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Insurance Commissioner of the State of California
13 in his Capacity as Conservator of
CastlePoint National Insurance Company
14

ELECTRONICALLY
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Code § 6103**

15 SUPERIOR COURT OF THE STATE OF CALIFORNIA
16 CITY AND COUNTY OF SAN FRANCISCO
17

18 DAVE JONES, INSURANCE
COMMISSIONER OF THE STATE OF
19 CALIFORNIA,

20 Applicant,

21 v.

22 CASTLEPOINT NATIONAL INSURANCE
COMPANY, and DOES 1-50, inclusive,
23

24 Respondents.

Case No. CPF-16-515183

**DECLARATION OF DAVID E.
WILSON IN SUPPORT OF
COMMISSIONER'S APPLICATION
FOR ORDER OF LIQUIDATION FOR
CASTLEPOINT NATIONAL
INSURANCE COMPANY**

(Insurance Code § 1016)

[Hearing date and time set by Court Order
of January 26, 2017]

Date: March 30, 2017
Time: 2:00 p.m.
Dept: 302
Judge: Hon. Harold E. Kahn

1 I, David E. Wilson, declare as follows:

2 1. I am the Chief Executive Officer of the Insurance Commissioner of the State of
3 California's Conservation and Liquidation Office ("CLO") and am a Special Deputy Insurance
4 Commissioner. I make this declaration in support of Insurance Commissioner Dave Jones'
5 Application For Order of Liquidation of CastlePoint National Insurance Company (the
6 "Application"). I have personal knowledge of the matters set forth herein and if called upon as a
7 witness, I would testify as set forth below.

8 2. I have been the Chief Executive Officer and Special Deputy Insurance
9 Commissioner since March 1, 2005. Previously, from 1991 through 2005, I was the owner of a
10 national insurance consulting firm, D.E. Wilson & Associates, Inc., which provided services to
11 the insurance industry, state insurance departments, and the National Organization of Life &
12 Health Insurance Guaranty Associations on general insurance matters, work-outs, rehabilitation,
13 and insolvency. I have been licensed as a Certified Public Accountant since 1974 and was a
14 partner at the public accounting firm of Ernst & Young.

15 3. As Chief Executive Officer of the CLO, I am responsible for management of all
16 insolvencies for which the Insurance Commissioner has been appointed as conservator,
17 rehabilitator, and/or liquidator, including CastlePoint National Insurance Company
18 ("CastlePoint"). When I was appointed as Chief Executive Officer of the CLO, the CLO was
19 managing 31 insolvencies with \$4.5 billion of assets under management. The CLO now manages
20 16 insolvencies. Since 2005, the CLO has distributed approximately \$4.1 billion to injured
21 policyholders and claimants. As Chief Executive Officer of the CLO, I am responsible for the
22 oversight of each insolvency, including the handling of policy claims, general creditor claims,
23 reinsurance (billing, collection, and arbitration), collection and disposition of assets, and
24 litigation.

25 4. Since the Court's entry of its June 28, 2016 *Order Appointing Insurance*
26 *Commissioner As Conservator And Restraining Orders* ("Conservation Order"), I have been
27 serving as the Commissioner's Deputy Conservator of CastlePoint. I have managed CastlePoint's
28 day-to-day operations, commenced marshaling CastlePoint's assets, investigated CastlePoint's

1 financial condition, and carried out the Commissioner's numerous other duties as Conservator of
2 CastlePoint. Before the Commissioner was appointed conservator of CastlePoint, I monitored
3 CastlePoint's financial condition through its public filings and regular communications with its
4 officers and employees. I am familiar with the business operations and financial condition of
5 CastlePoint and events leading up to the Conservation Order and the proposed liquidation for
6 CastlePoint. I am empowered under paragraph 18 of the Conservation Order to carry out any and
7 all duties and exercise all powers and authority of the Conservator.

8 5. CastlePoint is the survivor of the merger of ten insurance companies, domiciled in
9 six states and owned by Tower Group International, Ltd (collectively, the "Tower Insurance
10 Companies"). The nine other insurers that merged with and into CastlePoint are: Tower
11 Insurance Company of New York, Tower National Insurance Company, Hermitage Insurance
12 Company, CastlePoint Florida Insurance Company, North East Insurance Company,
13 Massachusetts Homeland Insurance Company, Preserver Insurance Company, York Insurance
14 Company of Maine, and CastlePoint Insurance Company. A tenth company, Kodiak Insurance
15 Company, was dissolved several years ago, but its residual insurance liabilities were assumed by
16 CastlePoint.

17 6. CastlePoint and its predecessors were owned by a publicly traded insurance
18 holding company group known as Tower Group International, Ltd. ("Tower Group"). The Tower
19 Group was formed and then grew over time through a series of acquisitions of smaller property
20 and casualty insurers. The Tower Insurance Companies, collectively, were admitted in all 50
21 states and wrote a variety of multi-line property and casualty insurance, with an emphasis on
22 workers' compensation and commercial multi-peril, as well as a significant personal lines
23 business.

24 7. Due to the ongoing financial struggles of the Tower Insurance Companies over
25 several years, the Commissioner, prior to his formal appointment as Conservator, began
26 discussions with regulators in each of the Tower Insurance Companies' domiciliary states to
27 develop a plan that would address the deteriorating financial condition of the Tower Insurance
28 Companies while protecting policyholders and creditors. In addition to California, this

1 “Regulator Group” included regulators from Florida, Maine, Massachusetts, New Jersey, and
2 New York. Ultimately, the Regulator Group determined that the best course of action was to
3 merge the Tower Insurance Companies with and into CastlePoint, and to place CastlePoint into
4 conservation in California.

5 8. The Commissioner filed his Conservation Application with the Court on July 27,
6 2016. On July 28, 2016 (“Conservation Date”), the Commissioner was appointed by this Court as
7 the statutory Conservator of CastlePoint, based on the Commissioner’s determination and the
8 Court’s finding in its Conservation Order that CastlePoint was operating in a hazardous financial
9 condition. A true and correct copy of the Conservation Order is attached hereto as **Exhibit A**.
10 Acting under the authority granted to him by the Court’s Conservation Order and the Insurance
11 Code, the Conservator immediately took possession of CastlePoint and all of its assets and has
12 been operating CastlePoint’s insurance business. The Conservator also promptly notified all
13 interested parties that CastlePoint had been placed into statutory conservation. As indicated in the
14 Commissioner’s original application for a Conservation Order, the financial condition of
15 CastlePoint was dire, and it was clear the company would inevitably end up in liquidation.

16 9. Shortly thereafter, the Conservator sought the Court’s approval of his *Plan of*
17 *Conservation and Liquidation For CastlePoint National Insurance Company* (the “Plan”), which
18 the Court approved by its Order dated September 13, 2016 (“Plan Order”). Pursuant to the
19 approved Plan, the Conservator executed a number of transactions on behalf of CastlePoint
20 which, among other things, brought additional liquidity of \$200 million (net of certain advances)
21 into the CastlePoint estate, commuted a number of complex reinsurance arrangements,
22 established continuous claim administration services for the estate at no cost to CastlePoint, and
23 effected a tax deconsolidation of CastlePoint from its prior affiliated taxpayer group. The central
24 benefit of the Plan transactions, particularly the infusion of \$200 million in additional funds, was
25 to create a smooth and efficient path for an orderly liquidation of CastlePoint. Those transactions
26 closed on September 20, 2016.

