

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 to Hunt Consolidated Inc.

MEMORANDUM and ORDER

Presently before the Court for consideration is the Application of the Statutory Liquidator of Reliance Insurance Company for the Approval of Direct Payment of Reinsurance to Hunt Consolidated, Inc. (Application). No response or objections have been filed to the Application.

Direct payment of reinsurance proceeds to a Reliance insured is governed by Section 534 of Article V of the Insurance Department Act of 1921 (Act),¹ 40 P.S. § 221.34, the “Guidelines for Enforcement of 40 P.S. § 221.34,”(Guidelines) and the Order of this Court dated April 26, 2002 (approving the Guidelines for direct payment of reinsurance proceeds).² The Liquidator has approved the written request for approval of direct payment of reinsurance by Hunt Equities, Inc. (as guarantor of Mount Vernon Insurance Company³) (Reinsurer) to Hunt Consolidated Inc. (Insured) and recommends in her Application that the Court approve the direct payment as well.

In support of her Application and recommendation, the Liquidator represents that: (1) Reinsurer and Insured comply with Section 534 of the Act, 40 P.S. § 221.34, the Guidelines and the Court’s Order of April 26, 2002; (2) the Reinsurance Agreements expressly provide for a direct coverage obligation from

¹ Act of May 17, 1921, P.L. 789; Section 534 was added by the Act of December 14, 1977, P.L. 280.

² Section 534 states:

The amount recoverable by the liquidator from reinsurers shall not be reduced as a result of the 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.

40 P.S. § 221.34.

³ In 2003, Mount Vernon Insurance Company was wound up and dissolved and Hunt Equities, Inc. guaranteed that it would assume the full and punctual payment of Mount Vernon’s obligations to Reliance.

Reinsurer to Insured in the event that Reliance became insolvent; (3) Reinsurer has unequivocally assumed Reliance's entire direct coverage obligation to Insured and Reinsurer's payment to Insured will satisfy Reliance's coverage obligation to Insured; (4) Insured has consented to the substitution of Reinsurer for Reliance and consents to the release of Reliance for all claims that Insured has against Reliance relating to the coverage at issue; and (5) no person or firm will earn any contingent fee or extra remuneration of any type as a result of this transaction. The Liquidator has submitted supporting documentation as well, including the relevant reinsurance agreements, the Assumption and Substitution by Reinsurer executed by Reinsurer's representative and the Insured's Informed Consent to Substitution of Reliance.

Upon consideration of the Application, supporting documents and the Liquidator's representations, the Court concludes that the direct payment from the Reinsurer to Insured satisfies the Act, Guidelines and this Court's prior Order of April, 26, 2002. Therefore the Court enters the following Order:

AND NOW, this _____ day of _____, 2017, the Application is granted. Accordingly the Court confirms the Liquidator's approval of the direct payment by the Reinsurer to the Insured and further approves the Reinsurer's assumption of a direct coverage obligation to the Insured and upon the terms set

forth in the Reinsurer's request and supporting documentation. Finally, the Court approves the direct payment to the Insured by the Reinsurer in accordance with the direct payment obligations resulting from its 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 to Hunt Consolidated, Inc.

**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 Hunt Equities, Inc. (as guarantor of Mount Vernon Insurance Company) (the “Reinsurer”) to Hunt Consolidated, Inc. (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 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 September 30, 1991 and ending September 30, 1996⁴.

2. The Policies issued by Reliance to the Insured were reinsured by the Mount Vernon Insurance Company, a reinsurance company (“Mount Vernon”). Copies of the reinsurance agreements and their addenda (collectively, the “Reinsurance Agreements”) are attached to this Application as Exhibit A. In 2003, Mount Vernon was wound up and dissolved in Vermont, its domiciliary state. As a result, Hunt Equities, Inc. executed and delivered to Reliance a Guarantee and Indemnification (“Guarantee”) in favor of Reliance guaranteeing that Hunt Equities, Inc. (hereinafter, the “Reinsurer”) would assume the full and punctual payment of Mount Vernon’s obligations under the Reinsurance Agreements. A copy of the Guarantee is attached to this Application as Exhibit B.

⁴ Reliance also provided insurance to Hunt until 2000 but those policies are not the subject of this application.

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 C.

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 D.

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 and issued by the Company to Hunt Consolidated, Inc. first named insured, and as 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, in the event of

insolvency of the Company all amounts payable under this Agreement shall be paid by the Reinsurer to the Named Insured under the Policies when the Reinsurer with the consent of the Named Insureds under the Policies has assumed the obligations of the 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 the 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 E.

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 F.

13. As set forth in the Affidavit of Robert Bellusci, attached to this Application as Exhibit G, 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 Jennifer Sanborn (the “Sanborn Affidavit”), attached to this Application as Exhibit H, Ms. Sanborn 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.

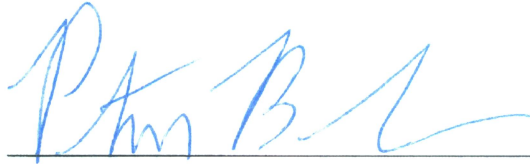
15. As further set forth in the Sanborn Affidavit, upon review of certain books and records that relate to the Reliance policies reinsured through the Reinsurer, the Reinsurer has confirmed that it has, from the October 3, 2001 date of Reliance’s liquidation to January, 2017, the Reinsurer made direct reinsurance payments estimated in the amount of \$269,341. After analysis of this data, the Reinsurer views its future exposure under the proposed cut-through to be \$25,000 as of June, 2017.

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. Accordingly, Teresa D. Miller, Commissioner of the Insurance Department of the Commonwealth of Pennsylvania, in her capacity as Statutory Liquidator of Reliance Insurance Company, hereby respectfully requests that this Court grant this Application and enter the Order attached permitting the direct payment of reinsurance proceeds from the Reinsurer to the Insured.

Respectfully submitted,



PRESTON BUCKMAN (I.D. #57570)

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Attorney for Teresa D. Miller,

Insurance Commissioner of the

Commonwealth of Pennsylvania

In her official capacity as

Statutory Liquidator of Reliance

Insurance Company (In Liquidation)

Dated: July 20, 2017

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 July 20, 2017



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:

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(On Behalf of Hunt Consolidated, Inc. and Hunt Equities)

Date:

July 20, 2017


Marilyn K. Kincaid

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No. 1 REL 2001 (Commonwealth Court of Pennsylvania)

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et. al)

Exhibit A

REINSURANCE AGREEMENT

This **Reinsurance Agreement** effective September 30, 1991 between **Reliance Insurance Company** and **Planet Insurance Company**, an insurance corporation with business offices at 77 Water Street, New York, New York (the "**Company**") and **Mount Vernon Insurance Company**, an insurance corporation with its principal business office at 84 Pine Street, Burlington, Vermont, (the "**Reinsurer**").

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 of the **Company's Policies**.

ARTICLE I. DEFINITIONS

The following terms shall have these meanings:

- A. "**Policy**" or "**Policies**" - **Policies** of insurance and any extension or renewals including endorsements written and issued by the **Company** to **Hunt Consolidated, Inc.**, first named insured, and as described in Schedule I to this Agreement.
- B. "**Incurred Losses**" - All **Paid Losses**, plus reserves for unpaid **Losses**, both reported and unreported, attributable to **Policies** and as established by the **Company** or its designated third party claims administrator.
- C. "**Paid Losses**" - Payments for claims under the **Policies** made by the **Company**; plus all pro-rata **Allocated Loss Adjustment Expenses** paid by the **Company** in connection with the **Policies**, whether or not allocable to a particular claim, and any other reasonable expenses paid by the **Company** in connection with the administration of claims arising under the **Policies**, but not including **Unallocated Loss Adjustment Expenses**.
- D. "**Allocated Loss Adjustment Expenses**" - Expenses that the **Company**, or any claims administrator, under the **Company's** accounting practices, directly allocates to a particular claim, incident or circumstance which include any reasonable expenses paid by the **Company** in connection with the administration of claims arising under the **Policies**, not including **Unallocated Loss Adjustment Expense**. These **Allocated Loss Adjustment Expenses** may include: attorney's fees, court costs and related costs such as filing fees; the costs of medical examinations, expert medical or other review or testimony, laboratory services, x-rays, autopsies;

and the costs for stenographic services, witnesses, summonses and copies of documents. **Allocated Loss Adjustment Expense** shall also include expenses incurred in connection with determining questions of the construction of **Policies**, their validity, and proceedings to determine the rights, duties or obligations, if any, of any insureds or parties to the **Policies** in the event such determination is initiated by the Reinsurer. **Allocated Loss Adjustment Expenses** do not include **Unallocated Loss Adjustment Expense**.

