

**SUPERIOR COURT OF JUSTICE  
- COMMERCIAL LIST**



**IN THE MATTER OF CONFEDERATION LIFE  
INSURANCE COMPANY**

**AND IN THE MATTER OF THE *INSURANCE COMPANIES ACT*,  
S.C. 1991, AS AMENDED**

**AND IN THE MATTER OF THE *WINDING-UP ACT*,  
R.S.C. 1985, C.W-11, AS AMENDED**

**B E T W E E N:**

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**CONFEDERATION LIFE INSURANCE COMPANY**

Respondent

**REPORT OF KPMG INC., THE LIQUIDATOR OF  
CONFEDERATION LIFE INSURANCE COMPANY**

**February 19, 2001**

**I. NATURE OF THE MOTION**

1. This report is filed in support of a motion by KPMG Inc., the liquidator (the “Liquidator”) of Confederation Life Insurance Company (“Confed”), for an order appointing James H. Grout to review financial statements which have not yet been approved by this Court and to report thereon to this Court at motions by the Liquidator for approval of distributions.

## II. BACKGROUND

2. On August 15, 1994 this Court ordered that Confed be wound-up pursuant to the *Winding-up Act* (now the *Winding-up and Restructuring Act*). By further order of the same date, the Court appointed the Superintendent of Financial Institutions (the “Superintendent”) provisional liquidator of Confed. The Superintendent appointed KPMG Inc. as his agent to assist in the administration of the liquidation. The liquidation was deemed to commence August 12, 1994.

3. On September 10, 1997, this Court discharged the Superintendent as provisional liquidator of Confed and appointed KPMG Inc. as permanent liquidator.

4. On June 11, 1999, this Court made an Order which, among other things, appointed James H. Grout as representative counsel to appear and represent the interests of the ordinary creditors of Confed at the motions for the passing of the accounts of the Liquidator and the approval of the fees and disbursements of the Liquidator, of its counsel, and of the other professional advisors to the Liquidator, subject to further order of this Court. A copy of the June 11, 1999 Order is attached hereto as Schedule “A”. Mr. Grout reports to this Court at passing motions on, among other things, the financial statements of the estate.

5. On September 5, 2000, this Court:

- (a) approved and authorized a first interim distribution by the Liquidator from the estate of Confed to Confederation Treasury Services Limited (“CTSL”) and to the ordinary creditors in the total amount of \$260 million;
- (b) approved a dividend sheet (the “Dividend Sheet”) and authorized the Liquidator to make distributions from time to time to the holders of allowed claims set out on the Dividend Sheet; and

- (c) appointed Mr. Grout for the purposes of reviewing the financial statements presented in the reports of the Liquidator and reporting to the Court with respect to the distribution proposed by the Liquidator.

A copy of the Order of this Court dated September 5, 2000 is attached hereto as Schedule "B".

**III. REPRESENTATION ORDER SOUGHT**

6. The Liquidator continues to make progress in the administration of the estate and will be seeking the approval of this Court for further distributions to CTSL and the ordinary creditors. In support of its motions for approval of distributions, the Liquidator will file, among other things, the latest quarterly financial statements of the estate. Given that a distribution motion may precede the passing motion for approval of such statements, the Liquidator is of the view that it would be prudent to extend Mr. Grout's appointment to future distribution motions. Mr. Grout has confirmed his willingness to accept this appointment.

**IV. RELIEF SOUGHT**

7. The Liquidator therefore respectfully requests an Order appointing James H. Grout to review financial statements which have not yet been approved by this Court and to report thereon to this Court at motions by the Liquidator for approval of distributions.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED**

**KPMG INC.**, solely in its capacity as the  
Liquidator of Confederation Life Insurance  
Company

Per: 

Robert O. Sanderson, President

Schedule "A"

Commercial List Court File No. 97-BK-000543

**SUPERIOR COURT OF JUSTICE  
- COMMERCIAL LIST**

THE HONOURABLE MR.