27 10. In addition to implementing the complex transactions provided for under the Plan,
28 the Conservator has also been supervising the administration and payment of insurance claims

1 under CastlePoint’s insurance policies. Under the terms of those policies, CastlePoint had unpaid
2 insurance liabilities totaling over \$1 billion on the Conservation Date. During the conservation
3 period, the Conservator has supervised a portfolio of approximately 9,000 insurance claims. The
4 administration of these claims has been conducted pursuant to the Conservator’s “*Procedures For*
5 *Claims Administration and Payments During Conservation,*” the core purpose of which are to
6 equalize the treatment of insurance claimants paid during the conservation period and those that
7 will be paid after liquidation.

8 11. Pursuant to the Conservation Procedures, claims administered and paid by
9 CastlePoint during the Conservation Period have been satisfied in two parts. First, the
10 CastlePoint estate pays accepted claims up to the maximum amount that may be paid by statute
11 by the insurance guaranty association (“IGA”) that will ultimately become responsible for
12 administration and payment of the claim following CastlePoint’s liquidation (that is, the state
13 IGA that would have administered the claim if CastlePoint were already in liquidation). The
14 relatively few claims that exceed the relevant IGA maximum amount will also receive, in addition
15 to the cash payment, the Conservator’s commitment to issue a pre-approved Class 2 priority proof
16 of claim against the CastlePoint liquidation estate for the remaining amount of the claim up to the
17 applicable policy limits. Those pre-approved proofs of claim will be deemed filed and will be
18 issued by the Liquidator shortly after the entry of the Liquidation Order.

19 12. The need to eventually place CastlePoint into liquidation was recognized well
20 before the Conservation Date. The closing of the Plan transaction and the infusion of \$200
21 million in additional cash allowed the Conservator time to work on all necessary administrative
22 preparations for CastlePoint’s eventual liquidation. In anticipation of liquidation, the
23 Conservator’s staff has been communicating and coordinating with the affected IGAs to prepare
24 for the eventual transfer of files and claims administration duties to the IGAs at liquidation. This
25 work has primarily involved the assembly of large amounts of electronic claims data, including
26 claims data located in several claims administration database systems, as well as paperless claim
27 files, so that copies of this claims information can be delivered on a timely basis to the IGAs that
28 will become responsible for claim payments when the Liquidation Order is entered. Because

1 CastlePoint is the successor by merger with nine other insurance companies, the claims data and
2 claims files were spread across a number of different data systems controlled by vendors (“third
3 party administrator”). The Conservator’s staff has also worked on ensuring that the claims data
4 meets or has been converted to meet the Uniform Data Standards (UDS) used by all of the IGAs.
5 The Conservator believes that the IGAs will receive the data and claim files necessary to assume
6 their respective claims administration duties without undue delays in claim payments. With
7 respect to workers’ compensation insurance claims, the Conservator has also made preparations
8 to pre-fund the payment of all open indemnity (wage replacement) claims for up to two months
9 after entry of the liquidation order to prevent harm to the injured workers who depend on the
10 timely payment of their benefits under CastlePoint’s workers’ compensation policies. The IGAs
11 that benefit from this pre-funding of post-liquidation indemnity payments will either reimburse
12 the CastlePoint estate for such payments, or the advances will be offset from future distributions
13 to the IGAs.

14 13. CastlePoint is now statutorily insolvent. Attached hereto as **Exhibit B** is a true
15 and correct copy of the “*Selected Financial Information of CastlePoint National Insurance*
16 *Company*”, which shows the statutory financial condition of CastlePoint as of December 31,
17 2016. As is shown in **Exhibit B**, CastlePoint ended 2016 with negative capital and surplus of
18 more than \$281 million. This is \$50 million worse than the negative surplus of \$231 million at
19 September 30, 2016. The most significant component of that additional financial deterioration
20 was a \$43 million increase in claim reserves during the fourth quarter of the year. Pursuant to
21 Insurance Code sections 11600 and 700.01-700.05, CastlePoint is required to have capital and
22 surplus of not less than \$5,000,000. Pursuant to Insurance Code section 985, CastlePoint is
23 statutorily insolvent because (1) its minimum paid-in capital, as required by the Insurance Code,
24 has been impaired, and (2) it is unable to meet its financial obligations when they are due.

25 14. CastlePoint is also insolvent because its available liquid assets are not adequate to
26 permit the company to continue to meet its insurance claim payment obligations on a timely
27 basis, as and when they come due for payment. Unless the requested liquidation order is issued,
28

1 triggering the obligations of the IGAs to assume the administration and payment of CastlePoint's
2 remaining insurance claims, CastlePoint will run out of cash to pay claims by mid-2017. In light
3 of this, it would be futile for the Commissioner to proceed as conservator with the conduct of
4 CastlePoint's business beyond March 31, 2017, and harmful to CastlePoint's policyholders and
5 creditors. Entry of a liquidation order for CastlePoint is thus required and essential to the
6 protection of CastlePoint's policyholders and creditors.

7

8 This declaration was executed this 16th day of February, 2017, in New York City, New
9 York.

10 I declare under penalty of perjury according to the laws of the State of California that the
11 foregoing is true and correct.

12

David E. Wilson

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David E. Wilson

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Exhibit A

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**ENDORSED
FILED**
Superior Court of California
County of San Francisco

JUL 28 2016

CLERK OF THE COURT

By: ROSIE NOGUERA
Deputy Clerk

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Insurance Commissioner of the State of California

**EXEMPT from filing fees per Govt.
Code § 6103**

14 SUPERIOR COURT OF THE STATE OF CALIFORNIA

15 CITY AND COUNTY OF SAN FRANCISCO

17 DAVE JONES, INSURANCE
18 COMMISSIONER OF THE STATE OF
CALIFORNIA,

19 Applicant,

20 v.

21 CASTLEPOINT NATIONAL INSURANCE
22 COMPANY, and DOES 1-50, inclusive,

23 Respondents.

Case No. CPF-16-515183

**ORDER APPOINTING INSURANCE
COMMISSIONER AS
CONSERVATOR AND RESTRAINING
ORDERS
~~(PROPOSED)~~**

**Date: July 28, 2016
Time: 11:00 a.m.
Dept: 302
Judge: Hon. Harold E. Kahn**

1 The Insurance Commissioner of the State of California (the "Commissioner") has filed his
2 verified Application in the above-captioned action, and has shown to the Court's satisfaction that
3 CastlePoint National Insurance Company ("CastlePoint")¹ is in such condition that its further
4 transaction of business will be hazardous to its policyholders, creditors, and the public, and good
5 cause appearing therefore;

6 WHEREFORE IT IS HEREBY ORDERED:

7 1. The Commissioner is appointed as Conservator (hereinafter the "Conservator") of
8 CastlePoint and directed to conduct the business of CastlePoint or so much thereof as he deems
9 appropriate; and he is authorized, in his discretion, to pay or defer payment of some or all proper
10 claims, expenses, liabilities, and obligations of CastlePoint, in whole or in part, accruing prior or
11 subsequent to his appointment as Conservator.

