

Case No. A158646

**IN THE COURT OF APPEAL
OF THE STATE OF CALIFORNIA
FIRST APPELLATE DISTRICT, DIVISION FIVE**

DAVE JONES, INSURANCE COMMISSIONER,
Applicant and Respondent,

v.

CASTLEPOINT NATIONAL INSURANCE COMPANY,
Respondent.

Appeal of Non-Parties Alesco Preferred Funding VIII, Ltd., *et al.*,
from
San Francisco Superior Court
Case No. CPF-16-515183
The Honorable Ethan P. Schulman

**RESPONDENT INSURANCE COMMISSIONER'S
APPENDIX**

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Support of Application For Order of
Liquidation For CastlePoint National
Insurance Company

February 17, 2017 RA229

Notice of Application and Application For
Order of Liquidation For CastlePoint
National Insurance Company

February 17, 2017 RA225

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Insurance Commissioner of the State of California
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National Insurance Company
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**EXEMPT from filing fees per Govt.
Code § 6103**

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

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

21 Applicant,

22 v.

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

24 Respondents.
25
26
27
28

Case No. CPF-16-515183

**INSURANCE COMMISSIONER DAVE
JONES' MOTION FOR ORDER
APPROVING CONSERVATION AND
LIQUIDATION PLAN FOR
CASTLEPOINT NATIONAL
INSURANCE COMPANY**

**Date: September 13, 2016¹
Time: 9:30 a.m.
Dept: 302
Judge: Hon. Harold E. Kahn**

¹ The hearing date and special briefing schedule to be established by Court order.

**ELECTRONICALLY
FILED**
*Superior Court of California,
County of San Francisco*
08/01/2016
Clerk of the Court
BY: VANESSA WU
Deputy Clerk

1 TO ALL INTERESTED PARTIES AND THEIR ATTORNEYS OF RECORD:

2 Dave Jones, Insurance Commissioner of the State of California (the “Commissioner”), as
3 the statutory Conservator (the “Conservator”) of CastlePoint National Insurance Company
4 (“CastlePoint”), pursuant to the Court’s July 28, 2016 Order Appointing Insurance Commissioner
5 As Conservator And Restraining Orders (the “Conservation Order”), will and hereby does move
6 the Court for an Order Approving the Conservation and Liquidation Plan for CastlePoint National
7 Insurance Company (the “Motion”). By this Motion, the Conservator seeks the Court’s
8 authorization to implement, close, and effect all of the actions described in the Conservation and
9 Liquidation Plan For CastlePoint National Insurance Company (the “Plan”); to close and
10 consummate, on behalf of CastlePoint, the transactions described in the CastlePoint National
11 Insurance Company Conservation Agreement and each of the appended agreements thereto
12 (collectively, the “Conservation Agreement”), which agreements include a Commercial Lines
13 Administrative Services Agreement, a Personal Lines Administrative Services Agreement, a
14 Release Agreement, and three Commutation and Release Agreements and any ancillary
15 agreements necessary to the implementation of such transactions; and to take such other actions
16 as the Conservator determines are necessary to implement the Plan and the Conservation
17 Agreement. True and correct copies of the Plan and Conservation Agreement are attached to the
18 accompanying declaration of David E. Wilson In Support Of Motion For Order Approving
19 Conservation And Liquidation Plan For CastlePoint National Insurance Company.

20 The Plan contemplates a four-step process for the efficient and orderly runoff and eventual
21 liquidation of CastlePoint:

22 1) Consolidation by Merger and Conservation: The first step, which was
23 undertaken prior to and in anticipation of conservation, was to consolidate the ten
24 insurance companies (the “Tower Insurance Companies”) into a single surviving company
25 – CastlePoint – and then place that insurer into conservation. By consolidating the Tower
26 Insurance Companies, the Commissioner and his fellow regulators avoided the delay,
27 confusion and waste that would have resulted from ten separate legal proceedings in six
28 states.

1
2 2) Restructuring of CastlePoint Under Internal Revenue Code section
3 382(l)(5): To preserve CastlePoint’s tax attributes, including hundreds of millions of
4 dollars in net operating loss carryforwards (also known as “NOLs”), to protect CastlePoint
5 from exposure to any future tax liabilities of the non-insurance company members of the
6 consolidated taxpayer group in which CastlePoint is currently a member, and to facilitate
7 the valuable Conservation Agreement transactions described in step 3 below, the Plan
8 provides for the restructuring of CastlePoint’s equity ownership pursuant to federal tax
9 law, specifically Internal Revenue Code section 382(l)(5). In simple terms, this section of
10 the tax code allows companies in receivership or bankruptcy to restructure and change
11 their ownership (an action that would normally wipe out the value of the company’s
12 NOLs) and emerge with their NOLs intact, provided the restructuring results in the
13 majority of the new equity of the company being owned by the historical creditors of the
14 company – a “debt for equity” exchange. The tax restructuring provisions of the Plan are
15 intended to ensure that CastlePoint’s NOLs are preserved so that the CastlePoint estate is
16 not inappropriately subjected to federal income tax liabilities during its conservation and
17 liquidation, and so that policyholder and other creditor recoveries may be maximized to
18 every extent possible.

19 3) Conservation Agreement Transactions: Following the tax deconsolidation,
20 the Plan provides for CastlePoint to close on a series of integrated transactions and
21 agreements set forth in the Conservation Agreement entered into by the Conservator with
22 a group of aligned parties that participated in an earlier effort in September 2014 to
23 salvage the Tower Insurance Companies.² Under the Conservation Agreement, \$200
24 million (net of the net intercompany balances between CNIC, on the one hand, and
25 AmTrust and National General parties on the other hand accrued and unpaid as of the
26 conservation date) will be injected into CastlePoint by several parties to the Conservation

27
28 ² The counter-parties to the Conservation Agreement are fully described in the legal documents and agreements that
are collectively attached to the Plan. The Plan is Exhibit A to the declaration of David E. Wilson, and the
Conservation Agreement is Exhibit B to the declaration.

1 Agreement. This infusion will provide CastlePoint with much needed liquidity to ensure
2 that policy claims and benefits will continue to be paid during the conservation period,
3 while the Conservator prepares for the eventual liquidation of CastlePoint and the
4 resulting transfer of all claims to the appropriate state insurance guaranty associations
5 (“IGAs”). In consideration for the injection of this \$200 million, (a) the Conservator will
6 cause CastlePoint to commute (terminate) several existing reinsurance agreements
7 between and among several Parties to the Conservation Agreement, and (b) all insurance
8 policies issued by CastlePoint after September 15, 2014, which were already 100% quota-
9 share reinsured (the “Fronted Policies”), will be assigned to and assumed by two solvent
10 insurers so that these policyholders are not disadvantaged by CastlePoint’s conservation
11 and liquidation. The Conservation Agreement also provides for CastlePoint to receive
12 run-off administration services (policy administration and claims administration) free of
13 charge for up to two years, at an estimated value to CastlePoint of as much as \$40 million.

14 4) Orderly Liquidation and Transition of Claims to IGAs: Finally, the Plan
15 anticipates that at such time as the Conservator determines is appropriate and in the best
16 interests of policyholders, he will apply to the Court for entry of an Order of Liquidation
17 for CastlePoint and a finding that CastlePoint is legally insolvent. Those two events, a
18 liquidation order and a finding of insolvency, will trigger the statutory duties of the IGAs
19 to step in and assume the administration and payment of CastlePoint’s remaining claims.
20 During the conservation period prior to entry of a liquidation order, the Conservator will
21 work closely with the IGAs to facilitate a smooth transition of claims administration and
22 payment responsibilities in order to reduce disruption and inconvenience to policyholders
23 and claimants. Notably, the free run-off administration services that the Conservator will
24 obtain under the Conservation Agreement are assignable to any IGA that wishes to and is
25 statutorily authorized to take advantage of this benefit of the Plan.

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1 This Motion is made pursuant to the provisions and authority of the Conservation Order,
2 the Scheduling Order, California Insurance Code sections 1011, 1012, 1016, 1033, 1037, 1043,
3 and other relevant and applicable sections thereof, on the grounds that:

4 1. CastlePoint has been found, after an examination, to be in such a condition that its
5 further transaction of business would be hazardous to its policyholders, creditors, or to the public
6 and thus has been placed in conservation by the Court with the Commissioner having been
7 appointed as its Conservator;

8 2. The Conservation and Liquidation Plan is lawful, reasonable, appropriate, and
9 necessary to protect the interests of CastlePoint's policyholders, creditors and other stakeholders,
10 and the public, and it should therefore be approved; and

11 3. The Plan is necessary to preserve the assets of the estate for the benefit of
12 policyholders and creditors, is not an abuse of the Commissioner's discretion, and is in the best
13 interest of CastlePoint's policyholders and creditors.

14 The Conservator has filed an *Ex Parte* Application³ requesting that the Court set a hearing
15 date on this Motion ("Hearing"), establish a special briefing schedule for the Motion, and approve
16 the Conservator's forms of notice. Once the Court has set a hearing date and briefing schedule
17 and approved the Conservator's forms of notice, the Conservator will send notice to all parties
18 and file additional papers in support of the Plan in accordance with the schedule set by the Court.