)

FRIDAY, THE 11TH DAY

)

JUSTICE R.A. BLAIR

)

OF JUNE, 1999



**IN THE MATTER OF  
CONFEDERATION LIFE INSURANCE COMPANY**  
**AND IN THE MATTER OF THE  
*INSURANCE COMPANIES ACT*, S.C. 1991, AS AMENDED**  
**AND IN THE MATTER OF THE  
*WINDING-UP ACT*, R.S.C. 1985, C.W-11, AS AMENDED**

B E T W E E N:

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**CONFEDERATION LIFE INSURANCE COMPANY**

Respondent

**ORDER**

**THIS MOTION** made without notice by KPMG Inc., liquidator (the "Liquidator") of Confederation Life Insurance Company ("Confed") was heard this day at 393 University Avenue, Toronto, Ontario.

**ON READING** the Report of the Liquidator dated the 11th day of June, 1999 (the "Report"), filed, and upon hearing the submissions of counsel for the Liquidator,

1. **THIS COURT ORDERS** that this motion is properly returnable this day and that service of the Notice of Motion herein be and the same is hereby dispensed with.
2. **THIS COURT DECLARES** that the following classes of persons are the classes potentially affected by motions for the passing of the accounts of the Liquidator and the approval of the fees and disbursements of the Liquidator, of its counsel, Goodman Phillips & Vineberg, and of the other professional advisors to the Liquidator (all such motions collectively referred to as the “Passing Motions”):
  - (a) the U.S. policyholders;
  - (b) creditors and claimants of Confed, wherever located, who are unsecured and whose claims rank subsequent to the claims of Canadian and U.S. policyholders, other than Confederation Treasury Services Limited (“CTSL”) and creditors whose claims are subordinated to the claims of ordinary creditors (the “Ordinary Creditors”); and
  - (c) the Residue Certificate Holders (as defined in the Report) (the “Residue Certificate Holders”) through Confederation Treasury Services Limited.
3. **THIS COURT ORDERS** that the appointment of James H. Grout as representative counsel for the policyholders of Confed, pursuant to the Order of this Court dated April 4, 1997, be and is hereby terminated.
4. **THIS COURT ORDERS** that James H. Grout be and he is hereby appointed as representative counsel (the “Representative Counsel”) to appear and represent the interests of the Ordinary Creditors at the Passing Motions, subject to further Order of this Court.
5. **THIS COURT ORDERS** that James H. Grout be and he is hereby appointed as Representative Counsel to appear and represent the interests of the Ordinary Creditors at (i) the motion brought by the Canadian Life and Health Insurance Compensation Corporation (“CompCorp”) seeking an order that the Liquidator pay CompCorp’s reasonable costs, fees and expenses related to the various services and support provided by CompCorp to the estate and to the Liquidator and that such fees, costs and expenses be paid in priority to other claims and (ii) the motion to be brought with respect to the

recovery by the Superintendent of Financial Institutions of the costs incurred by him in acting as provisional liquidator.

6. **THIS COURT ORDERS** that the Representative Counsel be and is hereby given leave to apply to this Court for advice and directions with respect to carrying out his duties as representative counsel upon notice to the Liquidator, the Commissioner of Insurance for the State of Michigan as Liquidator of Confederation Life Insurance Company (U.S.) (the “Rehabilitator”) and the Residue Certificate Holders’ Representative (as defined in the Report).

7. **THIS COURT ORDERS** that the remuneration, costs and expenses of the Representative Counsel be treated as part of the costs and expenses of the liquidation of Confed and that the Representative Counsel may be required to have his accounts assessed on a solicitor and client basis by the Court from time to time.

8. **THIS COURT ORDERS** that the directions for service of notice of motions for the passing of the Liquidator’s accounts and the approval of the Professional Fees contained in the Order of this Court made on April 4, 1997, as amended by the Order of this Court made on January 16, 1998, be and they are hereby terminated.

9. **THIS COURT ORDERS** that the Liquidator serve notice of the Passing Motions as follows, subject to further Order of this Court:

- (a) on the Rehabilitator and his Canadian counsel, by facsimile or same day courier;
- (b) on the Representative Counsel, by facsimile or same day courier;
- (c) on the Residue Certificate Holders’ Representative and his Canadian counsel, by facsimile or same day courier; and
- (d) on the persons listed on the service list maintained by the Liquidator of those who have indicated a desire to be provided with notice of proceedings (the “Service List”), by facsimile or courier.

all by causing to be delivered a copy of the Notice of Motion and any supporting materials on five days' notice.