E. **"Unallocated Loss Adjustment Expenses"** - Expenses which are not directly allocated to a particular claim and shall include the expenses of the **Company's** employees including their salaries and traveling expenses, any claims administrator's fees that have been paid directly by the **Insured**, and the **Company's** overhead.

F. **"Return Premiums"** - Amounts payable to insureds under **Policies** as return of unearned premiums on canceled or amended policies, adjustments arising out of premium audits or as required by law or rating plans, or as dividends.

G. Terms defined or given special meanings within **Policies** have the same meanings in this Agreement as those given to them in the **Policies**.

H. Other terms or phrases may be given special meanings within this Agreement.

ARTICLE II. COVERAGE

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

A. Workers' Compensation Accident

1. Up to and including the first \$500,000 of **Incurred Losses** covered under Part One - Workers' Compensation Insurance of **Policies** described as Workers' Compensation in Schedule I arising out of any accident involving one or more employees of an **Insured**; plus all pro-rata **Allocated Loss Adjustment Expense** attributable to such **Losses**.

B. Workers' Compensation Disease

1. Up to and including the first \$500,000 of **Incurred Losses** covered under Part One - Workers' Compensation Insurance of **Policies** described as Workers' Compensation in Schedule I arising out of occupational

disease affecting any one employee of the Insured; plus all pro-rata **Allocated Loss Adjustment Expenses** attributable to such **Losses**.

C. Workers' Compensation/Employer's Liability

1. Up to and including the first \$500,000 of **Incurred Losses** covered under Part Two - Employer's Liability Insurance of **Policies** described as Workers' Compensation in Schedule I arising out of bodily injury by accident; plus all pro-rata **Allocated Loss Adjustment Expenses** attributable to such **Losses**; and

2. Up to and including the first \$500,000 of **Incurred Losses** covered under Part Two - Employer's Liability Insurance of **Policies** described as Workers' Compensation in Schedule I arising out of bodily injury by disease; plus all pro-rata **Allocated Loss Adjustment Expenses** attributable to such **Losses**.

D. For all costs and expenses incurred by the **Company** in connection with seeking recovery as salvage or subrogation for **Paid Losses** subject to reinsurance under this Article.

E. For 100% of **Paid Losses** in excess of **Policy** limits, but otherwise within the terms and conditions of the **Policy** arising as the result of an action against the **Company** to recover damages, which an insured under the **Policy** is legally obligated to pay to a third party, alleging negligence or bad faith in rejecting a settlement within the **Policy** limits, or in discharging its duty to defend an insured under the **Policy** including prosecuting any appeals except when those damages are assessed on account of direct acts of negligence by the **Company** or its designated third party claims administrator.

F. For 100% of any punitive, exemplary, compensatory or consequential damages, but not including amounts payable under II.E., payable by the **Company** as the result of an action against the **Company** alleging negligence or bad faith in the handling of any claim made under a **Policy** except when those damages are assessed on account of direct acts of negligence by the **Company** or its designated third party claims administrator.

ARTICLE III. CLAIMS

A. 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 authorized representatives in the defense of any claim, suit or

proceeding involving this reinsurance. Except as otherwise specifically provided for in this Agreement, it is the intent of this Agreement that the **Reinsurer's** liability shall, in all respect, follow the fortunes of the **Company** under the **Policies**. All adjustments, settlements and compromises by the **Company** and its authorized representatives of claims involving **Policies**, when made by the **Company** or its authorized representatives, shall be unconditionally binding on the **Reinsurer**. The **Company** will not settle a claim without prior consultation with the **Reinsurer**.

B. 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 or claims subject to reinsurance under this Agreement.

C. 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 **Unallocated Loss Adjustment Expenses**) of obtaining such salvage or reimbursement or making such recovery, and after the **Company** has been reimbursed up to the amount of any **Paid Losses** for which the **Reinsurer** is not liable under Article II.

ARTICLE IV. PAID LOSS DEPOSIT FUND

A. 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 minimum level of the Paid Loss Deposit Fund shall be \$10,000. The **Company** will adjust the required level of the Paid Loss Deposit Fund semi-annually. The adjusted level of the Paid Loss Deposit Fund shall not exceed two (2) months of **Paid Losses** for the prior quarter.

B. The **Reinsurer** shall, upon receipt of a written request by the **Company** or a designated claims administrator forward by wire transfer within five (5) business days funds to the **Company** sufficient to maintain the Paid Loss Deposit Fund balance at the minimum level required in Section A above.

C. In the event the **Company** is required to make a payment for **Paid Losses** including **Allocated Loss Adjustment Expense** on any one claim in the amount of \$25,000 or greater, the **Reinsurer** shall, notwithstanding the availability of funds

in the Paid Loss Deposit Fund, upon receipt of a written request by the **Company** or its designated third party claims administrator forward by wire transfer within five (5) business days funds for the full amount of the payments.

ARTICLE V. REINSURANCE PREMIUM

A. The reinsurance premium shall be the monies actually received and recorded by the **Company** as premium for the **Policies** less Return Premiums minus:

1. **For Workers' Compensation Policies:**

a. 8.0% of such premium for **Company Expenses**. This is a deposit amount and will be adjusted at a rate of \$0.353 per \$100 of audited Workers' Compensation Payroll.

b. 31.21% of such premium for:

- (1) premium taxes;
- (2) fees for board and bureaus; and
- (3) liabilities for assessments and pools.

This is a deposit amount with residual market loadings in Texas to be adjusted based on the actual, not estimated, loadings.

c. 6.0% of such premium for **Company's** insurance charge. This is a deposit amount and will be adjusted at a rate of \$0.262 per \$100 of audited Workers' Compensation Payroll.

B. Within twenty (20) days after the end of each calendar month, the **Company** will send the **Reinsurer** a Reconciliation Statement including:

- 1. Premiums received by the **Company** under the **Policies**;
- 2. **Return Premiums**;
- 3. Premiums payable to the **Reinsurer**;
- 4. Payments made by the **Reinsurer**;
- 5. **Paid Losses**;
- 6. **Allocated Loss Adjustment Expense**;
- 7. **Unallocated Loss Adjustment Expense**;
- 8. Amounts required to fund the Paid Loss Deposit Fund;
- 9. Federal Insurance Excise Tax or other tax on Reinsurance Premium paid by the **Company**.
- 10. Any other amounts paid or recovered by the **Company** subject to this Agreement;

11. Reconciliation Balance;
 12. Claims reported; and
 13. Such other information and in such form and detail as shall be mutually agreed upon in writing by the **Company** and the **Reinsurer**, or that may be required by regulatory authorities with jurisdiction over either party.
- C. If the result of any such reconciliation is that the **Reinsurer** owes money to the **Company**, the **Reinsurer** will within thirty (30) days after receipt of the Reconciliation Statement pay the amount due.
- D. If the result of any such reconciliation is that the **Company** owes money to the **Reinsurer**, the **Company** will within thirty (30) days pay the amount due as set forth in the Reconciliation Statement.
- E. All amounts due the **Reinsurer** or the **Company** under this Agreement or any other agreement between the parties shall be subject to the right of offset.