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27 ³ See Conservator's Ex Parte Application For Order (1) Setting Hearing Date and Briefing Schedule for the
28 Conservator's Motion for Order Approving Plan of Rehabilitation for CastlePoint National Insurance Company in
Conservation; (2) Establishing Procedures for the Hearing; (3) Approving Form of Notice by Mail; and (4)
Approving Form of Publication Notice, filed concurrently.

1 This Motion is based on the accompanying Declaration of David Wilson, a Memorandum
2 of Points and Authorities, Special Notice to Internal Revenue Service of the Motion, additional
3 briefs and declarations to be filed pursuant to the Court's scheduling order, the prior record of
4 proceedings in this action, and such additional evidence and argument as may be offered at the
5 time of the Hearing on this Motion.

6
7
8 Dated: July 28, 2016

KAMALA D. HARRIS
Attorney General of the State of California

9
10 /HBT

11 By: _____

MARGUERITE C. STRICKLIN
Deputy Attorney General

12
13 Attorneys for Applicant Dave Jones,
Insurance Commissioner of the
14 State of California

15 Dated: July 28, 2016

THOMAS J. WELSH
PATRICK B. BOCASH
Orrick, Herrington & Sutcliffe LLP

16
17 

18 By: _____

THOMAS J. WELSH

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20 Attorneys for Applicant Dave Jones,
Insurance Commissioner of the
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13 in his Capacity as Conservator of CastlePoint
National Insurance Company
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**EXEMPT from filing fees per Govt.
Code § 6103**

15 SUPERIOR COURT OF THE STATE OF CALIFORNIA
16 CITY AND COUNTY OF SAN FRANCISCO
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18 DAVE JONES, INSURANCE
19 COMMISSIONER OF THE STATE OF
20 CALIFORNIA,

21 Applicant,

22 v.

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

24 Respondents.
25
26

Case No. CPF-16-515183

**DECLARATION OF DAVID E.
WILSON IN SUPPORT OF MOTION
FOR ORDER APPROVING
CONSERVATION AND
LIQUIDATION PLAN FOR
CASTLEPOINT NATIONAL
INSURANCE COMPANY**

**Date: September 13, 2016¹
Time: 9:30 a.m.
Dept: 302
Judge: Hon. Harold E. Kahn**

27
28
¹ The hearing date and special briefing schedule to be established by Court order.

1 I, David Wilson, declare as follows:

2 1. I am the Chief Executive Officer of the State of California's Conservation and
3 Liquidation Office ("CLO") and am a Special Deputy Insurance Commissioner. I make this
4 declaration in support of Insurance Commissioner Dave Jones' Motion For Order Approving
5 Conservation And Liquidation Plan For CastlePoint National Insurance Company (the "Motion").
6 I have personal knowledge of the matters set forth herein and if called upon as a witness, I would
7 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 18 insolvencies. Since 2005, the CLO has distributed approximately \$4 billion to policyholders
21 and claimants. As Chief Executive Officer of the CLO, I am responsible for the oversight of each
22 insolvency, including the handling of policyholder claims, general creditor claims, reinsurance
23 (billing, collection, and arbitration), collection and disposition of assets, and litigation.

24 4. I have been appointed as Deputy Conservator of CastlePoint under the Order
25 conserving CastlePoint.

26 5. The Commissioner, working with the management of CastlePoint, AmTrust
27 Financial Services, Inc. ("AmTrust"), and National General Holdings Corp. ("National General"),
28 has promulgated and, immediately following his appointment as conservator, adopted a proposed

1 Conservation and Liquidation Plan ("Plan") for CastlePoint, a true and correct copy of which is
2 attached hereto as **Exhibit A**.

3 6. Attached hereto as **Exhibit B** is the National Insurance Company Conservation
4 Agreement (the "Conservation Agreement"), entered into by the Commissioner, as Conservator
5 of CastlePoint, and certain other parties affiliates or aligned with AmTrust and National General,
6 pursuant to the Plan.

7 7. The Plan, including the transactions under the Conservation Agreement, is subject
8 to the Court's approval.

9
10 This declaration was executed this 28th day of July, 2016, in San Francisco, California.

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

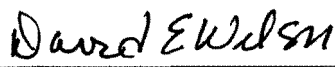
13
14 
David E. Wilson

Exhibit A

**PLAN OF CONSERVATION & LIQUIDATION FOR
CASTLEPOINT NATIONAL INSURANCE COMPANY**

PROMULGATED & ADOPTED BY

DAVID JONES
INSURANCE COMMISSIONER, STATE OF CALIFORNIA,
IN HIS CAPACITY AS STATUTORY CONSERVATOR OF
CASTLEPOINT NATIONAL INSURANCE COMPANY

DATED: JULY 28, 2016

EFFECTIVE DATE: _____

PLAN OF CONSERVATION & LIQUIDATION FOR CASTLEPOINT NATIONAL INSURANCE COMPANY

This Plan of Conservation and Liquidation for CastlePoint National Insurance Company (the “Plan”), dated July 28, 2016, is made and executed by California Insurance Commissioner Dave Jones (the “Conservator” or the “Commissioner”), acting in his capacity as the statutory conservator of CastlePoint National Insurance Company, a California corporation in statutory conservation under California Insurance Code Sections 1010 – 1062, and successor by merger with Tower Insurance Company of New York, Tower National Insurance Company, Hermitage 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 (“CastlePoint”).

RECITALS

CastlePoint National Insurance Company

A. On July 28, 2016, the Insurance Commissioner filed a verified application in the Superior Court of San Francisco County (the “Court”) pursuant to Insurance Code section 1011 to place CastlePoint into statutory conservation. The proceeding concerning the conservation of CastlePoint is entitled *Insurance Commissioner of the State of California v. CastlePoint National Insurance Company*, San Francisco Superior Court Case No. [] (the “Conservation Proceeding”).

B. The Court granted the Commissioner’s application and issued its *Order Appointing Commissioner as Conservator and Restraining Orders* (“Conservation Order”). Pursuant to the Conservation Order, the Commissioner was formally appointed as the statutory Conservator of CastlePoint.

C. At the time of the commencement of the Conservation Proceeding, CastlePoint was a wholly owned subsidiary of Specialty Underwriters Alliance, Inc. (“SUAI”), which in turn was a member of a multi-entity insurance holding company group under the common control of Tower Group International, Ltd. (“TGI”). At all times prior to the Effective Date, SUAI was the sole shareholder of all issued and outstanding shares of CastlePoint stock and no direct changes in control over CastlePoint had occurred.

CastlePoint’s Restructuring Under Internal Revenue Code Section 382(l)(5)

D. Prior to the commencement of the Conservation Proceeding, CastlePoint and its predecessors by merger entered into various tax sharing and/or tax allocation agreements (the “Tax Sharing Agreements”) pursuant to which CastlePoint became a member of a consolidated taxpayer group for federal tax compliance purposes, the lead taxpayer of which was Condor 2 Corporation, a Delaware corporation (“Condor” and the “Tax Group”). All participating affiliates and subsidiaries of CastlePoint ceded to Condor and Condor assumed, all authority and responsibility to file annual consolidated federal income tax returns on behalf of all members of the Tax Group. In addition, by joining the Tax Group, all tax attributes of CastlePoint, including all of CastlePoint’s net operating loss carryforwards (“NOLs”), became available to be utilized by all other members of the Tax Group.

E. CastlePoint has been, and will remain throughout the statutory conservation and liquidation process, a separate entity recognized for federal income tax purposes until such time as CastlePoint is dissolved by order of the Court. CastlePoint’s conservation and liquidation process may give rise to potentially taxable operating income from, among other things, gains on invested assets, litigation recoveries and/or reductions of financial statement reserves for CastlePoint’s priority class 2 liabilities (i.e., claim liabilities owing to insurance policyholders

and/or injured worker claimants). The expectation is that any such operating income that accrues during the course of CastlePoint's liquidation may be offset by carrying forward NOLs from prior years. From September 15, 2014 through December 31, 2015, CastlePoint's operations have generated hundreds of millions of dollars of NOLs and may generate additional NOLs up to the Effective Date (collectively, the "CastlePoint NOLs"). The CastlePoint NOLs may, under this Plan, be available to offset future operating income, thereby avoiding federal income tax liability on such operating income.

F. In order for the Commissioner to properly manage CastlePoint's federal income tax exposure, the Conservator has determined that it is essential to implement this Plan to provide for: (i) the definitive deconsolidation of CastlePoint from the Tax Group; (ii) the preservation, pursuant to section 382(l)(5) of the Internal Revenue Code, of the CastlePoint NOLs for utilization by CastlePoint following its deconsolidation from the Tax Group; and (iii) the proper priority classification of any federal income tax liability accruing during the liquidation of CastlePoint.

CastlePoint's Post-Restructuring Agreements with the Karfunkel and AmTrust Parties

G. On July 28, 2016, the Conservator, for himself and on behalf of CastlePoint, entered into that certain Conservation Agreement ("Conservation Agreement") between and among AmTrust North America, Inc. ("ANA"), National General Management Corp. ("National General"), Technology Insurance Company, Inc. ("Technology"), Integon National Insurance Company ("Integon"), CastlePoint Reinsurance Company Ltd. ("CastlePoint Re"); and the Michael Karfunkel Family 2005 Trust, members of the Karfunkel family and Leah Karfunkel in her capacity as trustee thereof and not individually (collectively, the "Karfunkel Trust" and collectively with ANA, National General, Technology, Integon and CastlePoint Re, the "Karfunkel and AmTrust Parties").

