

**IN THE COMMONWEALTH COURT OF PENNSYLVANIA**

**IN RE:  
Reliance Insurance Company  
In Liquidation**

**NO. 1 REL 2001**

*In Re: Application for Approval of Direct Payment of Reinsurance by United Insurance Company to Hoechst Celanese Corporation*

**ORDER**

AND NOW, this \_\_\_ day of \_\_\_\_\_, 2016, upon consideration of the Application filed by Teresa D. Miller, Insurance Commissioner of the Commonwealth of Pennsylvania in her official capacity as Statutory Liquidator of Reliance Insurance Company (“Liquidator”), the Court accepts the Liquidator’s representations that United Insurance Company (the “Reinsurer”) and Hoechst Celanese Corporation (the “Insured”) are in compliance with 40 P.S. §221.34, the “Guidelines For Enforcement of 40 P.S. §221.34”, and the Order of this Court

dated April 26, 2002. Further, the Court accepts the representations of the Liquidator and the Reinsurer that no person or firm will earn any contingent fee or extra remuneration of any type as a result of this transaction.

Therefore, in accordance with the Liquidator's recommendation, the Court hereby confirms the approval by the Liquidator and further approves the Reinsurer's assumption of a direct coverage obligation to the Insured upon the terms set forth in the Reinsurer's request and supporting documentation and approves the direct payment to the Insured by the Reinsurer in accordance with its direct payment obligations resulting from the assumption.

---

**BONNIE BRIGANCE LEADBETTER**  
**Judge**

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

**IN RE:  
Reliance Insurance Company  
In Liquidation**

**NO. 1 REL 2001**

*In Re: Application for Approval of Direct Payment of Reinsurance by United Insurance Company to Hoechst Celanese Corporation*

**APPLICATION FOR APPROVAL OF DIRECT PAYMENT  
OF REINSURANCE PROCEEDS PURSUANT TO 40 P.S. §221.34**

Applicant, Teresa D. Miller, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator (“Liquidator”) of Reliance Insurance Company, respectfully requests that this Court enter an Order in the form attached approving the direct payment of reinsurance proceeds by United Insurance Company (the “Reinsurer”) to Hoechst Celanese Corporation (the “Insured”) in accordance with direct coverage obligations assumed by the Reinsurer under reinsurance agreements reinsuring policies of insurance issued by Reliance to the Insured as set forth below. For purposes of this Application, “Reliance” will collectively refer to Reliance Insurance Company (In Liquidation) and all of its former subsidiaries that were merged into Reliance Insurance Company prior to liquidation.

## I. The Relevant Policies and Reinsurance Agreements

1. The insurance policies that are the subject of this Application are policies of insurance that Reliance issued to the Insured covering workers compensation and employers liability for the period beginning May 1, 1989 and ending May 1, 1990.

2. The Policies issued by Reliance to the Insured were reinsured by the Reinsurer, a reinsurance company. The reinsurance agreement and their addenda (collectively, the “Reinsurance Agreements”) are attached to this Application as Exhibit A.

## II. The Guidelines and Direct Payment Request

3. Following an Order of Liquidation declaring Reliance insolvent on October 3, 2001, the Liquidator petitioned this Court for the approval of “Guidelines for Enforcement of 40 P.S. §221.34” (“Guidelines”) relating to the process and standards for permitting a reinsurer of Reliance to make direct payments to a Reliance policyholder.

4. The Guidelines were approved and, by Order of this Court dated April 26, 2002 (the “Order”), the necessary conditions precedent to any agreement by the Liquidator to permit direct payment by a reinsurer were established. The Order and the Guidelines are attached to this Application as Exhibit D.

5. Pursuant to paragraph 3 of the Guidelines, the Reinsurer submitted a written request to the Liquidator seeking approval of direct payments by the Reinsurer to the Insured. The written request is attached to this Application as Exhibit E.

### III. The Liquidator's Review and Recommendation

6. Following submission and review of documentation in support of the Reinsurer's request to the Liquidator, the Liquidator has approved the written request seeking approval of direct payment of reinsurance by the Reinsurer to the Insured. The Liquidator has concluded that the Reinsurance Agreements comply with 40 P.S. §221.34, the Guidelines and the Order.

7. Specifically, the Liquidator has reviewed the Reinsurance Agreements and determined that they expressly provide for a direct coverage obligation (a "cut through") from the Reinsurer to the Insured, in the event of the insolvency of Reliance, in place of and in substitution for any obligations of Reliance to the Insured, as required by 40 P.S. §221.34, paragraph 4(b) of the Guidelines, and the Order.

8. In addition, the Liquidator has determined that the Reinsurance Agreements specifically identify that the "cut through" payment is to be made to the Insured, in accordance with 40 P.S. §221.34, paragraph 4(a) of the Guidelines, and the Order.

9. Article I. (Definitions) of the Reinsurance Agreements, attached as Exhibit A, provides in pertinent part:

“Policy” or “Policies” – Policies of insurance and any extension or renewals including endorsements written through ARM International Corp. under Producer Code 840249, and issued by the Company to Hoechst Celanese as further described in Schedule I to this Agreement.

10. Article XIII. (Insolvency), of the Reinsurance Agreements, provides in pertinent part:

It is further agreed and understood that as to all reinsurance made, ceded, renewed or otherwise becoming effective hereunder, the reinsurance shall be payable by the Reinsurer to Company or to its liquidator or receiver or statutory successor, except (a) where the contract specifically provided another payee of such reinsurance in event of the insolvency of Company, or (b) where the Reinsurer with the consent of the direct insured has assumed obligations of Company under any of the Policies as direct obligations of the Reinsurer to the payees under any such policy and in substitution for the obligations of Company to such payees.

11. With respect to the reinsured Policies, the Reinsurer executed an “Assumption and Substitution by Reinsurer” document, in a form authorized by the Guidelines and the Order. This document provides that the Reinsurer has unequivocally assumed Reliance’s entire direct coverage obligation to the Insured, that the “cut-through” payments will be made in satisfaction of the coverage obligations of Reliance to the Insured, and that the Reinsurer releases Reliance from all liability as required by 40 P.S. §221.34, paragraphs (b), (c) and (e) of the

Guidelines, and the Order. The Assumption and Substitution document executed by the Reinsurer is attached to this Application as Exhibit C.

12. With respect to the reinsured Policies, the Insured executed an “Informed Consent to Substitution of Reliance” in the form authorized by the Guidelines and the Order. The document provides for informed consent to the direct coverage relationship which is in substitution for the relationship between the Insured and Reliance and consents to the release of Reliance for all claims by the Insured against Reliance relating to coverage assumed by the Reinsurer, as required by 40 P.S. §221.34, paragraph 4(e) of the Guidelines, and the Order. The Informed Consent to Substitution of Reliance is attached to this Application as Exhibit B.

13. As set forth in the Affidavit of Robert Bellusci, attached to this Application as Exhibit F, the Liquidator states that no person or firm has earned or will earn any contingent fee or extra remuneration of any type from Reliance as a result of this transaction.

14. As set forth in the Affidavit of Edward P. Weber, III (the “Weber Affidavit”), attached to this Application as Exhibit G, Mr. Weber states that no person or firm has earned or will earn any contingent fee or extra remuneration of any type from the Reinsurer as a result of this transaction.

15. As further set forth in the Weber Affidavit, upon review of certain books and records that relate to the Reliance policies reinsured through the Reinsurer, the Reinsurer has confirmed that, from the October 3, 2001 date of Reliance's liquidation to August 5, 2016, the Reinsurer's exposure to Reliance for improper direct losses paid is estimated to be \$810,402. After analysis of this data, the Reinsurer views its future exposure under the proposed cut-through to be \$292,571 as of August 5, 2016.

16. In accordance with paragraph 4(e) of the Guidelines, the Liquidator has determined that the Reinsurer and the Insured have complied with all other contractual provisions regarding the direct payment or assumption and that proper disclosure has been made with respect to the consequences of consenting to the direct coverage relationship with the reinsurer.

17. Pursuant to paragraph 5 of the Guidelines and the Order, the Liquidator is submitting the Reinsurer's documentation to this Court and recommends approval of direct payment by the Reinsurer.

