

**IN THE COMMONWEALTH COURT OF PENNSYLVANIA**

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

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**REPORT OF THE LIQUIDATOR  
ON THE STATUS OF THE LIQUIDATION OF  
RELiance INSURANCE COMPANY AS OF JUNE 30, 2019**

**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, 2019 (“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, 2019 and December 31, 2018 (“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”) including 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, including certain Guaranty Association (“GA”) 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, or adequate funds will be retained for such payments, before distributions to any other priority class.

The Statement also does not reflect claims by the federal government 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 2017 and subsequent returns are still subject to IRS review. Thus, actual tax liabilities 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 potential federal tax claims, there are policy claims by various agencies, which may include the Department of Labor, the Environmental Protection Agency, the Center for Medicare and Medicaid Services, and other federal agencies.<sup>1</sup> There is a provision for certain federal policy claims included in the class (b) and (c) liabilities in the Statement, but final NODs issued

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<sup>1</sup> Both the Environmental Protection Agency and the Department of Labor have already submitted claims.

for any settlements of federal claims may be significantly different than the estimates included in the Statement.

The Statement at June 30, 2019 shows a deficit of \$851 million versus a deficit of \$873 million at December 31, 2018, an improvement of approximately \$22 million.

After adjusting assets to account for secured creditors, class (a) liabilities and previous distributions per the amounts on the Statement, gross assets exceed gross class (b) liabilities (before distributions) by approximately \$59 million. However, there remains significant uncertainty as to whether this overage will remain after all the unknowns described above regarding class (b) and federal claim settlements, federal tax liabilities, and Estate expenses (including an estimate for Estate closing expenses) are determined and the impacts on the Statement are recorded.

Therefore, the ultimate distribution to all classes of creditors is uncertain 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. Reliance expects that all class (a), (b), (c), and (d) POCs will be resolved or reasonably estimable prior to the end of 2019.

Reliance will not know if there will be sufficient funds to make a distribution to class (e) claimants until all Estate administrative expenses are determined, including costs of evaluating class (e) claims and closing costs. Such a distribution, if possible at all, is not likely to be more than several cents on the dollar.

As of June 30, 2019, the Statement shows estimated total assets of approximately \$677 million, with the most significant balance, \$596 million, relating to invested assets (see paragraph C.2). Remaining early access advances to GAs total \$69 million.

Total estimated liabilities at June 30, 2019 were approximately \$1.5 billion. The largest class of liabilities is class (b) claims which total approximately \$5.1 billion on a gross basis and \$584 million net, due to \$4.5 billion in asset distributions. The \$5.1 billion is comprised of GA paid losses of \$43 million; reserves for GA losses of \$17.2 million (including a \$5 million settlement with the GAs for policy exposures within the deductible limit.); NODs issued by the Estate totaling \$5 billion; and \$22.8 million for all other reserves. The \$22.8 million for all other reserves is comprised of estimated reserves for non-GA claims, including class (b) claims from the Federal Government, where a NOD has not yet been issued. Of the \$4.5 billion in distribution payments, \$1.1 billion was distributed to non-GA class (b) claimants and \$3.4 billion to GA class (b) claimants, of which

\$2.5 billion was converted from early access advances and \$942 million was an additional cash distribution.

The second largest class of liabilities is class (e) general creditor claims (including assumed reinsurance claims) which total \$877 million. However, the Liquidator has issued over 40,000 class only NODs at the class (e) level, deferring any determination of amount until it is certain that distributions will reach class (e). Reliance has not received information or reviewed the vast majority of class (e) claims in over 10 years as distributions were not expected to reach class (e). Therefore, actual class (e) liabilities could be significantly different 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, 2019, and for the period from October 3, 2001 to June 30, 2019. The estimated net deficit at June 30, 2019, was \$851 million, 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, 2019, through June 30, 2019. Short duration investments were approximately \$519 million at June 30, 2019 down from \$894 million at the beginning of the period.

Receipts of \$67.3 million were primarily comprised of the return of deposit funds held by other states of \$52.9 million and investment income of \$10.5 million.

Cash disbursements for the six months ended June 30, 2019 were \$444.3 million including distributions to class (b) claimants of \$423.5 million (see paragraph D.3) and operating expenses of \$20.7 million. Additional detail is provided for operating expenses in paragraph B.2.

The change in value of investments managed by investment managers was an increase of \$2.2 million for the six months ended June 30, 2019. This amount consists of two non-cash items: an increase in market value of \$4 million and a decrease of \$1.8 million due to amortization. Overall, short duration investments for the six months ended June 30, 2019 decreased by \$374.8 million.

### **3. Short Duration Investments**

The investment portfolio is \$542 million as of June 30, 2019 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, 2019, Reliance held \$1.5 million in trust for specific obligations to secured creditors relating to losses on assumed reinsurance business. In addition, Reliance held \$0.9 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, 2019, Reliance held \$17.6 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. There is a corresponding liability in the secured creditor classification on the Statement representing the Estate's

obligations under the large deductible settlement agreement. Therefore, there is no impact on the deficit.