12 2. The Conservator is authorized to assume or reject, or to modify, any executory
13 contract, including without limitation, any lease, rental or utilization contract or agreement
14 (including any schedule to any such contract or agreement), and any license or other arrangement
15 for the use of computer software or business information systems, to which CastlePoint is a party
16 or as to which it agrees to accept an assignment of such contract; the Conservator is directed to
17 effect any such assumption or rejection or modification of any executory contract not later than
18 120 days after the date of the Order Appointing Insurance Commissioner As Conservator, unless
19 such date is extended by application to and further order of this Court; and all executory contracts
20 that are not expressly assumed by the Conservator shall be deemed rejected;

21 3. The Conservator is authorized to take possession of all of the assets of CastlePoint,
22 including books, records and property, both real and personal, accounts, safe deposit boxes, rights
23 of action, and all such assets as may be in the name of CastlePoint, wheresoever situated;

24 _____
25 ¹ For all purposes in this Order, the term "CastlePoint," wherever used and used in whatever
26 context or reference, shall mean and refer to CastlePoint National Insurance Company, as the
27 survivor by merger with, and shall be deemed to include all of the following predecessor entities:
28 the pre-merger CastlePoint National Insurance Company, Tower Insurance Company of New
York, Tower National Insurance Company, Hermitage Insurance Company, Kodiak Insurance
Company, CastlePoint Florida Insurance Company, North East Insurance Company,
Massachusetts Homeland Insurance Company, Preserver Insurance Company, York Insurance
Company of Maine, and CastlePoint Insurance Company.

1 4. Title to all property and assets of CastlePoint, including deposits, securities,
2 contracts, rights of actions, books, records and other assets of every type and nature, and
3 including both those presently in CastlePoint's possession and those which may be discovered
4 hereafter, wheresoever situated, is vested in the Commissioner in his or her official capacity as
5 Conservator and/or his successor in office, in his or her official capacity as Conservator of
6 CastlePoint; the Conservator and/or his successor is authorized to deal with the same in his or her
7 own name as Conservator or in the name of CastlePoint; and, all persons are enjoined from
8 interfering with the Conservator's possession and title thereto;

9 5. The Conservator shall have all the powers of the directors, officers, and managers
10 of CastlePoint, whose authorities are suspended except as such powers may be redelegated by the
11 Conservator;

12 6. The Conservator is authorized to terminate compensation arrangements with
13 employees, to enter into new compensation arrangements with employees, including
14 arrangements containing retention incentives, and authorizing the Conservator to hire employees
15 on such terms and conditions as he deems reasonable;

16 7. Except upon the express authorization of the Conservator, CastlePoint, its officers,
17 directors, agents and employees are enjoined from transacting any of the business of CastlePoint,
18 whether in the State of California or elsewhere, or from disposing of, using, transferring, selling,
19 assigning, canceling, alienating, hypothecating, diminishing, impairing, waiving, limiting, or
20 concealing in any manner or any way, or assisting any person in any of the foregoing, of the
21 property or assets of CastlePoint or property or assets in the possession of CastlePoint, of any
22 nature or kind, including intangible assets, tax assets and attributes, claims or causes of action,
23 until further order of this Court and further, such persons are enjoined from obstructing or
24 interfering with the Conservator's conduct of his or her duties as Conservator;

25 8. All persons are enjoined from instituting, prosecuting, or maintaining any action at
26 law or suit in equity, and matters in arbitration, including but not limited to actions or proceedings
27 to compel discovery or production of documents or testimony, except in matters before either the
28 California Workers Compensation Appeals Board or equivalent administrative boards or

1 organizations performing such functions in other states in which CastlePoint issued workers
2 compensation policies, against CastlePoint or against the Conservator, and from attaching,
3 executing upon, redeeming of or taking any other legal proceedings against any of the property of
4 CastlePoint, and from doing any act interfering with the conduct of said business by the
5 Conservator, except after an order from this Court obtained after reasonable notice to the
6 Conservator;

7 9. CastlePoint and all officers, directors, agents and employees of CastlePoint shall
8 deliver to, and immediately make available to, the Conservator all assets, books, records,
9 accounts, records, tax returns, information, computers, tapes, discs, writings, other recordings of
10 information, equipment and other property of CastlePoint, wheresoever situated, in said persons
11 custody or control and, further, shall disclose verbally, or in writing if requested by the
12 Conservator, the exact whereabouts of the foregoing items if such items are not in the possession
13 custody or control of said persons;

14 10. All officers, directors, trustees, employees or agents of CastlePoint, or any other
15 person, firm, association, partnership, corporate parent, holding company, affiliate or other entity
16 in charge of any aspect of CastlePoint's affairs, either in whole or in part, and including but not
17 limited to banks, savings and loan associations, financial or lending institutions, brokers, stock or
18 mutual associations, or any parent, holding company, subsidiary or affiliated corporation or any
19 other representative acting in concert with CastlePoint, shall cooperate with the Conservator in
20 the performance of his or her duties;

21 11. The Conservator is authorized to pay all reasonable costs of taking possession of
22 and conserving CastlePoint (including but not limited to the Commissioner's pre-conservation
23 costs in examining CastlePoint's financial condition, and preparing to take possession and
24 conserve CastlePoint) out of the funds and assets of the CastlePoint;

25 12. The Conservator is authorized to pay all reasonable costs of operating CastlePoint
26 as Conservator (including direct and allocated direct costs, direct and allocated general and
27 administrative costs and overhead, and all other allocated costs) out of any and all funds and
28 assets of CastlePoint; and if there are insufficient funds, to pay for the costs out of the Insurance

1 Fund pursuant to section 1035;

2 13. All funds and assets, including certificates of deposit, bank accounts, and mutual
3 fund shares of CastlePoint, in various financial depository institutions, including banks, savings
4 and loan associations, industrial loan companies, mutual funds or stock brokerages, wheresoever
5 situated, are vested in the Conservator and subject to withdrawal upon his order only;

6 14. All persons who maintain records for CastlePoint, pursuant to written contract or
7 any other agreement, shall maintain such records and to deliver to the Conservator such records
8 upon his request;

9 15. All agents of CastlePoint, and all brokers who have done business with
10 CastlePoint, shall make all remittances of all funds collected by them or in their hands that are
11 payable to CastlePoint directly to the Conservator;

12 16. All persons having possession of any lists of policyholders or escrow holders of
13 CastlePoint shall deliver such lists to the Conservator; and all persons are enjoined from using
14 any such lists or any information contained therein without the consent of the Conservator;

15 17. The Conservator is authorized to initiate such equitable or legal actions or
16 proceedings in this or other states as may appear necessary to him to carry out his functions as
17 Conservator;

18 18. The Conservator is authorized to appoint and employ special deputies, estate
19 officers and managers, other professionals, clerks and assistants and to give each of them such
20 power and authority as he deems necessary, and the Conservator is authorized to compensate
21 these persons from the assets of CastlePoint as he deems appropriate. David E. Wilson, Special
22 Deputy Commissioner, is hereby appointed as Deputy Conservator, empowered to carry out any
23 and all duties and exercise the authority of the Conservator granted herein and in the Insurance
24 Code. Joe Holloway is hereby appointed as Conservation Manager, empowered to carry out any
25 and all duties and exercise the authority of the Conservator or the Deputy Conservator, and as
26 may be delegated by the Conservator or Deputy Conservator;

27 19. The Conservator is authorized to divert, take possession of and secure all mail of
28 CastlePoint, in order to screen such mail, and to effect a change in the rights to use any and all

1 post office boxes and other mail collection facilities used by CastlePoint;

2 20. CastlePoint and its officers, directors, agents, servants, employees, successors,
3 assigns, affiliates, and other persons or entities under their control and all persons or entities in
4 concert or participation with CastlePoint, and each of them, shall turn over to the Conservator all
5 records, documentation, charts and/or descriptive materials of all funds, assets, property (owned
6 beneficially or otherwise), and all other assets of CastlePoint whersoever situated, and all books
7 and records of accounts, title documents and other documents in their possession or under their
8 control, which relate, directly or indirectly to assets or property owned or held by CastlePoint or
9 to the business or operations of CastlePoint;