Respectfully submitted:

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

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

Dated: November 3, 2016

**VERIFICATION**

I, David S. Brietling, Chief Liquidation Officer for Reliance Insurance Company (In Liquidation), am authorized by Teresa D. Miller, Insurance Commissioner of the Commonwealth of Pennsylvania, pursuant to 40 P.S. §221.23, to act on her behalf in her capacity as the Statutory Liquidator of Reliance Insurance Company. I hereby verify that the facts set forth in the foregoing pleading are true and correct to the best of my knowledge, information and belief.

I understand that this Verification is made subject to the penalties of 18 P.S. §4904 relating to unsworn falsification to authorities.

Executed on November 3, 2016

  
\_\_\_\_\_  
DAVID S. BRIETLING

CERTIFICATE OF SERVICE

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

Upon the attached Master Service List by electronic mail.

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

To the following via U.S. mail and electronic mail:

Edward P. Weber, III  
Vice President – Claims  
Aon Insurance Managers (Cayman) Ltd.  
94 Solaris Avenue, 2<sup>nd</sup> Floor  
Camana Bay  
Grand Cayman KY1-1102 Cayman Islands  
Email: [ed.weber@aon.com](mailto:ed.weber@aon.com)

Tracy Steakley  
Finance Manager  
Global Risk Management  
222 W. Las Colinas Blvd., Suite 900N  
Irving, TX 75039  
Email: [Tracy.Steakley@celanese.com](mailto:Tracy.Steakley@celanese.com)

Date: 11-3-16

  
\_\_\_\_\_  
Marilyn K. Kincaid

## Master Service List Parties

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

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

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

Nicholas M. Insua  
McCarter & English LLP  
1600 Market Street  
Suite 3900  
Philadelphia, PA 19103  
Phone: (215) 979-3800  
Fax: (215) 979-3899  
E-mail: [ninsua@mccarter.com](mailto:ninsua@mccarter.com)  
(Attorney for Water Applications Distribution Group,  
Inc. formerly known as U.S. Filter Distribution  
Group, Inc. as successor-by-merger to Pacific Water  
Works Supply Co., Inc.)

Timothy P. Law, (215) 851-8100  
Reed Smith LLP  
Three Logan Square  
1717 Arch Street, Suite 3100  
Philadelphia, PA 19103  
Phone: (215) 851-8100  
Fax: (215) 851-1420  
E-mail: [tlaw@reedsmith.com](mailto:tlaw@reedsmith.com)  
(Counsel for Henry Company)

Timothy J. O'Driscoll, (215) 988-2700  
Drinker Biddle & Reath LLP  
One Logan Square  
Suite 2000  
Philadelphia, PA 19103  
Phone: (215) 988-2700  
Fax: (215) 988-2757  
[Timothy.ODriscoll@dbr.com](mailto:Timothy.ODriscoll@dbr.com)  
(Counsel for Aurora National Life Assurance  
Company)

Emily Grim, (202) 772-3925  
Richard Shore  
Daniel I. Wolf  
Gilbert LLP  
1100 New York Avenue, NW  
Suite 700  
Washington, DC 20005  
Phone: (202) 772-3925  
Fax: (202) 772-3333  
E-mail: [grime@gotofirm.com](mailto:grime@gotofirm.com)  
[shorer@gotofirm.com](mailto:shorer@gotofirm.com)  
[wolfd@gotofirm.com](mailto:wolfd@gotofirm.com)  
(Counsel for Armstrong World Industries, Inc. and  
The Shook & Fletcher Asbestos Settlement Trust)

Charles J. Jesuit, Jr., (215) 665-2000  
Cozen O'Connor  
1900 Market Street  
Philadelphia, PA 19103  
Phone: (215) 665-2000  
Fax: (215) 665-2013  
E-mail: [cjesuit@cozen.com](mailto:cjesuit@cozen.com)  
(Attorney for Aramark Corporation)

Patricia Rothbardt, (212) 858-3688  
Reliance Insurance Company (in Liquidation)  
Legal Department- 10<sup>th</sup> Floor  
75 Broad Street  
New York, NY 10004  
Phone: (212) 858-3688  
Fax: (212) 858-9098  
Email: [patricia.rothbardt@relianceinsurance.com](mailto:patricia.rothbardt@relianceinsurance.com)  
(Attorney for Reliance Insurance  
Company (in Liquidation))

Anthony J. Piazza, Jr., (570) 382-3143  
Piazza Law Group  
194 Cypress Street, Suite 200  
Throop, PA 18512  
Phone: (570) 382-3143  
Fax: (570) 483-4684  
E-mail: [Anthony@piazzalawgroup.com](mailto:Anthony@piazzalawgroup.com)

And

Alpheus Raymond Hamrick, III, (818) 763-5292  
Hamrick & Evans LLP  
111 Universal Hollywood Drive  
Suite 2200  
Universal City, CA 91608  
Phone: (818) 763-5292  
Fax: (818) 763-2308  
E-mail: [aray@hamricklaw.com](mailto:aray@hamricklaw.com)  
(Counsel for Woodbridge Films, Inc.)

Douglas Y. Christian, (215) 864-8404/8136  
Ballard Spahr LLP  
1735 Market Street, 51<sup>st</sup> Floor  
Philadelphia, PA 19103  
Phone: (215) 864-8404/8136  
Fax: (215) 864-9206/8999  
E-mail: [Christiand@ballardspahr.com](mailto:Christiand@ballardspahr.com)

Richard B. Allyn  
Robins, Kaplan, Miller & Ciresi LLP  
2800 LaSalle Plaza  
800 LaSalle Avenue  
Minneapolis, MN 55402  
Phone: (612) 349-8571  
Fax: (612) 339-4181  
E-mail: [rballyn@rkmc.com](mailto:rballyn@rkmc.com)  
(Counsel for Carlson Holdings, Inc. and NAFCO  
Insurance Company Ltd)

Steven B. Davis, (215) 564-8000  
Karl S. Myers  
Stradley Ronon Stevens & Young, LLP  
2600 One Commerce Square  
Philadelphia, PA 19103  
Phone: (215) 564-8000  
Fax: (215) 564-8120  
E-mail: [SDavis@STRADLEY.COM](mailto:SDavis@STRADLEY.COM)  
[KMyers@STRADLEY.COM](mailto:KMyers@STRADLEY.COM)  
(Counsel for Reliance Insurance  
Company (in Liquidation))

Steven J. Englemyer, 215-568-2000  
Lorena E. Ahumada  
Kleinbard LLC  
1650 Market Street  
46th Floor  
Philadelphia, PA 19103  
Phone: 215-568-2000  
Email: [SEngelmyer@kleinbard.com](mailto:SEngelmyer@kleinbard.com)  
[LAhumada@kleinbard.com](mailto:LAhumada@kleinbard.com)  
(Counsel for Reliance Insurance  
Company (in Liquidation))

**Master Service List  
Non-Parties**

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

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

Richard F. McMenamin, Esquire, (215) 979-3860  
McCarter & English, LLP  
1600 Market Street  
Suite 3900  
Philadelphia, PA 19103  
Phone: (215) 979-3860  
Fax: (215) 988-4326  
E-mail: [rmcmenamin@mccarter.com](mailto:rmcmenamin@mccarter.com)  
(Attorney for Milliken & Company)

Richard F. McMenamin, Esquire, (215) 979-3860  
McCarter & English, LLP  
1600 Market Street  
Suite 3900  
Philadelphia, PA 19103  
Philadelphia, PA 19103  
Phone: (215) 979-3860  
Fax: (215) 988-4326  
E-mail: [rmcmenamin@mccarter.com](mailto:rmcmenamin@mccarter.com)  
(Attorneys for The Bank of New York Mellon  
(Formerly Mellon Bank, N.A.)