## **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 funds held in escrow from the Reliance Canadian branch, which was in a separate liquidation proceeding in Canada. During 2018, Reliance coordinated with the Canadian Liquidator to consummate an assumption reinsurance (novation) transaction that allowed the Reliance Canada liquidation proceedings to close and allowed the transfer of excess surplus to the US liquidation. The excess surplus in escrow will be available to Reliance once a release from the Canadian tax authority is received and any final tax payment has been made.

Also included in this category are amounts held in escrow from the 2013 sale of RCGGS, the information technology former indirect subsidiary of Reliance.

## **6. Reinsurance Billings and Collections**

As of June 30, 2019, reinsurance receivables and future reinsurance recoverables were \$274,000. Reinsurance collections for the six months ended June 30, 2019, totaled \$783,000 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.

## **B. 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, 2019, 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, 2019, totaled \$10.4 million, compared to a budget of \$10.6 million and actual expenses in 2018 of \$11.9 million. Through June 30, 2019, this Court has approved a total of approximately \$1.3 billion in Estate administrative expenses incurred and paid by the Liquidator. Brief explanations regarding certain aspects of the Reliance administrative expenses are provided below, by category.

### **1. Salaries, Employee Benefits and Taxes**

At June 30, 2019, Reliance had a total of 39 employees in both the Philadelphia and New York City offices. Since January of 2019, staff count has

declined by 5 employees. Reliance also uses consultants to support its operations in the Information Technology (“IT”) area. At June 30, 2019, there were 9 consultants supporting the IT business application systems and production environment.

## **2. 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.

## **3. 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, 2019. The legal expenses of the Estate can be divided into three general categories of legal matters: Estate administration; general asset recovery; and disputes regarding certain NODs 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. Since January 2003 through June 30, 2019, Reliance has recovered approximately \$383 million through legal actions, a portion of which directly benefited 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.

#### **4. 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, 2019. 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 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.

#### **5. Rent**

Rent is primarily attributable to office space in Philadelphia and New York.

## **6. 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, 2019, total \$391.4 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. The 2019 amounts reported in this category are related to final omnibus class (a) NODs approved by the Court.

## **7. 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. 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 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. Early Access**

At June 30, 2019, remaining early access advances to GAs totaled approximately \$69 million and are comprised of early access post-liquidation cash advances (\$41.3 million); pre-liquidation statutory deposits (approximately \$27.5 million); and payments made on behalf of certain Life and Health, as well as Property and Casualty, GAs shortly after October 3, 2001 (\$0.2 million). During the six months ended June 30, 2019, \$700 million of early access advances was converted to asset distribution payments and \$52.9 million of statutory deposits were returned to Reliance.

**2. 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 \$165 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, 2019, Reliance had received a total of 161,130 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, 2019, 45 POCs had been filed on or after the Claims Bar Date and are, therefore, barred.

**2. Status of POCs**

As of June 30, 2019, Reliance had issued NODs for 161,042 of the 161,130 POCs for a total allowed amount of approximately \$1.461 billion. Reliance has

now issued NODs for over 99% of the POCs filed with the Estate. This Court has approved 160,468 of those NODs, as of June 30, 2019, for a total allowed amount of approximately \$1.38 billion. Exhibit H breaks down this information by priority class.

Exhibit H also indicates the status of all 161,130 POCs received as of June 30, 2019. Of the 42 POCs remaining to be evaluated, 3 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. Approximately 5 of the 42 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.<sup>2</sup> Approximately 29 POCs are 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

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<sup>2</sup> 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.

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. As of June 30, 2019, Reliance had mailed 49 requests under the ECVP Order to claimants and 15 \$0 NODs had been issued as a result of no response to those requests. 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**

On November 14, 2018, this Court approved the Liquidator's application to increase the distribution percentage to 92% and checks reflecting the increase were issued in the December 2018 distribution. Reliance will complete an updated distribution evaluation for a potential percentage increase when the remaining class (b) claims are resolved and the Canadian funds held in escrow become available for 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, 2019, \$1.1 billion has been distributed to non-GA class (b) claimants for 6,716 NODs. Another \$3.4 billion has been distributed to GAs (58 Property and Casualty GAs and 49 Life and Health GAs) of which \$2.5 billion was converted from early access advances and \$942 million was paid in cash distributions. Four GAs in Arizona, three Property and Casualty GAs and one Life and Health GA, whose class (b) NOD was approved by the Court prior to June 30, 2019 did not receive a distribution due to pending ancillary proceedings in Arizona. 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, 2019, as shown on Exhibit I, the Liquidator has received a total of 1,849 objections to the 161,042 NODs issued to claimants (other than GAs), an objection rate of approximately 1%. The Estate has resolved 1,848 of the 1,849 objections. The Court overruled the exceptions filed by the claimant and upheld the NOD issued by the Liquidator in the only unresolved objection as of June 30, 2019. However, in April, the claimant filed an appeal with the Pennsylvania Supreme 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"). 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. After reviewing GA expenses and claims and reconciling the GA reports, loss claim files, and UDS data with Reliance books and records, Reliance issues 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, 2019 the Liquidator has issued class (a) final omnibus NODs to 58 Property and Casualty GAs totaling approximately \$379.9 million. As shown on Exhibit J<sup>3</sup>, the Court approved class (a) omnibus NODS totaling approximately \$379.9 million for 58 Property and Casualty GAs. These final omnibus class (a) NODs included allowed amounts previously approved by

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<sup>3</sup> If no allowed amount is shown for any GA in either the class (a) or class (b) omnibus NOD column of Exhibit L, that means a final omnibus NOD has not yet been approved by the Court for that GA, although a NOD may have been issued by the Liquidator.

