

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

IN RE:
Reliance Insurance Company
In Liquidation : **NO. 1 REL 2001**

**REPORT OF THE LIQUIDATOR
ON THE STATUS OF THE LIQUIDATION OF
RELiance INSURANCE COMPANY AS OF JUNE 30, 2018**

I. INTRODUCTION

Jessica K. Altman, Insurance Commissioner for the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator (“Liquidator”) of Reliance Insurance Company (“Reliance or Estate”), through her undersigned counsel, hereby submits this report on the status of the liquidation of Reliance,

pursuant to Pa. R.A.P. No. 3784(b), incorporating financial results and claims information through June 30, 2018 (“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 June 30, 2018 and December 31, 2017 (“Statement”). The loss and loss expense reserves for class (b) claims shown on the Statement are presented on an estimated settlement value basis for reported claims with a timely filed Proof of Claim (“POC”). Pursuant to this Court’s Order issued on June 10, 2016, Reliance has established loss and loss expense reserves at estimated settlement value by discounting the medical and indemnity portion of workers compensation claims reserves to present value. Due to the inherent complexity of both the loss reserving process and the estimation of settlement value, the actual emergence of losses and the amounts ultimately included in any negotiated settlement with claimants and the Notices of Determination (“NODs”) issued for those settlements may be significantly different than the estimates included in the Statement. Therefore the final liabilities of the Estate will differ from the amounts presented in the Statement.

The Statement does not fully reflect the effects of the liquidation upon certain assets and liabilities and does not include an estimate of future liquidation expenses that will be incurred by Reliance, in administering the Estate. Reliance liquidation expenses are class (a) first priority payments under the Insurance Department Act of 1921, 40 P.S. §221.1 et seq. (“Act”). The Liquidator expenses will be significant and will be paid before distributions for claims under policies for losses which are class (b) priority.

The Statement also does not reflect claims by the federal government, including any estimate for potential federal income tax liabilities. Reliance has significant net operating loss carryforwards for tax purposes, which begin to expire in 2020, and may be used to partially offset future net income, thereby reducing tax liabilities. The Claims Bar Date of March 31, 2016 (see paragraph D.1) eliminated the need to maintain a provision for future claims filed on or after the Claims Bar Date. Accordingly, Reliance eliminated reserves for incurred but not reported claims (“IBNR”) from the December 31, 2015 Statement. During 2016, Reliance also eliminated case reserves for claims for which a valid POC was not filed before the Claims Bar Date. Reliance has taken the position that the reduction of IBNR reserves and certain case reserves due to the Claims Bar Date qualifies under Internal Revenue Code provisions regarding exclusions from gross income, and therefore is not subject to federal income tax. In response to a prompt assessment

request, the IRS has accepted the 2015 tax return (including the IBNR elimination) as filed. However, the positions taken on the 2016 return are still subject to IRS review and Reliance has taken other tax positions that may also be subject to IRS review. Thus, actual tax liabilities inclusive of alternative minimum tax and related payments, which are not included in the Statement, may be material.

The federal government takes the position that the Claims Bar Date does not apply to its claims. In addition to federal tax claims, there will likely be policy claims by the Department of Labor, the Environmental Protection Agency, the Center for Medicare and Medicaid Services, and other federal agencies.¹ There has been no provision for federal claims included in the class (b) liabilities in the Statement.

Due to the uncertainties noted above, 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 certainty as to the ultimate distribution that will be paid by Reliance. The Notes to the Special Purpose Statements, attached as Exhibit D, describe the limitations of the Statement and should be included in any review of Reliance's financial information.

¹ Both the Environmental Protection Agency and the Department of Labor have already submitted claims.

As of June 30, 2018, the Statement shows estimated total assets of \$3.1 billion, with the most significant balance, \$1.6 billion, relating to early access advances to GAs. Invested assets total \$1.4 billion (see paragraph C.2).

Reinsurance receivables and future reinsurance recoverables total \$9.8 million.

Total estimated liabilities at June 30, 2018 were \$4.2 billion. The largest class of liabilities is class (b) claims which total approximately \$5.3 billion on a gross basis and \$3.2 billion net, due to \$2.1 billion in asset distributions. The \$5.3 billion is comprised of GA paid losses of \$2 billion; reserves for GA losses of \$0.5 billion net of deductible and discount; NODs issued by the Estate of \$2.7 billion; and \$0.2 billion for all other reserves. The \$0.2 billion for all other reserves is comprised of estimated reserves for non-GA claims where a NOD has not yet been issued. Of the \$2.1 billion in distribution payments, \$944 million was distributed to non-GA class (b) claimants and \$1.15 billion to GA class (b) claimants, of which \$963 million was converted from early access advances and \$182 million was an additional cash distribution. The second largest class of liabilities is class (e) general creditor claims (including assumed reinsurance claims) which total \$0.9 billion, subject to valid offsets. However, the Liquidator has issued thousands of class only NODs at the class (e) level, deferring any determination of amount until it is certain that distributions will reach class (e). Therefore, actual class (e)

liabilities are undoubtedly significantly higher than the figures reported in the Statement.

Attached to this report as Exhibit B is a Special Purpose Statement of Changes in Policyholders' Surplus for the six months ended June 30, 2018, and for the period from October 3, 2001 to June 30, 2018. The estimated net deficit at June 30, 2018, was \$1.1 billion, down 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 Duration Investments

Attached to this report as Exhibit C is a Statement of Cash Receipts and Disbursements and Changes in Short Duration Investments ("Cash Flow Statement") for the period from January 1, 2018, through June 30, 2018. Short duration investments were approximately \$1.4 billion at June 30, 2018 down from \$1.5 billion at the beginning of the period.

Receipts of \$30.4 million were primarily comprised of investment income of \$17.9 million, a \$4.1 million release from an escrow account related to a subsidiary sale in 2013, and a \$3.76 million recovery from litigation.

Cash disbursements for the six months ended June 30, 2018 were \$155.7 million including distributions to class (b) claimants of \$142 million (see paragraph D.3) and operating expenses of \$13.7 million. Additional detail is provided for operating expenses in paragraph B.2.

The change in value of investments managed by investment managers was a decrease of \$5.6 million for the six months ended June 30, 2018. This amount consists of two non-cash items: a decrease in market value of \$1.8 million and a decrease of \$3.8 million due to amortization. Overall, short duration investments for the six months ended June 30, 2018 decreased by \$130.9 million.

3. Short Duration Investments

The investment portfolio is \$1.4 billion as of June 30, 2018 and is invested in short duration bond and immunized bond portfolios. The immunized portfolios are designed to minimize exposure to capital losses. An Investment Committee oversees the investment operations at Reliance under approved investment guidelines. The Committee utilizes investment advisors, money managers, and other professionals in its oversight duties. Securities held in the portfolio are regularly monitored as the portfolio is managed in accordance with the guidelines.