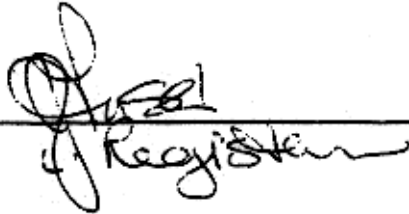
10. **THIS COURT ORDERS** that the Liquidator serve a copy of this Order on the following:

- (a) the Representative Counsel;
- (b) the Rehabilitator;
- (c) the Residue Certificate Holders' Representative;
- (d) CompCorp; and
- (e) the Superintendent of Financial Institutions.

ENTERED AT/ANSCRIT À TORONTO  
ON/BOOK NO:  
LE/DANS LE REGISTRE NO:

JUN 11 1999

PER/PAR.

  
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**ONTARIO SUPERIOR COURT OF JUSTICE  
- COMMERCIAL LIST**

THE HONOURABLE MR.  
JUSTICE R.A. BLAIR

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)

TUESDAY, THE 5<sup>TH</sup> DAY  
OF SEPTEMBER, 2000



**IN THE MATTER OF  
CONFEDERATION LIFE INSURANCE COMPANY**  
**AND IN THE MATTER OF THE  
INSURANCE COMPANIES ACT, S.C. 1991, AS AMENDED**  
**AND IN THE MATTER OF THE  
WINDING-UP ACT, R.S.C. 1985, C.W-11, AS AMENDED**

B E T W E E N:

**THE ATTORNEY GENERAL OF CANADA**

Applicant

- and -

**CONFEDERATION LIFE INSURANCE COMPANY**

Respondent

**O R D E R**


**THIS MOTION**, brought by KPMG Inc., the liquidator (the "Liquidator") of Confederation Life Insurance Company ("Confed"), was heard this day at 393 University Avenue, Toronto, Ontario.

**ON READING** the Report of the Liquidator dated August 3, 2000 filed, and the Report of the Liquidator dated August 26, 2000 (collectively, the "Reports") and upon hearing the submissions of counsel for the Liquidator, for the Canadian Life and Health Insurance Compensation Corporation, for The Chase Manhattan Bank, for Confederation Treasury Services Limited and James H. Grout, as representative counsel, no other party appearing.

1. **THIS COURT ORDERS** that the service made of the Notice of Motion and supporting materials herein is good and sufficient notice of this motion, that this motion is

properly returnable today and that any further service of the Notice of Motion and supporting materials be and the same is hereby dispensed with.

2. **THIS COURT ORDERS** that James H. Grout be appointed for the purposes of reviewing the financial statements and reporting to the Court with respect to the distribution proposed by the Liquidator and that such appointment be effective *nunc pro tunc* to August 18, 2000.
3. **THIS COURT ORDERS** that the Liquidator be and it is hereby authorized to make an interim distribution of \$260 million to be allocated between and paid to Confederation Treasury Services Limited and the ordinary creditors of Confed, as set out in detail in the Reports. For greater certainty, the portion to be allocated to the ordinary creditors of Confed shall be paid *pro rata* to ordinary creditors as their claims are admitted to the estate in accordance with the allowance process approved by this Court.
4. **THE COURT ORDERS** that the dividend sheet in the form attached hereto as Schedule "A" be and it is hereby approved.
5. **THIS COURT ORDERS** that the Liquidator be and it is hereby authorized to make distributions from time to time to the holders of allowed claims set out on the dividend sheet.