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 J, the remaining Property and Casualty GA which does not yet have a Court approved class (a) omnibus NOD has administrative expenses totaling approximately \$7.1 million (net of approximately \$40,000 in Court approved disallowed amounts) through June 30, 2019.<sup>4</sup>

**b. GA Loss Payments Including ALAE**

The Liquidator has issued class (b) final omnibus NODs for 62 Property and Casualty GAs through June 30, 2019 totaling an allowed amount of approximately \$3.78 billion as shown on Exhibit J. The Court has approved class (b) final omnibus NODs totaling \$3.7 billion for 61 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

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<sup>4</sup> On August 22, 2019, the Court approved the class (a) NOD issued to the Tennessee Insurance Guaranty Association in the amount of \$7,054,306.28 which means that all omnibus class (a) NODs have been approved by the Court for all GAs.

allowed amount for open class (b) claims which would require continued GA payments after the closing of the Reliance liquidation.

As shown on Exhibit J, the remaining Property and Casualty GA that does not yet have a Court approved class (b) omnibus NOD, as of June 30, 2019, has paid approximately \$43.4 million for losses, including ALAE, under Reliance policies<sup>5</sup>. The outstanding reserve for remaining losses for that Property and Casualty GA, including ALAE, totals \$17.2 million which also includes a settlement amount with various GAs for exposure within the deductible limit, as shown on Exhibit J. In total, the estimate for all class (b) GA loss claims, including ALAE, is approximately \$3.8 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 the second page of Exhibit J.

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<sup>5</sup> On August 22, 2019, the Court approved the class (b) NOD issued to the Tennessee Insurance Guaranty Association in the amount of \$37,660,504.86 which means that all omnibus class (b) NODs have been approved by the Court for all GAs.

## **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, 2019, Reliance held collateral of \$60 million to secure current and future obligations. For the six months ended June 30, 2019, 42 accounts were reviewed, resulting in a release of \$23 million for 2 accounts; and the remaining 40 accounts were otherwise resolved (e.g., closeouts, no remaining collateral).

### **2. Ancillary Receiverships**

Ancillary receivership proceedings were initiated in Arizona, Arkansas, Florida, Idaho, Maryland, Massachusetts, New Mexico, New York<sup>6</sup>, 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

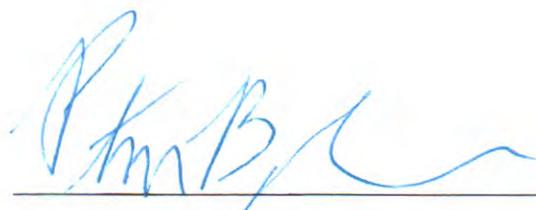
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<sup>6</sup> The New York ancillary receiver has returned all special deposits to the Liquidator. However, the New York ancillary receivership proceedings will remain open because the claims paid by the New York GAs must be approved by the ancillary receivership court.

that they could be transferred to the appropriate state GA. All states except Arizona and New York have closed their ancillary receiverships. 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 all AZ GAs and the ancillary proceedings in that state remain open.

Respectfully submitted:

By: \_\_\_\_\_



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

Dated: \_\_\_\_\_

9/27/19

**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: 9/27/19

  
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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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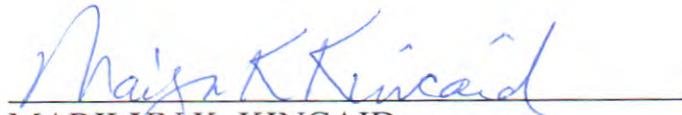
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**CERTIFICATE OF COMPLIANCE: PUBLIC ACCESS POLICY**

I certify that this filing complies with the provisions of the *Public Access Policy of the Unified Judicial System of Pennsylvania: Case Records of the Appellate and Trial Courts* that require filing confidential information and documents differently than non-confidential information and documents.