4. Investments Held in Segregated Accounts

At June 30, 2018, Reliance held \$1.8 million in trust for specific obligations to secured creditors relating primarily to losses on assumed reinsurance business. In addition, Reliance held \$0.8 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 June 30, 2018, Reliance held \$17.1 million solely for the benefit of 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. Affiliates / Non-Liquid Investments

Reliance continues to monitor the few remaining assets in this category to determine the best strategy and timing for maximizing value. The primary asset is the Reliance Canadian branch which is currently in a separate liquidation proceeding in Canada. Also included in this category are amounts held in escrow from the 2013 sale of RCGGS, the information technology former indirect subsidiary of Reliance. During the six months ended June 30, 2018, Reliance received a partial release from the escrow in the amount of \$4.1 million.

6. Premium Balances

As of June 30, 2018, Reliance estimates current and future premium and deductible receivables of \$3 million which include billed amounts and an estimate of \$0.9 million for future billings under retrospectively rated policies, where future premium billings will be based on paid losses.

7. Reinsurance

a. Reinsurance Billings and Collections

As of June 30, 2018, reinsurance receivables and future reinsurance recoverables were \$9.8 million after deductions for estimated uncollectible amounts and offsets due to assumed reinsurance business written by Reliance. Reinsurance collections for the six months ended June 30, 2018, totaled \$1.2 million with total collections of approximately \$4 billion since the date of liquidation. These totals are inclusive of receipts on ordinary ceded loss billings, dispute settlements and commutations.

Similar to many ongoing insurance entities, Reliance has exposure to write-offs for uncollectible reinsurance and disputes. Thus, an appropriate bad debt reserve has been established.

b. 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, 52 cut-through requests have been submitted to the Liquidator and 41 were ultimately approved. All cut-through requests submitted have been addressed and the Liquidator does not expect to receive any additional cut-through requests.

B. Expenses

1. 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 E is an Operating Expense Analysis which indicates the total dollars paid for each expense category for the six months ended June 30, 2018, 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 six months ended June 30, 2018, totaled \$11.8 million, compared to a budget of \$12.2 million and actual expenses in 2017 of \$13.9 million. Through June 30, 2018, this Court has approved a total of approximately \$1.3 billion in Estate administrative expenses incurred and paid by the Liquidator.² With the approval of this Court, Reliance reimbursed administrative expenses to the GAs of \$1.9 million in the six months

² On September 13, 2018, the Court approved an additional \$24 million of administrative expenses incurred by the Liquidator in 2017.

ended June 30, 2018, compared to a budget of \$1.9 million and prior year reimbursements totaling \$3.7 million. Brief explanations regarding certain aspects of the Reliance administrative expenses are provided below, by category.

a. Salaries, Employee Benefits and Taxes

At June 30, 2018, Reliance had a total of 52 employees in both the Philadelphia and New York City offices. Since January of 2018, staff count has declined by 3 employees. Reliance also uses consultants to support its operations in the Information Technology (“IT”) area. At June 30, 2018, there were 11 consultants supporting the IT business application systems and production environment.

b. IT Services

The IT services, consisting of several outsourcing arrangements coordinated by the IT staff, are designed to provide cost effective, flexible and efficient services. RCGGS, which was a wholly owned indirect subsidiary of Reliance until 2013, continues to provide consultants for production support, maintenance, security, and development services for Reliance’s business application systems.

c. Legal Fees and Expenses

Attached as Exhibit F is a schedule containing the legal expense detail by firm (excluding ALAE) for the six months ended June 30, 2018. In addition to law firms, the schedule may include referees for certain disputed NOD matters,

reinsurance arbitrators, and other litigation and legal support service providers. The legal expenses of the Estate can be divided into three general categories of legal matters: (1) Estate administration; (2) general asset recovery; and (3) disputes regarding certain NODs, priority classification, and other liquidation issues, including disputes with GAs.

Reliance has also undertaken numerous plaintiff actions to recover assets owed to the Estate, including recovery of reinsurance owed to the Estate. In the second quarter of 2018, Reliance recovered approximately \$3.76 million through litigation. Since January 2003 through the first 6 months of 2018, Reliance has recovered approximately \$382 million through legal actions, a portion of which directly benefits the GAs. In addition, over \$144 million has been recovered from third parties, such as officers and directors.

Many legal matters, as described above, are handled entirely by in-house counsel which minimizes the administrative expenses of the Estate.

d. Professional Services Expenses

Attached as Exhibit G is a schedule containing the professional service expense detail by vendor name for the six months ended June 30, 2018. The individual professionals and firms listed in the schedule include, among other things, investment managers, London market broker services, imaging services, actuarial services, IT services, tax and auditing services, as needed. The majority

of the professional service expenses are investment manager fees which are directly related to the size of the overall investment portfolio. 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 Philadelphia and New York.

f. Guaranty Association Expenses

The Operating Expense Analysis, Exhibit E, lists as expenses of the Estate certain administrative expenses of the GAs which are incurred in handling claims of Reliance policyholders and claimants, pursuant to 40 P.S. §221.44(a).

Administrative expense payments made by Reliance to the GAs through June 30, 2018, total \$375 million. Under the current reimbursement policy, administrative expenses will be paid to the GAs only after approval by this Court of the GA class (a) omnibus NODs.

g. Loss Adjustment Expenses (LAE)

LAE represents amounts paid by the Estate for evaluating and processing certain POCs and NODs, and the related objection process.

C. National Conference of Insurance Guaranty Funds (“NCIGF”)

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; claims handling; claims imaging and closed claim procedures; communication protocols; GA data and reinsurance reporting and UDS protocol; reconciliation issues; the priority classification and reporting of administrative expenses including related reviews; and Reliance product and policy information. The NCIGF, most GAs, and Reliance have established a close working relationship and will continue to address any remaining 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 45 GAs currently

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. As Reliance completes final omnibus settlements with the GAs, the Estate is evaluating the need for continued reporting by each GA through UDS. Two small GAs are reporting on a manual basis to the Estate. One hundred percent of GA payments and reserves have been matched to Reliance systems.

2. Early Access

At June 30, 2018, early access advances to GAs totaled approximately \$1.6 billion and are comprised of early access post-liquidation cash advances (\$1.2 billion); pre-liquidation statutory deposits (approximately \$400 million); and payments made on behalf of certain life and health, as well as property and casualty, GAs shortly after October 3, 2001 (\$5 million). During the six months ended June 30, 2018, \$642 million of early access advances was converted to asset distribution payments.

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 \$163 million of deductible collections have been distributed to the GAs.

D. Claims Process

The deadline for filing POCs was December 31, 2003. As of June 30, 2018, Reliance had received a total of 161,092 POCs (excluding inactivated POCs).

1. Claims Bar Date

On December 22, 2015, this Court issued its Order establishing March 31, 2016 as the Claims Bar Date (“Claims Bar Date Order”). All claims must have been submitted to Reliance on a POC form, available on the website, **PRIOR TO** March 31, 2016. All POCs received **ON OR AFTER** March 31, 2016 are barred

and will not be eligible for any distribution. As of June 30, 2018, 33 POCs had been filed on or after the Claims Bar Date and are, therefore, barred.