H. The Conservation Agreement provides for certain transactions and agreements to be closed immediately after the effectiveness of CastlePoint's restructuring under this Plan, which transactions and agreements provide for, among other things, (a) an infusion of up to \$200 million into CastlePoint, (b) the commutation of certain reinsurance agreements between the parties, (c) the assignment of certain fully reinsured insurance policies issued by CastlePoint or its predecessors by merger from and after September 15, 2014, and (d) agreements for the run-off administration of CastlePoint's policies and liabilities, all as expressly set forth in the Conservation Agreement.

I. The Conservator has determined that the transactions and terms provided for under this Plan, including CastlePoint's restructuring pursuant to Internal Revenue Code section 382(l)(5) and the transactions enumerated in the Conservation Agreement, are fair and equitable to, and in the best interests of, the policyholders and creditors of CastlePoint, and all other interested parties.

Now, therefore, subject to and conditioned upon the approval of the Court, the Conservator hereby establishes a Plan for the conservation and eventual liquidation of CastlePoint, as follows:

ARTICLE 1

DEFINITIONS

In this Plan, unless otherwise specifically provided or the context so requires, the terms listed below shall have the following definitions and shall include the plural as well as the singular:

“CastlePoint” has the meaning set forth in the first paragraph of this Plan.

“CastlePoint NOLs” has the meaning set forth in Recital E of this Plan.

“CastlePoint Tax Group” has the meaning set forth in Section 2.4 of this Plan.

“Conservation Agreement” has the meaning set forth in Recital G of this Plan.

“Conservation Proceeding” has the meaning set forth in Recital A of this Plan.

“Court” has the meaning set forth in Recital A of this Plan.

“Claims” means all claims that are properly filed and entitled to allowance by the Conservator pursuant to the provisions of the Insurance Liquidation Statute.

“CLO” means the Insurance Commissioner’s Conservation & Liquidation Office.

“Commissioner” has the meaning set forth in the first paragraph of this Plan.

“Conservator” has the meaning set forth in the first paragraph of this Plan.

“Effective Date” is the date set forth on the cover page of this Plan.

“Insurance Code” means the California Insurance Code, including the regulations thereunder, in effect from time to time.

“Insurance Liquidation Statute” means sections 1010 to 1062, inclusive, of the Insurance Code, and any other provisions of the Insurance Code or other California Codes expressly applicable to the conservation, rehabilitation and/or liquidation of an insurance company.

“Internal Revenue Code” means the United States Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

“New CastlePoint Stock” has the meaning set forth in Section 2.1 of this Plan.

“Order of Court” means an order of the Court (a) approving this Plan; and (b) authorizing the Conservator to implement and/or undertake all actions and transactions contemplated under this Plan.

“Person” means any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, public, governmental, judicial or regulatory authority or body or other entity.

“Plan” means, collectively, this plan of conservation and liquidation for CastlePoint, any motions and supporting documents filed by the Commissioner with the Court, the Order of Conservation, and any subsequent orders of the Court amending or supplementing the Order of Conservation.

“Tax Group” has the meaning set forth in Recital D of this Plan, the lead taxpayer of which from and after 2014 to the Effective Date was Condor 2 Corporation, Inc., EIN 46-2958445.

ARTICLE 2

DECONSOLIDATION OF CASTLEPOINT FROM THE TAX GROUP PURSUANT TO INTERNAL REVENUE CODE SECTION 382(L)(5)

Section 2.1. Cancellation and Reissuance of CastlePoint Stock. The Commissioner determined, and the Court has found and ordered in the Conservation Order, that CastlePoint is in a financial condition that makes its continuing operation hazardous to policyholders, creditors and the public. SUAI, in its capacity as the sole shareholder of CastlePoint, together with certain of its affiliates, has advised the Conservator of its determinations that (i) the current realizable assets of CastlePoint are not sufficient to pay in full the existing CastlePoint liabilities that fall into priority classes 1 through 7 of section 1033(a) of the Insurance Code, (ii) as a result SUAI’s CastlePoint stock is worthless, and (iii) SUAI or another person of which CastlePoint is a subsidiary desires to take a worthless stock deduction on account of its CastlePoint stock. Pursuant to the restraining orders set forth in the Conservation Order, SUAI is enjoined from taking such action without the consent and approval of the Conservator because such action may materially impair valuable tax attributes of CastlePoint by causing an ownership change for purposes of section 382 of the Internal Revenue Code. The Conservator has developed this Plan to protect CastlePoint’s policyholders and creditors by preserving CastlePoint’s NOLs and other

tax attributes while permitting SUAI and its affiliates to deconsolidate CastlePoint from the Tax Group. Accordingly, on the Effective Date, the Conservator shall effectuate a transfer of all the capital stock of CastlePoint to the Commissioner, in his capacity as the Trustee of the Trust, by cancelling all issued and outstanding shares of common stock of CastlePoint, and reissuing new stock (“New CastlePoint Stock”), consisting of all authorized shares of the corporation, to the Commissioner, in his capacity as the Trustee of the Trust. The Commissioner shall hold the New CastlePoint Stock for the benefit of the historical shareholders and creditors of CastlePoint and shall distribute any proceeds distributed on account thereof in accordance with the Trust Agreement. Such transfer shall be effected in a manner intended to comply with the provisions of section 382(l)(5) of the Internal Revenue Code.

Section 2.2. Deconsolidation as of the Effective Date. To resolve any doubt, CastlePoint shall be conclusively deemed for all purposes, including under all applicable provisions of the Internal Revenue Code and regulations of the United States Treasury promulgated thereunder, to have been deconsolidated from the Tax Group as of the Effective Date. Neither CastlePoint nor any other member of the Tax Group shall be severally liable for the consolidated federal income taxes of the Tax Group (or the federal income taxes of any member of the Tax Group) under Treasury Regulation section 1.1502-6 for any taxable year beginning after December 31, 2015.

Section 2.3. All NOLs and Other Tax Attributes Preserved. The entirety of the CastlePoint NOLs shall conclusively be deemed for all purposes, including federal income tax purposes, to have survived the cancellation and reissuance of CastlePoint’s stock, as contemplated under section 382(l)(5) of the Internal Revenue Code. The Conservator shall be

authorized to utilize and apply any such preserved NOLs on any federal income tax returns filed for CastlePoint or the Trust.

Section 2.4. Tax Compliance From and After the Effective Date. For taxable years commencing January 1, 2016, and subsequent years, the Conservator shall cause CastlePoint to file either stand-alone or consolidated federal income returns, as the Conservator deems appropriate in his sole discretion, including the items of income, gain, loss, deduction, and credit of CastlePoint and/or any subsidiaries of CastlePoint that may be properly includable in a consolidated federal income tax return (such subsidiaries, with CastlePoint, the “CastlePoint Tax Group”).

ARTICLE 3

ESTABLISHMENT AND ADMINISTRATION OF SHAREHOLDER TRUST

Section 3.1. Establishment of Shareholder Trust. On the Effective Date, the Conservator shall establish the Shareholder Trust by executing the Trust Agreement, substantially in the form attached hereto as Exhibit A. The Conservator shall be the Trustee of the Trust, and shall be primarily charged with holding the New CastlePoint Stock for the benefit of all of CastlePoint’s allowed policyholders, claimants, creditors and historical shareholders, in such a manner as is intended to meet the requirements of section 382(l)(5) of the Internal Revenue Code.

Section 3.2. Optional Transfer of CastlePoint’s Residual Assets and Liabilities to Trust. At any time after the Effective Date, the Conservator may transfer or cause to be transferred to the Trust all then-extant assets and liabilities of CastlePoint, as authorized under section 1017(b) of the Insurance Code. In addition to holding the New CastlePoint Stock for the benefit of CastlePoint’s allowed creditors and historical shareholders, the Trust will also serve to (i) ensure that any of CastlePoint’s remaining assets, if and when transferred, are well managed

and that maximum value is realized from them in order to protect the rights and interests of policyholders and creditors; and (ii) facilitate the sale or other disposition of CastlePoint's corporate shell (the charter and all insurance licenses and/or certificates of authority), which sale shall be free of all of CastlePoint's liabilities, as authorized under section 1017(b) of the Insurance Code. In the event of such transfer of CastlePoint's assets and liabilities to the Trust, the assets held in the Trust will be available to pay all allowed claims against CastlePoint, but strictly in accordance with the priorities established by section 1033(a) of the Insurance Code. The Conservator may also direct that all amounts due and payable to CastlePoint, including without limitation all reinsurance receivables, be paid into the Trust.

Section 3.3. Administration of the Trust. The Commissioner shall administer the Trust for the benefit of CastlePoint's policyholders, creditors and historical shareholders and shall distribute the assets of the Trust consistent with the Insurance Code. The Commissioner shall operate the Trust and pay allowed claims in such fashion as to effectuate the priorities of payment set forth in Insurance Code section 1033(a).