  
Marilyn K. Kincaid  
MARILYN K. KINCAID

Dated: 9/27/19

# Exhibit A

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

<b>ASSETS</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Short duration investments	\$ 519.4	\$ 894.2
Investments held for secured creditors	2.4	2.1
Investments held for uncovered claimants	17.6	17.3
Invested assets excluding affiliates	539.4	913.6
Investments in affiliates	56.1	56.1
Total invested assets	595.5	969.7
Reinsurance receivable and recoverables	0.3	0.8
Early access advances to guaranty associations	69.0	823.3
Other assets	12.5	16.5
Total Assets	<u>677.3</u>	<u>1,810.3</u>
<b>LIABILITIES</b>		
Secured Creditors - Funds held	23.3	32.5
Class (a) liabilities		
Liquidator expenses incurred since liquidation	1,337.5	1,327.1
Liquidator expenses paid since liquidation	<u>(1,337.5)</u>	<u>(1,327.1)</u>
Liquidator expenses - unpaid	-	-
Guaranty association expenses	393.5	393.2
Guaranty association expenses - paid	<u>(391.4)</u>	<u>(381.0)</u>
Guaranty association expenses - unpaid	2.1	12.2
Other class (a) liabilities	5.6	121.0
Total class (a) liabilities	7.7	133.2
Class (b) liabilities (estimated settlement value)		
Unsettled claims		
Guaranty association paid losses	43.4	845.3
Reserves for guaranty association losses	17.2	198.1
All other estimated reserves	<u>22.8</u>	<u>102.7</u>
Total unsettled claims	83.4	1,146.1
Notices of determination		
Guaranty association	3,753.8	2,766.3
All other	<u>1,279.6</u>	<u>1,217.1</u>
Total notices of determination	5,033.4	3,983.4
Gross class (b) liabilities	5,116.8	5,129.5
Asset distribution payments	<u>(4,532.6)</u>	<u>(3,520.3)</u>
Net class (b) liabilities	584.2	1,609.2
Class (c) liabilities	3.1	-
Class (d) liabilities	-	-
Class (e) liabilities		
Notices of determination issued	149.5	149.4
Losses and reserves on assumed business	726.1	724.5
Other class (e) liabilities	<u>1.7</u>	<u>1.5</u>
Total class (e) liabilities	877.3	875.4
Class (f) liabilities	-	-
Class (g) liabilities - Notices of determination issued	32.8	33.0
Class (h) liabilities	-	-
Class (i) liabilities	-	-
Total liabilities	<u>1,528.4</u>	<u>2,683.3</u>
Net deficit	<u>(\$851.1)</u>	<u>(\$873.0)</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)

	<b>Six Months Ended June 30, 2019</b>	<b>Period From Oct. 3, 2001 To June 30, 2019</b>
Policyholders' surplus - beginning of period	(\$873.0)	(\$2,683.5)
Underwriting gain/(loss)	8.4	(216.1)
Net investment income	9.2	779.5
Other income/(expense) (1)	0.3	953.4
Net realized and unrealized capital gains/(losses)	<u>4.0</u>	<u>315.6</u>
Change in policyholders' surplus	<u>21.9</u>	<u>1,832.4</u>
Policyholders' surplus - end of period	<u><u>(\$851.1)</u></u>	<u><u>(\$851.1)</u></u>

(1) Significant items prior to 2019 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 a 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, 2019 TO JUNE 30, 2019 - UNAUDITED**

(In Millions)

Cash Receipts:

Reinsurance collections	\$0.8
Premium collections	0.4
Claim recoveries	0.3
Investment income received	10.5
Return of funds held on deposit by various States	52.9
Other	<u>2.4</u>
Total Cash Receipts	<u>67.3</u>

Cash Disbursements:

Operating expenses	(20.7)
Allocated loss adjustment expenses	(0.1)
Asset distribution on class (b) NODs	<u>(423.5)</u>
Total Cash Disbursements	<u>(444.3)</u>
Net change in short duration investments from cash activity	<u>(377.0)</u>

Non-cash items affecting short term investments:

Change in value of investments managed by investment managers	<u>2.2</u>
Total Non-cash activity	<u>2.2</u>

Net change in short duration investments	(374.8)
Beginning Balance - Short duration investments	<u>894.2</u>
Ending Balance - Short duration investments	<u><u>\$519.4</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 will 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 were generally not assigned a dollar value during the POC process. 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 \$0.9 million and \$0.6 million at June 30, 2019 and December 31, 2018, respectively and will be administered and paid to the Guaranty Associations (“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 (“GA Settlement Agreement”) with various state GAs. At June 30, 2019 Reliance held \$17.6 million solely for the benefit of claimants whose class (b) losses are not covered by the GAs. This balance consists of funds received from the GA Settlement Agreement, plus accrued interest. There is a corresponding liability in the secured creditor classification of the Special Purpose Statements of Assets and Liabilities representing the Estate’s obligation under the GA Settlement Agreement.

**Note 5 – Investments in affiliates**

Investments in affiliates include amounts held in escrow from the sale of RCGGS, the former information technology subsidiary, and excess surplus held in escrow related to the Canadian branch, which was under liquidation proceedings in Canada. The carrying value of these investments has been adjusted to reflect an estimate of net realizable value.

**Note 6 - Reinsurance receivables and recoverables**

Reinsurance receivables and recoverables are 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. The actual amount collected may be different than the amounts shown in the Special Purpose Statement of Assets and Liabilities.

**Note 7 – Other assets**

Other assets includes \$5.4 million of collateral funds held by Reliance securing certain exposures on deductible policies. There is a corresponding liability in the secured creditor section of the statement representing the Estate's obligation to return any unused collateral to the insured. Other assets also includes funds held by the Department of Labor in the amount of \$4.7 million and deductible receivables due from insureds in the amount of \$2.7 million.