2. Status of POCs

As of June 30, 2018, Reliance had issued NODs for 160,426 of the 161,092 POCs for a total allowed amount of approximately \$1.37 billion. Reliance has now issued NODs for over 99% of the POCs filed with the Estate. This Court has approved 160,352 of those NODs, as of June 30, 2018, for a total allowed amount of approximately \$1.36 billion. Exhibit H breaks down this information by priority class.

Exhibit H also indicates the status of all 161,092 POCs received as of June 30, 2018. Of the 633 POCs remaining to be evaluated, 83 relate to claims currently being handled by the GAs. These POCs will be addressed by Reliance in connection with final omnibus NODs issued to the GAs and/or with the final settlement negotiated with non-GA claimants. In total, GAs are currently handling approximately 3,654 open Reliance claims. Approximately 195 of the 633 remaining POCs are POCs where the claimant identified a specific claim prior to the Claims Bar Date, but the underlying claim has not yet been resolved or proper documentation has not been provided to Reliance.³ Approximately 352 POCs are

³ 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

in various stages of review 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.

On May 29, 2018, this Court issued its Order approving the Liquidator's Application for Approval of an Estimated Claims Value Process ("ECVP Order") which will assist the Liquidator in obtaining the information necessary to conclude a resolution of the remaining POCs, including those where the underlying long tail claim has not yet been resolved. The ECVP Order requires claimants to provide a claim valuation and supporting information within 90 days of the Liquidator's request. Additionally the ECVP Order directs referees appointed by the Court to expedite the resolution of any NOD disputes arising from the remaining POCs.

3. Status of Distribution

In 2017, Reliance actuaries completed an update of the asset distribution model under a variety of conservative scenarios in order to determine an appropriate recommendation to the Court for an increase in the interim distribution

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.

percentage for approved class (b) NODs. The model, including a conservative estimate of losses, was reviewed by PricewaterhouseCoopers LLP (“PwC”), independent actuarial consultants. Based on the scenarios produced by the asset distribution model as confirmed by the results of the PwC model review, the Liquidator proposed increasing the cumulative 65% interim distribution percentage to 80%. On September 13, 2017, this Court approved the increase of the distribution percentage to 80% and checks reflecting the increase were issued in the September distribution.

The Liquidator continues to periodically issue distribution checks to claimants for any new NODs approved by the Court through the regular filing process. As of June 30, 2018, \$944.3 million has been distributed to non-GA class (b) claimants for 6,631 NODs. Another \$1.15 billion has been distributed to 88 GAs (42 Property and Casualty GAs and 46 Life and Health GAs) of which \$963.1 million was converted from early access advances and \$182.1 million was paid in cash distributions. Six GAs, two Property and Casualty GAs and four Life and Health GAs, whose class (b) NOD was approved by the Court prior to June 30, 2018 did not receive a distribution due to pending ancillary proceedings in their respective states. Once the ancillary proceedings are closed and a final accounting is received by the Liquidator distributions will be issued as appropriate.

4. Objections to NODs (non-GA claimants)

As of June 30, 2018 the Liquidator has received a total of 1,848 objections to the 160,092 NODs issued to claimants (other than GAs), an objection rate of approximately 1%. The Estate has resolved 1847 objections and the referee assigned to the only unresolved objection as of June 30, 2018 issued a recommendation favorable to the Liquidator. The exceptions filed by the objector to that recommendation are pending with this Court.

5. GA Claims

The GAs, as a group, are the largest creditor of the Estate and are subject to this Court's Order of November 19, 2007, approving the Liquidator's Amended Petition to Supplement the September 9, 2002 Claims Procedures Order To Address the Administration of GA Claims ("GA Claims Order"). The GA claims process presents several unique issues and the GA Claims Order approved procedures which allowed the Liquidator to address those issues. Each of the GAs have filed omnibus POCs representing their claims against the Estate for administrative expense claims, loss claims (including ALAE), and other claims. In reviewing these GA claims it is necessary to reconcile the GA quarterly expense reports, loss claim files, and all UDS data with Reliance books and records before issuing final omnibus NODs for each priority class which are then submitted to this Court for approval in periodic reports.

a. GA Administrative Expense Claims

Certain GA administrative expenses are priority class (a) claims under 40 P.S. §221.44. As of June 30, 2018 the Liquidator has issued class (a) final omnibus NODs to 47 Property and Casualty GAs totaling approximately \$137 million. As shown on Exhibit I⁴, the Court approved class (a) omnibus NODS totaling approximately \$85.9 million for 31 Property and Casualty GAs. These final omnibus class (a) NODs included allowed amounts previously approved by the Court through regular undisputed GA administrative expense reports (for GA expenses incurred through September 30, 2016), resolved GA NOD reports, and allowed amounts recommended for approval. Also included in the final omnibus class (a) NOD is an allowed amount for any future administrative expenses that may be incurred by a GA in regard to open class (b) claims that would require continued GA payments after the closing of the Reliance liquidation.

As shown on Exhibit I, the remaining Property and Casualty GAs which do not yet have a Court approved class (a) omnibus NOD have reported administrative expenses totaling approximately \$287.2 million (net of approximately \$19 million in Court approved disallowed amounts) through June 30, 2018.

⁴ A \$0.00 allowed amount for any GA in either the class (a) or class (b) omnibus NOD column of Exhibit I means that a final omnibus NOD has not yet been approved by the Court for that GA.

b. GA Loss Payments Including ALAE

The Liquidator has issued class (b) final omnibus NODs for 49 Property and Casualty GAs through June 30, 2018 totaling an allowed amount of approximately \$1.69 billion and, as shown on Exhibit I, the Court has approved class (b) final omnibus NODs totaling \$1.48 billion for 44 Property and Casualty GAs. These final omnibus class (b) NODs included allowed amounts previously approved by the Court through regular undisputed GA claim reports, resolved GA NOD reports, and allowed amounts recommended for approval. These NODs also include an allowed amount for open class (b) claims which would require continued GA payments after the closing of the Reliance liquidation.

As shown on Exhibit I, the remaining Property and Casualty GAs that do not yet have a Court approved class (b) omnibus NOD have paid approximately \$2 billion for losses, including ALAE, under Reliance policies, of which the Court has approved class (b) claims totaling \$1.3 billion through June 30, 2018. The outstanding reserve for remaining losses for the Property and Casualty GAs, including ALAE, totals \$536.9 million gross of deductible and discount. Therefore, in total, the estimate for GA loss claims, including ALAE, is approximately \$4 billion.

c. Life and Health Guaranty Associations

The Life and Health GAs covered the contractual obligations under accident and health policies issued by Reliance. On January 17, 2018 the Court approved all of the omnibus NODs for all of the Life and Health GAs, totaling approximately \$6.5 million for the class (a) final omnibus NODs and approximately \$32.8 million for the class (b) final omnibus NODs, as shown on Exhibit I.