Section 3.4. New CastlePoint Stock Subsequent Transfer Restrictions. To the extent the requirements of section 382(l)(5) of the Internal Revenue Code are otherwise met in connection with the transfer of the New CastlePoint Stock pursuant to this Plan, the New CastlePoint Stock may not be subsequently transferred in a transaction that would result in an ownership change of CastlePoint under section 382(l)(5)(D) of the Internal Revenue Code without the approval of the Commissioner or the Court. The Commissioner and the Trust may impose restrictions on the transfer of the New CastlePoint Stock as necessary to meet the limitations contained in section 382(l)(5)(D) of the Internal Revenue Code.

Section 3.5. Corporate Structure Following Establishment of Trust and Transfer of CastlePoint Stock. Upon establishment of the Trust and issuance of the New CastlePoint Stock, CastlePoint will be wholly owned by the Trust, which shall be administered by the Commissioner for the benefit of CastlePoint's historical shareholders and creditors.

ARTICLE 4

PRIORITY OF CLAIMS

Section 4.1. Claim Priorities. Except as provided for in Article 2 of this Plan, nothing in this Plan shall be construed to alter or modify the obligation of the Conservator to administer and pay any claims against CastlePoint strictly in compliance with the claim priority classes set forth in section 1033(a) of the Insurance Code, which provides for the payment of claims in the following priority:

Class 1: Expenses of Administration – All costs and expenses incurred by the Conservator in the course of administering the liquidation of CastlePoint.

Class 2: Policyholder Claims – All claims covered or payable under the terms of an insurance policy issued by CastlePoint. Class 2 includes claims of the California Insurance Guarantee Association and similar guarantee associations in other states based on the payment of CastlePoint's policyholder claims pursuant to applicable guarantee association statutes.

Class 3: Federal Priority Claims – All claims having preference by the laws of the United States, including federal income tax claims of the IRS. Claims for taxes on operating income related to or generated by fluctuations in CastlePoint's policyholder claim reserves during the course of CastlePoint's liquidation are included within Class 3 and shall be calculated and treated as specified in Section 4.3 of this Plan.

Class 4: Examination Fees – All fees owing to the California Department of Insurance on account of pre-conservation or pre-liquidation audits and financial examinations of CastlePoint.

Class 5: State Taxes – Taxes due to the State of California.

Class 6: California Priority Claims – All claims having preference under California law.

Class 7: CastlePoint Creditor Claims – All claims of creditors not included in Classes 1 through 6.

Class 8: Subordinated Creditor Claims – All claims based on certificates of contribution, surplus notes, or similar subordinated debt obligations, and premium refunds on assessable policies. CastlePoint has no known liabilities that fall within Class 8.

Class 9: Shareholder Equity Claims – All claims to the residue, if any, of the CastlePoint liquidation estate based on the ownership of CastlePoint's common stock. The sole member of Class 9 will be SUAI, as the holder of CastlePoint stock immediately prior to the Effective Date, it being understood that all claims of SUAI to the residue of the estate of CastlePoint (after satisfaction of the foregoing classes of claims) shall be allowed in the Conservation Proceeding.

Section 4.2. Rights of All Claimants And Creditors Fixed at Liquidation. Nothing in this Plan shall alter the application of Insurance Code section 1019 or the provisions or effect of a liquidation order entered by the Court with respect to CastlePoint, fixing the rights of all creditors as of date of entry of the Conservation Order (“Rights Fixed Date”).

Section 4.3. IRS Tax Claims Based On Policyholder Claim Reserve Adjustments: The Conservator is authorized to make periodic adjustments to CastlePoint’s financial statements to reflect changes in the stated reserves against CastlePoint’s policyholder claim liabilities. The reserves against CastlePoint’s policyholder claim liabilities constitutes the Conservator’s current estimate of the ultimate cost of CastlePoint’s liability on account of Class 2 policyholder claims that existed as of the Rights Fixed Date. Because CastlePoint’s Class 2 policyholder claim liabilities are paid over extended periods of time, the final ultimate value of claims within Class 2 will require reasonable estimation by the Conservator, in reliance on loss reserve studies prepared by a consulting actuary. Any claim of the IRS for taxes arising from operating income generated by reductions in CastlePoint’s stated policyholder loss reserves at any time from and after the Rights Fixed Date shall be allowed and paid, if at all, as priority Class 3 under section 1033(a)(3) of the Insurance Code, as such reductions constitute an updated estimate of class 2 liabilities incurred and existing as of the Rights Fixed Date. Thus, the Conservator has determined that the actual payment or distributions from the estate to the IRS of post-liquidation

taxes arising from operating income generated solely from reductions in stated policyholder loss reserves would constitute an unlawful preference of Class 3 (IRS tax claims and/or federal priority claims) over Class 2 (policyholder claims) in violation of section 1033(a) of the Insurance Code. The Conservator may grant the IRS an allowed Class 3 claim on account of such operating income, but no distribution may be made to the IRS until such time as all claimants within Class 2 have received distributions equal to 100% of the principal amount of their claims together with any post-conservation interest as is required to be paid pursuant to section 1033(a) of the Insurance Code. This Section 4.3 is declarative of and not a modification to the applicable provisions of the Insurance Code and the Insurance Liquidation Statute.

ARTICLE 5

CONSERVATION AGREEMENT

Section 5.1. Incorporation of Conservation Agreement. The provisions of the Conservation Agreement, in the form attached hereto and incorporated herein as Exhibit B, are incorporated into and made a part of this Plan. The obligations of the Parties to the Conservation Agreement to proceed with the transactions described in the Conservation Agreement are subject to the fulfillment, satisfaction or written waiver of each of the conditions precedent set forth in the Conservation Agreement.

Section 5.2. Timing of Closing of Conservation Agreement. The closing of the transactions described in the Conservation Agreement shall occur on a date to be determined among the Parties to the Conservation Agreement, provided, however, that such closing date shall be on a date after the Effective Date and the Conservator's completion of the actions set forth in Article 2 and Article 3 of this Plan.

ARTICLE 6

CONDITIONS PRECEDENT TO EFFECTIVE DATE

Section 6.1. Conditions Precedent to the Effective Date. Except as otherwise expressly provided herein, the obligations of the Conservator and/or CastlePoint to proceed with the transactions and actions described in this Plan are subject to the fulfillment, satisfaction or written waiver of each of the following conditions precedent:

Section 6.1.1. Approvals and Consents. The Court shall have issued its Approval Order, and the Commissioner and/or CastlePoint shall have received all other consents, approvals and certifications, in form and substance reasonably satisfactory to each of them, of the Court and any other third parties or government entities whose consent, approval or certification is required for the consummation or implementation of the transactions contemplated by this Plan.

Section 6.1.2. No Prohibition. There shall not have been any action taken, or any statute, regulation, judgment or order enacted, entered or issued which, directly or indirectly (i) prohibits or makes illegal the consummation of the transactions contemplated by this Plan, (ii) imposes any material conditions or limitations on the ability of CastlePoint, or the Conservator to exercise full rights under this Plan, or (iii) imposes any material conditions or limitations on CastlePoint or the Conservator on all or a material portion of the respective businesses or assets to be owned by them after the consummation of the transactions contemplated by this Plan.

Section 6.2. Termination. This Plan shall terminate upon the failure of any of the conditions precedent set forth in this Article 6 to have been satisfied on or prior the Effective Date, unless the Effective Date is extended by agreement with the Conservator and the Parties to the Conservation Agreement. In the event of the termination of this Plan, this Plan shall become

void and have no effect, and the Conservator shall proceed with the statutory conservation and liquidation of CastlePoint pursuant to the Conservation Order, the Insurance Liquidation Statute, and any liquidation order or other orders as may be entered by the Court. Notwithstanding the foregoing, the termination of this Plan shall not result in the termination of the Conservation Agreement, which is subject to termination solely in accordance with its terms pursuant to Section 8.4 thereof.

ARTICLE 7

LIQUIDATION OF CASTLEPOINT

Section 7.1. Application for Liquidation Order. At such time as the Conservator determines, in his sole discretion, the Conservator may file an application pursuant to section 1016 of the Insurance Code for entry of an order of liquidation for CastlePoint, provided, however, that in the event this Plan is approved by the Court and becomes effective, the Conservator's liquidation application shall be filed after the Effective Date and after the Closing of the Conservation Agreement. Notwithstanding anything to the contrary in this Plan or the Conservation Agreement, in the event this Plan is terminated pursuant to Article 6, the Conservator may file his liquidation application at any time.

ARTICLE 8

INDEMNIFICATION

Section 8.1. Indemnification From CastlePoint and the Trust. Pursuant to section 1035 of the Insurance Code, all costs and expenses of employing special deputy commissioners, clerks, and assistants appointed to carry out the Commissioner's obligations under the Insurance Liquidation Statute, and all expenses of taking possession of, conserving, conducting, liquidating, disposing of, or otherwise dealing with the business and property of CastlePoint, shall be paid out of the assets of CastlePoint. Accordingly, CastlePoint and the Trust (and not

the Commissioner) shall hold the Commissioner, including in his capacities as Conservator and as Trustee of the Trust, and all of the Commissioner's agents, clerks and assistants (collectively, the "Indemnified Parties"), harmless against, and pay, any and all damages, losses, obligations, liabilities, claims, actions or causes of action, encumbrances, costs and expenses (including, without limitation, reasonable attorneys' fees, interest and penalties) (collectively the "Claims"), as such Claims are suffered, sustained, incurred or required to be paid by the Indemnified Parties arising out of the implementation or execution of this Plan or the transactions contemplated by this Plan.