ARTICLE VI. COLLATERAL

- A. The **Reinsurer** shall deliver to the **Company** cash, a Letter of Credit or other security in an amount and form acceptable to the **Company** ("Collateral"), for the purpose of securing the **Reinsurer's** obligations under this Agreement.
- B. The **Reinsurer's** obligations being secured shall include:
1. **Incurred Losses and Allocated Loss Adjustment Expenses** for which the **Reinsurer** is liable under Article II paid by the **Company**, but not recovered from the **Reinsurer**;
 2. **Company's** reserves for **Losses** reported and **Allocated Loss Adjustment Expense** on such **Losses** for which the **Reinsurer** is liable under Article II;
 3. **Company's** reserves for **Losses** incurred but not reported for which the **Reinsurer** is liable under Article II;
 4. The **Reinsurer's** liabilities under Articles II.E. and II.F.
 5. Return premiums paid by the **Company**, but not recovered from the **Reinsurer**;

6. **Company's** reserves for unearned premiums;
7. Maintaining the level of the Paid Loss Deposit Fund in Article IV;

It is agreed that the amount of Collateral required for the obligations listed in B.1. through B.7. above shall initially be \$1,275,000. As of March 30, 1993, and annually thereafter, the amount of Collateral required will be reviewed and adjusted by the **Company**, but shall not exceed 125% of the **Company's** reserves for reported but unpaid **Losses** and **Allocated Loss Adjustment Expenses** for such reported but unpaid **Losses**.

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

C. Any Letter of Credit shall be issued or confirmed by a Federal Reserve System member bank acceptable to the **Company** with an office for presentment and payment in New York City, New York.

D. Any Letter of Credit shall name each of the **Company** as beneficiary.

E. Any Letter of Credit shall be in accordance with its terms automatically renewable for successive annual periods unless the issuing bank gives the **Company** at least thirty (30) days advance notice of its intention not to renew.

F. The **Company**, any successor by operation of law including any liquidator, rehabilitator, receiver or conservator may, notwithstanding any other provisions in this Agreement, draw the full amount of the Collateral at any time:

1. for reimbursement of **Reinsurer's** obligations paid by the **Company** but not recovered from the **Reinsurer**; or
2. to fund an account with the **Company** equal to the **Reinsurer's** obligations, which amount shall be only that which is reasonably necessary to fund such obligations.

Prior to any draw down of the Letter of Credit or other Collateral under this paragraph, the **Company** shall endeavor to give the **Reinsurer** five (5) business days' written notice. The **Reinsurer** and the **Company** shall use their best efforts to correct any disputed amounts of the **Reinsurer's** obligations.

G. The Reinsurer's duty to provide Collateral is continuous and extends until the Company is satisfied that all of the Reinsurer's obligations under this Agreement have been or will be met. The Reinsurer's liabilities under this Agreement may extend beyond the time during which the Company will be receiving premiums under the Policies and beyond the termination of the Policies or this Agreement.

H. The Reinsurer will, not less than thirty (30) days prior to any termination or expiration of any Letter of Credit, deliver to the Company, a replacement Letter of Credit or other Collateral in an amount and form acceptable to the Company which will become effective immediately upon the termination or expiration of the prior Collateral.

I. The Company may require the Reinsurer to provide additional Collateral to meet statutory requirements before the end of any calendar year by giving at least sixty (60) days notice to the Reinsurer of the amount of additional Collateral that will be required. Such Collateral shall comply with all the requirements of this Article.

J. The Reinsurer shall deliver any Collateral to the Company at:

Reliance Insurance Company and
Planet Insurance Company
c/o RELIANCE NATIONAL RISK SPECIALISTS
77 Water Street
New York, New York 10005
(Attn: Financial Department)

K. If the Reinsurer fails to provide the Company with any additional or substitute Collateral, the Company shall have the unconditional right to draw upon the full amount of any existing Letter of Credit or other Collateral and to hold and apply such funds in accordance with the provisions of Article VI.F.

Prior to any draw down of the Letter of Credit or other Collateral under this paragraph, the Company shall endeavor to give the Reinsurer five (5) business days' written notice. The Reinsurer and the Company shall use their best efforts to resolve any disputes.

ARTICLE VII. TAXES

A. The Company is responsible for the payment of all taxes on premiums received under the Policies.

B. The **Reinsurer** is responsible for the payment of all taxes on reinsurance premiums hereunder, and shall reimburse the **Company** for any taxes it may pay on such premiums including any Foreign Insurance Excise Tax (FIET).

ARTICLE VIII. ARBITRATION

A. Submission to Arbitration As a condition precedent to any right of action hereunder, any dispute arising out of this Agreement shall be submitted to the decision of a board of arbitration composed of two arbitrators and an umpire at a location which is mutually agreeable to the parties hereto.

B. Notice The notice requesting arbitration shall state in particulars all principal issues to be resolved and shall set a date for the hearing, which date shall be no sooner than 90 days and no later than 120 days from the date that the notice requesting arbitration is mailed.

C. Discovery Each party may obtain discovery from the other through written interrogatories and through requests for documentation, or may depose witnesses upon notice to the other. Any objections to production of documents or to the scope of discovery shall be submitted to the umpire for resolution. The umpire may schedule a conference at which the parties may present oral arguments and submit written briefs with respect to the production of documents or the scope of discovery. The umpire shall render a decision within two business days of the conference. The decision shall be binding on the parties.

D. Arbitration Board Membership The members of the board of arbitration shall be persons with at least ten (10) years' experience and knowledge in the area of insurance or reinsurance. Each party shall appoint its own arbitrator and the two arbitrators shall choose a third arbitrator as umpire before the date set for the hearing. The umpire shall be a lawyer. If a party fails to appoint its arbitrator within 30 days after having received a written request from the other, the other shall appoint the second arbitrator. If the two arbitrators fail to agree upon the appointment of the umpire within 30 days after their appointment, each of them shall name three, of whom the other shall decline two and the selection of the umpire from the remaining two nominees shall be made by drawing lots. The umpire shall promptly notify all parties to the arbitration of his selection.

E. Submission of Briefs The parties shall submit their initial briefs within 20 days from appointment of the umpire. Each may submit reply briefs within 10 days after filing the initial briefs.

F. Arbitration Award The board shall make an award with regard to the custom and usage of the insurance business which shall be in writing and shall state the factual and legal basis for the award. The Board may award interest but may not award punitive, exemplary or similar damages arising out of or in connection with a breach of this Agreement. The award shall be 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. At its own election or at the request of the board, either party may submit a post-hearing brief for consideration of the board within 20 days of the close of the hearing. The board shall make its award within 30 days following the close of the hearing or the submission of post-hearing briefs, whichever is longer, 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 District of New York or to a State Court of competent jurisdiction for an order confirming the award or to enforce any decision by the umpire with respect to discovery. A judgement of such Court shall thereupon be entered on the award. If such an order is issued, the attorneys' fees of the party so applying and court costs will be paid by the party against whom confirmation is sought.

G. Arbitration Expense 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 or any other costs relating to the arbitration may be allocated by the board.

H. Survival This Article shall survive the termination of this Agreement.

ARTICLE IX. TERMINATION

A. This Agreement may be terminated 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 terminate this Agreement by giving prior written notice to the Company which shall be not less than one hundred twenty (120) days.

B. 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 terminated.

ARTICLE X. SURVIVAL OF OBLIGATIONS

A. 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.

B. 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.

C. Any Policy required to be renewed under any state law, or regulation or order shall be deemed renewed prior to the termination of this Agreement whether or not renewed prior to the date of termination.

D. The Company and Reinsurer agree that they will cooperate in the handling of all such outstanding business existing on the effective date of termination until such business has expired either by cancellation or by the terms of the Policies, and all regulatory requirements are met.