**Note 8 - Class (b) Liabilities**

Class (b) liabilities are 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 \$1.3 billion for non-GA claimants and \$3.8 billion for GA claimants. The gross class (b) liability amount is adjusted by \$4.5 billion in distribution payments to creditors to arrive at the net class (b) liability amount. All other estimated reserves are 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.

The June 30, 2019 and December 31, 2018 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 different than the amounts reflected in the June 30, 2019 Special Purpose Statements of Assets and Liabilities.

**Note 9 - Claims lower than Class (b)**

Claims that are lower than class (b) priority were generally not assigned a dollar value during the POC process. These claimants were 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). Reliance has not received information or evaluated the majority of class (e) claims in over 10 years as distributions were not expected to reach class (e). The ultimate value of class (e) claims may be significantly different than the amounts presented on the Statement. It is still uncertain whether the Estate will make class (e) distribution payments.

**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 approves the distributions to the GAs. At June 30, 2019, the Court has approved Omnibus NODs for 111 GAs (61 Property and Casualty GAs and 50 Life Health GAs) in the amount of \$3.75 billion. Accordingly, \$2.493 billion of early access advances for 107 GAs has been converted to distributions and an additional \$943 million cash distribution was made. The total distribution for the 104 GAs totaled to \$3.432 billion. Four GAs (all in Arizona) 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, 2019 total early access amounts include early access cash payments to the GAs of \$41.3 million, statutory deposits of \$27.5 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, reinsurance contracts, and the obligations to the uncovered claimants under the GA Settlement Agreement. 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 has been 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 \$393 million to 109 GAs (59 Property and Casualty GAs and 50 Life Health GAs) as of June 30, 2019. Of the \$393 million issued, \$386 million has been approved by the Court at June 30, 2019.

**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 unsettled 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 \$3.8 billion to 112 GAs (62 Property and Casualty GAs and 50 Life Health GAs) as of June 30, 2019. Of \$3.8 billion issued, 111 GA omnibus class (b) NODS totaling \$3.753 billion have been approved by the Court at June 30, 2019.

**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. Section221.23a.

**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 the estimated GA class (b) omnibus amount less GA paid losses.

**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 November 14, 2018, the Court approved the Liquidator's application for an increase in the interim distribution percentage, allowing a 92% distribution to all class (b) claimants whose NODs have been approved by the Court. Asset distributions through June 30, 2019 and December 31, 2018 totaled \$4.5 billion and \$3.5 billion, respectively. Of the \$4.5 billion, \$1.1 billion in distributions were made to non-GA claimants and \$3.4 billion were made to GA claimants.

**Note 19 – Commitments**

As of June 30, 2019, Reliance leases office space under operating leases expiring in 2021. The minimum future rental payments under noncancelable operating leases as of June 30, 2019 total \$0.3 million, all for 2019. The cancelable commitments total \$0.6 million (\$0.4 million for 2020 and \$0.2 million for 2021).