Section 8.2. Procedures. If a Claim is brought against an Indemnified Party, the Claim shall be presented to CastlePoint and/or the Trust, which entities shall assume the defense of such Claim with counsel satisfactory to the Indemnified Party, provided, however, that neither CastlePoint nor the Trust shall be liable to the Indemnified Party under this Article 8 for any fees of other counsel or any other expenses with respect to the defense of such Claim, in each case subsequently incurred by the Indemnified Party in connection with the defense of such Claim, other than reasonable costs of tendering the Claim.

ARTICLE 9

GENERAL PROVISIONS

Section 9.1. Expenses. All expenses incurred in connection with the authorization, negotiation, preparation, execution and performance of this Plan, including, without limitation, all fees and expenses of agents, representatives, attorneys, accountants and consultants, shall be paid from the assets of CastlePoint pursuant to section 1035 of the Insurance Code.

Section 9.2. Amendment. This Plan may be amended only in writing submitted to and approved by the Court in the Conservation Proceeding.

Section 9.3. Governing Law. This Plan shall be governed and construed in accordance with the laws of the State of California, including the Insurance Code, the Insurance Liquidation Statute, and all prior orders of the Court in the Conservation Proceeding, and jurisdiction and venue for any action arising under this Plan shall be in the Court.

Section 9.4. Gender and Person. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

Section 9.5. Notices. Any notice, request, demand, waiver, consent, approval or other communication required or permitted to be made hereunder to CastlePoint or the Conservator shall be in writing and shall be deemed given only if delivered by hand, or mailed by certified or registered mail with postage prepaid and return receipt requested, or sent by facsimile transmission (with confirmation of receipt), as follows:

Conservation & Liquidation Office
100 Pine Street, 26th Floor
San Francisco, CA 94111
Attention: David E. Wilson, CEO

-and-

Orrick, Herrington & Sutcliffe LLP
400 Capitol Mall, Suite 3000
Sacramento, CA 95814-4407
Attention: Thomas J. Welsh, Esq.

or to such other address as may be designated by the Conservator, and posted to the web site of the Commissioner's CLO (www.caclo.org). Such notice, request, demand, waiver, consent, approval or other communication will be deemed to have been given as of the date so delivered, sent by facsimile (with confirmation of receipt) or mailed.

Section 9.6. Severability. If any provision of this Plan is held by a court of competent jurisdiction to be invalid, illegal or unenforceable, the remainder of the provisions of this Plan shall remain in full force and effect.

Section 9.7. Liability of the Commissioner. The Commissioner has promulgated this Plan only in his representative capacity as Conservator of CastlePoint, and not individually. The Commissioner shall not have any personal liability in any capacity for any matters or obligations hereunder, and further that the State of California is not a party and shall have no liability with respect hereto.

EXECUTION

IN WITNESS WHEREOF, the Conservator executes and adopts this Plan by and on behalf of CastlePoint, as of the day and year first above written.

Dave Jones, Insurance Commissioner of the State of California, in his capacity as Conservator of CastlePoint National Insurance Company

By: David E. Wilson
David E. Wilson
Special Deputy Insurance Commissioner
CEO— Conservation & Liquidation Office

Exhibit A

Trust Agreement

**SHAREHOLDER TRUST AGREEMENT
FOR CASTLEPOINT NATIONAL INSURANCE COMPANY**

This Shareholder Trust Agreement for CastlePoint National Insurance Company (the “Trust Agreement”) is executed and entered into as of _____, 2016, by California Insurance Commissioner Dave Jones, acting solely in his capacity as statutory conservator (the “Conservator”) of, and on behalf of, Castlepoint National Insurance Company (“CastlePoint”), and California Insurance Commissioner Dave Jones, acting solely in his official capacity as the Insurance Commissioner, and including his successors as Insurance Commissioner of the State of California and his designees (the “Trustee”).

RECITALS

A. On July 28, 2016, the Insurance Commissioner filed a verified application in the Superior Court of San Francisco County (the “Court”) pursuant to Insurance Code section 1011 to place CastlePoint into statutory conservation. The proceeding concerning the conservation of CastlePoint is entitled *Insurance Commissioner of the State of California v. CastlePoint National Insurance Company*, San Francisco Superior Court Case No. _____ (the “Conservation Proceeding”).

B. The Court granted the Commissioner’s application and issued its *Order Appointing Commissioner as Conservator and Restraining Orders* (“Conservation Order”). Pursuant to the Conservation Order, the Commissioner was formally appointed as the statutory Conservator of CastlePoint.

C. At the time of the commencement of the Conservation Proceeding, CastlePoint was a wholly owned subsidiary of Specialty Underwriters Alliance, Inc. (“SUAI”), which in turn was a member of a multi-entity insurance holding company group under the common control of

Tower Group International, Ltd. (“TGI”). CastlePoint was also a member of a consolidated taxpayer group for federal tax compliance purposes, the lead taxpayer of which was Condor 2 Corporation, a Delaware corporation (“Condor”). At all times prior to the Effective Date of this Trust Agreement, SUAI was the sole shareholder of all issued and outstanding shares of CastlePoint stock and no changes in control over CastlePoint had occurred.

D. On July 28, 2016, the Conservator adopted, contingent on court approval, a Plan of Conservation and Liquidation for CastlePoint National Insurance Company, a copy of which is attached hereto and incorporated herein as Exhibit A (“Plan”) and thereafter filed a motion in the Court seeking approval to effect and implement the Plan (“Plan Motion”). The Plan provides for, among other things, the definitive deconsolidation of CastlePoint from the consolidated tax group of which Condor is the lead taxpayer, on terms intended to preserve, pursuant to section 382(l)(5) of the Internal Revenue Code, all accrued but unapplied net operating losses incurred by CastlePoint since 2014 (“NOLs”) for utilization by CastlePoint in future tax returns, if necessary. The Plan requires the creation on the Effective Date of a trust, the principal purpose of which is to provide a vehicle to hold newly issued stock of CastlePoint for the benefit of SUIA CastlePoint’s creditors.

E. On _____, 2016, the Court approved the Conservator’s Plan Motion, and entered its *Order Approving and Adopting Conservation and Liquidation Plan for CastlePoint National Insurance Company*, in which the Court found and determined that Plan is fair and equitable to, and in the best interests of, the policyholders and creditors of CastlePoint, and all other interested parties, and may be implemented forthwith by the Conservator.

F. This Trust Agreement establishes the Shareholder Trust required under the Plan, as approved by the Court.

NOW, THEREFORE, having received the approval of the Court, the Conservator hereby executes this Trust Agreement in order to constitute and establish a Trust for the benefit of CastlePoint's creditors, as follows:

ARTICLE I

THE TRUST

1.1 Declaration of Trust. The Trust is hereby established pursuant to the Plan, as approved by the Court on _____ 2016. Pursuant to the Plan, the Trust became effective on the Effective Date. The Trustee, in his official capacity as an officer of the State of California and not in his individual capacity, hereby accepts the role and responsibilities as Trustee of the Trust.

1.2 Purpose. The purposes of the Trust shall be (i) to receive and hold in trust the New CastlePoint Stock, together with any additions thereto and changes therein, pursuant to the Plan for the benefit of SUIA and the creditors of CastlePoint; (ii) to manage the New CastlePoint Stock, including exercising all rights and privileges thereto as the sole shareholder of CastlePoint; and (iii) to distribute, from time to time, in such manner as the Trustee may see fit that complies with the Plan, this Trust Agreement and the provisions of Insurance Code section 1033(a), any funds, dividends or other distributions received from CastlePoint or the Conservator on account of the New CastlePoint Stock and any other assets of the Trust. The Conservator may make or direct additional transfers into the Trust, and may direct payments into the Trust by third parties, which assets and the New CastlePoint Stock shall collectively constitute the Trust Assets.

1.3 Tax Treatment of Trust. It is the intention and agreement of the parties that the Trust Assets shall be treated for federal, state, local and other tax purposes as owned by the beneficiaries of the Trust, pursuant to the applicable trust rules under the Internal Revenue Code

of 1986, as amended, and the regulations promulgated thereunder and any subsequent federal, state, local or other revenue act replacing, amending or modifying such trust rules ("Code"), that all income of the Trust, whether allocated to income or principal for purposes of the laws of the State of California governing trust accounting, shall be allocable to the beneficiaries for federal, state, local and other tax purposes, and that distribution of income and principal from the Trust are considered to be payments to or on behalf of CastlePoint's creditors to satisfy claims against CastlePoint in Conservation or liquidation.