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 June 30, 2018, Reliance held collateral of \$135 million to secure current and future obligations. For the six months ended June 30, 2018, 69 accounts were reviewed, resulting in a release of \$39 million for 16 accounts; no collateral was released for 7 accounts; and the remaining 46 accounts were otherwise resolved (e.g., closeouts, no remaining collateral).

2. 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. Arkansas, Florida, Idaho, Maryland, North Carolina, South Carolina, and Puerto Rico have closed their ancillary receiverships and there has been limited activity in the other ancillary estates.

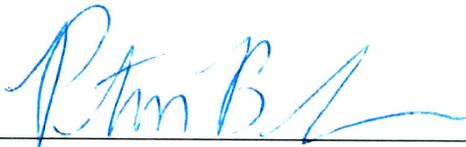
The state of Oregon has elected to retain its statutory deposit for worker compensation claims as the sole means of recovery for Oregon worker compensation claimants. The state of Arizona has elected to retain its statutory deposit for worker compensation claims as the sole means of recovery for worker compensation claims paid by the Arizona Industrial Commission and the Arizona Property & Casualty Insurance Guaranty Fund. The US Virgin Islands has elected to retain its statutory deposit as the sole means of recovery for all of its claimants.

As previously reported, the Reliance Canadian (“CN”) branch (included in “Investment in affiliates” as shown on Exhibit A) was placed in liquidation in Canada and the Reliance Liquidator was appointed as an inspector in those proceedings. KPMG Inc., in its capacity as liquidator of the CN branch, oversees

daily operations. The CN liquidator continues to run-off CN in an orderly manner and the Reliance Liquidator is working with the CN Liquidator to consider an expedited completion of the estate.

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Respectfully submitted:

By:  _____

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Commonwealth of Pennsylvania, in her
official capacity as Statutory Liquidator of
RELIANCE INSURANCE COMPANY

Dated: September 24, 2018

Exhibit A

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

ASSETS	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Short duration investments	\$ 1,390.0	\$ 1,520.9
Investments held for secured creditors	2.6	2.5
Investments held for uncovered claimants	17.1	17.0
Invested assets excluding affiliates	1,409.7	1,540.4
Investments in affiliates	27.3	31.4
Total invested assets	<u>1,437.0</u>	<u>1,571.8</u>
Premium balances	3.0	4.1
Reinsurance receivable and recoverables	9.8	14.9
Early access advances to guaranty associations	1,634.5	2,276.6
Other assets	15.1	16.3
Total Assets	<u>3,099.4</u>	<u>3,883.7</u>
LIABILITIES		
Secured Creditors - Funds held	33.7	34.7
Class (a) liabilities		
Liquidator expenses incurred since liquidation	1,317.8	1,305.9
Liquidator expenses paid since liquidation	<u>(1,317.8)</u>	<u>(1,305.9)</u>
Liquidator expenses - unpaid	-	-
Guaranty association expenses	390.5	389.3
Guaranty association expenses - paid	<u>(374.9)</u>	<u>(373.0)</u>
Guaranty association expenses - unpaid	15.6	16.3
Other class (a) liabilities	<u>12.7</u>	<u>29.2</u>
Total class (a) liabilities	28.3	45.5
Class (b) liabilities (estimated settlement value)		
Unsettled claims		
Guaranty association paid losses	1,963.7	2,864.3
Reserves for guaranty association losses	478.9	668.5
All other estimated reserves	<u>159.2</u>	<u>157.6</u>
Total unsettled claims	2,601.8	3,690.4
Notices of determination		
Guaranty association	1,513.3	484.2
All other	<u>1,190.2</u>	<u>1,181.1</u>
Total notices of determination	<u>2,703.5</u>	<u>1,665.3</u>
Gross class (b) liabilities	5,305.3	5,355.7
Asset distribution payments	<u>(2,089.5)</u>	<u>(1,322.3)</u>
Net class (b) liabilities	3,215.8	4,033.4
Class (c) liabilities	-	-
Class (d) liabilities	-	-
Class (e) liabilities		
Notices of determination issued	149.4	149.4
Losses and reserves on assumed business	727.1	735.3
Other class (e) liabilities	<u>1.9</u>	<u>3.8</u>
Total class (e) liabilities	878.4	888.5
Class (f) liabilities	-	-
Class (g) liabilities - Notices of determination issued	32.8	32.8
Class (h) liabilities	-	-
Class (i) liabilities	-	-
Total liabilities	<u>4,189.0</u>	<u>5,034.9</u>
Net deficit	<u>(\$1,089.6)</u>	<u>(\$1,151.2)</u>

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.

See accompanying notes.

Exhibit B

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

(In Millions)

	Six Months Ended June 30, 2018	Period From Oct. 3, 2001 To June 30, 2018
Policyholders' surplus - beginning of period	(\$1,151.2)	(\$2,683.5)
Underwriting gain/(loss)	47.2	(380.5)
Net investment income	14.0	745.8
Other income/(expense) (1)	2.4	949.7
Net realized and unrealized capital gains/(losses)	<u>(2.0)</u>	<u>278.9</u>
Change in policyholders' surplus	<u>61.6</u>	<u>1,593.9</u>
Policyholders' surplus - end of period	<u><u>(\$1,089.6)</u></u>	<u><u>(\$1,089.6)</u></u>

(1) Significant items prior to 2018 includes settlements with directors / officers and the parent company, changes in the estimate for uncollectible reinsurance, the elimination of various liabilities relating primarily to pre-rehabilitation expenses which are class (e) creditor claims that were not assigned a dollar value in the POC process and are unlikely to be paid or offset against any other asset in the Estate and federal income tax refund.

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 effect 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.

See accompanying notes.

Exhibit C

RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS, AND CHANGES IN SHORT
DURATION INVESTMENTS
FOR THE PERIOD JANUARY 1, 2018 TO JUNE 30, 2018 - UNAUDITED

(In Millions)

Cash Receipts:

Reinsurance collections	\$1.2
Premium Collections	2.2
Claim recoveries	3.5
Proceeds from sale of Affiliate	4.1
Investment income received	17.9
Other including net realized losses of \$0.1 million	<u>1.5</u>
Total Cash Receipts	<u>30.4</u>

Cash Disbursements:

Operating expenses	(13.7)
Asset distribution on class (b) NODs	<u>(142.0)</u>
Total Cash Disbursements	<u>(155.7)</u>
Net change in short duration investments from cash activity	<u>(125.3)</u>

Non-cash items affecting short term investments:

Change in value of investments managed by investment managers	<u>(5.6)</u>
Total Non-cash activity	<u>(5.6)</u>

Net change in short duration investments	(130.9)
Beginning Balance - Short duration investments	<u>1,520.9</u>
Ending Balance - Short duration investments	<u><u>\$1,390.0</u></u>

See accompanying notes.

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.

Reliance is on a modified cash basis of accounting accepted by the Pennsylvania Department of Insurance which is a cash basis with adjustments.

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 also do not include any estimate for potential federal income tax liabilities. Reliance has significant net operating losses for tax purposes, which begin to expire in 2020, and may be used to partially offset future income. However, actual tax liabilities and related payments may be material.