**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 2019		Actual to Budget Variance	%	Change	Year to Date June 2018		Variance to Prior Year	%	Change
	Actual	Budget				Actual				
<b>Salaries</b>										
Regular Salaries	\$3,025,551	\$3,015,895	\$9,656	0.32%		\$3,948,631	(\$923,080)		-23.38%	
Performance Incentives	2,215,637	2,215,637	0	0.00%		2,357,110	(141,473)		-6.00%	
Severance	801,391	801,379	12	0.00%		312,283	489,108		156.62%	
<b>Total Salaries</b>	<b>6,042,579</b>	<b>6,032,911</b>	<b>9,668</b>	<b>0.16%</b>		<b>6,618,024</b>	<b>(575,445)</b>		<b>-8.70%</b>	
<b>Employee Benefits</b>										
Health and Disability Benefits	336,319	356,006	(19,687)	-5.53%		367,285	(30,966)		-8.43%	
SIP-Contributions and Fees	434,973	441,500	(6,527)	-1.48%		506,010	(71,037)		-14.04%	
Other Benefits	2,191	1,515	676	44.62%		2,290	(99)		-4.32%	
<b>Total Employee Benefits</b>	<b>773,483</b>	<b>799,021</b>	<b>(25,538)</b>	<b>-3.20%</b>		<b>875,585</b>	<b>(102,102)</b>		<b>-11.66%</b>	
<b>Payroll Taxes</b>	<b>423,041</b>	<b>439,868</b>	<b>(16,827)</b>	<b>-3.83%</b>		<b>447,295</b>	<b>(24,254)</b>		<b>-5.42%</b>	
<b>Total Salaries, Benefits and Taxes</b>	<b>7,239,103</b>	<b>7,271,800</b>	<b>(32,697)</b>	<b>-0.45%</b>		<b>7,940,904</b>	<b>(701,801)</b>		<b>-8.84%</b>	
<b>IT Services</b>	<b>1,645,328</b>	<b>1,641,760</b>	<b>3,568</b>	<b>0.22%</b>		<b>1,925,544</b>	<b>(280,216)</b>		<b>-14.55%</b>	
<b>Legal Fees</b>	<b>43,047</b>	<b>107,500</b>	<b>(64,453)</b>	<b>-59.96%</b>		<b>181,843</b>	<b>(138,796)</b>		<b>-76.33%</b>	
<b>Professional and Other Services</b>	<b>757,283</b>	<b>679,871</b>	<b>77,412</b>	<b>11.39%</b>		<b>1,003,530</b>	<b>(246,247)</b>		<b>-24.54%</b>	
<b>Rent</b>										
Corporate Home Office	314,253	318,744	(4,491)	-1.41%		348,383	(34,130)		-9.80%	
Record Archiving Services	129,321	134,084	(4,763)	-3.55%		174,903	(45,582)		-26.06%	
Other Rent Items	40,791	17,990	22,801	126.74%		7,271	33,520		461.01%	
<b>Total Rent</b>	<b>484,365</b>	<b>470,818</b>	<b>13,547</b>	<b>2.88%</b>		<b>530,557</b>	<b>(46,192)</b>		<b>-8.71%</b>	
<b>Other Operating</b>										
Travel	7,874	9,015	(1,141)	-12.66%		5,042	2,832		56.17%	
Professional Dues & Conferences	3,955	5,063	(1,108)	-21.88%		5,298	(1,343)		-25.35%	
Insurance	75,068	125,824	(50,756)	-40.34%		79,983	(4,915)		-6.15%	
Voice and Data Communication	76,414	82,782	(6,368)	-7.69%		87,936	(11,522)		-13.10%	
Supplies and Subscriptions	17,628	20,850	(3,222)	-15.45%		18,721	(1,093)		-5.84%	
Postage, Freight & Express	(2,174)	11,150	(13,324)	-119.50%		8,347	(10,521)		-126.05%	
Office Machine Rent & Repair	826	5,500	(4,674)	-84.98%		1,278	(452)		-35.37%	
Bank Charges	21,414	32,000	(10,586)	-33.08%		34,194	(12,780)		-37.37%	
Taxes, BBA and Other	1,045	300	745	248.33%		424	621		146.46%	
<b>Total Other Operating</b>	<b>202,050</b>	<b>292,484</b>	<b>(90,434)</b>	<b>-30.92%</b>		<b>241,223</b>	<b>(39,173)</b>		<b>-16.24%</b>	
<b>Subtotal</b>	<b>10,371,176</b>	<b>10,464,233</b>	<b>(93,057)</b>	<b>-0.89%</b>		<b>11,823,601</b>	<b>(1,452,425)</b>		<b>-12.28%</b>	
<b>Guaranty Association Expenses</b>	<b>10,316,455</b>	<b>3,535,499</b>	<b>6,780,956</b>	<b>191.80%</b>		<b>1,880,942</b>	<b>8,435,513</b>		<b>448.47%</b>	
<b>Total Operating Expenses</b>	<b>\$20,687,631</b>	<b>\$13,999,732</b>	<b>\$6,687,899</b>	<b>47.77%</b>		<b>\$13,704,543</b>	<b>\$6,983,088</b>		<b>50.95%</b>	
<b>LAE</b>	<b>54,656</b>	<b>112,500</b>	<b>(57,844)</b>	<b>-51.42%</b>		<b>40,082</b>	<b>14,574</b>		<b>36.36%</b>	

See accompanying notes.

# Exhibit F

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)  
LEGAL FEES AND EXPENSES (EXCLUDING ALAE)  
FOR THE PERIOD JANUARY 1, 2019 TO JUNE 30, 2019 - UNAUDITED**

**VENDOR NAME**

STRADLEY, RONON, STEVENS, & YOUNG LLP	\$ 36,830
TOTAL OTHER VENDORS UNDER \$5,000	<u>6,217</u>
<b>TOTAL LEGAL FEES AND EXPENSES (EXCLUDING ALAE)</b>	<b><u><u>\$ 43,047</u></u></b>

# Exhibit G

**RELIANCE INSURANCE COMPANY (IN LIQUIDATION)  
PROFESSIONAL SERVICE EXPENSES  
FOR THE PERIOD JANUARY 1, 2019 TO JUNE 30, 2019 - UNAUDITED**

**VENDOR NAME**

CALLAN ASSOCIATES INC.	\$	40,000
CERIDIAN CORPORATION		8,432
ERNST & YOUNG		8,520
FMR LLC (FIDELITY INSTITUTIONAL ASSET MANAGEMENT TRUST COMPANY)		207,527
ILLINOIS INSURANCE GUARANTY FUND		17,780
PA. DEP'T. - OFFICE OF LIQUIDATIONS		166,405
STANDISH MELLON ASSET MANAGEMENT COMPANY LLC		256,217
THE BANK OF NEW YORK MELLON		43,362
TOTAL OTHER VENDORS UNDER \$5,000		<u>9,041</u>
<b>TOTAL PROFESSIONAL SERVICE EXPENSES</b>	<b>\$</b>	<b><u><u>757,283</u></u></b>