Notwithstanding the foregoing, the Trust shall not be obligated for any federal, state or local income taxes (or any interest, penalties or additions to tax applicable thereto) attributable to any income of CastlePoint, including, without limitation, any failure of CastlePoint to fully and accurately report all income and timely file all required federal, state and local income tax returns, if any. In the event of any administrative procedure or litigation with the Internal Revenue Service (or other taxing authority) concerning the federal, state or local income taxation of the Trust or of CastlePoint with respect to Trust Assets, all reasonable costs, including attorneys' fees, with respect to such administrative procedure or litigation, shall be paid by the Trustee from Principal or Income of the Trust, or alternatively by the estate for CastlePoint as an expense of administration under Insurance Code section 1033(a)(1).

1.4. Trust Offices. The principal place of the administration of the Trust shall be in San Francisco, California, at the offices of the Trustee's Conservation & Liquidation Office, 100 Pine Street, 26th Floor, San Francisco, CA, 94111, or such other place within the continental United States as the Trustee shall from time to time determine. The Trust may have such other offices or places of administration as the Trustee may from time to time determine.

ARTICLE II
THE TRUSTEE

2.1 Trustee and Deputy Trustee. The Trust shall be administered by the Trustee. The Trustee shall have the power and authority to designate a deputy Trustee ("Deputy Trustee") to administer the Trust on his or her behalf. The Deputy Trustee shall, subject to the discretion of the Trustee, have all of the power and authority otherwise granted to the Trustee and may be replaced by the Trustee by the written designation of a substitute Deputy Trustee. Any reference to the powers and duties of the Trustee in this Agreement shall be deemed to also refer to the Deputy Trustee. All persons dealing with the Trust shall have the right to rely on the acts of such Deputy Trustee as if such acts were the acts of the Trustee. The Trustee hereby designates David E. Wilson as the Deputy Trustee. The Trustee or the Deputy Trustee may retain and appoint counsel for the Trust ("Counsel"), who shall serve subject to the right of the Trustee to substitute Counsel by a written substitution. This Trust is created to facilitate the transactions to which it relates and is not intended in any way to modify the rights, duties and obligations of those persons and entities who have claims against CastlePoint or those against whom CastlePoint has claims. Notwithstanding anything to the contrary in this Trust Agreement, in the Plan or in the related documents thereto, the rights, duties and obligations of all persons and other entities interested in the assets of CastlePoint or against which CastlePoint has any claim, action, chose in action, suit or other right of any kind or nature, choate or inchoate, in law or in equity shall remain unchanged, and such rights, duties and obligations shall not otherwise be expanded or contracted by this Trust Agreement, the Plan or any other document; specifically at all times, the rights, debts, claims and obligations of all such persons and entities shall continue to be subject to the provisions of Article 14 of the Insurance Code (Section 1010, et seq.), including, but not

limited to Sections 1019, 1020, 1021, 1023, 1024, 1025, 1025.5, 1026, 1026.1, 1027, 1028, 1029, 1030, 1030.5, 1031, 1032, 1033, 1034, 1035.5, and 1058. Further, in dealing with any Trust Assets the Trustee shall have all the powers set out in Section 1037 of the Insurance Code, together with all rights and powers as sole shareholder of CastlePoint. The Trust may enter into such agreements, litigation, actions, settlements, covenants, and the like, as the Trustee shall, in good faith, deem necessary or advisable. In no event shall the Trustee or Deputy Trustee be personally liable for any action taken in good faith and without willful misconduct or gross misconduct.

2.2 Costs of Trust Administration. All Administration Costs incurred by the Trustee or Deputy Trustee in the administration of this Trust shall be treated as an expense of administration of the liquidation estate of CastlePoint, payable in accordance with Insurance Code sections 1033(a)(1), 1035 and 1036.

2.3 Resignation. The Trustee or the Deputy Trustee may resign at any time by giving notice in writing to the Conservator. Such resignation shall be effective on the date it is given or at such later time as is specified in the notice. In addition, the capacity of the Deputy Trustee shall terminate automatically at any time that the Deputy Trustee ceases to be a duly sworn Special Deputy Insurance Commissioner.

2.4 Successor Trustee or Deputy Trustee. If either the Trustee or the Deputy Trustee resigns or is otherwise unable or unwilling to act during the term of the Trust, a successor shall be selected as follows: (a) the successor Trustee shall be the Insurance Commissioner's successor in office; and (b) the successor Deputy Trustee shall be the successor Chief Executive Officer or acting Chief Executive Officer of the Commissioner's Conservation & Liquidation Office, or such other person as may be appointed by the Trustee pursuant to Section 2.1. No Court

approval shall be required in the event of the appointment of a successor Trustee or Deputy Trustee pursuant to this Section 2.4. No individual beneficiary of the Trust shall have any rights with respect to the selection of the Trustee or the Deputy Trustee, or any successor thereto. Title to the Trust Assets shall vest in the successor Trustee upon his written acceptance of his or her selection without further act or conveyance. Each successor Trustee shall have the same powers, rights and duties, whether discretionary or otherwise, as given the initial Trustee.

2.5 Trustee's Powers. In conformance with the powers conferred upon the Conservator, the Trustee shall have all such further powers as shall be necessary or appropriate for the effective administration of the Trust, including, but not by way of limitation, the following powers:

2.5.1 To hold any property received into the Trust as long as the Trustee may deem advisable;

2.5.2 For the entire term of the Trust, to market, sell, convert, assign, convey, exchange, transfer, pledge, encumber, or otherwise dispose of, or grant options with respect to, any of the property comprising the Trust Assets at public or private sale, for such consideration and upon such terms and conditions as the Trustee deems advisable, and without liability on the part of the purchaser to see to the application of the purchase money or to inquire into the validity or propriety of such sale; and to execute and deliver good and sufficient deeds or other evidences of title for any assets, conveying title free and clear of the Trust. Notwithstanding the foregoing, the sale, assignment, transfer or the disposition of the Trust Assets, and in particular the New CastlePoint Stock, shall be subject to the transfer restrictions set forth in the Plan;

2.5.3 To manage and operate the Trust and any and all of the property or assets at any time held hereunder; to lease all or any part of real or personal property on such terms,

rentals and conditions as the Trustee shall deem advisable, notwithstanding the fact that the terms of such leases may extend beyond the life of the Trust; to release, partition, vacate or abandon the same; to grant and acquire licenses and easements with respect thereto; to make improvements to or upon the same; to construct, demolish, alter, repair, maintain and rebuild buildings and other improvements; and to use other assets of the Trust for any of the foregoing purposes;

2.5.4 To borrow money for the benefit of the Trust from any source, upon such terms and for such periods as the Trustee may deem advisable; to evidence such borrowing by promissory notes, bonds or other evidences of indebtedness; and to secure the payment of the same by pledge, deed of trust or mortgage of the Trust Assets;

2.5.5 To join in or to dissent from and oppose the reorganization, recapitalization, consolidation, merger, liquidation, or sale of corporations or properties in which the Trust has an interest;

2.5.6 To hold all or any portion of the Trust Assets in the name of the Trustee or of a nominee, with or without disclosure of the Trust;

2.5.7 To prosecute, defend, compromise, arbitrate or otherwise adjust or settle claims in favor of or against the Trustee or the Trust;

2.5.8 To delegate the administration of any particular property or portion of the Trust Assets to such individuals or corporations as the Trustee may deem advisable, including, without limitation, delegation to the Deputy Trustee and Counsel ("Delegates"); to convey or cause to be conveyed for such purpose to the Delegates the title to any such property under such conditions and restrictions as the Trustee may deem proper; to grant with respect to such property, any part or all of the powers hereunder. The Trustee shall not be liable for the conduct

of the Delegates if reasonable care is taken in the selection thereof, but any such delegate shall be and remain obligated to account to the Trustee for any such property and all avails therefrom;

2.5.9 To employ and compensate, out of Trust Assets, agents, accountants, attorneys-in-fact, attorneys-at-law, tax specialists, brokers, and other assistants, employees and advisers ("Employees") as deemed necessary by the Trustee for the proper administration of the Trust, without liability for any misconduct, neglect, default or omission of any such Employee, provided reasonable care is exercised in the selection and employment thereof;

2.5.10 To effect fire, rent, title, liability, casualty, or other insurance of any nature, in any form and in any amount;

2.5.11 To reimburse the Trustee from the Trust Assets for any loss or expense incurred by reason of the Trustee's ownership or holding of any property in the Trust; to reimburse the Trustee from the Trust Assets for all claims, losses, damages, expenses, charges and costs (including, without limiting the generality of the foregoing, counsel fees, expenses and liabilities incurred in prosecuting or defending any claim, suit or action) which result from the performance of the Trustee's duties hereunder, and are not attributable to the Trustee's willful default or willful neglect; all such expenses incurred in defending any action or suit may be paid by the Trust to the Trustee as incurred by him, even though such payment may be made in advance of the final disposition of such action or suit;

2.5.12 The Trustee shall have full power, authority and discretion to deal with any situation which may arise respecting the Trust or any part thereof in such manner as the Trustee shall deem advisable and in the best interests of the Trust. The grant to the Trustee of any specific power, authority or discretion, or the failure to grant specifically herein any other power, authority or discretion, except as expressly provided otherwise in this Trust Agreement,

shall not be construed to limit or curtail in any way or to any extent said full and complete power, authority and discretion of the Trustee, which shall be exercisable at all times by the Trustee respecting any and all matters of whatsoever character pertaining to the Trust or any part thereof;

2.5.13 To perform all obligations of the Trust or the Trustee which survive the Closing of the Plan;

2.5.14 To withhold all applicable taxes from any distribution made to any beneficiary of the Trust, if the Trustee reasonably believes that the Trustee is or may be required to withhold such taxes, and to distribute such withheld taxes either to: (i) the appropriate governmental agency responsible for the collection of such taxes; or (ii) to the beneficiary from whom such taxes were withheld, but only upon presentation to the Trustee of a final, non-appealable order from a court or from the governmental agency responsible for the collection of such taxes;

2.5.15 To establish such reserves as the Trustee may, in his sole discretion, deem necessary or appropriate, including without limitation, reserves for the payment of any and all taxes of any kind and for the satisfaction of the obligations of the Trust pursuant to Paragraph 3.4 above, and reserves for potential disbursements to be required in the future to meet the purposes of this Trust; and

2.6 Compensation. The Trustee may be entitled to reasonable compensation and shall be entitled to reimbursement for out-of-pocket expenses. The Trust may pay reimbursable expenses directly.