Stanley E. Maron, (310) 570-4908  
Maron & Sandler  
1250 Fourth Street, Suite 550  
Santa Monica, California 90401  
Phone: (310) 570-4908  
Fax: (310) 570-4901  
E-mail: [smaron@maronsandler.com](mailto:smaron@maronsandler.com)

Joel Hopkins, (717) 257- 7525  
Saul Ewing LLP  
Penn National Insurance Plaza  
2 North Second Street  
7<sup>th</sup> Floor  
Harrisburg, PA 17101-1619  
Phone : (717) 257- 7525  
Fax: (717) 257-7590  
Email: [jhopkins@saul.com](mailto:jhopkins@saul.com)  
(Attorney for Milken Institute)

James S. Gkonos  
Saul Ewing LLP  
Centre Square West, 38<sup>th</sup> Floor  
1500 Market Street  
Philadelphia, PA 19102-2186  
Phone: (215) 972-8667  
Fax: (215) 972-1833  
E-mail: [jgkonos@saul.com](mailto:jgkonos@saul.com)  
(Attorney for Milken Institute)

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

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

Daryn E. Rush, Esquire, (215) 864-6360  
White and Williams LLP  
1650 Market Street  
One Liberty Place, Suite 1800  
Philadelphia, PA 19103  
Phone: 215-864-6360  
Fax: 215-789-7683  
E-mail: [rushd@whiteandwilliams.com](mailto:rushd@whiteandwilliams.com)  
(Attorney for Baptist Health South Florida, Inc.,  
Palm Springs General Hospital, and Travelers  
Casualty and Surety Co.)

Timothy P. Law, (215) 851-8100  
Matthew D. Rosso  
Reed Smith LLP  
Three Logan Square  
1717 Arch Street, Suite 3100  
Philadelphia, PA 19103  
Phone: (215) 851-8100  
Fax: (215) 851-1420  
E-mail: [tlaw@reedsmith.com](mailto:tlaw@reedsmith.com)  
[mrosso@reedsmith.com](mailto:mrosso@reedsmith.com)  
(Counsel for Unisys Corporation and Tribune  
Company, Lincoln National Corporation, Warrantech  
et. al)

Henry M. Sneath, (412) 288-4013  
Bridget M. Gillespie, (412) 288-4017  
Picadio Sneath Miller & Norton, P.C.  
Four Gateway Center  
444 Liberty Avenue, Suite 1105  
Pittsburgh, PA 15222  
Phone: (412) 288-4013  
(412) 288-4017  
Fax: (412) 288-2405  
E-mail: [hsneath@psmn.com](mailto:hsneath@psmn.com)  
[bgillespie@psmn.com](mailto:bgillespie@psmn.com)  
(Counsel for Washington Mutual Bank ("WAMU"),  
as successor to Hawthorne Financial Corp. and  
Hawthorne Saving, F.S.B.)

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

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

Jayne A. Risk, (215)656-3328  
DLA Piper (US) LLP  
One Liberty Place  
1650 Market Street  
Philadelphia PA 19103  
Phone: (215)656-3328  
fax: (215) 606-3328  
Email: [jayne.risk@dlapiper.com](mailto:jayne.risk@dlapiper.com)

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

Timothy A. Diemer, (313)965-1900  
Jacobs and Diemer, P.C.  
The Guardian Building  
500 Griswold St., Suite 2825  
Detroit, MI 48226  
Phone: (313)965-1900  
Fax: (313)965-1919  
E-mail: [TimDiemer@jacobsdiemer.com](mailto:TimDiemer@jacobsdiemer.com)  
(Counsel for DTE Energy Company)

# EXHIBIT A

## REINSURANCE AGREEMENT

Reinsurance Agreement dated May 1, 1989, between Reliance Insurance Company, the "Company" and United Insurance Company, the "Reinsurer", a Company authorized to transact reinsurance under the laws of Grand Cayman.

In consideration of the payment of the reinsurance premium, and subject to the terms, conditions and limits of liability set forth below, the Reinsurer does hereby reinsure the Company in respect to the Company's Policies.

### ARTICLE I - DEFINITIONS

The following terms shall have these meanings:

1. "Policy" or "Policies" - Policies of insurance and any extension or renewals including endorsements written through ARM International Corp. under Producer Code Number 840249, and issued by the Company to Hoechst Celanese as described in Schedule I to this Agreement.
2. "Incurred Losses" - All Paid Losses, plus reserves for unpaid losses both reported and unreported attributable to Policies and as established by the Company.
3. "Paid Losses" - Payments for claims under the Policies made by the Company; plus all Allocated Claims Expense paid by the Company in connection with the Policies, whether or not related to claims paid.
4. "Allocated Claims Expense" - Expenses that the Company, under its accounting practices, directly allocates to a particular claim. These expenses include: attorney's fees, court costs and related costs such as filing fees, and the costs of medical examination, expert medical or other testimony, laboratory services and x-rays, autopsies, stenographic services, witnesses and summonses and copies of documents etc. These expenses do not include the salaries and traveling expenses of the Company's employees or overhead. Which is known as "Unallocated Claims Expense".
5. "Return Premiums" - Amounts payable to Insurers under Policies as return of unearned premiums on cancelled or amended policies, adjustments arising

out of premium audits or as part of rating plans, or as dividends.

6. Terms defined or given special meanings within Policies have the same meanings in this Agreement given to them in the Policies.
7. Other terms or phases may be given special meanings within this Agreement.

#### ARTICLE II - COVERAGE

The Reinsurer is liable to the Company under this Agreement for the following:

1. For each Incurred Loss or combination of losses arising out of the same accident covered under policies described as Automobile policies in Schedule I up to and including the first \$1,000,000, plus all related Allocated Claims Expense.
2. For the first \$1,000,000 of Incurred Losses under Policies described as Workers' Compensation in Schedule I arising out of any accident involving one or more employees of an Insured, plus all related Allocated Claims Expense.
3. For the first \$1,000,000 of Incurred Losses covered under Policies described as Workers' Compensation in Schedule I arising out of occupational disease affecting any one employee of the Insured, plus all related Allocated Claims Expense.
4. For Unallocated Claims Expense, in accordance with Schedule II attached to this Agreement.

#### ARTICLE III - CLAIMS

1. While the Reinsurer is not required to investigate or defend claims or suits under the Policies, it may associate, at its own expense, with the Company and its representatives in the defense of any claim, suit or proceeding involving this reinsurance. Except as otherwise specifically provided for herein, the Reinsurer's liability shall follow that of the Company under the Policies. All settlements by the Company of claims

involving this reinsurance, when made by the Company, shall be unconditionally binding on the Reinsurer.

2. The Company will, at the request of the Reinsurer, furnish the Reinsurer a copy of any of the Policies and all endorsements and shall make available for inspection and place at the disposal of the Reinsurer at reasonable times any of its records relating to this reinsurance or claims in connection therewith.
3. The Company will pay or credit the Reinsurer up to the amount of the Reinsurer's interest for amounts attributable to salvage, reimbursement obtained or recovery made by the Company relating to any of the Policies, after deducting the direct cost (excluding salaries and traveling expenses of Company's employees and overhead) of obtaining such salvage or reimbursement or making such recovery, and after the Company has been reimbursed up to the amount of its interest.

#### ARTICLE IV - PAID LOSS DEPOSIT FUND

1. The Reinsurer will, provide funds for the Company to establish and maintain in its own name a Paid Loss Deposit Fund, for payment of the Reinsurer's liabilities under Article II of this Agreement. The initially required level of the Paid Loss Deposit Fund shall be \$350,000. The Company may at its option adjust the required level of the Paid Loss Deposit Fund quarterly. The adjusted level of the Paid Loss Deposit Fund shall not be greater than the amount of the total Paid Losses plus Allocated Claims Expenses paid for the preceding quarter.
2. The Reinsurer shall, upon receipt of a written request by the Company forward within three (3) business days funds to the Company sufficient to maintain the Paid Loss Deposit Fund balance at the level required above. In the event the Company is required to make a payment for Paid Losses and Allocated Claims Expense on any one claim in the amount of \$100,000, or greater, the Reinsurer shall not withstanding the availability of funds in the Paid Loss Deposit Fund immediately upon receipt of written notice of such payments reimburse the Company for the full amount of the payments.

3. The Company may increase the level of the Paid Loss Deposit Fund each time the Reinsurer fails to make any payment to the Company within the time required by this Agreement. No such individual increase will increase the required level to more than twice that required before the increase.