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 duration investments

Short 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 \$0.8 million and \$0.7 million at June 30, 2018 and December 31, 2017, 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 – Investments in affiliates

Investments in affiliates include amounts held in escrow from the sale of RCGGS, the former information technology subsidiary and Canadian branch, which is under liquidation proceedings in Canada. The carrying value 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 6 – Premium balances

Premium balances include accrued retrospective premiums of \$0.9 million and \$2.2 million at June 30, 2018 and December 31, 2017, respectively. Premium balances also include billings related to large deductible policies of \$1.7 million and \$1.6 million at June 30, 2018 and December 31, 2017, respectively. Certain balances may only be collectible through legal proceedings. Balances ultimately collectible may be significantly different than the amount reflected in the Special Purpose Statements of Assets and Liabilities.

Note 7 - Reinsurance receivable and recoverables

Reinsurance receivable and recoverables is comprised of receivables from reinsurance currently due and an estimate of the portion of gross loss reserves that will be recovered from reinsurers in the future. 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 8 - Class (b) Liabilities

Class (b) liabilities is comprised of unsettled GA paid losses, reserves for unsettled GA losses, NODs issued by the Estate and all other estimated reserves. The NODs issued consist of \$1.19 billion for non-GA claimants and \$1.51 billion for GA claimants. The NODs issued amount is adjusted by \$2.09 billion in distribution payments to creditors. All other estimated reserves is comprised of estimated reserves for reported claims, including POCs where a NOD has not yet been issued. All other estimated reserves are net of anticipated salvage and subrogation and second injury fund recoveries.

The loss and loss expense reserves on the Special Purpose Statements of Assets and Liabilities for class (b) claims are presented on an estimated settlement value basis for reported claims. Pursuant to the Court order issued on June 10, 2016, Reliance has established loss and loss expense reserves at estimated settlement value by discounting the medical and indemnity portion of workers compensation claims reserves to present value. Reserves are presented net of an estimate for deductible recoveries.

The June 30, 2018 and December 31, 2017 reserves do not contain a provision for unreported claims because the Court established a Claims Bar Date of March 31, 2016.

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 estimating settlement values, the actual class (b) NODs issued may be significantly different than the amounts reflected in the June 30, 2018 Special Purpose Statements of Assets and Liabilities.

Note 9 - Claims lower than Class (b)

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.

Note 10 – Early access advances to GAs

During 2003, 2004, 2005, 2007, 2010, 2013 and 2015, the 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 Court of Pennsylvania approves the distributions to the GAs. At June 30, 2018, the Court has approved Omnibus NODs for 94 GAs (44 Property and Casualty GAs and 50 Life Health GAs) in the amount of \$1.51 billion. Accordingly, \$963.1 million of early access advances for 88 GAs has been converted to distributions and an additional \$182.1 million cash distribution was made. The total distribution for the 88 GAs totaled to \$1.145 billion. Six GAs did not receive any class (b) distribution due to pending ancillary proceedings. Once the ancillary proceedings are closed and Reliance receives a complete accounting, distributions will be issued, as appropriate.

At June 30, 2018 total early access amounts include early access cash payments to the GAs of \$1.23 billion, statutory deposits of \$400 million, and payments made by Reliance on behalf of certain GAs shortly after October 3, 2001.

Note 11 – 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 12 - Guaranty Association expenses unpaid

Each GA will be issued a class (a) final omnibus NOD for administrative expenses incurred by the GA for handling claims on behalf of Reliance. Guaranty Association expenses unpaid represent the estimated final omnibus class (a) NOD amount less amounts already paid to the GAs. The Liquidator has issued final omnibus class (a) NODs totaling \$143.5 million to 97 GAs (47 Property and Casualty GAs and 50 Life Health GAs) as of June 30, 2018. Of the \$143.5 million allowed in the 97 NODs issued, \$92.4 million has been approved by the Court at June 30, 2018.

Note 13 – Class (a) other liabilities

Class (a) other liabilities are principally outstanding checks.

Note 14 – Class (b) claims Unsettled and Notices of Determination

Each GA has filed an omnibus POC representing their claims against the estate. Eventually all the GAs will be issued final omnibus NODs as a final resolution of current and future class (b) claims against the estate. The GAs class (b) claims against the estate are reflected in the unsettled claims section of class (b) liabilities in the Special Purpose Statement of Assets and Liabilities until they are settled. After the Liquidator settles with the GA and the Court approves the GA final omnibus class (b) NODs, the GAs class (b) claims against the estate are reflected in the Notices of Determination section of class (b) liabilities. In addition, after the Court approves the GA final omnibus class (b) NOD, early access advances for those settled GAs are converted to distributions up to the Court approved distribution percentage. The Liquidator has issued final omnibus class (b) NODs totaling \$1.72 billion to 99 GAs (49 Property and Casualty GAs and 50 Life Health GAs) as of June 30, 2018. Of the \$1.72 billion allowed in the 99 NODs issued, \$1.51 billion has been approved by the Court at June 30, 2018.

Note 15 – Guaranty Association paid losses

Guaranty Association paid losses include payments reported by unsettled GAs and processed in the Estate’s operating systems less deductible recoveries remitted to the GAs in accordance with the Act , 40 P.S. §221.23a.

Note 16 – Reserves for Guaranty Association losses

Reserves for Guaranty Association losses include case reserves reported by unsettled GAs and processed in the Estate’s operating systems adjusted to settlement value basis and reduced for estimated future deductible recoveries.

Note 17 – Notices of Determination

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. Non-GA NODs are included in the Special Purpose Statements of Assets and Liabilities when issued. GA NODs are included in the Special Purpose Statement of Assets and Liabilities when the Court approves the GA final omnibus class (b) NODs.

Note 18 – Asset distributions to class (b) creditors

On September 13, 2017, the Court approved the Liquidator's application for an increase in the interim distribution percentage, allowing an 80% distribution to all class (b) claimants whose NODs have been approved by the Court. Asset distributions through June 30, 2018 and December 31, 2017 totaled \$2.09 billion and \$1.32 billion, respectively. Of the \$2.09 billion, \$944.3 million in distributions were made to non-GA claimants and \$1.15 billion were made to GA claimants.

Note 19 – Commitments

As of June 30, 2018, Reliance leases office space under operating leases expiring in 2020. The minimum future rental payments under noncancelable operating leases as of June 30, 2018 total \$0.5 million. The cancelable commitments total \$0.6 million for 2019 and 2020.

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.

Note 22 – Other liabilities

The Statement does not fully reflect the effects of the liquidation upon certain assets and liabilities and does not include an estimate of future liquidation expenses that will be incurred by Reliance in administering the Estate.