ARTICLE XI. INTEREST AND COLLECTION COSTS

A. Either party will reimburse the other for attorneys' fees and court costs incurred in attempting to collect amounts, including interest, which are due such party under this Agreement but not paid within the time required by this Agreement.

B. Either party will pay to the other interest at the Citibank's Prime Rate plus 2 percent (2%) 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 the Company or the 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 is rectified as soon as possible after discovery.

ARTICLE XIII. INSOLVENCY

A. The **Reinsurer** hereby agrees that, as to all reinsurance made, ceded, renewed or otherwise becoming effective hereunder, all amounts payable under this Agreement shall be paid by the **Reinsurer** on the basis of the liability of the **Company** under the **Policies**, without diminution because of the insolvency of the **Company**, directly to the **Company** or to its liquidator, receiver or other statutory successor.

B. It is further agreed and understood that in the event of insolvency of the **Company**, the liquidator or receiver or statutory successor of the **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; and that during the pendency of any such claim the **Reinsurer** may investigate such claim and interpose, at its own expense, in the proceeding where any such claim is to be adjudicated any defense or defenses which it may deem available to the **Company** or its liquidator or receiver or statutory successor. Any expense thus incurred by the **Reinsurer** 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 the **Company** solely as a result of the defense undertaken by the **Reinsurer** as the assuming insurer.

C. It is further agreed and understood that as to all reinsurance made, ceded, renewed or otherwise becoming effective hereunder, in the event of insolvency of the **Company** all amounts payable under this Agreement shall be paid by the **Reinsurer** to the Named **Insured** under the **Policies** when the **Reinsurer** with the consent of the Named **Insureds** under the **Policies** has assumed the obligations of the **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 the **Company** to such payees.

ARTICLE XIV. MISCELLANEOUS

A. This Agreement shall be governed by and construed according to the laws of the State of New York.

B. This Agreement shall neither be assigned by either party unless the written approval of the other party is first obtained nor shall any assignment be effective until such approval is endorsed upon this Agreement. This Agreement shall not inure to the benefit of any other person not a party to this Agreement other than any successor by operation of law, including any liquidator, rehabilitator, receiver, conservator, or trustee in bankruptcy.

C. Any notices, requests or 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:

1. If to the Reinsurer, then to:

Mount Vernon Insurance Company
c/o Ms. Ann Deslauriers
84 Pine Street
Burlington, Vermont 05402-5599

2. If to Company, then to:

RELIANCE NATIONAL RISK SPECIALISTS
77 Water Street
New York, New York 10005
(Attn: Financial Department)

D. Except for a termination in accordance with the provisions of Article IX.A, 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 hereto, by their respective duly authorized persons, intending to be legally bound have signed this Agreement.

REINSURER: Mount Vernon
Insurance Company

COMPANY: RNRS on behalf of
Reliance Insurance Company &
Planet Insurance Company

By: C. F. Brady *CF*
C. F. Brady

Title: President

Date: February 5, 1993

WITNESS: Sherry Carruthers

By: Jim E. Russell

Title: Vice President

Date: 2/2/93

WITNESS: Spring M. Carter

SCHEDULE I

to the Reinsurance Agreement

between

Reliance Insurance Company & Planet Insurance Company
(the "Company")

and

Mount Vernon Insurance Company
(the "Reinsurer")

Effective: September 30, 1991

<u>POLICY #</u>	<u>POLICY TYPE</u>	<u>INSURED</u>	<u>LIMITS</u>
NWA0100665	Workers' Compensation - Texas	Hunt Consolidated, Inc.	Statutory/ E.L. \$1M
NWA0100658	Workers' Compensation - All Other States	Hunt Consolidated, Inc.	Statutory/ E.L. \$1M

ADDENDUM NUMBER ONE

TO

REINSURANCE AGREEMENT

WHEREAS, a Reinsurance Agreement was entered into on the 30th day of September, 1991 by and between Reliance Insurance Company and Planet Insurance Company (collectively and individually referred to as the "Company") and Mount Vernon Insurance Company (the "Reinsurer").

WHEREAS, the parties wish to amend the terms of the Reinsurance Agreement;

NOW THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

1. The parties ratify and confirm the Reinsurance Agreement except as provided herein.
2. Effective January 1, 1992, paragraphs A, B and C of Article II. Coverage shall be deleted in its entirety and replaced with the following:

A. Workers' Compensation Accident

1. Up to and including the first \$500,000 of **Incurred Losses** including any **Losses** in excess of any Deductible Amount or Deductible Aggregate, if applicable, covered under Part One - Workers' Compensation Insurance of **Policies** described in Schedule I arising out of any accident involving one or more employees of an **Insured**; plus all pro-rata **Allocated Loss Adjustment Expense** attributable to such **Losses**.

B. Workers' Compensation Disease

1. Up to and including the first \$500,000 of **Incurred Losses** including any **Losses** in excess of any Deductible Amount or Deductible Aggregate, if applicable, covered under Part One - Workers' Compensation Insurance of **Policies** described in Schedule I arising out of occupational disease affecting any one employee of the **Insured**; plus all pro-rata **Allocated Loss Adjustment Expenses** attributable to such **Losses**.

C. Workers' Compensation/Employer's Liability and Foreign Voluntary Compensation

1. Up to and including the first \$500,000 of **Incurred Losses** including any **Losses** in excess of any Deductible

Amount or Deductible Aggregate, if applicable, covered under Part Two - Employer's Liability Insurance and Foreign Voluntary Compensation of **Policies** described in Schedule I arising out of bodily injury by accident involving one or more employees of an **Insured**; plus all pro-rata **Allocated Loss Adjustment Expenses** attributable to such **Losses**; and

2. Up to and including the first \$500,000 of **Incurred Losses** including any **Losses** in excess of any Deductible Amount or Deductible Aggregate, if applicable, covered under Part Two - Employer's Liability Insurance and Foreign Voluntary Compensation of **Policies** described in Schedule I arising out of bodily injury by disease; plus all pro-rata **Allocated Loss Adjustment Expenses** attributable to such **Losses**.

3. Effective January 1, 1992, subparagraph 1.b of Article V.A. Reinsurance Premium shall be deleted in its entirety and replaced with the following:

1.b. 9.35% of such premium for:

- (1) premium taxes;
- (2) fees for boards and bureaus; and
- (3) liabilities for assessments and pools.

This is a deposit amount with residual market loadings in Texas to be adjusted based on actual, not estimated, loadings.

It is agreed that the above amounts shall apply to premium received by the **Company** for the period January 1, 1992 to September 29, 1992.

IN WITNESS WHEREOF, the parties intending to be bound have executed this Addendum as of the date set forth below:

At New York, New York this 25th day of May 1993.

Reinsurer: Mount Vernon Insurance Company

By: C. F. Brady
C. F. Brady
Title: President

Company: Reliance Insurance Company & Planet Insurance Company

By: [Signature]
Title: Vice President

ADDENDUM NUMBER TWO
TO
REINSURANCE AGREEMENT

WHEREAS, a Reinsurance Agreement was entered into on the 30th day of September, 1991, with amendments thereto, by and between Reliance Insurance Company and Planet Insurance Company (collectively and individually referred to as the "**Company**") and Mount Vernon Insurance Company (the "**Reinsurer**").

WHEREAS, the parties wish to amend the terms of the Reinsurance Agreement;

NOW THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

1. The parties ratify and confirm the Reinsurance Agreement except as provided herein.
2. The effective date of the Reinsurance Agreement shall be extended to apply to any obligations arising from the Policies listed in Schedule I, as amended by Paragraph 6 herein.
3. Effective September 30, 1992, Article II.C. shall be deleted in its entirety and replaced with the following:

C. Workers' Compensation/Employer's Liability, Foreign Voluntary Compensation and Stop Gap Liability

1. Up to and including the first \$500,000 of **Incurred Losses** including any **Losses** in excess of any Deductible Amount or Deductible Aggregate, if applicable, covered under Part Two - Employer's Liability Insurance, Foreign Voluntary Compensation and Stop Gap Liability of **Policies** described in Schedule I arising out of bodily injury by accident involving one or more employees of an **Insured**; plus all pro-rata **Allocated Loss Adjustment Expenses** attributable to such **Losses**; and
2. Up to and including the first \$500,000 of **Incurred Losses** including any **Losses** in excess of any Deductible Amount or Deductible Aggregate, if applicable, covered under Part Two - Employer's Liability Insurance, Foreign Voluntary Compensation and Stop Gap Liability of **Policies** described in Schedule I arising out of bodily injury by disease; plus all pro-rata **Allocated Loss Adjustment Expenses** attributable to such **Losses**.