ARTICLE V - REINSURANCE PREMIUM

1. The reinsurance premium shall be the monies actually received and recorded by the Company as premium for the Policies less Return Premiums minus:
  - (a) For Workers' Compensation Policies:
    - (1) \$130,000 Flat Premium for the Companies insurance charge.
    - (2) 3.85% of such premium, less item (1) above, for Company Expenses.
    - (3) 1.00% of such premium, less item (1) above, for Federal Excise Tax.
    - (4) 7.70% of such premium for: (a) premium taxes; (b) fees for board and bureaus;
    - (5) 5.60% of such premium for liabilities for assessments and pools;
    - (6) 1.00% of such premium for Brokerage fees;
    - (7) State surcharges specifically shown on the policies;
    - (8) \$20,000 Flat premium for claims supervision.
  - (b) For All Other Insurance Policies:
    - (1) 3.85% of such premium for Company Expenses.
    - (2) 3.70% of such premium for: (a) premium taxes; (b) fees for boards and bureaus; and
    - (3) 3.18% of such premium for liabilities for assessments and pools
    - (4) 1.00% of such premium for Federal Excise Tax

- (5) State surcharges specifically shown on the policies;
  - (6) 1.00% of such premium for Brokerage fees.
2. For as long as the Reinsurer's obligations created by this Agreement remain outstanding, the reinsurance premiums shall be reconciled monthly quarterly by the Company against the following items:
  - (a) The amount of the Reinsurer's payments to initially fund the required level of the Paid
  - (b) The amount of the Reinsurer's payments necessary to increase or maintain the required level of the Paid Loss Deposit Fund; and
3. Within fifteen (15), days after the end of each calendar month, the Company will send to the Reinsurer a Reconciliation Statement of premiums payable to the Reinsurer payment made by the reinsurer, and such other information and in such form and detail as to claims reported, Paid Losses, Allocated Claims Expense as shall be mutually agreed to in writing by the Company and Reinsurer.
4. If the result of any such reconciliation is that the Reinsurer owes money to the Company, the Reinsurer will within ten (10), days after receipt of the Reconciliation Statement pay the amount due. If the result of any such reconciliation is that the Company owes money to the Reinsurer, the Company will pay the amount due with the Reconciliation Statement.
5. All amounts due Reinsurer or Company under this Agreement or any other agreement between the parties shall be subject to the right of offset.

#### ARTICLE VI - COLLATERAL

1. The Reinsurer shall deliver to the Company either a Letter of Credit or other collateral in an amount and form acceptable to the Company, for the purpose of securing the Reinsurer's obligations under this Agreement.
2. The Company, any successor by operation of law including any liquidator, rehabilitator, receiver or conservator may, notwithstanding any other

provisions in this Agreement, draw upon the Letter of Credit at any time for reimbursement of Reinsurer's obligations paid but not recovered from Reinsurer, or to fund an account with Company equal to the Reinsurer's obligations as determined by Company. In the event the net worth of the reinsurer is less than \$10,000,000, the reinsurer shall secure its obligator in cash. All interest shall be credited to the reinsurers account and upon the termination of all liabilities, the interest shall be made part of the final accounting.

3. The Reinsurer's obligations being secured shall include:
  - i. Losses and Allocated Claims Expenses paid by the Company, but not recovered from Reinsurer;
  - ii. Company's reserves for losses reported and for Allocated Claims Expense on losses;
  - iii. Company's reserves for losses incurred but not reported;
  - iv. Return premiums paid by the Company, but not recovered from Reinsurer;
  - v. Company's reserves for unearned premiums;
  - vi. Maintaining the level of the Paid Loss Deposit Fund in Article IV;

All without diminution because of the insolvency of Company or Reinsurer.

4. The Reinsurer's duty to provide security extends until the Company is satisfied that the Reinsurer's obligations under this Agreement have been or will be met.
5. The Reinsurer will, thirty (30) days prior to any termination or expiration of the security for this Agreement deliver to the Company, a replacement Letter of Credit or other collateral acceptable to the Company in an amount and form acceptable to the Company which will become effective immediately upon the termination or expiration of the prior security.

6. The Company may require the Reinsurer to provide additional security before the end of any calendar year by giving at least sixty (60) days notice to the Reinsurer of the amount of additional security that will be required. Such security shall comply with all the requirements of this Article.
7. If the Reinsurer fails to provide the Company with any additional or substitute security the Company will have the right to draw upon the full amount of any existing Letter of Credit or collateral and to apply such funds in accordance with the provisions of this Article.
8. Any Letter of Credit provided as security for the obligations of the Reinsurer hereunder must be in a form substantially similar to Exhibit I attached and made a part of this Agreement, issued or confirmed by a Federal Reserve Member bank with an office for presentment and payment in New York City, New York. The issuing and any confirming bank are subject to the approval of the Company. The Company may at any time give notice at least sixty (60) days before the expiration date (including renewals) of any Letter of Credit to the Reinsurer that the issuing or confirming bank is no longer approved. The Reinsurer must replace the Letter of Credit in accordance with paragraph five (5) above.

#### ARTICLE VII - TAXES

1. The Company is responsible for the payment of all taxes on premiums received under the policies.
2. The Reinsurer is responsible for the payment of all taxes on reinsurance premiums hereunder.

#### ARTICLE VIII - ARBITRATION

1. As a condition precedent to any right of action hereunder, any dispute arising out of the Agreement shall be submitted to the decision of a board of arbitration composed of two (2) arbitrators and an umpire, meeting in New York, N.Y. unless otherwise agreed to in writing by the Company and the Reinsurer.
2. The members of the board of arbitration shall be active or retired disinterested officials of insurance or reinsurance companies. Each party

shall appoint one arbitrator and the two arbitrators shall then choose an umpire before instituting the hearing. If either the Company or the Reinsurer fails to appoint its arbitrator within sixty (60) days after being requested to do so by the other, the latter shall also appoint the second arbitrator. If the two arbitrators fail to agree upon the appointment of an umpire within four (4) weeks after their nominations each of them shall name three (3), of whom the other shall decline two (2) and the decision shall be made by drawing lots.

3. The claimant shall submit its initial brief within twenty (20) days from the appointment of the umpire. The respondent shall submit its brief within twenty (20) days thereafter and the claimant may submit a reply brief within ten (10) days after filing of respondent's brief.
4. The board shall make an award with regard to the custom and usage of the insurance and reinsurance business. The board shall issue its award in writing based upon a hearing in which evidence may be introduced without following strict rules of evidence but in which cross examination and rebuttal shall be allowed. The board shall make its award within sixty (60) days following the termination of the hearings unless the parties consent to an extension. A decision by the majority of the members of the board shall become the award of the board and shall be final and binding upon all parties to the proceeding. Either party may apply to the United States District Court for the Eastern District of New York for an order confirming the award; and a judgment of that court shall thereupon be entered upon the award. If such an order is issued, the attorney's fees of the party so applying and court costs will be paid by the party against whom confirmations is sought.
5. If more than one (1) reinsurer is involved in the same dispute, all such reinsurers shall constitute and act as one (1) party for purposes of this arbitration and communications for purposes of this arbitration shall be made by Company to the reinsurer with the largest share of liabilities assured under the Policies. As representative for all reinsurers provided, however, that nothing therein shall impair the rights of such reinsurers to assert several, rather than joint, defenses or claims nor be construed as changing the liability

of the reinsurers under the terms of this Agreement from several to joint.

6. Each party shall bear the expense of its own arbitrator and shall jointly and equally bear with the other party the expense of the umpire. The remaining costs of the arbitration proceedings shall be allocated by the board.

#### ARTICLE IX - CANCELLATION

1. This Agreement may be cancelled in whole or in part by the Company by giving ninety (90) days prior written notice to the Reinsurer. The Reinsurer shall have the right to cancel this Agreement by giving a number of days prior written notice to the Company which shall be not less than sixty (60) days more than the longest period required for notice of cancellation under the Policies or laws and regulations of any jurisdiction in which Policies are issued for delivery.
2. In the event that all of the Policies are cancelled or otherwise terminated, this Agreement shall automatically be cancelled as of the effective date of the cancellation or termination of the last Policy.
3. The Reinsurer shall be entitled to credit for a pro rata portion of the reinsurance premium to which it would have been entitled had this Agreement not been cancelled.

#### ARTICLE X - SURVIVAL OF OBLIGATIONS

Reinsurer recognizes that the Company's obligations which accrue during the term of the Policies will survive the termination of those Policies, and that Reinsurer's obligations under this Agreement will survive the termination of those Policies and this Agreement. If this Agreement terminates, the Reinsurer's obligations and responsibilities under this Agreement will continue with respect to losses on Policies issued or renewed prior to the effective date of termination of this Agreement. Any Policy required to be renewed under any state law, or regulation or order shall be deemed renewed prior to the effective date of termination of this Agreement whether or not actually renewed prior to the date of termination.