Exhibit E

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

	Year to Date June 2018		Actual to Budget Variance	%	Change	Year to Date June 2017		Variance to Prior Year	%	Change
	Actual	Budget				Actual				
Salaries										
Regular Salaries	\$3,948,631	\$3,966,391	(\$17,760)	-0.45%		\$4,385,244	(\$436,613)		-9.96%	
Performance Incentives	2,357,110	2,357,110	0	0.00%		2,652,233	(295,123)		-11.13%	
Severance	312,283	319,668	(7,385)	-2.31%		722,909	(410,626)		-56.80%	
Total Salaries	6,618,024	6,643,169	(25,145)	-0.38%		7,760,386	(1,142,362)		-14.72%	
Employee Benefits										
Health and Disability Benefits	367,285	384,410	(17,125)	-4.45%		592,546	(225,261)		-38.02%	
SIP-Contributions and Fees	506,010	515,200	(9,190)	-1.78%		570,540	(64,530)		-11.31%	
Other Benefits	2,290	2,315	(25)	-1.08%		2,283	7		0.31%	
Total Employee Benefits	875,585	901,925	(26,340)	-2.92%		1,165,369	(289,784)		-24.87%	
Payroll Taxes	447,295	460,413	(13,118)	-2.85%		524,459	(77,164)		-14.71%	
Total Salaries, Benefits and Taxes	7,940,904	8,005,507	(64,603)	-0.81%		9,450,214	(1,509,310)		-15.97%	
IT Services	1,925,544	1,984,570	(59,026)	-2.97%		1,977,785	(52,241)		-2.64%	
Legal Fees	181,843	386,500	(204,657)	-52.95%		173,943	7,900		4.54%	
Professional and Other Services	1,003,530	1,031,973	(28,443)	-2.76%		1,455,177	(451,647)		-31.04%	
Rent										
Corporate Home Office	348,383	361,930	(13,547)	-3.74%		320,940	27,443		8.55%	
Record Archiving Services	174,903	189,237	(14,334)	-7.57%		216,372	(41,469)		-19.17%	
Other Rent Items	7,271	16,040	(8,769)	-54.67%		6,620	651		9.83%	
Total Rent	530,557	567,207	(36,650)	-6.46%		543,932	(13,375)		-2.46%	
Other Operating										
Travel	5,042	10,394	(5,352)	-51.49%		3,095	1,947		62.91%	
Professional Dues & Conferences	5,298	10,998	(5,700)	-51.83%		2,549	2,749		107.85%	
Insurance	79,983	78,388	1,595	2.03%		91,062	(11,079)		-12.17%	
Voice and Data Communication	87,936	96,130	(8,194)	-8.52%		98,299	(10,363)		-10.54%	
Supplies and Subscriptions	18,721	24,450	(5,729)	-23.43%		20,543	(1,822)		-8.87%	
Postage, Freight & Express	8,347	9,120	(773)	-8.48%		8,468	(121)		-1.43%	
Office Machine Rent & Repair	1,278	3,630	(2,352)	-64.79%		2,737	(1,459)		-53.31%	
Bank Charges	34,194	33,500	694	2.07%		33,776	418		1.24%	
Taxes, BBA and Other	424	300	124	41.33%		1,212	(788)		-65.02%	
Total Other Operating	241,223	266,910	(25,687)	-9.62%		261,741	(20,518)		-7.84%	
Subtotal	11,823,601	12,242,667	(419,066)	-3.42%		13,862,792	(2,039,191)		-14.71%	
Guaranty Association Expenses	1,880,942	1,874,400	6,542	0.35%		3,669,456	(1,788,514)		-48.74%	
Total Operating Expenses	\$13,704,543	\$14,117,067	(\$412,524)	-2.92%		\$17,532,248	(\$3,827,705)		-21.83%	
LAE	40,082	217,500	(177,418)	-81.57%		202,044	(161,962)		-80.16%	

See accompanying notes.

Exhibit F

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
LEGAL FEES AND EXPENSES (EXCLUDING ALAE)
FOR THE PERIOD JANUARY 1, 2018 TO JUNE 30, 2018 - UNAUDITED**

VENDOR NAME

CASSELS BROCK & BLACKWELL LLP	\$	17,682
CLARK HILL PC		23,804
KLEINBARD BELL & BRECKER LLP		115,059
STRADLEY, RONON, STEVENS, & YOUNG LLP		25,291
TOTAL OTHER VENDORS UNDER \$5,000		<u>8</u>
TOTAL LEGAL FEES AND EXPENSES (EXCLUDING ALAE)	\$	<u><u>181,843</u></u>

Exhibit G

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
PROFESSIONAL SERVICE EXPENSES
FOR THE PERIOD JANUARY 1, 2018 TO JUNE 30, 2018 - UNAUDITED**

VENDOR NAME

CALLAN LLC	\$	45,025
CERIDIAN CORPORATION		9,093
ERNST & YOUNG		11,551
FMR LLC (FIDELITY INSTITUTIONAL ASSET MANAGEMENT TRUST CO)		256,919
ILLINOIS INSURANCE GUARANTY FUND		29,155
JP MORGAN INVESTMENT MANAGEMENT INC		203,387
PA. DEP'T. - OFFICE OF LIQUIDATIONS		81,145
S GROUP INC		31,509
STANDISH MELLON ASSET MANAGEMENT COMPANY LLC		238,224
SUNGARD AVAILABILITY SERVICES LP		17,400
THE BANK OF NEW YORK MELLON		78,793
TOTAL OTHER VENDORS UNDER \$5,000		<u>1,328</u>
TOTAL PROFESSIONAL SERVICE EXPENSES	\$	<u>1,003,530</u>

Exhibit H

**Proof Of Claim Statistics - Inception To Date
June 30, 2018**

CLASS DESCRIPTION	TOTAL POCs RECEIVED	POCs RECEIVED AFTER 12-31-03	BARRED POCs RECEIVED AFTER 03-30-16	TOTAL NODs ISSUED	LIQUIDATOR ALLOWED AMOUNTS	NODs APPROVED FOR DISTRIBUTION	NODs AMOUNT APPROVED FOR DISTRIBUTION
NO CLASS ASSIGNED	33	33	33	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	3,870	399	0	3,870	\$0.00	3,870	\$0.00
B - POLICY HOLDER CLAIMS	61,962	4,866	0	61,421	\$1,190,174,437.76	61,362	\$1,181,385,913.87
C - FEDERAL GOVT	9	0	0	9	\$0.00	9	\$0.00
D - EMPLOYEES	0	0	0	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	65,588	3,871	0	65,569	\$149,397,612.15	65,558	\$149,415,137.82
F - STATE/LOCAL GOVT	189	3	0	189	\$7,039.85	189	\$7,039.85
G - LATE FILED/SUBROGATION	29,438	3,639	0	29,365	\$32,849,168.02	29,361	\$32,849,168.02
H - SURPLUS, PREM REFUNDS	0	0	0	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	3	0	0	3	\$0.00	3	\$0.00
TOTAL:	161,092	12,811	33	160,426	\$1,372,428,257.78	160,352	\$1,363,657,259.56

OTHER COUNTS	INCEPTION TO DATE
POCs With Claims at GAs	83
Contingent Unliquidated POCs	195
Ready to Evaluate	3
Awaiting Information	352
TOTAL:	633