4. Effective September 30, 1992, subparagraph 1 of Article V.A. Reinsurance Premium shall be deleted in its entirety and replaced with the following:

1. For Worker's Compensation **Policies**:

- a. 12.59% of such premium for **Company** Expenses. This is a deposit amount and will be adjusted at a rate of \$0.380 per \$100 of audited Workers' Compensation Payroll.
- b. 10.67% of such premium for:
 - (1) premium taxes;
 - (2) fees for boards and bureaus; and
 - (3) liabilities for assessments and pools.

This is a deposit amount with residual market loading in Texas to be adjusted based on the actual, not estimated, loadings.

- c. 9.44% of such premium for the **Company's** insurance charge. This is a deposit amount and will be adjusted at a rate of \$0.285 per \$100 of audited Workers' Compensation Payroll.

It is agreed that the above amounts shall apply to premium received by the **Company** for the period September 30, 1992 to September 29, 1993.

5. Effective September 30, 1992, the second paragraph of Article VI.B. Collateral shall be deleted in its entirety and replaced with the following:

It is agreed that the amount of Collateral required for the obligations listed in B.1. through B.7. above shall be \$1,200,000. As of March 30, 1994, and annually thereafter, the amount of Collateral required will be reviewed and adjusted by the **Company**, but shall not exceed 125% of the **Company's** reserves for reported but unpaid **Losses** and **Allocated Loss Adjustment Expenses** for such reported but unpaid **Losses**.

6. Effective September 30, 1992, Schedule I shall be amended to add the following Policies:

<u>Policy #</u>	<u>Policy Type</u>	<u>Insured</u>	<u>Limits</u>
NWA0100665-01	Workers' Comp.	Hunt Consolidated, Inc.	Statutory/ EL \$1M
NGA0105266-00	Stop Gap Liability	Hunt Consolidated, Inc.	\$1M

IN WITNESS WHEREOF, the parties intending to be bound have executed this Addendum as of the date set forth below:

At New York, New York this 25th day of May 1993.

Reinsurer: Mount Vernon Insurance Company

By: C. F. Brady
C. F. Brady
Title: President

**Company: Reliance Insurance Company &
Planet Insurance Company**

By: [Signature]
Title: Vice President

ADDENDUM NUMBER THREE

TO

REINSURANCE AGREEMENT

WHEREAS, a Reinsurance Agreement was entered into on the 30th day of September, 1991 with amendments thereto, by and between Reliance Insurance Company and Planet Insurance Company (collectively and individually referred to as the "**Company**") and Mount Vernon Insurance Company (the "**Reinsurer**").

WHEREAS, the parties wish to amend the terms of the Reinsurance Agreement;

NOW THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

1. The parties ratify and confirm the Reinsurance Agreement except as provided herein.
2. Effective January 1, 1993, the Collateral amount in the second paragraph of Article VI.B. Collateral shall be amended from \$1,200,000 to \$800,000.

IN WITNESS WHEREOF, the parties intending to be bound have executed this Addendum as of the date set forth below:

At New York, New York this 25th day of May 1993.

Reinsurer: Mount Vernon Insurance Company

By: C. F. Brady
C. F. Brady
Title: President

**Company: Reliance Insurance Company &
Planet Insurance Company**

By: [Signature]
Title: Vice President

ADDENDUM NUMBER FOUR
TO
REINSURANCE AGREEMENT

WHEREAS, a Reinsurance Agreement was entered into on the 30th day of September, 1991 by and between Reliance Insurance Company and Planet Insurance Company (collectively and individually referred to as the "Company") and Mount Vernon Insurance Company (the "Reinsurer").

WHEREAS, the parties wish to amend the terms of the Reinsurance Agreement;

NOW THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

1. The parties ratify and confirm the Reinsurance Agreement except as provided herein.

2. The effective date of the Reinsurance Agreement shall be extended to apply to any obligations arising from the Policies listed in Schedule I, as amended by Paragraph 6 herein.

3. Effective September 30, 1993, Article II.A., B. and C. of the agreement shall be deleted in its entirety and replaced with the following:

A. Workers' Compensation Accident

1. Up to and including the first \$1,000,000 of **Incurred Losses** covered under Part One - Workers' Compensation Insurance of **Policies** described as Workers' Compensation in Schedule I arising out of any accident involving one or more employees of an **Insured**; plus all pro-rata **Allocated Loss Adjustment Expense** attributable to such **Losses**.

B. Workers' Compensation Disease

1. Up to and including the first \$1,000,000 of **Incurred Losses** covered under Part One - Workers' Compensation Insurance of **Policies** described as Workers' Compensation in Schedule I arising out of occupational disease affecting any one employee of the **Insured**; plus all pro-rata **Allocated Loss Adjustment Expenses** attributable to such **Losses**.

C. **Workers' Compensation/Employer's Liability and Foreign Voluntary Compensation**

1. Up to and including the first \$1,000,000 of **Incurred Losses** covered under Part Two - Employers' Liability Insurance of **Policies** described as Workers' Compensation in Schedule I arising out of bodily injury by accident; plus all pro-rata **Allocated Loss Adjustment Expenses** attributable to such **Losses**; and

2. Up to and including the first \$1,000,000 of **Incurred Losses** covered under Part Two - Employers' Liability Insurance of **Policies** described as Workers' Compensation in Schedule I arising out of bodily injury by disease; plus all pro-rata **Allocated Loss Adjustment Expenses** attributable to such **Losses**.

4. Effective September 30, 1993, subparagraph 1 of Article V.A. Reinsurance Premium shall be deleted in its entirety and replaced with the following:

1. For Workers' Compensation **Policies**:

a. 0% of such premium for **Company Expenses**.

b. 8.06% of such premium for:

- (1) premium taxes;
- (2) fees for boards and bureaus; and
- (3) liabilities for assessments and pools.

c. 0% of such premium for the **Company's** insurance charge.

It is agreed that the above amounts shall apply to premium received by the **Company** for the period September 30, 1993 to September 29, 1994.

5. Effective September 30, 1993, the second paragraph of Article VI.B. Collateral shall be deleted in its entirety and replaced with the following:

It is agreed that the amount of Collateral required for the obligations listed in B.1. through B.7. above shall be \$100,000. As of March 30, 1995, and annually thereafter, the amount of Collateral required will be reviewed and adjusted by the **Company**, but shall not exceed 125% of the **Company's** reserves for reported but unpaid **Losses** and **Allocated Loss Adjustment Expenses** for such reported but unpaid **Losses**.

6. Effective September 30, 1993, Schedule I shall be amended to add the following Policy:

<u>Policy #</u>	<u>Policy Type</u>	<u>Insured</u>	<u>Limits</u>
NWA0111198-00	Workers' Comp. (Montana & NJ)	Hunt Consolidated, Inc.	Statutory/ EL \$1M

IN WITNESS WHEREOF, the parties intending to be bound have executed this Addendum as of the date set forth below:

At New York, New York this 5 day of May 1994.