# Exhibit H

**Proof Of Claim Statistics - Inception To Date  
June 30, 2019**

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	45	45	45	0	\$0.00	0	\$0.00
A - ADMIN COSTS AND EXPENSES	3,995	401	0	3,995	\$0.00	3,870	\$0.00
B - POLICY HOLDER CLAIMS	62,164	4,939	0	62,149	\$1,279,601,917.13	61,460	\$1,197,520,596.17
C - FEDERAL GOVT	9	0	0	9	\$0.00	9	\$0.00
D - EMPLOYEES	1	0	0	1	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	66,267	3,889	0	66,250	\$149,441,468.35	65,569	\$149,397,612.15
F - STATE/LOCAL GOVT	189	3	0	189	\$7,039.85	189	\$7,039.85
G - LATE FILED/SUBROGATION	28,457	3,572	0	28,446	\$32,849,168.02	29,368	\$32,846,168.02
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
<b>TOTAL:</b>	<b>161,130</b>	<b>12,849</b>	<b>45</b>	<b>161,042</b>	<b>\$1,461,899,593.35</b>	<b>160,468</b>	<b>\$1,379,771,416.19</b>

OTHER COUNTS	INCEPTION TO DATE
POCs With Claims at GAs	3
Contingent Unliquidated POCs	5
Ready to Evaluate	5
Awaiting Information	29
<b>TOTAL:</b>	<b>42</b>

# Exhibit I

**Objection Statistics - Inception To Date  
June 30, 2019**

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	335	\$32,632,410.47	334	\$32,632,410.47
C - FEDERAL GOVT	0	\$0.00	0	\$0.00
D - EMPLOYEES	0	\$0.00	0	\$0.00
E - GEN CREDITORS/UNEARNED PREM	926	\$22,276,220.28	926	\$22,276,220.28
F - STATE/LOCAL GOVT	1	\$0.00	1	\$0.00
G - LATE FILED/SUBROGATION	446	\$9,108,593.00	446	\$9,108,593.00
H - SURPLUS, PREM REFUNDS	0	\$0.00	0	\$0.00
I - SHAREHOLDERS, OTHER OWNERS	0	\$0.00	0	\$0.00
<b>TOTAL:</b>	<b>1,849</b>	<b>\$64,017,741.75</b>	<b>1,848</b>	<b>\$64,017,741.75</b>

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	1	\$0.00	1	\$0.00	0	\$0.00
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	0	\$0.00	0	\$0.00	0	\$0.00
F - STATE/LOCAL GOVT	0	\$0.00	0	\$0.00	0	\$0.00
G - LATE FILED/SUBROGATION	0	\$0.00	0	\$0.00	0	\$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
<b>TOTAL:</b>	<b>1</b>	<b>\$0.00</b>	<b>1</b>	<b>\$0.00</b>	<b>0</b>	<b>\$0.00</b>

