BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Reliance Insurance	:	Holding Companies Act, Article
Company in Support of the Request for	:	XIV of the Insurance Company
Approval to Merge with Reliance Direct	:	Law of 1921, Act of May 17, 1921,
Insurance Company with Reliance	:	P.L. 682, as amended, 40 P.S.
Insurance Company Being the Survivor in	:	§§991.1401, 991.1402, and
a Transaction Exempt from the	:	991.1403; Sections 1921 through
Requirements of 40 P.S. §991.1402	:	1929 of the 1988 Business
	:	Corporation Law, Act of
	:	December 21, 1988, P.L. 1444, No.
	:	177, as amended, 15 Pa. C.S.
	:	§§1921-1928; Sections 205 and 207
	:	of the GAA Amendments Act of
	:	1990, Act of December 19, 1990,
	:	P.L. 834, No. 198, as amended, 15
	:	P.S. §§21205 and 21207.
	:	
	:	Order No. ID-RC-01-07

DECISION AND ORDER

AND NOW, on this 8th day of February, 2001, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania ("Deputy Commissioner"), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act, the 1988 Business Corporation Law and the GAA Amendments Act of 1990, and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Entities

1. Reliance Insurance Company ("Reliance") is a domestic stock fire insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania.

2. Reliance Direct Insurance Company ("Reliance Direct") is a domestic stock insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. Reliance Direct is a wholly-owned subsidiary of Reliance. Reliance Direct transacts the business of insurance in Pennsylvania as an admitted insurer.

3. Reliance Group Holdings, Inc. is a business corporation organized under the laws of the State of New York with its principal place of business in New York, New York. Reliance Group Holdings, Inc. indirectly controls 100% of the issued and outstanding common stock of Reliance.

4. Saul Steinberg is an individual whose principal place of business is in New York, New York. Saul Steinberg currently controls approximately 42.8% of the issued and outstanding shares of common stock of Reliance Group Holdings, Inc.

5. Currently, Steinberg is the ultimate controlling person of Reliance and Reliance Direct.

Filing of the Application

6. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. ("Insurance Holding Companies Act"), provides that all mergers or other acquisitions of control of domestic insurers must be filed with the Department for approval or disapproval.

7. Section 1402 (g) of the Insurance Holding Companies Act provides for exemption from the requirements of Section 1402:

   a) if the merger does not have the effect of changing or influencing the control of a domestic insurer, or

   b) if the transaction is otherwise not comprehended within the purposes of Section 1402.

8. The 1988 Business Corporation Law, Act of December 21, 1988, P.L. 1444, as amended, Sections 1921 through 1929, 15 Pa. C.S. §§1921 through 1929 ("1988 BCL"), and the GAA Amendments Act of 1990, P.L. 834, No. 198, as amended, 15 P.S. §§21205, 21207 ("GAA Amendments Act"), provide that all plans of merger of domestic insurers must be filed with the Department for approval or disapproval.

9. On January 10, 2001, the Insurance Department of the Commonwealth of Pennsylvania ("Department") received an initial application (which together with all material received subsequently is collectively referenced as "Application") from Reliance requesting approval to merge Reliance Direct with and into Reliance, with Reliance being the survivor.

10. The Application was filed with the Department pursuant to Section 1402(g) of the Insurance Holding Companies Act and Section 205 of the GAA Amendments Act.

Notice and Filing of Comments

11. On January 20, 2001, the Department published notice in the Pennsylvania Bulletin that the Application had been submitted by Reliance and such notice invited interested persons to submit comments to the Department regarding the Application for a seven day period, ending January 27, 2001.

12. During the seven day public comment period, the Department received no comments regarding the Application.

The Transaction

13. Reliance and Reliance Direct executed a Plan and Agreement of Merger dated as of January 29, 2001 ("Merger Agreement") which provides for Reliance Direct to merge with and into Reliance, with Reliance being the surviving corporation.

