FILED/SUBROGATION	59	$736,353.50	54	$736,353.50
H - SURPLUS, PREM REFUNDS	0	$0.00	0	$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	$0.00	0	$0.00
TOTAL:	**1,243**	**$40,334,476.19**	**1,000**	**$28,964,491.71**

CLASS DESCRIPTION	NUMBER OF OBJECTIONS UNRESOLVED	LIQUIDATOR ALLOWED AMOUNTS ON OBJECTIONS UNRESOLVED	NUMBER OF OBJECTIONS UNRESOLVED ASSIGNED TO REFEREES	LIQUIDATOR ALLOWED AMOUNTS ON OBJECTIONS UNRESOLVED ASSIGNED TO REFEREES	NUMBER OF OBJECTIONS UNRESOLVED NOT ASSIGNED TO REFEREES	LIQUIDATOR ALLOWED AMOUNTS ON OBJECTIONS UNRESOLVED NOT ASSIGNED TO REFEREES
NO CLASS ASSIGNED	0	$0.00	0	$0.00	0	$0.00
A - ADMIN COSTS AND EXPENSES	0	$0.00	0	$0.00	0	$0.00
B - POLICY HOLDER CLAIMS	23	$14,000.00	12	$9,000.00	11	$5,000.00
C - FEDERAL GOVT	0	$0.00	0	$0.00	0	$0.00
D - EMPLOYEES	0	$0.00	0	$0.00	0	$0.00
E - GEN CREDITORS/UNEARNED PREM	215	$11,355,984.48	62	$5,272,924.35	153	$6,083,060.13
F - STATE/LOCAL GOVT	0	$0.00	0	$0.00	0	$0.00
G - LATE FILED/SUBROGATION	5	$0.00	0	$0.00	5	$0.00
H - SURPLUS, PREM REFUNDS	0	$0.00	0	$0.00	0	$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	$0.00	0	$0.00	0	$0.00
TOTAL:	**243**	**$11,369,984.48**	**74**	**$5,281,924.35**	**169**	**$6,088,060.13**

Exhibit O



Cumulative GA Activity through 09/30/2010
in millions
GA Paid to Date
GA Reserves
5000
4500
4000
3500
3000
2500
2000
1500
1000
500
0
Nov-2001
Dec-2001
Mar-2002
Jun-2002
Sep-2002
Dec-2002
Mar-2003
Jun-2003
Sep-2003
Dec-2003
Mar-2004
Jun-2004
Sep-2004
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Jan-2010
Feb-2010
Mar-2010
Apr-2010
May-2010
Jun-2010
Jul-2010
Aug-2010
Sep-2010