10 21. Except upon further order of the Court issued after a hearing in which the
11 Conservator has received reasonable notice, all persons are enjoined from obtaining preferences,
12 judgments, attachments or other liens, or making any levy against CastlePoint or its assets or
13 property, and from executing or issuing or causing the execution or issuance of any court
14 attachment, subpoena, replevin, execution or other process for the purpose of impounding or
15 taking possession of or interfering with or creating or enforcing a lien upon any property or assets
16 owned or in the possession of CastlePoint or the Conservator, wheresoever situated, and from
17 doing any act interfering with the conduct of said business by the Conservator;

18 22. Except upon further order of the Court issued after a hearing in which the
19 Conservator has received reasonable notice, all persons are enjoined from accelerating the due
20 date of any obligation or claimed obligation; exercising any right of set-off; taking, retaining,
21 retaking or attempting to retake possession of any real or personal property; withholding or
22 diverting any rent or other obligation; doing any act or other thing whatsoever to interfere with
23 the possession of or management by the Conservator of the property and assets, owned or
24 controlled by CastlePoint or in the possession of CastlePoint or in any way interfering with the
25 Conservator or interfering in any manner during the pendency of this proceeding with the
26 exclusive jurisdiction of this Court over CastlePoint and its assets;

27 23. Any and all provisions of any agreement entered into by and between any third
28 party and CastlePoint, including by way of illustration, but not limited to, the following types of

1 agreements (as well as any amendments, assignments, or modifications thereto)—financial
2 guarantee bonds, promissory notes, loan agreements, security agreements, deeds of trust,
3 mortgages, indemnification agreements, subrogation agreements, subordination agreements,
4 pledge agreements, assignments of rents or other collateral, financial statements, letters of credit,
5 leases, insurance policies, guaranties, escrow agreements, management agreements, real estate
6 brokerage and rental agreements, servicing agreements, attorney agreements, consulting
7 agreements, easement agreements, license agreements, tax sharing agreements, franchise
8 agreements, or employment contracts that provide in any manner that selection, appointment or
9 retention of a conservator, receiver or trustee by any court, or entry of any order such as hereby
10 made, shall be deemed to be, or otherwise shall operate as, a breach, violation, event of default,
11 termination, event of dissolution, event of acceleration, insolvency, bankruptcy, or liquidation—
12 shall be stayed, and the assertion of any and all rights and remedies relating thereto shall also be
13 stayed and barred, except as otherwise ordered by this Court, and this Court shall retain
14 jurisdiction over any cause of action that has arisen or may otherwise arise under any such
15 provision;

16 24. The Conservator is authorized to invest and reinvest CastlePoint's assets and funds
17 in such a manner as he deems suitable for the best interest of CastlePoint's creditors. However,
18 no investment or reinvestment shall be made exceeding the sum of \$100,000 without first
19 obtaining permission of this Court, except the Conservator may make investments or
20 reinvestments in excess of \$100,000, but not exceeding \$5,000,000 per investment or
21 reinvestment, without prior approval if such investments or reinvestments are made pursuant to
22 any provisions of the existing investment guidelines and investment programs of CastlePoint that
23 the Conservator determines are prudent and appropriate to continue. Such investment guidelines
24 shall be applicable only to non-pledged and or unencumbered assets in the estate;

25 25. The Conservator is authorized to pay out of the funds and assets of CastlePoint all
26 costs and fees incurred in preparing for, bringing and maintaining this action, including the
27 reasonable expenses incurred by the Regulator Group prior to the filing of this application to
28 accomplish the several mergers of affiliated insurers into CastlePoint, and for such other actions

Exhibit B

CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

As of and for the year ended December 31, 2016

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CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

Overview

Castlepoint National Insurance Company (CNIC or the Company) is the surviving entity from a merger with Tower Insurance Company of New York, CastlePoint Insurance Company, Hermitage Insurance Company, Massachusetts Homeland Insurance Company, North East Insurance Company, Preserver Insurance Company, Tower National Insurance Company, York Insurance Company of Maine and Castlepoint Florida Insurance Company (pre-merger affiliates). All intercompany assets and liabilities arising between the pre-merger affiliates were eliminated. The Company and its pre-merger affiliates were members of Tower Group International Ltd. (Tower) and were ultimately owned by ACP Re, Ltd. (ACPRE). The merger agreement was structured so that CNIC will have responsibility for all of Tower's direct insurance business. CNIC and the pre-merger affiliates (except for Castlepoint Florida Insurance Company) were members of the Tower's US Pool. Subsequent to the completion of the merger, on July 28, 2016, CNIC was placed into conservation by the California Insurance Commissioner, and subject to the oversight of the California Insurance Commissioner.

Pursuant to the July 28, 2016 Order Appointing Insurance Commissioner as Conservator and Restraining Orders (the Conservation Order), the California Insurance Commissioner was appointed as the statutory Conservator of the Company. The Conservation Order authorizes and empowers the Commissioner, through the Conservation & Liquidation Office, to conserve the Company and its assets for the benefit of the Company's claimants, creditors and shareholder, as provided in Sections 1010 through 1062 of the Insurance Code of the State of California. The Commissioner has also filed a Conservation and Liquidation Plan for the Company which was approved September 13, 2016. As part of the Conservation and Liquidation Plan, ACP Re commuted its aggregate stop loss reinsurance retrocession agreement with two affiliated companies who in turn provided aggregate stop loss reinsurance protection to Castlepoint Reinsurance Company (CPre), (a Bermuda reinsurance company that was an affiliate of CNIC) and those companies' aggregate stop loss to CPre were also cancelled, terminated and commuted. Concurrent with the execution of these agreements, CPre commuted all of its reinsurance agreements with CNIC and the pre-merged companies, with consideration to CNIC being all of net tangible assets of CPre, such that after the commutation CPre has no further obligation to CNIC. Finally, CNIC received a cash payment of \$200 million from the owners of ACPRe in exchange for their agreement to the commutation agreements. CNIC has been using these funds to pay losses and other expense of the estate while in conservation.

In accordance with the Conservation and Liquidation Plan, two Administrative Services Agreements were executed with AmTrust Financial Services Inc. and with National General Holdings Company for the continuity of claims servicing and payment processing for a period of 24 months. Also, ACP Re has no control over CNIC or ownership of any other of the Tower Group Companies after it transferred its ownership interest in the stock of all of the remaining Tower Group Companies to a trust, pursuant to the Conservation and Liquidation Plan.

Subsequent event: On January 26, 2017, the Conservation Court held a hearing to review the Conservator's report on activities conducted during the Conservation period. The Conservation Court calendared March 30, 2017 as the date to hear the Conservator's liquidation application. If the application is approved, an Order of Liquidation with a finding of insolvency will be issued. This action will trigger the State Insurance Guaranty Associations to begin paying covered policyholder claims in their jurisdictions.

CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

Statutory Balance Sheets (Unaudited)

(\$ in thousands)	31-Dec-16	30-Sep-16	30-Jun-16
Admitted Assets			
Cash and invested assets			
Unrestricted assets	\$ 130,834	\$ 210,464	\$ 70,184
Restricted assets			
Pledged to states	352,911	363,897	379,587
Pledged for reinsurance	84,278	88,160	103,945
Funds at Lloyds and other invested assets	41,949	41,842	52,455
Receivables for securities	-	1,280	4,466
Total restricted assets	479,138	495,179	540,453
Total cash and invested assets	609,972	705,643	610,637
Investment income due and accrued	4,297	3,985	4,807
Uncollected premiums and agents' balances	2,565	4,235	5,333
Amounts recoverable from reinsurers	26,922	33,143	36,954
Funds held by or deposited with reinsured companies	1,222	1,687	1,714
Miscellaneous assets	63,450	56,968	46,665
Total admitted assets	\$ 708,428	\$ 805,661	\$ 706,110
Liabilities, capital and surplus			
Liabilities			
Reserve for losses and loss adjustment expenses	\$ 931,723	\$ 987,988	\$ -
Reinsurance payable on paid losses and LAE	11,425	6,257	4,926
Commissions payable	-	329	1,574
Ceded reinsurance premiums payable	5,770	16,318	40,240
Funds held by company under reinsurance treaties	21,662	23,538	444,127
Payable to parent and affiliates	-	-	13,714
Miscellaneous liabilities	19,757	2,643	519,477
Total liabilities	990,337	1,037,073	1,024,058
Capital and surplus			
Common capital stock	4,200	4,200	4,200
Surplus notes	3,000	3,000	3,000
Gross paid in and contributed surplus	521,742	521,742	521,742
Unassigned deficit	(811,162)	(760,665)	(847,201)
Special surplus funds from retroactive reinsurance	311	311	311
Total capital and surplus	(281,909)	(231,412)	(317,948)
Total liabilities, capital and surplus	\$ 708,428	\$ 805,661	\$ 706,110

CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

Notes to Statutory Balance Sheets

Assets

Total cash and invested assets were \$610.0 million at December 31, 2016 compared to \$705.6 million at September 30, 2016 and \$610.6 million at June 30, 2016. During the fourth quarter 2016, there was a decrease of \$95.6 million as the Company funded direct loss payments of \$130.3 million and estate expenses of \$2 million from unencumbered liquidity, and this was partially offset by reinsurance proceeds and net investment income received. Total cash and invested assets increased by \$95.0 million, or 16%, to \$705.6 million, at September 30, 2016 compared to \$610.6 million, at June 30, 2016. During the quarter ended September 30, 2016, the Company received \$161.8 million from the commutation of the reinsurance agreements with CPRe; the \$200 million from the commutation less intercompany settlements of \$38.2 million. This balance was partially offset by approximately \$108 million in loss payments in the third quarter.

At December 31, 2016, CNIC reported \$0 million in receivable for securities, a decline of \$4.5 million from the June 30, 2016 balance of \$4.5 million and a decrease of \$1.3 million from the balance at September 30, 2016. The portfolio has been thinly traded in conservation.

Investment income due and accrued was \$4.3 million at December 31, 2016 compared to \$4.0 million at September 30, 2016 and \$4.8 million at June 30, 2016. It decreased by \$0.5 million, or 10.4%, to \$4.3 million for December 31, 2016 compared to \$4.8 million at June 30, 2016 and a slight increase from the \$3.9 million reported at September 30, 2016.

Reinsurance recoverable was \$26.9 million at December 31, 2016 compared to \$33.1 million at September 30, 2016 and \$36.9 million at June 30, 2016. Balances collected during the fourth quarter 2016 were \$13.2 million, compared to collections of \$16.7 million in the third quarter 2016. At December 31, 2016, there were \$0.8 million in reinsurance balances that were past due. None of these balances are currently in dispute. Reinsurance contracts do not relieve CNIC from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to CNIC.

Funds held by or deposited with reinsured companies were \$1.2 million at December 31, 2016 compared to \$1.7 million at September 30, 2016 and June 30, 2016.

Miscellaneous assets were \$63.4 million at December 31, 2016 compared to \$56.9 million at September 30, 2016 and \$46.6 million at June 30, 2016, as shown below. The amounts receivable from CPRe represents CPRe's net tangible assets that is due to CNIC. The increase as compared to September 30, 2016 is primarily due to an increase in loss suspense and advances to TPAs. In the fourth quarter 2016, the Company received \$4.5 million from California representing a return of a portion of its advance workers' compensation assessment.

CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

Notes to Statutory Balance Sheets, continued

Assets, continued

Miscellaneous Assets (unaudited)

(\$ in thousands)	31-Dec-16	30-Sep-16	30-Jun-16
Receivable from CPRe	\$ 19,670	\$ 20,495	\$ -
Advances to TPA's	11,101	6,462	9,409
Involuntary fair plan assumed	9,719	9,730	9,739
Workers' compensation fund assessment	7,398	11,860	11,858
Loss payment suspense	4,568	(71)	4,134
Receivable from AmTrust	3,595	-	762
Receivable from residual market pools	3,209	4,555	4,946
Other	4,190	3,937	5,817
Total	\$ 63,450	\$ 56,968	\$ 46,665

Liabilities

The Company's net losses and LAE reserves were \$931.7 million at December 31, 2016, \$988.0 million at September 30, 2016 and \$0 at June 30, 2016. At June 30, 2016, the Company had two reinsurance agreements with its affiliate CPRe that assumed all of its net loss reserves. As a result, the Company had no outstanding losses at June 30, 2016. Effective September 14, 2016, the Company terminated both agreements (quota share and LPTA) with CPRe and the unpaid liabilities and obligations ceded to CPRe of \$928.8 million were assumed by the Company. The Company also strengthened its net loss reserves by \$43 million and \$160 million at December 31, 2016 and September 30, 2016, respectively. The December 31, 2016 balance also reflects reduction in the fourth quarter for direct losses paid offset by amounts billed to reinsurers.

Reinsurance payable on paid losses and LAE were \$11.4 million at December 31, 2016 compared to \$6.3 million at September 30, 2016 and \$4.9 million at June 30, 2016. Under the Conservation and Liquidation Plan, the Company is no longer making payments on assumed business and is instead permitting its cedants to draw down collateral, if available.

Commissions payable were \$0 million at December 31, 2016 compared to \$0.3 million at September 30, 2016 and \$1.6 million at June 30, 2016. Commissions payable decreased by \$1.6 million, or 100%, to \$0 million at December 31, 2016 primarily due to the settlement of balances from quota share reinsurance treaties with Integon National Insurance Company (Integon) and Technology Insurance Company Inc. (Technology).

CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

Notes to Statutory Balance Sheets, continued

Liabilities, continued

Ceded reinsurance premiums payable were \$5.8 million at December 31, 2016 compared to \$16.3 million at September 30, 2016 and \$40.2 million at June 30, 2016. The balance decreased by \$10.5 million between December 2016 and September 2016 and \$23.9 million, between September 2016 and June 30, 2016 primarily due to the settlement of balances from quota share reinsurance treaties with Integon and Technology.

Funds held by the Company were \$21.7 million at December 31, 2016 compared to \$23.5 million at September 30, 2016 and \$444.1 million at June 30, 2016. The decrease of \$1.9 million from September 2016 to December 2016 is primarily due to the payment of losses on a quota share treaty. The balance declined to \$23.5 million at September 30, 2016 from \$444.1 million at June 30, 2016 primarily due to commutation of the CPre reinsurance treaties wherein all of the outstanding loss reserves ceded to CPre were commuted to the Company.

The Company had no balances payable to parent and affiliates at December 31, 2016 and September 30, 2016. Balances receivable with former affiliates, AmTrust, of \$3.6 million at December 31, 2016 are included in miscellaneous assets. The majority of the June 30, 2016 balance of \$13.7 million relates to non-insurance liabilities with AmTrust and National General Insurance Company that was settled and netted against the amounts received on the commutation with ACPRe.