2.7 Immunity from Personal Liability. Neither the Trustee nor the Deputy Trustee shall be liable for any act, omission or error of judgment in the administration of the Trust, unless

such liability results solely from the Trustee or Deputy Trustee's willful misconduct or fraudulent conduct.

2.8 No Bond Required. The Trustee shall not be required in this or any other jurisdiction to furnish any bond or security for the faithful performance of his duties.

2.9 No Duty To Diversify. The Trustee shall have no duty to diversify Trust assets. The Trustee's sole duty is to liquidate and distribute Trust Assets in accordance with the Plan, this Trust Agreement and the Insurance Code.

ARTICLE III

DEFINITIONS

3.1 Definitions. Any capitalized term which is used and not otherwise defined herein shall have the meaning ascribed thereto in the Plan or the Plan Motion. In addition, the following words or phrases when used shall have the following meaning:

"Administration Costs" means, without limitation, all expenses incurred in connection with the Trust Assets or with its administration and management, including taxes assessed on any portion thereof (e.g., excise or property taxes), premiums on insurance, repairs on properties, office expenses, Trustee's fees, postage, salaries and benefits of any employees deemed necessary by the Trustee, fees of attorneys or other professionals retained by the Trustee, costs of prosecuting, maintaining or defending any action or lawsuit, accounting fees, any amounts due to CastlePoint pursuant to any tax sharing, reimbursement or similar arrangement, and all other costs, expenses and fees incurred by the Trust.

"Code" has the meaning set forth in Section 1.3.

"Deputy Trustee" has the meaning set forth in Section 2.1.

"Effective Date" means the date on which the Plan became effective pursuant to its terms.

"TGI" has the meaning set forth in Recital C.

"Condor" has the meaning set forth in Recital C.

"Income" means all receipts of money or other property received or other return derived from Trust Assets.

"CastlePoint" has the meaning set forth in the Preamble.

"Conservator" has the meaning set forth in the Preamble.

"Court" has the meaning set forth in Recital A.

"Conservation Order " has the meaning set forth in Recital B.

"Conservation Proceeding" has the meaning set forth in Recital A.

"Net Income" means, for purposes of making distributions, all Income after payment of Administration Costs, and other applicable charges and expenses incurred by the Trust.

"Net Sales Proceeds" means the gross proceeds received, in cash or other property, from the disposition of any Trust Assets, less any commissions paid or direct cost incurred in the disposition of such Trust Assets.

"NOLs" has the meaning set forth in Recital D.

"Person" means a natural person, firm, association, general partnership, limited partnership, corporation, public body or any other type of legal entity.

"Plan" has the meaning set forth in Recital D.

"Plan Motion" has the meaning set forth in Recital D.

"Principal" means the New CastlePoint Stock, plus any substitutions, replacements or other property received in exchange therefor.

"Trust" means the trust established by this Agreement.

"Trust Agreement" means this Agreement, as and when amended from time to time by the Trustee.

"Trust Assets" means the New CastlePoint Stock issued and delivered to the Trustee pursuant to the Plan, together with any additions thereto and changes therein.

"Trustee" means the Insurance Commissioner of the State of California and his successors in office.

ARTICLE IV

CERTIFICATES OF BENEFICIAL INTEREST

4.1 Certificates. Beneficial interests in the Trust may be evidenced, in the sole discretion of the Trustee, by a certificate or certificates, which shall be in such form as the Trustee may from time to time prescribe.

4.2 Rights of Certificate Holders. The certificate holders, if any, shall have no legal title or interest in the individual assets comprising the Trust Assets and no right to a partition thereof, except as expressly provided in the Agreement and determined by the Trustee.

ARTICLE V

DISTRIBUTIONS

5.1 Retention of Trust Assets: The Trustee may, in his sole discretion, retain and not distribute any and all amounts of the Net Income, Net Sales Proceeds or Principal as the Trustee may determine are reasonably necessary to perform the functions and purposes of the Trust, or

for any and all Administrative Costs incurred or to be incurred in the operation and management of the Trust during the term of the Trust.

5.2 Distribution of Trust Assets: If the Trustee, in his sole discretion, determines that the express purpose of the Trust has been fulfilled, the Trustee shall distribute the Trust Assets, or any Net Sales Proceeds, to SUAI and CastlePoint's creditors in accordance with the priorities set forth in Insurance Code Section 1033.

ARTICLE VI

TRUST TERM & TERMINATION

6.1 Term: The Trust shall expire on December 31, 2023, unless extended after such date by the Trustee.

6.2 Termination: The Trust shall terminate automatically upon the occurrence of the earlier of the following events:

6.2.1 The date when all potential distributions or income on account of the Trust Assets have been received by the Trust and distributed pursuant to the beneficiaries of the Trust pursuant to Article Five;

6.2.2 The date on which the Trustee determines, in his sole discretion, that (a) the Trust Assets have no realizable value and cannot reasonably be anticipated to have any realizable value and should be abandoned, and (b) that no other benefit to CastlePoint or its creditors, including any benefit from the continued preservation of the NOLs, can reasonably be derived from maintaining the Trust; or

6.2.3 The effective date of the final discharge of the Conservator from his statutory duties related to CastlePoint, as determined by the Court in the Conservation Proceedings.

ARTICLE VII

REPORTS & RECORDS

7.1 Reports to Conservator. If requested by the Conservator, the Trustee shall transmit to the Conservator, not later than ninety (90) days after the end of each fiscal year of the Trust, or such shorter intervals as the Conservator may request, a report which shall contain:

7.1.1 A statement by the Trustee as to the Trust's operations during the period covered by the report, including a schedule of the Net Income and Net Sales Proceeds earned or received by the Trust during the fiscal period;

7.1.2 A statement by the Trustee as to negotiations and prospects for the liquidation of the Trust Assets;

7.1.3 A statement by the Trustee as to the current address for mailing notices to the Trustee;

7.1.4 Financial statements consisting of a statement of assets and liabilities, and statement of operations, both prepared in accordance with generally accepted accounting principles or liquidation basis of accounting, applied on a consistent basis, or in such other format as the Conservator may request.

7.2 Tax Information. If the Trust is ever determined to be a grantor trust for federal income tax purposes, the Trustee shall provide the Conservator, within ninety (90) days after the end of the fiscal year of the Grantor, such tax information attributable to the Trust's activities or investments as may be required to prepare the federal, state and local income tax returns of CastlePoint.

ARTICLE VIII

MISCELLANEOUS

8.1 Notice. Any notice required or permitted hereunder or which any party elects to give shall be in writing and delivered, either personally to the other party or the other party's authorized agent or by depositing such notice in the United States mail, certified mail, return receipt requested, postage fully prepaid (any notice given by mail as herein provided shall be deemed given when deposited in the United States mail), or via overnight delivery by a recognized national delivery service, addressed as follows:

8.1.1 If to the Trustee or Deputy Trustee:

David E. Wilson
Special Deputy Insurance Commissioner
Conservation & Liquidation Office
100 Pine Street, 26th Floor
San Francisco, CA 94111

8.1.2 If to the Conservator or CastlePoint:

Joe Holloway
Conservation Manager
CastlePoint National Insurance Company
Conservation & Liquidation Office
100 Pine Street, 26th Floor
San Francisco, CA 94111

8.2 Paragraph Headings. The paragraph headings herein are inserted for convenience only and shall in no way define, limit or prescribe the scope or intent of any provisions of the Trust.

8.2 Counterparts. This Trust Agreement may be executed in several counterparts and each such counterpart shall be deemed an original.

8.3 Gender. Wherever required by the context, the singular number shall include the plural number, the plural number shall include the singular number, the masculine gender shall include the neuter and feminine gender, the feminine gender shall include the masculine and neuter gender, and the neuter gender shall include the masculine and feminine gender.

8.4 Governing Law. This Trust Agreement shall be governed by the laws of the State of California.

[Signature Page Follows]

IN WITNESS WHEREOF, this Trust Agreement has been executed, as of the Effective
Date of the Plan, at San Francisco, California, on the ____ day of _____, 2016.