#### ARTICLE XI - INTEREST AND COLLECTION COSTS

Reinsurer will reimburse Company for Company's attorneys' fees and court costs incurred in attempting to collect amounts, including interest, which are due the Company under this Agreement but not paid within the time required by this Agreement. Either party will pay to the other an interest charge at the monthly rate of one and one-half percent (1.5%) on any amount that is not paid within the time required by this Agreement. Interest shall accrue from the time any payment is payable under this Agreement.

#### ARTICLE XII - ERRORS AND OMISSIONS

Inadvertent delays (other than in payments due), errors or omissions made by Company or Reinsurer in connection with this Agreement or any transaction hereunder shall not relieve the other party from any liability which would have attached, had such delay, error or omission not occurred, provided that such error or omission will be rectified as soon as possible after discovery.

#### ARTICLE XIII - INSOLVENCY

The Reinsurer hereby agrees that, as to all reinsurance made, ceded, renewed or otherwise becoming effective hereunder, the reinsurance shall be payable by the Reinsurer on the basis of the liability of Company under the Policies without diminution because of the insolvency of Company.

It is further agreed and understood that in the event of insolvency if Company, the liquidator or receiver or statutory successor of Company shall give written notice to the Reinsurer of the pendency of any claim against the insolvent Company under any of the Policies within a reasonable time after such claim is filed in the insolvency proceeding; that during the pendency of any such proceeding where any such claim is to be adjudicated any defense of defenses which it may deem available to Company or its liquidator or receiver or statutory successor; that the expense thus incurred by the Reinsurer as the assuming insurer shall be chargeable subject to court approval against the insolvent Company as part of the expense of liquidation to the extent of a proportionate share of the benefit which may accrue to Company solely as a result of the defense undertaken by the Reinsurer as the assuming insurer.

It is further agreed and understood that as to all reinsurance made, ceded, renewed or otherwise becoming effective hereunder, the reinsurance shall be payable by the

Reinsurer to Company or to its liquidator or receiver or statutory successor, except (a) where the contract specifically provided another payee of such reinsurance in the event of the insolvency of Company, or (b) where the Reinsurer with the consent of the direct insured has assumed obligations of Company under any of the Policies as direct obligations of the Reinsurer to the payees under any such policy and in substitution for the obligations of Company to such payees.

**ARTICLE XIV - MISCELLANEOUS**

1. This Agreement shall be governed by and construed according to the laws of the State of New York.
2. This Agreement may not be assigned by the Reinsurer unless the written approval of the Company is first obtained.
3. Any notices, requests of other communications hereunder will be in writing and will be deemed to have been received when deposited in the United States mail with proper postage fees prepaid, addressed as follows:
  - (i) if to Reinsurer, then to  
Resident Manager  
United Insurance Company  
P.O. Box 69  
Grand Cayman, BWI
  - (ii) if to Company, then to  
Senior Vice President  
Reliance National Risk Management  
77 Water Street  
New York, NY 10005
4. Except for a cancellation in accordance with the provisions of ARTICLE IX, this Agreement may not be released, discharged, changed or modified except by an instrument in writing signed by a duly authorized representative of both of the parties.

IN WITNESS WHEREOF, the parties by their duly authorized officers, intending to be legally bound, have signed this Agreement effective the date first written above.

In New York, New York, U.S.A. as of the 22nd day of March, 1990.

By *Mario P. Vitale*

Title Senior Vice President

Attest *J. Anne M. Sykes*

In *Grand Cayman*, *BW* as of the *18th* day of *Apr. 7*, *1990*.

By *[Signature]*

Title *Underwriter*

Attest *[Signature]*

CERTIFIED AS A TRUE COPY of the original  
Dated this 3 day of June 20 16

*[Signature]*  
By: Edward P. Weber, III  
MLRO

SCHEDULE I

POLICY SCHEDULE

Workers Compensation

NWA 149 46 19-00

Automobile

NKA 149 46 21-00

**SCHEDULE II**

**CRAWFORD AND COMPANY**

**UNALLOCATED CLAIMS EXPENSE**

The Company has engaged Crawford & Company to handle claims administration for claims except for Workers Compensation, Automobile and General Liability in the State of New Jersey arising hereunder, for an estimated fee of \$182,272.

	<u>Number of Claimant</u>	<u>Unit Price</u>	<u>Estimated Fee</u>
Workers Compensation Medical only	999	\$ 65.75	\$ 65,684.25
Workers Compensation other than medical	191	\$363.00	\$ 69,333.00
General Liability Claims Bodily injury and Property Damage	Unknown	\$ T and E	
Products Liability Claims	Unknown	\$ T and E	
Auto Med. pay	3	\$110.00	\$ 330.00
Automobile Liability	265	\$208.00	\$ 55,120.00
A.S.C. Fee (8% of flat rates)			\$ 15,237.25
Quarterly Large Loss listing			\$ 1,250.00
SISDAT	737	\$ 14.00	\$ 10,318.00
Agreed Deposit			\$182,272.00

**GALLAGHER BASSET**

**UNALLOCATED CLAIMS EXPENSE**

The Company has engaged Gallagher Basset to handle claims administration for claims arising hereunder involving Workers Compensation, Automobile and General Liability in the State of New Jersey only for an estimated fee of \$35,000.

	<u>Number of Claimant</u>	<u>Unit Price</u>	<u>Estimated Fee</u>
Workers Compensation Medical only	75	\$ 75.00	\$ 5,625
Workers Compensation other than medical	25	\$425.00	\$10,625
Automobile Liability	10	\$322.00	\$ 3,220
Automobile Physical Damage	1	\$165.00	\$ 165
General Liability	5	\$339.00	\$ 1,695
Risx-Facs-Standard Package			\$ 3,055
Simms Deposit			\$ 1,200
Account Administration			\$ 1,000
Agreed Deposit			\$35,000

# EXHIBIT B

Exhibit "B"  
Informed Consent to Substitution of Reliance

1. Pursuant to Insurance Policy #NWA149619-00 including any and all endorsements, riders and addenda thereto (hereinafter "Policy") issued by Reliance Insurance Company (hereinafter "Reliance") to Hoechst Celanese Corporation (hereinafter "Policyholder"), Policyholder was insured by Reliance for the period 5-1-1989 to 5-1-1990. A copy of the Policy is attached hereto. For purposes of this consent, "Policyholder" shall refer collectively to the Policyholder and any and all insureds or persons who claim rights or benefits through or under the Policy. The term "Reliance" shall include Reliance Insurance Company and its former subsidiaries, which 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.

2. On October 3, 2001, an Order of Liquidation declaring Reliance insolvent was entered by the Commonwealth Court of Pennsylvania, Docket No. 269 MD 2001 (hereinafter the "Order of Liquidation"). Pursuant to this Order of Liquidation, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Liquidator of Reliance (hereinafter "the Liquidator"), was vested with all powers, rights and duties authorized under Article V of the Insurance Department Act of 1921, 40 P.S. Section 221.1, *et seq.* (hereinafter "the Act."). In accordance with that authority, the Liquidator has directed that certain payments by Reliance in the ordinary course will be stayed, and payments for amounts due and owing under policies of insurance issued by Reliance (including the Policy) may only be made pursuant to a proof of claim submitted in the liquidation proceedings.

3. Policyholder may have the right to assert a claim for unpaid past and future claims under the Policy against Reliance, consistent with the Act, the Order of Liquidation and other orders, decisions and determinations of the Liquidator or the Commonwealth Court pertaining to the estate of Reliance.

4. The Policy issued by Reliance was reinsured by United Insurance Company (hereinafter referred to as "Reinsurer" or collectively "Reinsurers"). The reinsurance contract (the "Reinsurance Contract") between Reliance and Reinsurer contains a provision which permits, under certain circumstances, and if consistent with applicable law, the direct payment of the reinsurance proceeds directly to the Policyholder.

5. The Liquidator has informed the Reinsurer that this provision comports with the requirements of 40 P.S. § 221.34 of the Act and the Guidelines For Enforcement of 40 P.S. § 221.34 issued by the Liquidator. Accordingly, upon consent of the Policyholder (as evidenced by the execution of this “Informed Consent to Substitution of Reliance” and submission of this form to the Liquidator), the Liquidator will permit direct payment of amounts due and owing under the Policy by the Reinsurer directly to the Policyholder, and will accept that the Reinsurer will assume the direct policy obligation to Policyholder.