Reinsurer: Mount Vernon Insurance Company

By: C. F. Brady
C. F. Brady
Title: President

Company: Reliance Insurance Company &
Planet Insurance Company

By: [Signature]
Title: Vice President

ADDENDUM NUMBER FIVE

TO

REINSURANCE AGREEMENT

between

Planet Insurance Company, and
Reliance Insurance Company
the ("Company")

and

Mount Vernon Insurance Company
the ("Reinsurer")

The Reinsurance Agreement, effective September 30, 1991, with any amendments thereto, between Planet Insurance Company and Reliance Insurance Company (collective and individually referred to as the "Company") and Mount Vernon Insurance Company ("Reinsurer") is modified as stated herein.

WHEREAS, the parties wish to amend the terms of the Reinsurance Agreement;

NOW THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

1. The parties ratify and confirm the Reinsurance Agreement except as provided herein.

2. Effective March 31, 1994, the name of the Company shall be changed from Planet Insurance Company to Reliance National Indemnity Company. All other terms and conditions shall remain the same.

In Witness Whereof, the parties intending to bound have executed this Addendum as of the date set forth below.

At New York, New York this 31st day of March 1994.

Reinsurer: Mount Vernon
Insurance Company

Company: RNRS on behalf of
Reliance National Indemnity
Company (formerly known as
Planet Insurance Company) and
Reliance Insurance Company

BY: C. F. Brady
C. F. Brady
TITLE: President

BY: Will G. W. A.
Sr. Vice President

DATE: May 2, 1994

DATE: 4/7/94

**ADDENDUM NUMBER SIX
TO
REINSURANCE AGREEMENT
between
Reliance National Indemnity Company and
Reliance Insurance Company
the ("Company")
and
Mount Vernon Insurance Company
the ("Reinsurer")**

The Reinsurance Agreement, effective September 30, 1991, with any amendments thereto, between Reliance National Indemnity Company (formerly Planet Insurance Company) and Reliance Insurance Company (collectively and individually referred to as the "Company") and Mount Vernon Insurance Company ("Reinsurer") is modified as stated herein.

WHEREAS, the parties wish to amend the terms of the Reinsurance Agreement;

NOW THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

1. The parties ratify and confirm the Reinsurance Agreement except as provided herein.
2. Effective on the dates indicated below and pursuant to Article VI.I., the required Collateral amounts in the second paragraph of Article VI.B. shall be amended from current amounts to revised amounts as follows:


<u>Effective Date</u>	<u>Current Amount Required</u>	<u>Revised Amount Required</u>
9/30/91	\$1,275,000	\$263,000
9/30/92	\$ 800,000	\$369,000
9/30/93	\$ 100,000	\$100,000

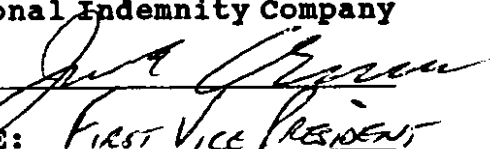
3. All other terms and conditions remain the same.

IN WITNESS WHEREOF, the parties intending to be bound have executed this Addendum as of the date set forth below:
At New York, New York this 6th day of JANUARY 1995.

Reinsurer:
Mount Vernon Insurance Company

Company:
Reliance National Risk
Specialists, Inc. on behalf
of Reliance Insurance
Company and Reliance
National Indemnity Company

BY: 
TITLE: John R. Scott
Director
DATE: 1/24/95

BY: 
TITLE: FIRST VICE PRESIDENT
DATE: 1/6/95

**ADDENDUM NUMBER SEVEN
TO
REINSURANCE AGREEMENT
between
Reliance National Indemnity Company and
Reliance Insurance Company
the ("Company")
and
Mount Vernon Insurance Company
the ("Reinsurer")**

The Reinsurance Agreement, effective September 30, 1991, with any amendments thereto, between Reliance National Indemnity Company (formerly Planet Insurance Company) and Reliance Insurance Company (collectively and individually referred to as the "Company") and Mount Vernon Insurance Company ("Reinsurer") is modified as stated herein.

WHEREAS, the parties wish to amend the terms of the Reinsurance Agreement;

NOW THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

1. The parties ratify and confirm the Reinsurance Agreement except as provided herein.

2. The effective date of the Reinsurance Agreement shall be extended to apply to any obligations arising from the **Policies** listed in Schedule I, as amended by Paragraph 5 herein.

3. For **Policies** effective September 30, 1994 to September 30, 1995, Subparagraph 1. of Article V.A. shall be amended as follows:

b. 8.66% of such premium for:

- (1) premium taxes
- (2) fees for boards and bureaus; and
- (3) liabilities for assessments and pools.

It is agreed that the above amounts shall apply to premium received by the **Company** for the period September 30, 1994 to September 30, 1995.

4. For **Policies** effective September 30, 1994 to September 30, 1995, the second paragraph of Article VI.B. shall be deleted in its entirety and replaced with the following:

It is agreed that the amount of Collateral required for the obligations listed in B.1. through B.7. shall be \$100,000. As of March 30, 1996, and annually thereafter, the amount of Collateral required will be reviewed and adjusted by the **Company**, but shall not exceed 125% of the **Company's** reserves for reported and unpaid **Losses**

including Allocated Loss Adjustment Expenses for such reported and unpaid Losses.

5. Effective September 30, 1994, Schedule I shall be amended to add the following Policy:

<u>Policy #</u>	<u>Policy Type</u>	<u>Insured</u>	<u>Limits</u>
NWA0111198-01	Workers' Comp (MT and NJ)	Hunt Consolidated, Inc.	Cov A.-Stat. Cov B.-\$2MM

IN WITNESS WHEREOF, the parties intending to be bound have executed this Addendum as of the date set forth below:

At New York, New York this 6th day of January 1995.

INSURED:

Mount Vernon Insurance Company

BY: Barbara Bennett
Barbara Bennett
TITLE: Vice President & Treasurer

COMPANY:

Reliance National Risk
Specialists, Inc. on behalf
of Reliance Insurance
Company and Reliance
National Indemnity Company

BY: Joseph P. [Signature]
TITLE: FIRST VICE PRESIDENT

Exhibit B

**GUARANTEE
AND
INDEMNIFICATION**

This **GUARANTEE AND INDEMNIFICATION**, effective December 31, 2003, between **Hunt Equities, Inc.**, a corporation (the "**Guarantor**"), and **Reliance Insurance Company (In Liquidation)**, in its own right and as successor in interest by merger to **Reliance National Indemnity Company (formerly known as Planet Insurance Company)** (hereinafter referred to as the "**Company**");

WHEREAS, effective September 30, 1991 and thereafter **Company** issued certain policies of Workers Compensation, Employers' Liability, Foreign Voluntary Workers Compensation and Stop Gap Liability insurance (all such policies collectively referred to hereinafter as the "**Policies**") to the Guarantor's subsidiary **Hunt Consolidated Inc.**, a corporation (hereinafter referred to as the "**Subsidiary**");

WHEREAS, the **Policies** were partially reinsured by **Guarantor's** subsidiary, **Mount Vernon Insurance Company** (hereinafter referred to as the "**Captive**") pursuant to the terms of a reinsurance agreement also September 30, 1991 (hereinafter referred to as the "**Reinsurance Agreement**");

WHEREAS, the **Guarantor** and the **Subsidiary** are desirous of winding up the **Captive's** operations effective December 31, 2003;

WHEREAS, the **Guarantor** and **Company** are desirous that the **Guarantor** assume financially liability for the **Captive's** obligations with respect to claims under the **Policies**;

WHEREAS, the **Company** has imposed the execution of this Agreement as condition precedent to the **Company's** acquiescence to the winding-up of the **Captive**;

NOW THEREFORE, the **Guarantor** and **Company**, intending to be legally bound, agree as follows:

I. DEFINITION

The term "**Obligations**" shall mean all liabilities and obligations of the **Captive** arising under the **Reinsurance Agreement** with respect to claims under the **Policies**;

II. ACQUIESCENCE TO WINDING UP

In consideration of **Guarantor's** execution and delivery of this Agreement, the **Company** acquiesces to the winding up of the **Captive**.