14. As described in the Application, the Merger Agreement has been adopted by the Board of Directors of Reliance on January 25, 2001, and the Board of Directors of Reliance Direct on January 26, 2001.

15. As described in the Application, the Merger Agreement has been adopted by the sole shareholder of Reliance Direct on January 29, 2001,

16. Pursuant to 15 Pa. C.S. Section 1924(b)(1)(i) the shareholders of Reliance are not required to approve the Merger Agreement.

17. As described in the Application, upon the effective date each share of common stock of Reliance Direct issued and outstanding immediately prior to the effective

date of the merger shall be, by virtue of the Merger Agreement and without any action on the part of the holder thereof, thereupon be canceled.

18. As described in the Application, upon the effective date each share of Reliance common stock issued and outstanding immediately prior to the effective date shall continue to represent one issued share of common stock of Reliance.

19. As described in the Application, at the effective date, the Articles of Incorporation and By-Laws of Reliance in effect at the effective date, shall be the Articles of Incorporation and By-Laws of Reliance after the merger.

20. As described in the Application, the members of the board of directors and the officers of Reliance at the effective date shall be the members of the board of directors and the officers of Reliance after the merger.

21. As described in the Application, Reliance shall thenceforth be responsible and liable for all the liability and obligations of Reliance Direct.

22. As described in the Application, upon completion of the proposed merger, Saul Steinberg will remain the ultimate controlling person of the surviving corporation, Reliance.

23. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the merger of Reliance Direct and Reliance.

2. Under Section 1402(g) of the Insurance Holding Companies Act, the Department shall exempt a merger from the requirements of Section 1402 if the merger does not have the effect of changing or influencing the control of a domestic insurer.

3. Pursuant to Section 1402(g) of the Insurance Holding Companies Act, the Deputy Commissioner concludes that the proposed merger does not change the ultimate controlling person of the parties to the merger and, therefore, is exempt from the requirements of the Insurance Holding Companies Act.

4. The Deputy Commissioner concludes that the preparation of the Merger Agreement, pertaining to the terms and conditions, satisfies the requirements of Section 1922 of the 1988 BCL.

5. The Deputy Commissioner concludes that the Merger Agreement satisfies the requirements of Section 1924 as it has been adopted by the shareholders of Reliance and Reliance Direct and by the Board of Directors of Reliance and Reliance Direct.

6. The Deputy Commissioner concludes that the Merger Agreement satisfies the requirements of Section 1925 of the 1988 BCL because the Merger Agreement is subject to the approval of the insurance department of the state of domicile of Reliance Direct.

7. The Deputy Commissioner concludes that the Articles of Merger will satisfy the requirements of Section 1926 of the 1988 BCL.

8. The Deputy Commissioner concludes that the Merger Agreement will be effective upon proper filing of Articles of Merger with the Department of State pursuant to Sections 1927 and 1928 of the 1988 BCL.

9. The Deputy Commissioner concludes that, if the proposed merger is consummated, all the rights, privileges, immunities, powers and purposes of Reliance Direct will be conveyed to the surviving entity, as a matter of law, pursuant to Section 1929 of the 1988 BCL.

10. Pursuant to Section 205(b) of the GAA Amendments Act, the Deputy Commissioner, concludes that the terms and conditions of the proposed merger are fair and that the proposed merger is in accordance with law and not injurious to the interests of the policyholders and creditors.

11. The Application satisfies the requirements of the Insurance Holding Companies Act, the 1988 BCL and the GAA Amendments Act.

12. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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	:	P.S. §§21205 and 21207.
	:	
	:	Order No. ID-RC-01-07

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania ("Deputy Commissioner") hereby approves the application of Reliance Insurance Company requesting approval of the merger of Reliance Direct Insurance Company with and into Reliance Insurance Company subject to the following condition:

1. A copy of the Articles of Merger shall be filed with the Deputy Commissioner not later than ten (10) days after their filing with the Pennsylvania Department of State.

This Order is effective immediately.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Commonwealth of Pennsylvania