6. In consenting to this direct payment, Policyholder agrees and understands that the Reinsurer will substitute for Reliance under the Policy, and the Reinsurer will be obligated for all payments and obligations under the Policy. Policyholder hereby expressly agrees to waive, release and forego any and all rights, liabilities, claims and defenses against Reliance or the Liquidator in any matter relating to or arising from the Policy or the agreement by the Reinsurer to assume the direct obligation of coverage to the Policyholder under the Policy. It is expressly understood that Policyholder will have no further rights against Reliance or the Liquidator relating to the Policy or the assumption as a result of this substitution. Upon execution of this Informed Consent to Substitution of Reliance, direct coverage will be assumed by Reinsurer and Reliance will be released in all respects from the Policy for all time. A copy of the Reinsurer’s executed Assumption and Substitution by Reinsurer is acknowledged by Policyholder and its terms and conditions are incorporated by reference into this agreement.

7. It is expressly understood by the Policyholder that Policyholder is waiving any and all rights it may or could have in the future to make a claim against Reliance in the liquidation proceedings under the Act arising from any obligation under the Policy.

8. It is expressly understood by the Policyholder that Reliance makes no representations or guarantees concerning the Reinsurer’s ability to pay on the direct coverage of the Policy upon substitution, nor does Reliance make any representations or guarantees about Reinsurer’s financial condition or any other circumstances relating to its ability to comply with any obligations, including future obligations, under the Policy.

9. It is expressly understood by the Policyholder that Reliance makes no representations or guarantees concerning the Reinsurer's legal status to make such payments (now or in the future) to Policyholder, or whether or not it is regulated, authorized or licensed to make payments to Policyholder. Policyholder confirms its understanding that it will not have any recourse to Reliance, under any circumstances, if there is non-payment by Reinsurer or defaults on Reinsurer's direct coverage obligations under the Policy upon substitution.

10. It is expressly understood by the Policyholder that it understands that if, at the time of this assumption from Reliance, the Reinsurer is not admitted to conduct insurance business in the state where an insured under the Policy is a resident, for the type of policy assumed, and should at any time the Reinsurer become insolvent, there may not be any guaranty association coverage of any losses. After the assumption by the Reinsurer, any future guaranty association coverage will be determined by applicable law to the Reinsurer and the direct coverage obligation of the Reinsurer, and not the circumstances of Reliance.

11. Upon execution of the Informed Consent to Substitution of Reliance, the Policy issued by Reliance to Policyholder, cancelled by operation of the Order of Liquidation or having expired by its own terms, shall further be null and void for all purposes and shall have no effect whatsoever with respect to Reliance or the Liquidator.

12. Policyholder confirms that it has consulted with legal counsel concerning the meaning, interpretation and effect of the Informed Consent to Substitution of Reliance, and that Policyholder is authorized to execute this document for itself, its officers, directors, representatives, and any and all insureds or persons who claim rights or benefits through or under the Policy.

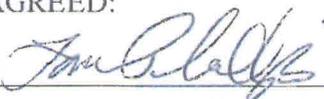
[intentionally

left

blank]

13. Any and all disputes or claims arising from or related in any way to the meaning, enforcement or execution of this Informed Consent to Substitution of Reliance shall be governed by the law of the Commonwealth of Pennsylvania, without regard to its choice of law provisions, and the Policyholder agrees to submit to the sole and exclusive jurisdiction of the Commonwealth Court of Pennsylvania with respect to any such disputes or claims and any disputes on claims arising from or related to the Policy or the Agreement.

SO AGREED:

BY: 

Print Name: Tom A Phillips

Title: Director, Risk Management

# EXHIBIT C

Exhibit "C"  
Assumption and Substitution by Reinsurer

1. Pursuant to Insurance Policy # **NWA 149 46 19-00** including any and all endorsements, riders and addenda thereto (hereinafter "Policy") issued by Reliance Insurance Company (hereinafter "Reliance") to Hoechst Celanese Corporation (hereinafter "Policyholder"), Policyholder was insured by Reliance for the period dated May 1, 1989 to May 1, 1990. For purposes of this document, "Policyholder" shall refer collectively to the Policyholder and any and all insureds or persons who claim rights or benefits through or under the Policy. The term "Reliance" shall include Reliance Insurance Company and its former subsidiaries, which 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.

2. On October 3, 2001, an Order of Liquidation declaring Reliance insolvent was entered by the Commonwealth Court of Pennsylvania, Docket No. 269 MD 2001 (hereinafter the "Order of Liquidation"). Pursuant to this Order of Liquidation, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Liquidator of Reliance (hereinafter "the Liquidator"), was vested with all powers, rights and duties authorized under Article V of the Insurance Department Act of 1921, 40 P.S. Section 221.1, *et seq.* (hereinafter "the Act."). In accordance with that authority, the Liquidator has directed that certain payments by Reliance in the ordinary course will be stayed, and payments for amounts due and owing under policies of insurance issued by Reliance (including the Policy) may only be made pursuant to a claim in the liquidation proceedings.

3. The Policy issued by Reliance was reinsured by United Insurance Company (hereinafter referred to as "Reinsurer" or collectively "Reinsurers") pursuant to a reinsurance agreement ("Reinsurance Contract"). The Reinsurance Contract between Reliance and Reinsurer contains a provision which permits,



under certain circumstances, and if consistent with applicable law, the direct payment of the reinsurance proceeds directly to the Policyholder.

4. The Liquidator has informed the Reinsurer that this provision comports with the requirements of 40 P.S. Section 221.34 of the Act and the Guidelines For Enforcement of 40 P.S. Section 221.34 issued by the Liquidator. Accordingly, upon consent of the Policyholder (as evidenced by the execution of an Informed Consent to Substitution of Reliance and submission of this form to the Liquidator), the Liquidator will permit direct payment of amounts due and owing under the Policy by the Reinsurer directly to the Policyholder, and will accept that the Reinsurer will assume the direct policy obligation to Policyholder.

5. Pursuant to the Liquidator's approval, provisions of the Reinsurance Contract, 40 P.S. §221.34 of the Act and the Guidelines For Enforcement of 40 P.S. §221.34 issued by the Liquidator, Reinsurer agrees to assume the direct coverage obligations of Reliance under the Policy and shall substitute for Reliance in respect to all obligations for all payments and obligations under the Policy to Policyholder. Reinsurer agrees and acknowledges that Reliance has not transferred or assigned to it any inuring reinsurance with respect to the obligations assumed herein. Reinsurer further agrees and acknowledges that Reliance shall have no further rights, duties and obligations under the Policy to the Policyholder or to the Reinsurer.

6. By execution of the Informed Consent to Substitution of Reliance, Policyholder has agreed and confirmed that the Policyholder understands that the Reinsurer will substitute for Reliance under the Policy. Effective on October 3, 2001 and upon execution of the Informed Consent to Substitution of Reliance, Reinsurer does hereby assume as direct policy obligations and will be obligated for all payments and obligations under the Policy. Reinsurer acknowledges that the Policyholder has expressly agreed to waive, release and forego any and all rights, liabilities, claims and defenses against Reliance or the Liquidator in any matter relating to or arising from the Policy or the agreement by the Reinsurer to assume the direct obligation of coverage to the Policyholder under the Policy and will look solely to the Reinsurer for any rights under the Policy. Reinsurer further expressly understands that Policyholder will have no further rights against Reliance or



Liquidator relating to the Policy or the assumption as a result of this substitution. Upon execution of the Informed Consent to Substitution of Reliance, direct coverage will be assumed by Reinsurer and Reliance will be released in all respects from the Policy for all time. A copy of the Policyholder's executed Informed Consent to Substitution of Reliance is acknowledged by the Reinsurer, and its terms and conditions are incorporated by reference into this Agreement. Since October 3, 2001, to the extent that guaranty associations or related entities have paid claims and incurred other expenses related to the Reinsurer's direct coverage obligation to the Policyholder under the Policy, thereby creating subrogation rights in the guaranty associations or related entities, the Reinsurer hereby acknowledges and accepts its obligation to satisfy the subrogation rights of the relevant guaranty associations or related entities through reimbursement of all such claims payments and related claims administration expenses.

7. Upon execution of the Informed Consent to Substitution of Reliance, the Policy issued by Reliance to Policyholder shall be null and void and shall have no further effect as an obligation of Reliance, and Reinsurer shall be deemed to have assumed all of the rights, duties and obligations under the Policy to the Policyholder as a direct coverage obligation.