III. WARRANTIES

A. The execution, delivery and performance of this Guarantee and Indemnification by the **Guarantor** is authorized under the laws of its state of incorporation, and have been duly authorized by all necessary corporate actions, and the Guarantee and Indemnification is binding upon and enforceable against the **Guarantor** in accordance with its terms.

B. The performance by the **Guarantor** hereunder will not: (i) conflict with or violate any provision of the Certificate of Incorporation or By-laws or other governing instruments of the **Guarantor**; (ii) require any consent, approval or notice under or violate any provision of, or be an event which with the passage of time will result in a violation of, or result in the acceleration of or entitle any party to accelerate (whether after the giving of notice or lapse of time or both) any obligations under, or result in the imposition of any lien upon or the creation of a security interest in any of the Guarantor's assets or properties pursuant to, any note, bond, indenture, mortgage, lien, lease, agreement, license or other instrument to which the **Guarantor** is a party or by which it is bound, and will not violate or conflict with any other material restriction of any kind or character to which the **Guarantor** is subject; or (iii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the **Guarantor** or any of its properties, or assets.

IV. GUARANTEE

A. The **Guarantor** hereby guarantees the full and punctual payment when due, of all of the **Obligations**. This Agreement is an absolute, unconditional and continuing guarantee of the full and punctual payment and performance of all of the **Obligations**, and not of their collectibility only.

B. The Guarantee and Indemnification by the **Guarantor** of the **Captive's** obligations under the **Policies** is a continuing guarantee and continues for as long as the **Company** shall have liabilities under the **Policies**. The absence of notice and opportunity to cure will not affect or terminate the Guarantor's obligation hereunder.

V. INDEMNIFICATION

The **Guarantor** agrees to indemnify and hold the **Company** harmless from, against, and in respect of any loss, cost, expense, claim, obligation, liability or damage, including attorney's fees, demand, assessment, penalty, fine, judgment, and arbitration award which the **Company** may at any time be exposed to, incur or suffer, directly or

indirectly, arising out of or in any way connected with the failure of the **Guarantor** to fully perform and discharge all its obligations according to this Agreement.

VI. SUBROGATION AND SUBORDINATIONS

Until the final payment and performance in full of all of the **Obligations**, the **Guarantor** shall not exercise any rights against the **Subsidiary** arising as a result of payment by the **Guarantor** hereunder, by way of subrogation or otherwise, and will not prove any claim in competition with the **Company** in respect of any payment hereunder in any insolvency, liquidation, rehabilitation or reorganization or proceedings of any nature. The **Guarantor** will not claim any set-off, recoupment or counterclaim against the **Subsidiary** in respect of any liability of the **Guarantor** to the **Subsidiary**. The payment of any amounts due with respect to any indebtedness of the **Subsidiary** now or hereafter owed to the **Guarantor** is hereby subordinated to the prior payment in full of all of the **Obligations**. The **Guarantor** agrees that, after the occurrence of any default in the payment or performance of any of the **Obligations**, the **Guarantor** will not demand, sue for or otherwise attempt to collect any such indebtedness of the **Subsidiary** to the **Guarantor** until all of the **Obligations** have been paid in full.

VII. MISCELLANEOUS

A. Any notices shall be delivered in writing by hand, or sent by first class mail, facsimile or other means of electronic transmission and addressed to:

Guarantor: Mr. Harry M. Dombroski
Vice President and Treasurer
Hunt Equities, Inc.
1445 Ross at Field
Dallas, TX 75202-2785

Company: Reliance Insurance Company (In Liquidation)
5 Hanover Square
New York, NY 10004
Attn: Treasury Department

B. All notices shall be deemed received by the date delivered, or when placed in the United States Post Office with appropriate postage affixed, or when receipt is acknowledged at the receiving terminal of an electronically transmitted notice. Actual receipt of notice by whatever means shall satisfy any requirement for notice.

C. This Agreement will be governed by the laws of the Commonwealth of Pennsylvania, without reference to its choice of law rules. Exclusive jurisdiction over and venue of any suit arising out of or relating to this Agreement will be in the Commonwealth Court of Pennsylvania.

D. This Agreement constitutes the entire agreement of the **Guarantor** with respect to the matters set forth herein. The invalidity or unenforceability of any one or more sections of the Agreement shall not affect the validity or enforceability of its remaining provisions.


E. No modification, amendment or waiver with respect to any provision of this Agreement, nor consent to any departure by the **Guarantor** from any of the terms or conditions hereof, shall in any event be effective unless it shall be in writing and signed by the **Company** and then any such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No consent to or demand on the **Guarantor** in any case shall, of itself, entitle it to any other or further notice or demand in similar circumstances.

F. Each and every right granted to the **Company** hereunder or in connection herewith or allowed by law or equity shall be cumulative and may be exercised from time to time. Neither failure on the part of the **Company** to exercise or delay in exercising any right shall operate as a waiver thereof, nor shall any single or partial exercise of any right preclude any other or future exercise thereof or the exercise of any other right.

G. This Agreement may not be assigned by the **Guarantor** unless the written approval of **Company** is first obtained.

IN WITNESS WHEREOF, Hunt Equities, Inc. intending to be legally bound, the **Guarantor** has caused this GUARANTEE AND INDEMNIFICATION to be executed and its corporate seal to be affixed hereto by its duly authorized officers:

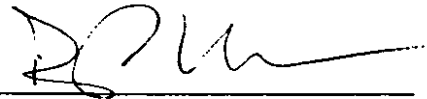
GUARANTOR:

W143 
BY: Harry M. Dombroski
TITLE: Vice President and Treasurer

State of Texas

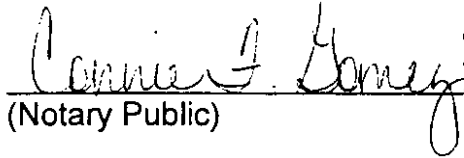
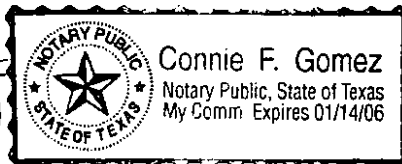
County of Dallas

I, Thomas R. Hurtekant, Corporate Secretary, being duly sworn deposes and says that I am the Corporate Secretary of Hunt Equities, Inc. with custody of the corporate seal and that on the 30th day of December, 2003; appeared before me Harry M. Dombroski known to me as the Vice President and Treasurer of Hunt Equities, Inc. who is authorized by the company to execute the foregoing GUARANTEE and INDEMNIFICATION under seal; and I have affixed the corporate seal.



Thomas R. Hurtekant
Corporate Secretary

Subscribed and sworn to before me this
30th day of December 2003


(Notary Public)

ACCEPTED AND AGREED BY COMPANY:

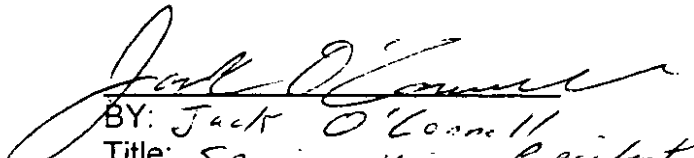

BY: Jack O'Connell
Title: Senior Vice President
State of: PA
County: Philadelphia
Date: 12/31/03

Exhibit C

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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, 9th 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.

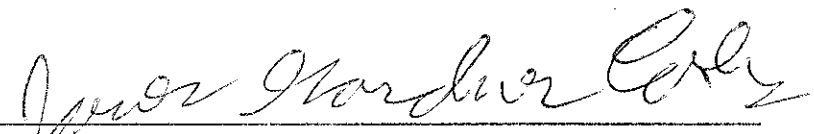

JAMES GARDNER COLINS, President Judge

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, 9th floor
the Widener Building, 1339 Chestnut Street, Philadelphia, PA, 19107.