Miscellaneous liabilities were \$19.8 million December 31, 2016 compared to \$2.6 million at September 30, 2016 and \$519.4 million at June 30, 2016. The December 31, 2016 balance of \$19.8 million includes \$17.1 million of balances related to outstanding checks which were recorded in cash at the end of the third and second quarters. The June 30, 2016 balance included \$519.8 million reserve for unsecured reinsurance recoverable associated with the quota share and LPTA reinsurance agreements with CPre. This balance was reversed upon the commutation of these reinsurance agreements.

CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

Notes to Statutory Balance Sheets, continued

Capital and Surplus Accounts

The following table sets forth the changes in policyholders' surplus for the year ended December 31, 2016, and the nine and six months ended September 30, 2016 and June 30, 2016, respectively:

(\$ in thousands)	Changes in Policyholders' Surplus (unaudited)		
	Year to Date,		
	31-Dec-16	30-Sep-16	30-Jun-16
Policyholders' surplus, 1/1/2016	\$ (311,760)	\$ (311,760)	\$ (311,760)
Net (loss)	(81,078)	(23,586)	(12,904)
Change in net unrealized capital gains	613	20	(337)
Change in non-admitted assets	71,514	64,287	5,112
Aggregate write-ins for gains and losses	38,802	39,627	1,941
Policyholders' surplus, end of year	\$ (281,909)	\$ (231,412)	\$ (317,948)

Surplus decreased by \$50.5 million in the fourth quarter 2016 primarily from \$43 million in reserve strengthening, \$3.9 million in return premiums and \$5.1 million in other underwriting expenses partially offset by investment income earned. During the fourth quarter 2016, the Company wrote off \$5.7 million of agent balances which had previously been charged against surplus and collected \$1.0 million of receivables which had previously been non-admitted. This write-off did not impact surplus, as all of such balances were previously charged against surplus.

For the period ended September 30, 2016, the increase in surplus associated with the Aggregate write-ins for gains and losses in surplus is due to the recognition that the reserve for reinsurance due from CPRe of \$517 million at June 30, 2016 was greater than the tangible capital of CPRe at December 31, 2016. The increase in CPRe's tangible capital was due to the elimination of deferred tax liabilities at CPRe.

Changes in Non-Admitted Assets (unaudited)

(\$ in thousands)	Year to Date,		
	31-Dec-16	30-Sep-16	30-Jun-16
Other invested assets	\$ 9,052	\$ 9,052	\$ 9,052
Premium receivable	6,256	(426)	(2,780)
Other assets	3,732	3,187	1,330
Receivables from parents and affiliates	52,474	52,474	(2,490)
Total change in non-admitted assets	\$ 71,514	\$ 64,287	\$ 5,112

The changes in non-admitted assets during the third quarter 2016, were primarily from recognizing in the statutory statement of income the write-off of non-admitted balances associated with other invested assets and receivable from affiliates. The change in the fourth quarter 2016 is due to the Company writing off \$5.7 million of agent balances which had previously been charged against surplus, and collections of \$1.0 million of receivables which had previously been non-admitted.

CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

Statements of Operations (Unaudited)

(\$ in thousands)	Year ended 31-Dec-16	Nine months ended 30-Sep-16	Six months ended 30-Jun-16
Premium earned	\$ (4,354)	\$ (424)	\$ -
Losses incurred and loss adjustment expenses incurred	(203,662)	(160,260)	-
Commutation gain	200,000	200,000	-
Affiliated balance (previously non-admitted)	(52,474)	(52,474)	-
Other underwriting expenses incurred	(25,359)	(20,259)	(8,313)
Net underwriting (loss)	(85,849)	(33,417)	(8,313)
Net investment income earned	18,817	18,137	7,884
Net realized capital (loss)	(6,968)	(7,068)	(11,306)
Net investment gain (loss)	11,849	11,069	(3,422)
Other expenses	(7,078)	(1,238)	(1,169)
Net (loss)	\$ (81,078)	\$ (23,586)	\$ (12,904)

Notes to Statements of Operations

Loss and loss adjustment expenses incurred

The Company reported loss and loss adjustment expenses incurred of \$203.7 million primarily resulting from reserve strengthening of \$203 million recorded in the fourth and third quarters of 2016 to align the Company's reserve position with the point estimate of the California Department of Insurance.

The Company has ULAE provided to it at no cost under the Administrative Services Agreements that it executed in conjunction with the Conservation and Liquidation Plan on September 14, 2016. During the fourth and third quarters 2016, the Company estimates that it saved approximately \$4.1 million and \$1 million, respectively, by having its ULAE service provided at no charge by AmTrust and National General.

Commutation gain

The Company reported the \$200 million received from the commutation of various reinsurance agreements with CPre and ACPRe as a commutation gain in the third quarter 2016.

Affiliated balance

Prior to the conservation, the Company wrote-off \$52.5 million of intercompany balances that were previously non-admitted. This had no impact on surplus as such balances had already been charged against surplus.

CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

Notes to Statements of Operations - continued

Other underwriting expenses

Other underwriting expenses for the year ended December 31, 2016 were \$25.4 million compared to \$8.3 million for the six months ended June 30, 2016, a change of \$17.1 million and \$20.7 million for the nine months ended September 30, 2016.

Other Underwriting expenses

(\$ in thousands)	Year to Date,		
	31-Dec-16	30-Sep-16	30-Jun-16
Commission and BB&A	\$ 4,134	\$ 3,857	\$ 695
Salaries and employee benefits	4,975	3,570	2,501
Rent & depreciation	4,071	3,092	2,082
Professional services	5,658	4,506	2,702
Other	6,521	5,234	333
Total	\$ 25,359	\$ 20,259	\$ 8,313

Commission and BB&A were \$4.1 million, \$3.9 million and \$0.7 million for the periods ended December 31, 2016, September 30, 2016, and June 30, 2016, respectively. The increase of \$3.2 million in the third quarter is primarily from the reserve strengthening and the impact it had on ceding commission for the Company's reinsurance covers. The increase in other underwriting expenses of \$5.3 million in the third quarter is primarily due to the write down of tax recoverables of \$2.1 million and the provision of out of period expenses of \$3.1 million. The depreciation expense was offset by the change in non-admitted assets and had no impact on the surplus.

Net investment income and net realized capital gains (losses)

Net investment income earned was \$18.8 million for the year ended December 31, 2016 compared to \$7.9 million for the six months ended June 30, 2016 and \$18.1 million for the nine months ended September 30, 2016.

Net realized capital losses were \$7.0 million for the year ended December 31, 2016 compared to net capital losses of \$11.3 million for the six months ended June 30, 2016 and net capital losses of \$7.1 million for the nine months ended September 30, 2016.

Other expenses

Other expenses increased to \$7.1 million, at December 31, 2016 compared to \$1.2 million at September 30, 2016 and \$1.2 million at June 30, 2016. The increase in the fourth quarter is primarily due to the write-off of \$5.7 million in agent's balances that were previously non-admitted, thus the charge did not have an impact on surplus.

CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

Statutory Statements of Cash Flows (Unaudited)

(\$ in thousands)	Year to Date,		
	31-Dec-16	30-Sep-16	30-Jun-16
Cash from Operations			
Benefit and loss related payments	\$ (255,229)	\$ (182,287)	\$ (80,951)
Commutation gain	200,000	200,000	-
Commission and other expenses paid	(21,177)	(19,098)	(4,590)
Premiums collected net of reinsurance	(4,479)	6,708	29,177
Net investment income	23,304	23,349	10,669
Miscellaneous income	222	139	(232)
Federal income taxes recovered	1,712	1,712	1,712
Net cash provided by (used in) operations	(55,647)	30,523	(44,215)
Net cash provided by investments	169,411	164,258	87,260
Net cash (used in) misc.sources	(24,932)	(23,353)	(31,640)
Net change in cash and cash equivalents	88,832	171,428	11,405
Cash and cash equivalents Beginning of year	90,612	90,612	90,612
Cash and cash equivalents, end of period	\$ 179,444	\$ 262,040	\$ 102,017

Notes to Statutory Statements of Cash Flows

CNIC had a net cash inflow of \$88.8 million for the year ended December 31, 2016 compared to \$171.4 million for the nine months ended September 30, 2016 and \$11.4 million for the six months ended June 30, 2016. For the year ended December 31, 2016, the Company had a net cash outflow of \$255.2 million from benefits and loss related payments and outflow of \$24.9 million from miscellaneous sources partially offset by inflows from the commutation gain of \$200 million, net proceeds from investments of \$169.4 million. The Company is in run-off, and expects continued outflow of operating cash.

The Cash and cash equivalents of \$179.5 million at December 31, 2016 ties to the amount that would be included in the Company's statutory presentation of assets. A reconciliation to the accompanying balance sheet is presented below (\$000):

Bonds	\$388,551
Cash	179,444
Other Invested assets	41,977
Investment receivable	0
Total	<u>\$609,972</u>

CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

Castlepoint National Insurance Company (in Conservation)
Adjusted Direct Reserves (Loss and ALAE) by State and by Line
As of November 30, 2016
(Data Internally prepared and Unaudited)

State Desc	Fire and Allied Lines	Homeowners Multiple Peril	Commercial Multiple Peril (Non-Lab Portion)	Commercial Multiple Peril (liability Portion)	Ocean and Inland Marine	Workers Comp	Other liability - occurrence	Other liability - Claims Mtds	Excess Workers Comp	Products liability - Occurrence	Private passenger auto lab	Commercial auto lab	Passenger auto physical damage	Photo physical damage	Auto physical damage	Commercial Auto physical damage	Fidelity and Surety	Boilers & machinery	Total Reserves	
Alabama																				1,535,805
Alaska																				9,206
Arizona																				1,469,843
Arkansas																				1,469,843
California																				1,469,843
Colorado																				125,028,343
Connecticut																				320,450
Delaware																				6,750,858
District of Columbia																				35,560
Florida																				82,652
Georgia																				28,652
Hawaii																				3,175,813
Idaho																				146,384
Illinois																				5,791,328
Indiana																				134,108
Iowa																				7,700
Kansas																				7,700
Kentucky																				626,814
Louisiana																				2,880,319
Maine																				3,896,241
Maryland																				5,791,955
Massachusetts																				2,043,891
Michigan																				1,325,853
Minnesota																				32,853
Mississippi																				307,617
Missouri																				439,717
Montana																				(57,793)
Nebraska																				880,451
Nevada																				13,296,480
New Hampshire																				880,451
New Jersey																				13,296,480
New Mexico																				34,857,822
New York																				114,027
North Carolina																				195,897,765
North Dakota																				194,198
Oklahoma																				194,198
Oregon																				157,467
Pennsylvania																				584,840
Rhode Island																				3,483,374
South Carolina																				785,362
South Dakota																				978,352
Tennessee																				361,996
Texas																				6,929,030
Utah																				88,643
Vermont																				-
Virginia																				93,127
Washington																				725,872
West Virginia																				41,165
Wisconsin																				85,000
Wyoming																				85,000
Total	699,078	13,006,158	4,887,619	83,836,215	760,577	195,310,724	50,240,856	1,796,675	38,288,706	882,784	7,096,345	44,958,006	73,342	1,438,847	182,337	453,343,808				

Note: Adjusted Direct Reserves (Loss and ALAE) exclude any claims covered by the cut through reinsurance agreements executed with Technology Insurance Company and Integon National Insurance Company. Case Basis Reserves Only, excludes IBKR

CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

Castlepoint National Insurance Company (in Conservation)
 Adjusted Direct Paid Loss and Paid LAE by State & by Line
 For the Quarter Ended December 31, 2016
 (Data Internally prepared and Unaudited)

State Desc	Fire and Allied Lines	Homeowners Multiple Peril (Non-Liab Portion)	Commercial Multiple Peril (Liability Portion)	Ocean and Inland Marine	Workers Comp	Other liability - occurrence	Other liability - Claims Made	Excess Workers' Comp	Products liability - Occurrence	Private passenger auto lib	Commercial auto lib	Private physical damage	Commercial Auto physical damage	Surety	Boilers & machinery	Paid
Alabama	-	-	13,487	-	17,170	226,653	-	-	-	-	-	-	-	-	-	8,458
Alaska	-	-	180,974	-	(3,070)	-	-	-	31,948	-	-	-	-	-	-	14,897
Arizona	-	-	-	(1,000)	83,712	308,582	-	-	-	-	9,972	-	-	-	-	417,784
Arkansas	-	-	-	-	21,807	-	-	-	-	(22,486)	24,360	-	-	-	-	20,560
California	3,557	366,149	135,082	475,861	18,012,135	257,527	18,894	2,449,753	66,164	(88,851)	2,310,119	(44,639)	366	(502,501)	-	23,461,344
Colorado	-	-	-	52,216	1,391	-	2,090	-	-	(4,194)	325,058	-	-	-	-	378,208
Connecticut	2,867	76,895	207,526	1,266,116	60,197	314,250	-	-	-	(17,279)	-	(8,480)	-	-	-	2,867
Delaware	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,768)
District of Columbia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	979
Florida	49,986	(2,175)	98,893	307,207	1,548,518	363,522	424,373	175,711	80,089	(1,050,696)	2,042,037	(97,023)	975	29,912	-	3,925,655
Georgia	-	-	(1)	684	(41,804)	7,413	-	-	-	(35,670)	447,052	-	-	-	-	371,796
Hawaii	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,136
Idaho	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	819,319
Illinois	34	60	-	407,652	342,853	-	-	-	-	(26,911)	96,374	(603)	-	-	-	7,114
Indiana	-	-	-	-	3,285	-	-	-	-	(2,664)	6,947	-	-	-	-	(906)
Iowa	-	-	-	-	(906)	-	-	-	-	-	-	-	-	-	-	14,897
Kansas	-	-	-	-	2,415	-	-	-	-	-	1,437	-	-	11,045	-	553,972
Kentucky	-	-	-	-	30,986	-	-	-	-	(4,416)	207,094	(2,861)	-	-	-	280,701
Louisiana	-	-	-	-	16,110	8,568	-	-	42,468	(2,371)	-	-	-	-	-	280,701
Maine	-	-	-	-	4,745	0	-	-	-	61,347	200,000	(6,069)	(90)	-	844	-
Maryland	16,311	(4,098)	1,455	7,576	238	-	-	-	-	(137,114)	(1,172)	(65,855)	(90)	-	-	(163,821)
Massachusetts	(4,806)	(45,664)	(142)	51,510	555,605	6,193	-	-	2,025	448,002	-	(5,101)	(23)	4,000	0	858,586
Michigan	639	-	215	220,691	904	240,263	-	-	-	(1,845)	928	(2,274)	-	-	-	259,798
Minnesota	-	-	-	-	74,546	-	-	-	-	(43)	8,900	(1,667)	-	-	-	81,775
Mississippi	-	-	-	-	1,957	-	-	-	-	(62)	19,444	(3,322)	-	-	-	19,444
Missouri	-	-	-	-	33,375	31,229	-	-	-	-	24,063	-	249	-	-	79,801
Montana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nebraska	-	-	-	-	22,991	-	-	-	-	-	-	-	-	-	-	22,991
Nevada	0	-	-	-	320,114	-	-	-	-	(299)	-	(5,375)	-	-	-	314,481
New Hampshire	-	-	-	-	12,265	-	-	-	-	7,219	-	(67,833)	-	-	-	34,959
New Jersey	(187,429)	5,843,131	3,16,992	1,656,494	1,414,831	(958,526)	-	18,433	13,892	7,245,267	3,352,678	1,364,749	1,302	-	16,197	18,874,753
New Mexico	-	-	-	-	(238)	-	-	-	-	-	-	-	-	-	-	-
New York	(239,979)	1,744,613	1,548,446	30,829,560	2,924,833	11,171,374	(51,103)	-	(168,304)	(671)	8,422,822	(583)	(4,322)	(1,053,352)	30,974	54,927,487
North Carolina	-	-	-	-	25,602	-	-	-	-	(197,784)	-	(16,897)	-	-	-	(179,080)
North Dakota	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ohio	5,286	-	(1,746)	2,592	-	-	-	-	-	-	-	-	-	-	-	-
Oklahoma	-	-	-	-	185,397	-	-	-	-	(378,543)	(6,765)	(18,102)	-	-	-	(689,782)
Oregon	-	-	-	-	31,596	-	-	-	-	(614)	1,019,691	-	-	1,836	-	1,071,504
Pennsylvania	-	-	-	-	(0)	-	-	-	-	-	-	-	-	-	-	-
Rhode Island	-	-	-	-	592,430	113,783	-	-	(86,750)	(84,600)	436,348	(710,857)	4,203	(16,830)	4,203	(2,555,976)
South Carolina	-	-	-	-	52	-	-	-	(0)	(29,848)	(0)	-	-	-	-	(97,728)
South Dakota	-	-	-	-	38,934	613	-	-	-	(110,849)	613	(53,566)	-	327	-	(69,108)
Tennessee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	89,440
Texas	(316)	-	-	-	16,983	1,030	-	-	-	(921)	76,347	(1,978)	-	1,978	-	89,440
Utah	-	-	-	-	215,794	355,878	-	-	(136,624)	(43,764)	761,259	(20,259)	346	75,269	-	1,269,806
Vermont	-	-	-	-	8,212	-	-	-	-	(448)	-	-	-	-	-	7,763
Virginia	-	-	-	-	-	-	-	-	-	(5,419)	-	(35,737)	-	-	-	(41,155)
Washington	-	-	-	-	1,980	-	-	-	-	41,888	444,437	(60,638)	3,843	-	-	(457,763)
West Virginia	-	-	-	-	(800)	-	-	-	-	(100,005)	47,436	-	-	-	-	592,462
Wisconsin	-	-	-	-	3	-	-	-	-	14,616	-	(468)	-	-	-	17,146
Wyoming	-	-	-	-	-	4,828	-	-	-	-	585	-	-	(5,425)	-	(32)
Total	(353,701)	7,812,125	2,333,790	36,286,112	26,844,516	12,454,347	384,054	2,643,007	(151,521)	27,965,814	20,630,057	7,948	2,645	(2,018,424)	52,247	108,917,443