8. Reinsurer expressly waives, releases, and foregoes any and all rights, liabilities, claims and defenses against Reliance or the Liquidator in any matter relating to or arising from the Policy or the agreement by the Reinsurer to assume the direct obligation of coverage to the Policyholder under the Policy. Reinsurer further expressly understands that Reinsurer will have no further rights against Reliance or Liquidator relating to the Policy or the assumption as a result of this substitution. Notwithstanding the foregoing and except to the extent provided in Paragraph 9 herein, neither the Reinsurer nor Reliance releases or waives any rights with respect to any collateral held by Reliance pursuant to any agreements regarding the establishment or maintenance of collateral securing the obligations of the reinsurer to Reliance under the relevant reinsurance agreements.



9. Any and all disputes or claims, between the reinsurer and Reliance, arising from or related in any way to the meaning, enforcement or execution of this Assumption and Substitution by Reinsurer shall be governed by the law of the Commonwealth of Pennsylvania, without regard to its choice of law provisions, and the Reinsurer agrees to submit to the sole and exclusive jurisdiction of the Commonwealth Court of Pennsylvania with respect to any such disputes or claims and any disputes or claims arising from or related to the Reinsurance Contract or the Policy.

SO AGREED:

Reinsurer: United Insurance Company

By:

Print Name: Edward P. Weber, III, JD, AIC

Title: Vice President - Claims

*May 12, 2016*



CERTIFIED AS A TRUE COPY of the original  
Dated this 3 day of June 20 16

*Edward P. Weber, III*  
By: Edward P. Weber, III  
MLRO

# EXHIBIT D



payment provision in compliance with the requirements of 40 P.S. § 221.34, as set forth in the Guidelines; (2) the reinsurer or insured seeks in writing and obtains the written approval of the Court and the Liquidator before the reinsurer makes a direct payment to the insured; and (3) in considering any written request to pay reinsurance directly to an insured, the Liquidator shall apply the requirements of 40 P.S. § 221.34, as reflected in the Guidelines.

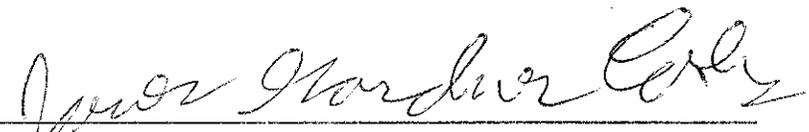
IT IS further **ORDERED** that, as a necessary condition precedent to any direct payment by a reinsurer to any Reliance insured, the reinsurer shall provide to the Liquidator a signed document evidencing (1) that the reinsurer has unequivocally undertaken a direct coverage obligation to the insured; and (2) the insured's informed consent to the reinsurer's direct coverage of the insured. Such documents shall be in a form substantially similar to Exhibits B and C to this Order, which are made a part hereof.

IT IS further **ORDERED** that, as a necessary condition precedent to any direct payment by a reinsurer to any Reliance insured, the Liquidator shall provide to the Court, for the Court's approval, a signed document evidencing (1) that the reinsurer has unequivocally undertaken a direct coverage obligation to the insured; and (2) the insured's informed consent to the reinsurer's direct coverage of the insured. Such documents shall be in a form substantially similar to Exhibits B and C to this Order, which are made a part hereof.

IT IS further **ORDERED**, pursuant to 40 P.S. §§ 221.4 and 221.5, that this Court shall retain sole and exclusive jurisdiction over, inter alia, the assets of the Reliance estate, including matters related to the direct

payment of reinsurance to Reliance insureds by Reliance's reinsurers given that said payments reduce the assets of Reliance available for distribution to all policyholders. Such sole and exclusive jurisdiction shall include any claim of injury as a result of the Liquidator's application of the Guidelines and review of the Liquidator's determination of any specific request for approval of direct payment of reinsurance proceeds under 40 P.S. § 221.34.

**FURTHER**, the Liquidator, through her counsel, is hereby directed to serve a copy of this order, forthwith, upon all parties listed on the master service list via U.S. mail and, where designated, fax and/or e-mail. The Liquidator, through her counsel, is directed to file with the court in the Office of the Prothonotary, 9<sup>th</sup> Floor the Widener Building, 1339 Chestnut Street, Philadelphia, PA 19107, by **3:00 p.m. April 30, 2002** an affidavit, that service, as outlined above, has been effectuated.

---

**JAMES GARDNER COLINS, President Judge**

Exhibit "A"

GUIDELINES FOR ENFORCEMENT OF 40 P.S. § 221.34

Pursuant to her authority under the Insurance Department Act of 1921, 40 P.S. § 221.1 et seq. (the "Act"), M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her capacity as Liquidator ("Liquidator") of Reliance Insurance Company ("Reliance"), hereby promulgates the following Guidelines for the Enforcement of 40 P.S. § 221.34 ("Guidelines").

1. Section 221.34 of the Act, 40 P.S. § 221.34, provides:

The amount recoverable by the liquidator from reinsurers shall not be reduced as a result of delinquency proceedings, regardless of any provision in the reinsurance contract or other agreement. Payment made directly to an insured or other creditor shall not diminish the reinsurer's obligation to the insurer's estate except when the reinsurance contract provided for direct coverage of an individual named insured and the payment was made in discharge of that obligation.

Section 221.34 is applicable to all reinsurance contracts, treaties and certificates to which Reliance is presently a party.

2. All reinsurers of Reliance, which is an insurer subject to the Act, shall be obligated to remit all reinsurance proceeds to the Liquidator, without diminution, regardless of any provision in the reinsurance contract between Reliance and the reinsurer or otherwise, except as specifically provided below.

3. Where a binding written contract document creating the reinsurance relationship between Reliance and a reinsurer contains a provision relating to the direct payment of the claims of an insured by the reinsurer, and the reinsurer or insured desires that such direct payment be made by the reinsurer, the reinsurer or insured must first submit a written request to the Liquidator seeking approval of direct payment by the reinsurer.

4. In reviewing the written request, the Liquidator, or her designee, shall determine whether the following requirements are satisfied before approving the request:

a. The reinsurance contract must specifically provide for payment to an individual named insured and that insured must be identified with particularity either by name or policy number in the reinsurance contract;

b. The reinsurance contract must provide for a direct coverage obligation by the reinsurer to the insured and the payment must be made in satisfaction of that coverage obligation. The term "direct coverage" in §221.34 refers to the creation of rights in the insured to look to the reinsurer directly to satisfy coverage obligations in place of and in substitution for any obligations of Reliance to the insured and on such terms as are set forth in the policy of insurance between Reliance and the insured. The magnitude and scope of the reinsurer's direct coverage obligation to the insured shall be governed by the language of the reinsurance contract and determined by the Liquidator in considering the direct payment request, the statute and the language of the relevant reinsurance contract;

c. The payment made in "discharge" of the reinsurer's direct coverage obligation must release the insolvent insurer's estate from all liability to the insured for claims covered by the reinsurer's direct coverage obligation to the insured;

d. The reinsurer and insured seeking to utilize the direct payment provision must further comply with all other relevant contractual provisions and obligations not in conflict with Pennsylvania law, and which affect the existence or creation of a direct coverage obligation or the release of the insolvent insurer for claims covered by the reinsurer's direct coverage obligations; and,

e. Consistent with the Liquidator's obligation to protect the interests and maximize the assets of the insolvent insurer's estate, the reinsurer must (1) obtain the named insured's informed consent to the direct coverage relationship, which is in substitution for the relationship between the insured and the insolvent insurer; (2) provide evidence, in a form substantially similar to the form approved by the Court, that the reinsurer has unequivocally assumed a direct coverage obligation to the insured, that the reinsurer has complied with any other contractual provision regarding the direct payment or assumption and the reinsurer has disclosed to the insured certain consequences of consenting to the direct coverage relationship with the reinsurer, including, if applicable, the lack of guaranty association coverage in the event the reinsurer becomes insolvent and the fact that consent to direct payment from the reinsurer is a release of all

claims of the insured against the estate of Reliance relating to coverage assumed by the reinsurer; and (3) provide evidence of the insured's informed consent to the direct coverage relationship by furnishing a written consent of the named insured in a form substantially similar to the form approved by the Court. The insured or reinsurer may obtain the Court-approved forms satisfying these requirements upon request.