# Exhibit J

**Guaranty Association Data as of  
6-30-2019**

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	10,370,527.37	116,772,311.20	-	-	-	127,142,838.57
ALASKA	P&C	1,131,842.12	15,007,738.75	-	-	-	16,139,580.87
ARIZONA	P&C	1,441,647.99	13,951,624.17	-	-	-	15,393,272.16
ARIZONA	WC	1,254,992.32	10,665,917.11	-	-	-	11,920,909.43
ARKANSAS	P&C	526,129.07	7,414,521.03	-	-	-	7,940,650.10
CALIFORNIA	P&C	111,251,333.00	784,288,449.36	-	-	-	895,539,782.36
COLORADO	P&C	2,619,130.10	36,006,654.68	-	-	-	38,625,784.78
CONNECTICUT	P&C	7,668,018.18	57,485,792.53	-	-	-	65,153,810.71
DELAWARE	P&C	1,481,529.75	7,785,513.83	-	-	-	9,267,043.58
DISTRICT OF COLUMBIA	P&C	1,601,810.18	23,984,015.09	-	-	-	25,585,825.27
FLORIDA	P&C	4,319,294.78	84,842,483.58	-	-	-	89,161,778.36
FLORIDA	WC	8,762,496.43	270,338,211.42	-	-	-	279,100,707.85
GEORGIA	P&C	5,979,109.55	63,918,712.22	-	-	-	69,897,821.77
HAWAII	P&C	912,780.97	6,212,813.34	-	-	-	7,125,594.31
IDAHO	P&C	360,290.37	3,054,686.90	-	-	-	3,414,977.27
ILLINOIS	P&C	8,633,357.50	54,943,524.69	-	-	-	63,576,882.19
INDIANA	P&C	1,036,369.83	5,793,002.06	-	-	-	6,829,371.89
IOWA	P&C	839,004.82	10,199,644.58	-	-	-	11,038,649.40
KANSAS	P&C	1,509,366.95	19,725,751.86	-	-	-	21,235,118.81
KENTUCKY	P&C	2,500,173.85	42,391,008.42	-	-	-	44,891,182.27
LOUISIANA	P&C	5,518,047.30	76,624,891.60	-	-	-	82,142,938.90
MAINE	P&C	980,446.61	9,537,984.58	-	-	-	10,518,431.19
MARYLAND	P&C	8,868,712.91	52,601,111.59	-	-	-	61,469,824.50
MASSACHUSETTS	P&C	8,395,896.83	71,150,607.80	-	-	-	79,546,504.63
MICHIGAN	P&C	8,262,716.80	70,415,588.73	-	-	-	78,678,305.53
MINNESOTA	P&C	2,180,109.11	21,432,129.50	-	-	-	23,612,238.61
MISSISSIPPI	P&C	4,321,341.86	57,552,084.71	-	-	-	61,873,426.57
MISSOURI	P&C	2,784,266.55	40,732,466.12	-	-	-	43,516,732.67
MONTANA	P&C	831,218.13	6,039,391.58	-	-	-	6,870,609.71
NEBRASKA	P&C	945,295.76	12,889,782.62	-	-	-	13,835,078.38
NEVADA	P&C	1,465,565.02	14,539,205.83	-	-	-	16,004,770.85
NEW HAMPSHIRE	P&C	2,279,627.01	21,517,051.13	-	-	-	23,796,678.14
NEW JERSEY	P&C	4,449,421.20	70,322,840.99	-	-	-	74,772,262.19
NEW JERSEY	SL	701,284.53	11,433,363.70	-	-	-	12,134,648.23
NEW JERSEY	WC	3,441,087.60	67,904,164.69	-	-	-	71,345,252.29
NEW MEXICO	P&C	893,712.07	10,016,007.64	-	-	-	10,909,719.71
NEW YORK**	P&C	80,094,141.00	366,915,945.86	-	-	-	447,010,086.86
NEW YORK**	PMV	-	18,296,582.64	-	-	-	18,296,582.64
NEW YORK**	WC	-	298,424,162.68	-	-	-	298,424,162.68
NORTH CAROLINA	P&C	6,466,219.19	101,306,872.36	-	-	-	107,773,091.55
NORTH DAKOTA	P&C	13,316.55	245,976.90	-	-	-	259,293.45
OHIO	P&C	1,986,625.30	9,375,755.18	-	-	-	11,362,380.48
OKLAHOMA	P&C	2,836,658.70	26,115,804.67	-	-	-	28,952,463.37
OREGON	P&C	1,438,663.18	29,509,216.55	-	-	-	30,947,879.73
PENNSYLVANIA	P&C	2,420,276.65	42,779,496.06	-	-	-	45,199,772.71
PENNSYLVANIA	WC	13,305,792.05	210,286,310.72	-	-	-	223,592,102.77
PUERTO RICO	P&C	1,233,512.00	8,771,993.31	-	-	-	10,005,505.31
RHODE ISLAND	P&C	959,027.45	11,566,708.83	-	-	-	12,525,736.28
SOUTH CAROLINA	P&C	4,033,593.24	31,139,080.77	-	-	-	35,172,674.01
SOUTH DAKOTA	P&C	157,339.09	1,766,121.78	-	-	-	1,923,460.87
TENNESSEE*	P&C	-	-	43,397,654.72	12,216,134.07	7,054,306.28	62,668,095.07
TEXAS	P&C	21,543,047.79	185,876,962.51	-	-	-	207,420,010.30
UTAH	P&C	1,271,423.79	10,463,622.56	-	-	-	11,735,046.35
VERMONT	P&C	1,000,339.39	14,394,202.65	-	-	-	15,394,542.04
VIRGIN ISLANDS	P&C	57,298.54	1,107,768.82	-	-	-	1,165,067.36
VIRGINIA	P&C	5,100,490.31	54,893,448.38	-	-	-	59,993,938.69
WASHINGTON	P&C	3,100,421.25	32,335,939.06	-	-	-	35,436,360.31
WEST VIRGINIA	P&C	345,178.42	3,575,743.69	-	-	-	3,920,922.11
WISCONSIN	P&C	1,949,824.98	11,851,543.80	-	-	-	13,801,368.78
WYOMING	P&C	78,988.32	487,906.98	-	-	-	566,895.30
GA DEDUCTIBLE EXPOSURE		-	-	-	5,003,924.00	-	5,003,924.00
<b>TOTAL P&amp;C GAs:</b>		<b>379,910,131.61</b>	<b>3,720,978,216.39</b>	<b>43,397,654.72</b>	<b>17,220,058.07</b>	<b>7,054,306.28</b>	<b>4,168,560,367.07</b>
<b>LIFE &amp; HEALTH GAs***</b>		<b>6,500,244.97</b>	<b>32,793,096.38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,293,341.35</b>
<b>GRAND TOTAL:</b>		<b>386,410,376.58</b>	<b>3,753,771,312.77</b>	<b>43,397,654.72</b>	<b>17,220,058.07</b>	<b>7,054,306.28</b>	<b>4,207,853,708.42</b>

\* Tennessee's class (a) and (b) Omnibus NODs were approved by the Court on August 22, 2019 for \$7.1 million and \$55.6 million, respectively.

\*\* 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  
6-30-2019

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
<b>TOTAL:</b>		<b>6,500,244.97</b>	<b>32,793,096.38</b>	-	-	-	<b>39,293,341.35</b>