Exhibit I

**Guaranty Association Data as of
06-30-2018**

STATE	LOCATION	Court Approved Class (a) Omnibus NOD	Court Approved Class (b) Omnibus NOD	CLAIMS & ALAE PAID	CLAIMS & ALAE RESERVES	ADMIN EXPENSES	TOTAL BY STATE
ALABAMA	P&C	0.00	0.00	74,672,780.65	60,312,722.48	9,542,464.76	144,527,967.89
ALASKA	P&C	1,131,842.12	15,007,738.75	0.00	0.00	0.00	16,139,580.87
ARIZONA	P&C	0.00	0.00	6,249,587.51	100.00	1,292,160.68	7,541,848.19
ARIZONA	WC	0.00	0.00	12,015,049.09	6,161,819.58	0.00	18,176,868.67
ARKANSAS	P&C	526,129.07	7,414,521.03	0.00	0.00	0.00	7,940,650.10
CALIFORNIA	P&C	0.00	0.00	727,431,460.70	88,060,962.58	107,275,329.34	922,767,752.62
COLORADO	P&C	0.00	36,006,654.68	0.00	0.00	2,539,937.69	38,546,592.37
CONNECTICUT	P&C	7,668,018.18	57,485,792.53	0.00	0.00	0.00	65,153,810.71
DELAWARE	P&C	1,481,529.75	7,785,513.83	0.00	0.00	0.00	9,267,043.58
DISTRICT OF COLUMBIA	P&C	1,601,810.18	23,984,015.09	0.00	0.00	0.00	25,585,825.27
FLORIDA	P&C	4,319,294.78	84,842,483.58	0.00	0.00	0.00	89,161,778.36
FLORIDA	WC	8,762,496.43	270,338,211.42	0.00	0.00	0.00	279,100,707.85
GEORGIA	P&C	5,979,109.55	63,842,688.39	0.00	0.00	0.00	69,821,797.94
HAWAII	P&C	0.00	6,212,813.34	0.00	0.00	876,483.62	7,089,296.96
IDAHO	P&C	360,290.37	3,054,686.90	0.00	0.00	0.00	3,414,977.27
ILLINOIS	P&C	8,633,357.50	54,943,524.69	0.00	0.00	0.00	63,576,882.19
INDIANA	P&C	1,036,369.83	5,793,002.06	0.00	0.00	0.00	6,829,371.89
IOWA	P&C	0.00	10,199,644.58	0.00	0.00	911,487.91	11,111,132.49
KANSAS	P&C	1,509,366.95	19,725,751.86	0.00	0.00	0.00	21,235,118.81
KENTUCKY	P&C	0.00	42,391,008.42	0.00	0.00	2,087,627.25	44,478,635.67
LOUISIANA	P&C	5,518,047.30	76,624,891.60	0.00	0.00	0.00	82,142,938.90
MAINE	P&C	980,446.61	9,537,984.58	0.00	0.00	0.00	10,518,431.19
MARYLAND	P&C	8,868,712.91	52,601,111.59	0.00	0.00	0.00	61,469,824.50
MASSACHUSETTS	P&C	0.00	71,150,607.80	0.00	0.00	7,900,938.91	79,051,546.71
MICHIGAN	P&C	0.00	0.00	59,830,401.92	14,555,731.68	8,101,777.56	82,487,911.16
MINNESOTA	P&C	0.00	0.00	18,812,470.01	4,323,215.80	1,929,392.83	25,065,078.64
MISSISSIPPI	P&C	0.00	0.00	44,827,265.68	16,696,302.96	4,125,944.20	65,649,512.84
MISSOURI	P&C	2,784,266.55	40,732,466.12	0.00	0.00	0.00	43,516,732.67
MONTANA	P&C	831,218.13	6,039,391.58	0.00	0.00	0.00	6,870,609.71
NEBRASKA	P&C	945,295.76	12,889,782.62	0.00	0.00	0.00	13,835,078.38
NEVADA	P&C	0.00	14,539,205.83	0.00	0.00	1,335,544.76	15,874,750.59
NEW HAMPSHIRE	P&C	2,279,627.01	21,517,051.13	0.00	0.00	0.00	23,796,678.14
NEW JERSEY	P&C	0.00	70,322,840.99	0.00	0.00	4,357,084.19	74,679,925.18
NEW JERSEY	SL	0.00	11,433,363.70	0.00	0.00	691,258.64	12,124,622.34
NEW JERSEY	WC	0.00	67,904,164.69	0.00	0.00	2,975,915.14	70,880,079.83
NEW MEXICO	P&C	0.00	10,016,007.64	0.00	0.00	835,782.25	10,851,789.89
NEW YORK **	P&C	0.00	0.00	345,479,520.11	34,051,775.08	76,882,330.52	456,413,625.71
NEW YORK **	PMV	0.00	0.00	18,770,511.08	173,517.14	0.00	18,944,028.22
NEW YORK **	WC	0.00	0.00	218,858,831.28	166,755,788.34	0.00	385,614,619.62
NORTH CAROLINA	P&C	6,466,219.19	101,306,872.36	0.00	0.00	0.00	107,773,091.55
NORTH DAKOTA	P&C	13,316.55	245,976.90	0.00	0.00	0.00	259,293.45
OHIO	P&C	1,986,625.30	9,375,755.18	0.00	0.00	0.00	11,362,380.48
OKLAHOMA	P&C	2,836,658.70	26,115,804.67	0.00	0.00	0.00	28,952,463.37
OREGON	P&C	0.00	0.00	25,170,023.28	5,257,065.59	1,339,425.59	31,766,514.46
PENNSYLVANIA	P&C	2,420,276.65	42,779,496.06	0.00	0.00	0.00	45,199,772.71
PENNSYLVANIA	WC	0.00	0.00	173,964,183.19	47,692,613.25	13,098,226.59	234,755,023.03
PUERTO RICO	P&C	0.00	8,771,993.31	0.00	0.00	1,234,120.00	10,006,113.31
RHODE ISLAND	P&C	959,027.45	11,566,708.83	0.00	0.00	0.00	12,525,736.28
SOUTH CAROLINA	P&C	0.00	31,139,080.77	0.00	0.00	3,920,627.34	35,059,708.11
SOUTH DAKOTA	P&C	157,339.09	1,766,121.78	0.00	0.00	0.00	1,923,460.87
TENNESSEE	P&C	0.00	0.00	43,269,015.83	15,971,707.56	6,504,220.68	65,744,944.07
TEXAS	P&C	0.00	0.00	153,732,975.36	53,387,250.88	20,675,298.69	227,795,524.93
UTAH	P&C	1,271,423.79	10,463,622.56	0.00	0.00	0.00	11,735,046.35
VERMONT	P&C	1,000,339.39	14,394,202.65	0.00	0.00	0.00	15,394,542.04
VIRGIN ISLANDS	P&C	0.00	0.00	658,225.89	1.00	0.00	658,226.89
VIRGINIA	P&C	0.00	0.00	44,474,693.44	23,479,480.15	4,820,669.70	72,774,843.29
WASHINGTON	P&C	3,100,421.25	32,335,939.06	0.00	0.00	0.00	35,436,360.31
WEST VIRGINIA	P&C	345,178.42	3,575,743.69	0.00	0.00	0.00	3,920,922.11
WISCONSIN	P&C	0.00	11,851,543.80	0.00	0.00	1,907,381.48	13,758,925.28
WYOMING	P&C	78,988.32	487,906.98	0.00	0.00	0.00	566,895.30
TOTAL P&C GAs:		85,853,043.08	1,480,513,689.62	1,968,216,995.02	536,880,054.07	287,161,430.32	4,358,625,212.11
LIFE & HEALTH GAs***		6,500,244.97	32,793,096.38	0.00	0.00	0.00	39,293,341.35
GRAND TOTAL:		92,353,288.05	1,513,306,786.00	1,968,216,995.02	536,880,054.07	287,161,430.32	4,397,918,553.46