  
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ENTERED AT/INSCRIT À TORONTO  
ON/BOOK NO:  
LE/DANS LE REGISTRE N°:  
SEP 11 2000  
PER/PAR: 

SCHEDULE "A"

IN THE MATTER OF THE LIQUIDATION OF  
CONFEDERATION LIFE INSURANCE CO

**Dividend Sheet**

<b>Claim No.</b>	<b>Creditor</b>	<b>Claim Amount Admitted Cdn Dollars</b>
0001	720 Guelph Line Holdings	78,372.76
0002	144900 Canada Inc. O/A	21,328.89
0003	Altech Investigations Inc.	1,469.65
0004	American Para Prof. Systems Inc.	1,544.28
0006	CAD Resource Centre	979.85
0007	CANAMERIC	6,966.19
0008	Careerpath Counselling	64.20
0009	Checker Cabs Ltd	141.56
0010	Davis Reberkenny & Abramowitz, P.C.	1,162.82
0012	Doxey & Associates, Dr. N.C.S.	1,350.00
0014	Gryniewski Consulting Services Inc.	294.25
0015	Hamilton, Dr. Sean	100.00
0016	Hanick, Dr. Adrian	1,675.00
0017	McKercher McKercher & Whitmore	1,459.22
0018	Pannozzo, Dr. G.J.	150.00
0019	Parlee McLaws	631.81
0020	Pinnacle Investigations Inc.	848.51
0022	Dupont Canada Inc.	9,976,528.57
0023	R.B. Ventures Ltd	100,000.00
0024	Rustad Investments Ltd	100,000.00
0025	Doraldick Investments Limited	1,761,419.94
0031	Melvin, Dr. Kenneth	250.00
0032	Abramovitch, Dr. Allan	160.50
0033	Wilde & Associates, John	3,395.25
0034	World Wide Health Services, Inc.	225.75
0044	Guy Carpenter & Co., Inc.	800,000.00
0046	Gibbons, Dr. Maureen	100.00
0050	Corporate Realty Inc.	82,133.20

<b>Claim No.</b>	<b>Creditor</b>	<b>Claim Amount Admitted Cdn Dollars</b>
0052	Adatif Investments Ltd	995,827.86
0053	John A. Kane & Waterbury	4,867.39
0101	Salit, Dr. Irving E.	400.00
0102	Leduc, Leblanc	1,620.31
0128	States of Jersey	145,846.11
0133	H&R Block Canada Inc.	4,485,932.83
0135	Chubb Security Canada Inc.	3,196,576.00
0136	Town of Pickering	997,759.63
0137	Lewis and Roca LLP	2,342.36
0138	Bureau d'Expertise Assureurs Ltee	55,000.00
0142	Wacker Drive Associates	221,786.87
0143	Advocate Investigation Serv. Ltd	2,266.48
0149	Jackson Hale Distributors Ltd	3,419.30
0150	Hooper-Holmes Canada Limited	1,613.60
0151	Kosar, Dr. Stephen E.	200.00
0156	Stewart McKelvey Stirling Scales	1,084.47
0164	Application Enabling Inc	5,007.60
0167	J. Beals Rehabilitation Consultants	1,089.00
0172	Cortlaw Services Limited	3,366.54
0174	Vexler, Dr. Ronald	320.35
0189	Canadian Imp. Bk of Commerce	7,642,824.46
0191	Abitibi-Consolidated Inc.	2,400,000.00
0209	Graphical Corp.	413.77
0238	Castek Software Factory Inc.	28,226.60
0253	ReliaStar Life Insurance Co	497,000.00
0301	Mohan, Dr. Rajesh	150.00
0316	Pope, Dr. Janet	75.00
0317	Joseph N. Gelmon	647.10
0382	The Chase Manhattan Bank	82,062,522.28
0397	Dominion Textile Inc.	3,750,000.00
0562	RBC Dominion Securities Inc	10,792,234.09
0563	UBS AG, Union Bank of	75,492,051.65

<b>Claim No.</b>	<b>Creditor</b>	<b>Claim Amount Admitted Cdn Dollars</b>
0580	Actel Resources Inc.	30,762.50
1032	Esmail, Dr. Salim	50.00
1033	Shepp Johnman & Associates	832.47
1089	Jules d'Alcantara Fleuriste Inc.	52.99
<b>Total Creditors</b>		<b>\$205,766,921.82</b>

## CONFEDERATION LIFE INSURANCE COMPANY, IN LIQUIDATION WEBSITE LEGAL DISCLAIMER

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