5. Where the reinsurance contract complies with the requirements of §221.34, as reflected in these Guidelines, and the requirements of the reinsurance contract itself are also complied with, and the reinsurer commits in writing to undertake a direct coverage obligation to the insured, in a form substantially similar to the form approved by the Court, and the insured's informed consent has been obtained by the Liquidator, the Liquidator shall submit this documentation to the Court along with the Liquidator's recommendation for approval, and the Court will respond to the Liquidator's recommendation within twenty (20) days of the date of submission, thereafter, the Liquidator will respond to the written request to approve direct payment by notifying the reinsurer and the named insured in writing that the direct payment provision is valid under Pennsylvania law and the reinsurer may, by complying with the terms of the reinsurance contract, make direct payment to the insured without incurring double liability to the Liquidator.

6. The Liquidator will further notify the reinsurer and the insured that the direct coverage relationship may be subject to regulation by the applicable state regulator in one or more states, e.g., the state in which the insured resides or the state(s) in which the reinsurer seeks to pay claims directly, and that it is the reinsurer's obligation to comply with all such regulatory requirements.

7. Where the language of the reinsurance contract fails to satisfy the requirements of § 221.34 as set forth in these Guidelines or the reinsurer refuses to assume a direct coverage obligation to the insured or the reinsurer fails to obtain the insured's informed consent, the Liquidator will notify the reinsurer and the insured that the direct payment request has been denied and that direct payment of reinsurance proceeds to the insured by the reinsurer is not recognized by the Liquidator as discharging the reinsurer's obligation to pay all reinsurance proceeds to the Liquidator. The Liquidator will further notify the reinsurer and insured that any such payments are made at the reinsurer's peril and will not relieve the reinsurer of the obligation to pay the full reinsurance to the Liquidator. An insurer or reinsurer may file objections to the Liquidator's denial of a direct payment request within thirty (30) days of receipt of the notice of denial of a direct payment request, said

filing shall be made with the Court, in the Office of the Chief Clerk, 9<sup>th</sup> floor  
the Widener Building, 1339 Chestnut Street, Philadelphia, PA, 19107.

# EXHIBIT E



## UNITED INSURANCE COMPANY

94 SOLARIS AVE, CAMANA BAY  
P.O. BOX 69, GRAND CAYMAN, CAYMAN ISLANDS, KY1-1102  
TEL: (345) 945-2888, FAX: (345) 945-2889

June 2, 2016

Bob Bellusci  
Reliance Insurance Company (IN LIQUIDATION)  
75 Broad Street, 10<sup>th</sup> Floor  
New York, New York 10004  
U.S.A.

Re: 40 P.S. §221.34 – Request for Cut Through

Dear Mr. Bellusci,

I am writing on behalf of United Insurance Company as reinsurer of Reliance Insurance Company under the attached Reinsurance Agreement and reinsuring NWA1494619 issued to Hoechst Celanese, the original insured and effective May 1, 1989.

Specifically, United respectfully requests that Reliance Insurance Company (IN LIQUIDATION) grant to United a "Cut Through" as outlined more precisely in the aforementioned Pennsylvania Statute. United obtained and previously provided to you the executed "Assumption and Substitution by Reinsurer" as well as Celanese's executed "Consent to Assumption." Upon Reliance entering liquidation, Celanese elected to bring the risks insured under NWA1494619 (and reinsured by United) "in-house" and essentially proceeded as a self-insured entity. No losses paid by Celanese were ceded to Reliance following their liquidation filing date.

Attached you will find the original reinsurance agreement between Reliance Insurance Company and United Insurance Company. United thanks you in advance for your assistance with this matter.

Respectfully submitted,

Edward P. Weber, III.  
Vice President - Claims  
Aon Insurance Managers (Cayman) Ltd.  
**As Managers of United Insurance Co.**

Enc: Reinsurance Contract

# EXHIBIT F

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

**IN RE:  
Reliance Insurance Company  
In Liquidation**

**NO. 1 REL 2001**

*In Re: Application for Approval of Direct Payment of Reinsurance by United Insurance Company to Hoechst Celanese Corporation*

**AFFIDAVIT OF ROBERT BELLUSCI IN SUPPORT OF THE LIQUIDATOR'S  
APPLICATION FOR APPROVAL OF DIRECT PAYMENT OF REINSURANCE  
PROCEEDS PURSUANT TO 40 P.S. § 221.34**

ROBERT BELLUSCI, being duly sworn, deposes and says:

1. I am fully familiar with the facts and circumstances set forth herein. I submit this affidavit in support of the Application for Approval of Direct Payment of Reinsurance Proceeds Pursuant to 40 P.S. § 221.34 by United Insurance Company (the "Reinsurer") to Hoechst Celanese Corporation (the "Insured")

2. I am Senior Vice President of Reliance Insurance Company (In Liquidation) (hereinafter referred as "Reliance") and am currently responsible for handling matters concerning Reliance's underwriting and policyholder services. I have been employed by Reliance for over 20 years.

3. As part of my duties, I supervise all interaction and information gathering with insureds and reinsurers in connection with cut-through applications submitted to the Reliance Cut-Through Committee ("Committee"). In that capacity I review applications for cut-throughs that are submitted to the Committee and I provide a recommendation to the Committee.

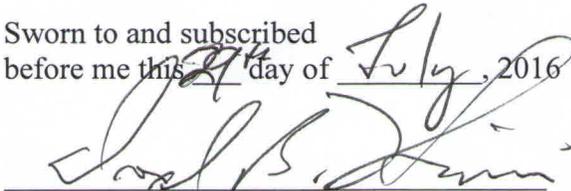
As part of these duties, I have reviewed all documents filed in support of the Liquidator's Application in this matter.

4. Based on personal knowledge, I know that no person or firm has earned or will earn any contingent fee or extra remuneration of any type from Reliance as a result of this transaction.



Robert Bellusci

Sworn to and subscribed  
before me this 27<sup>th</sup> day of July, 2016



Notary Public

**DREXEL B. HARRIS**  
Notary Public, State of New York  
No. 02HA4868510  
Qualified in Queens County  
Certificate Filed in New York County  
Commission Expires July 28, 2016

# EXHIBIT G

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

IN RE:  
Reliance Insurance Company  
In Liquidation

NO. 1 REL 2001

*In Re: Application for Approval of Direct Payment of Reinsurance by United Insurance Company to Hoechst Celanese Corporation*

**AFFIDAVIT OF EDWARD P. WEBER, III, IN SUPPORT OF THE LIQUIDATOR'S  
APPLICATION FOR APPROVAL OF DIRECT PAYMENT OF REINSURANCE  
PROCEEDS PURSUANT TO 40 P.S. § 221.34**

Edward Paul Weber, III, being duly sworn, deposes and says:

1. I am Claims Manager at United Insurance Company (the "Reinsurer") and I have acted in this capacity since 2012.

2. I submit this affidavit in support of the Application for Approval of Direct Payment pursuant to 40 P.S. § 221.34 by the Reinsurer to Hoechst Celanese Corporation (the "Insured").

3. I have personal knowledge about the business that Reliance Insurance Company (In Liquidation) ("Reliance") reinsured through the Reinsurer as it relates to the losses paid post-liquidation by the Reinsurer to claimants under the policies issued by Reliance to the Insured.

4. I have reviewed the loss runs prepared by Hoechst Celanese that relate to the Reliance policy reinsured through the Reinsurer. Based on those loss runs, I have confirmed that, as of August 5, 2016, the Reinsurer's exposure under the reinsurance agreements between

Reliance and Reinsurer for losses paid under the policies, since the October 3, 2001 date of Reliance's liquidation totals \$810,402.

5. The best estimates of potential additional amounts for which the Reinsurer will be exposed for payment to claimants, if this Petition for Approval of Direct Payment of Reinsurance is granted, are the loss runs provided by Hoechst Celanese. After analysis of these loss runs, the Reinsurer views its outstanding exposure under the proposed cut-through agreement to be \$292,571 as of August 5, 2016.

6. Based on personal knowledge, I know that no person or firm has earned or will earn any contingent fee or extra remuneration of any type from the Reinsurer as a result of this transaction.



Edward Paul Weber, III

Sworn to and subscribed  
before me this 7<sup>th</sup> day of October, 2016

Christopher M. Orlandini  
Notary Public