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

*** See Life and Health Guaranty Association schedule for Life and Health GA level data.

**Life and Health Guaranty Association Data as of
06-30-2018**

STATE	LOCATION	Court Approved Class (a) Omnibus NOD	Court Approved Class (b) Omnibus NOD	CLAIMS & ALAE PAID	CLAIMS & ALAE RESERVES	ADMIN EXPENSES	TOTAL BY STATE
ALABAMA	L&H	173,606.07	942,846.00	-	-	-	1,116,452.07
ALASKA	L&H	6,070.16	1,954.00	-	-	-	8,024.16
ARIZONA	L&H	64,261.39	277,291.00	-	-	-	341,552.39
ARKANSAS	L&H	18,085.53	83,689.00	-	-	-	101,774.53
CALIFORNIA	L&H	239,761.78	2,656,826.00	-	-	-	2,896,587.78
COLORADO	L&H	46,102.14	534,237.00	-	-	-	580,339.14
CONNECTICUT	L&H	32,875.37	172,514.00	-	-	-	205,389.37
DELAWARE	L&H	10,200.45	3,309.00	-	-	-	13,509.45
DISTRICT OF COLUMBIA	L&H	2,618.93	35,754.00	-	-	-	38,372.93
FLORIDA	L&H	1,687,359.13	8,661,513.00	-	-	-	10,348,872.13
GEORGIA	L&H	869,105.80	3,748,854.00	-	-	-	4,617,959.80
HAWAII	L&H	10,000.00	109.00	-	-	-	10,109.00
IDAHO	L&H	11,746.60	17,629.00	-	-	-	29,375.60
ILLINOIS	L&H	111,946.15	544,657.00	-	-	-	656,603.15
INDIANA	L&H	57,561.33	390,252.00	-	-	-	447,813.33
IOWA	L&H	6,849.27	12,354.00	-	-	-	19,203.27
KANSAS	L&H	66,352.43	336,780.00	-	-	-	403,132.43
KENTUCKY	L&H	11,743.82	424,761.00	-	-	-	436,504.82
LOUISIANA	L&H	134,594.52	709,522.00	-	-	-	844,116.52
MAINE	L&H	2,610.00	2,358.00	-	-	-	4,968.00
MARYLAND	L&H	36,420.40	206,162.00	-	-	-	242,582.40
MASSACHUSETTS	L&H	34,368.27	175,626.00	-	-	-	209,994.27
MICHIGAN	L&H	224,407.14	634,480.00	-	-	-	858,887.14
MINNESOTA	L&H	34,941.53	301,740.00	-	-	-	336,681.53
MISSISSIPPI	L&H	26,681.76	325,402.00	-	-	-	352,083.76
MISSOURI	L&H	41,170.14	303,917.38	-	-	-	345,087.52
MONTANA	L&H	10,244.72	3,355.00	-	-	-	13,599.72
NEBRASKA	L&H	10,677.63	13,969.00	-	-	-	24,646.63
NEVADA	L&H	22,945.86	167,266.00	-	-	-	190,211.86
NEW HAMPSHIRE	L&H	46,023.91	56,659.00	-	-	-	102,682.91
NEW JERSEY	L&H	17,618.79	40,343.00	-	-	-	57,961.79
NEW MEXICO	L&H	22,113.90	83,633.00	-	-	-	105,746.90
NORTH CAROLINA	L&H	500,176.10	1,084,169.00	-	-	-	1,584,345.10
NORTH DAKOTA	L&H	2,316.16	2,019.00	-	-	-	4,335.16
OHIO	L&H	126,317.72	1,578,065.00	-	-	-	1,704,382.72
OKLAHOMA	L&H	320,576.50	576,013.00	-	-	-	896,589.50
OREGON	L&H	26,477.19	97,770.00	-	-	-	124,247.19
PENNSYLVANIA	L&H	180,487.44	559,267.00	-	-	-	739,754.44
RHODE ISLAND	L&H	130,951.89	307,746.00	-	-	-	438,697.89
SOUTH CAROLINA	L&H	471,419.90	1,386,739.00	-	-	-	1,858,158.90
SOUTH DAKOTA	L&H	3,378.57	25,594.00	-	-	-	28,972.57
TENNESSEE	L&H	29,161.23	514,011.00	-	-	-	543,172.23
TEXAS	L&H	281,080.34	2,904,341.00	-	-	-	3,185,421.34
UTAH	L&H	16,994.16	22,477.00	-	-	-	39,471.16
VERMONT	L&H	12,311.29	59,429.00	-	-	-	71,740.29
VIRGINIA	L&H	166,641.13	399,305.00	-	-	-	565,946.13
WASHINGTON	L&H	87,191.81	1,222,589.00	-	-	-	1,309,780.81
WEST VIRGINIA	L&H	15,967.85	23,012.00	-	-	-	38,979.85
WISCONSIN	L&H	31,966.63	160,635.00	-	-	-	192,601.63
WYOMING	L&H	5,764.14	154.00	-	-	-	5,918.14
TOTAL:		6,500,244.97	32,793,096.38	-	-	-	39,293,341.35

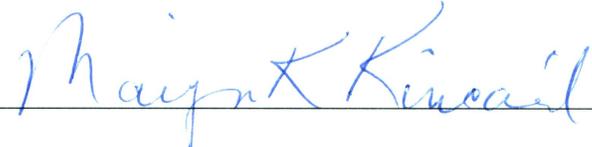
CERTIFICATE OF SERVICE

I, Marilyn K. Kincaid, hereby certify that I am this day serving the foregoing document upon the persons indicated below and in the manner indicated below in accordance with Pa. R.A.P. Nos. 121, 3780, and 3784:

Upon the attached Master Service Parties List by first class U.S. Mail or e-mail.

Upon the attached Master Service Non-Parties List by a Notice of Filing.

Dated: September 29, 2018



MARILYN K. KINCAID

Master Service List Parties

IN RE: Reliance Insurance Company In Liquidation
No. 1 REL 2001 (Commonwealth Court of Pennsylvania)

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