Exhibit D



Jennifer Sanborn, ARM
Insurance Manager

HUNT CONSOLIDATED, INC.

1900 North Akard Street
Dallas, Texas 75201-2300
214-978-8767
Fax: 214-978-8771
jsanborn@huntoil.com

3/17/2017

Robert Bellusci
Senior Vice President
Reliance Insurance (In Liquidation)
75 Broad Street
New York, NY 10004

Re: Hunt Consolidated, Inc. Request for Cut-Through Agreement.

Dear Mr. Bellusci

Hunt Consolidated, Inc. ("Hunt"), Policyholder under various insurance policies listed on schedule A attached hereto issued by one or more Reliance insurance companies, hereby requests that Reliance Insurance Company (in Liquidation) ("Reliance") agree to enter cut-through agreements as provided under the Liquidation orders and procedures established by the Commonwealth Court of Pennsylvania, Docket No. 269 MD 2001. In support of this request, attached are the following:

- Informed Consent to Substitution of Reliance
- Assumption and Substitution by Reliance
- Reinsurance Agreement between Reliance and Mount Vernon Insurance Company effective September 30, 1991

All post-liquidation payments made pursuant to the Reinsurance Agreement were made by Mount Vernon Insurance Company.

Please let us know if you need anything further to effect this cut-through procedure.

Sincerely,

A handwritten signature in black ink that reads "Jennifer Sanborn". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Jennifer Sanborn
Hunt Consolidated, Inc.

Enclosures

Exhibit E

Assumption and Substitution by Reinsurer

1. Pursuant to Insurance Policies listed in Schedule A attached including any and all endorsements, riders and addenda thereto (hereinafter "Policies") issued by Reliance Insurance Company (hereinafter "Reliance") to Hunt Consolidated, Inc. (hereinafter "Policyholder"), Policyholder was insured by Reliance for the period dated September 30, 1991 to September 30, 2000. 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 Policies. 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 Policies) may only be made pursuant to a claim in the liquidation proceedings.

3. The Policies issued by Reliance were reinsured by Mount Vernon Insurance Company ("Mount Vernon") pursuant to a reinsurance agreement ("Reinsurance Contract"). In 2003, Mount Vernon was wound up and dissolved and its obligations under the Reinsurance Contract were guaranteed by Hunt Equities, Inc. (hereinafter together with Mount Vernon referred to as "Reinsurer") 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 Policies by the Reinsurer directly to the Policyholder, and will accept that the Reinsurer will assume the direct Policies 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 Policies and shall substitute for Reliance in respect to all obligations for all payments and obligations under the Policies 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 Policies 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 Policies. Effective on October 3, 2001 and upon execution of the Informed Consent to Substitution of Reliance, Reinsurer does hereby assume as direct Policies obligations and will be obligated for all payments and obligations under the Policies. 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 Policies or the agreement by the Reinsurer to assume the direct obligation of coverage to the Policyholder under the Policies and will look solely to the Reinsurer for any rights under the Policies. Reinsurer further expressly understands that Policyholder will have no further rights against Reliance or Liquidator relating to the Policies 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 Policies 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 Policies, 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 Policies 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 Policies 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 Policies 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 Policies 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 Policies.

SO AGREED:

Reinsurer: Hunt Equities, Inc. as Guarantor of

Mount Vernon Insurance Company Inc.

By: Jennifer Sanborn

Print Name: Jennifer Sanborn

Title: Director of Insurance

Schedule A

<u>Policy Number</u>	<u>Effective Date</u>
NWA0100665	9/30/91-92
NWA0100658	9/30/91-92
NWA0100665	9/30/92-93
NGA0105266	9/30/92-93
NWA0111198	9/30/93-94
NWA0111198	9/30/94-95
NWA0111198	9/30/95-96

Exhibit F

Informed Consent to Substitution of Reliance

1. Pursuant to Insurance Policies listed in Schedule A attached, including any and all endorsements, riders and addenda thereto (hereinafter "Policies") issued by Reliance Insurance Company (hereinafter "Reliance") to Hunt Consolidated, Inc. (hereinafter "Policyholder"), Policyholder was insured by Reliance for the period dated September 30, 1991 to September 30, 2000. A copy of the Policies are 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 Policies. 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 Policies 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 Policies issued by Reliance were reinsured by Mount Vernon Insurance Company ("Mount Vernon") pursuant to a reinsurance agreement ("Reinsurance Contract"). In 2003, Mount Vernon was wound up and dissolved and its obligations under the Reinsurance Contract were guaranteed by Hunt Equities, Inc. (hereinafter together with Mount Vernon referred to as "Reinsurer" or collectively "Reinsurers"). The Reinsurance Contract 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 Policies by the Reinsurer directly to the Policyholder, and will accept that the Reinsurer will assume the direct Policies obligation to Policyholder.

6. In consenting to this direct payment, Policyholder agrees and understands that the Reinsurer will substitute for Reliance under the Policies, and the Reinsurer will be obligated for all payments and obligations under the Policies. 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 Policies or the agreement

by the Reinsurer to assume the direct obligation of coverage to the Policyholder under the Policies. It is expressly understood that Policyholder will have no further rights against Reliance or the Liquidator relating to the Policies 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 Policies 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 Policies.

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 Policies 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 Policies.

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 Policies 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 Policies is a resident, for the type of Policies 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.

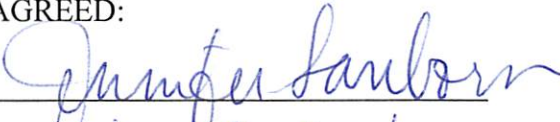
11. Upon execution of the Informed Consent to Substitution of Reliance, the Policies issued by Reliance to Policyholder, cancelled by operation of the Order of Liquidation or having expired by its own terms, shall further be null and void for all purposes and shall have no effect whatsoever with respect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

[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 Policies or the Agreement.

SO AGREED:

BY: 

Print Name: Jennifer Sarborn

Title: Director of Insurance

Schedule A

<u>Policy Number</u>	<u>Effective Date</u>
NWA0100665	9/30/91-92
NWA0100658	9/30/91-92
NWA0100665	9/30/92-93
NGA0105266	9/30/92-93
NWA0111198	9/30/93-94
NWA0111198	9/30/94-95
NWA0111198	9/30/95-96

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 Proceeds to
Hunt Consolidated Inc.***

**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 by Hunt Equities, Inc. (as guarantor of Mount Vernon Insurance Company) (the "Reinsurer") and Hunt Consolidated, Inc. (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.

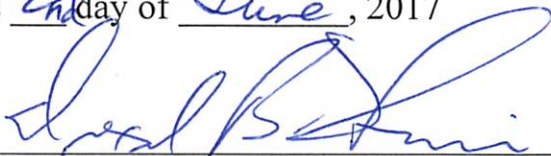
3. As part of my duties, I supervise all interaction and information gathering with insureds and reinsurers in connection with cut-through applications submitted to the Reliance Cut-Through Committee ("Committee"). In that capacity I review applications for cut-throughs that are submitted to the Committee 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 2nd day of June, 2017



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, 2018

Exhibit H

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 to Hunt Consolidated, Inc.

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

___Jennifer Sanborn___, being duly sworn, deposes and says:

1. I am ___Director of Insurance___ at Hunt Equities, Inc. (guarantor of Mount Vernon Insurance Company) (the "Reinsurer") and I have acted in this capacity since ___April 2016___.

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 Hunt Consolidated, Inc. (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 Broadspire that relate to the Reliance policy reinsured through the Reinsurer. Based on those loss runs, I have confirmed that, as of January 2017, 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 \$ 269,341.

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 Broadspire. After analysis of these loss runs, the Reinsurer views its outstanding exposure under the proposed cut-through agreement to be \$ 25,000 as of June 2017.

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.

Jennifer Sanborn
Director of Insurance

Sworn to and subscribed
before me this 9th day of June, 2017

Kim Coppedge
Notary Public