Note: Adjusted Direct Paid Loss and Paid LAE exclude any paid losses associated with the cut through reinsurance provided by Technology Insurance Company and Integon National Insurance Company

CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

Castlepoint National Insurance Company (in Conservation)
 Adjusted Direct Claim Counts by State and by Line
 As of November 30, 2016
 (Data Internally prepared and Unaudited)

State Desc	Fire and Allied Lines	Homeowners Multiple Peril	Commercial Multiple Peril (Liberty Portion)	Ocean and Inland Marine	Workers Comp	Other liability - occurrence	Other liability - Claims Mtds	Excess Workers' Comp	Products liability - Occurrence	Private passenger auto liability	Commercial auto liability	Private business auto liability - damage	Commercial Auto-physical damage	Fidelity and Surety	Boilers & machinery	Open Claims
Alabama	-	2	7	9	6	7	-	-	1	-	4	-	-	-	-	36
Alaska	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	1
Arizona	-	-	-	-	23	-	-	-	-	-	2	-	-	-	-	27
Arkansas	-	-	-	-	4	2	-	-	-	-	-	-	-	-	-	5
California	-	13	7	16	1,672	106	2	720	10	5	58	-	2	19	-	2,682
Colorado	-	-	-	-	-	-	-	-	-	-	3	-	-	-	-	15
Connecticut	-	16	8	37	14	25	1	-	-	48	-	1	-	-	-	150
Delaware	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
District of Columbia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Florida	-	-	1	1	158	69	1	14	6	1	145	-	2	1	-	428
Georgia	-	-	-	-	40	3	-	-	-	-	12	-	-	2	-	58
Idaho	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Illinois	-	-	-	-	12	-	-	-	-	-	-	-	-	-	-	12
Indiana	-	-	-	-	76	-	-	-	-	-	40	-	-	-	-	128
Iowa	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	4
Kansas	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	1
Kentucky	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	3
Louisiana	-	-	1	3	2	1	-	-	-	13	1	-	-	-	-	6
Maine	-	4	-	-	8	7	-	-	3	65	14	-	1	-	-	101
Maryland	-	-	-	-	6	-	-	-	-	-	1	-	-	-	-	1
Massachusetts	1	14	2	14	3	10	-	-	-	46	-	5	-	-	-	95
Michigan	-	-	-	-	25	-	-	-	-	-	1	-	-	-	-	27
Minnesota	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	1
Mississippi	-	-	1	5	3	-	-	-	-	-	1	-	1	-	-	4
Missouri	-	-	-	-	7	-	-	-	-	-	2	-	-	-	-	12
Montana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
Nebraska	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Nevada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
New Hampshire	-	3	-	2	47	5	-	-	-	-	-	-	-	-	-	52
New Jersey	-	55	26	112	18	-	-	-	3	3	1	1	-	-	-	28
New Mexico	2	-	-	1	212	32	-	2	5	56	83	22	3	-	-	611
New York	-	4	101	2	492	2	-	-	-	-	294	-	-	6	-	2
North Carolina	-	-	-	-	6	851	7	1	13	-	-	-	-	-	10	2,834
North Dakota	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6
Ohio	1	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-
Oklahoma	-	-	-	-	8	-	-	-	-	-	-	-	-	-	-	2
Oregon	-	-	-	2	6	-	-	-	-	-	-	-	1	-	-	11
Pennsylvania	-	-	3	6	2	2	-	-	-	-	4	-	-	2	-	14
Rhode Island	-	1	-	14	57	2	-	-	-	-	9	-	1	-	-	87
South Carolina	-	-	1	1	1	-	-	-	-	11	-	1	-	-	-	16
South Dakota	-	-	-	-	4	-	-	-	-	-	-	-	-	-	-	22
Tennessee	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Texas	-	17	1	6	5	1	-	-	-	6	6	-	-	1	-	18
Utah	-	-	-	1	28	11	-	-	1	-	44	-	-	4	-	115
Vermont	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	3
Virginia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Washington	-	-	-	-	3	-	-	-	-	1	5	-	-	-	-	8
West Virginia	-	-	-	-	-	1	-	-	-	-	14	-	-	-	-	1
Wisconsin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Wyoming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	11	418	159	1,408	2,946	840	13	737	39	239	756	44	11	37	11	7,681

Note: Adjusted Direct Claim Counts exclude any claims covered by the cut through reinsurance agreements executed with Technology Insurance Company and Integon National Insurance Company