**CONSERVATOR, for and on behalf of
CASTLEPOINT NATIONAL INSURANCE
COMPANY**

By: David E. Wilson
Title: Chief Executive Officer

TRUSTEE

By: David E. Wilson

Exhibit B

**CASTLEPOINT NATIONAL INSURANCE COMPANY
CONSERVATION AGREEMENT**

BY AND AMONG

**DAVE JONES,
INSURANCE COMMISSIONER, STATE OF CALIFORNIA
IN HIS CAPACITY AS CONSERVATOR,
AND NOT IN HIS INDIVIDUAL CAPACITY, OF
CASTLEPOINT NATIONAL INSURANCE COMPANY**

AND

AMTRUST NORTH AMERICA, INC.

AND

NATIONAL GENERAL MANAGEMENT CORP.

AND

TECHNOLOGY INSURANCE COMPANY, INC.

AND

INTEGON NATIONAL INSURANCE COMPANY

AND

CASTLEPOINT REINSURANCE COMPANY LTD.

AND

MICHAEL KARFUNKEL FAMILY 2005 TRUST

DATED AS OF JULY 28, 2016

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CASTLEPOINT NATIONAL INSURANCE COMPANY CONSERVATION AGREEMENT

This Conservation Agreement, dated as of July 28, 2016 (the “Agreement”), is made and entered into by and among Dave Jones, Insurance Commissioner of the State of California (the “Commissioner”), solely in his capacity as the statutory conservator (together with his successors in office, the “Conservator”) of CastlePoint National Insurance Company, an insurance company organized under the laws of California (the “Company”); AmTrust North America, Inc. (“ANA” and the “Commercial Lines Administrator”), a Delaware corporation; National General Management Corp. (“National General” and the “Personal Lines Administrator” and, together with the Commercial Lines Administrator, the “Administrators”), a Delaware corporation; Technology Insurance Company, Inc., an insurance company organized under the laws of New Hampshire (“Technology”); Integon National Insurance Company, an insurance company organized under the laws of North Carolina (“Integon”); CastlePoint Reinsurance Company Ltd., a Bermuda Corporation (“CastlePoint Re”); and the Michael Karfunkel Family 2005 Trust, members of the Karfunkel family and Leah Karfunkel in her capacity as trustee thereof and not individually (collectively, the “Karfunkel Trust”). Each of the Conservator, the Company, the Administrators, Technology, Integon, CastlePoint Re and the Karfunkel Trust shall be referred to herein as a “Party” and, collectively, as the “Parties.”

RECITALS

A. In 2014, ACP Re, Ltd. (“ACP Re”), a Bermuda corporation acquired Tower Group International, Ltd. (“TGI”) and its subsidiaries, including the Tower Companies, subject to the implementation of a series of transactions in connection with the acquisition (the “Acquisition Transactions”), which provided for, among other things: (i) the run-off of the liabilities of TGI’s insurance subsidiaries pursuant to the Loss Portfolio Transfer Agreement

from each Tower Company to CastlePoint Re; (ii) the administration of the run-off, at cost, by ANA and National General; (iii) the issuance by AmTrust International and National General Re of a \$250,000,000 Stop Loss Reinsurance Contract (at a premium cost of \$56,000,000 due September 15, 2019) for the benefit of CastlePoint Re; and (iv) the sale to Affiliates of ANA and National General, respectively, of the commercial lines and personal lines renewal rights of the Tower Companies.

B. At the closing of the Acquisition Transactions, the Tower Companies' stated reserves for the business ceded pursuant to the Loss Portfolio Transfer Agreement were, subject to further evaluation, recorded at approximately \$1.383 billion. This incorporated approximately \$568 million of adverse development on accident years 2013 and prior. After a full year to further evaluate paid loss development, the Tower Companies have determined that the reserves for the business ceded pursuant to the Loss Portfolio Transfer Agreement have continued to develop adversely by more than \$400 million. Such adverse development gave rise to a statutory impairment of the Tower Companies and a determination that the continued operation of the Tower Companies outside of judicially supervised conservation would be hazardous to policyholders and the public, thus warranting conservation.

C. In coordination with the Regulator Group and in order to facilitate an orderly, efficient, consolidated conservation of the Tower Companies, on or about July 20, 2016, the Constituent Companies merged with and into the Company, with the Company as the surviving entity, which occurred with the consent of the applicable members of the Regulator Group.

D. On July 27, 2016, the Company was placed into conservation proceedings at the request of the Commissioner, pursuant to Section 1011 of the Insurance Code, which proceeding is pending before the Superior Court of San Francisco County, California (the "Conservation

Court”) in the action entitled [*Matter Caption*] (**Case No. [__]**) (the “Proceeding”). The Commissioner has been appointed as the statutory conservator of the Company in the Proceeding and, in that capacity, is the Conservator.

E. The Parties are now entering into this Agreement to set forth all material terms and provisions for a comprehensive, efficient and orderly plan of conservation and liquidation for the Company. The effectiveness and enforceability of this Agreement and the implementation of the Conservation Plan is expressly made subject to approval by the Conservation Court and the other conditions precedent set forth in this Agreement.

F. Pursuant to this Agreement and the Conservation Transaction Agreements described herein and attached hereto, at the Closing, among other things, the Karfunkel Trust will transfer or cause to be transferred the Closing Contribution Amount in Cash or Cash Equivalents to the Company to support the run-off of the liabilities of the Company.

G. Effective at, but not prior to, the closing of the transactions contemplated by this Agreement, (i) the Loss Portfolio Transfer Agreement will be commuted pursuant to the LPTA Commutation Agreement, such that CastlePoint Re will be fully and finally released from all liabilities thereunder effective as of the Closing Date, and in exchange therefor CastlePoint Re will transfer to the Company all of the assets of CastlePoint Re as of the Closing, including without limitation all of CastlePoint Re’s right, title and interest in and to the assets held by or in trust for the Company, on a funds withheld basis or otherwise, pursuant to the Loss Portfolio Transfer Agreement, and in connection with the release of CastlePoint Re from liabilities under the Loss Portfolio Transfer Agreement, (ii) the Stop Loss Reinsurance Contract will be commuted pursuant to the Stop Loss Reinsurance Commutation Agreement, such that each of the parties thereto will be fully and finally released from all liabilities and obligations thereunder,

and (iii) the Stop Loss Retrocession Contract will be commuted pursuant to the Stop Loss Retrocession Commutation Agreement, such that each party thereto will be fully and finally released from all liabilities and obligations thereunder.

H. This Agreement and the Conservation Transaction Agreements will be implemented through a Conservation Plan to be approved by the Conservation Court.

I. The Conservator has analyzed the proposed Conservation Plan and carefully considered the harm to the Company's policyholders and claimants that may arise from the only apparent alternative to the Conservation Plan, which is multi-state conservation or liquidation proceedings for some or all of the ten Constituent Companies in their six respective states of domicile.

J. Based on such analysis and consideration, and after consultation with the Regulator Group, the Conservator has determined that the Conservation Plan and the merger transactions that preceded it provide materially better protection and stability for the Company's policyholders and claimants than multi-state liquidations of the Constituent Companies.

K. Following the Closing, the Conservator, through the Administrators, will continue to administer the run-off of the Company during the term of the Conservation Plan in accordance with this Agreement and the Administrative Services Agreements.

L. The Parties intend (i) that the Conservation Plan and the transactions contemplated by this Agreement and the Conservation Transaction Agreements function as an interrelated, integrated whole, each such agreement and transaction being necessary consideration for the others, and (ii) that in the event that the Conservation Plan, this Agreement or any of the Conservation Transaction Agreements are not approved by the Conservation Court,

no Party shall have any obligation to consummate the transactions contemplated hereunder or thereunder.

Now, therefore, in consideration of the premises, covenants and conditions contained herein, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE 1

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Definitions. In this Agreement, unless otherwise specifically provided or the context so requires, the terms listed below shall have the following definitions and shall include the plural as well as the singular:

“ACP Re Quota Share Agreement” means the Quota Share Reinsurance Agreement, entered into on November 25, 2014 with an effective date of November 1, 2014, between the Company (including as successor by merger to the Constituent Companies) and ACP Re.

“Acquisition Transactions” has the meaning set forth in Recital A.

“Administrative Services Agreements” means the Commercial Lines Administrative Services Agreement and the Personal Lines Administrative Services Agreement.

“Administrators” has the meaning set forth in the first paragraph of this Agreement.

“Affiliate” means, with respect to a Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person.

“Agreement” has the meaning set forth in the first paragraph of this Agreement.

“AmTrust International” means AmTrust International Insurance, Ltd.

“ANA” has the meaning set forth in the first paragraph of this Agreement.

“Base Contribution Amount” means \$200,000,000.

“Business” means the Company’s business and operations consisting of the issuance and administration of any insurance policy that may give rise to claims payable under or within Section 1033(a)(2) of the Insurance Code.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions in the State of California are authorized or obligated by law or executive order to be closed.

“Cash or Cash Equivalents” means all cash, deposit or securities account balances, certificates of deposit or other financial instruments properly classified as cash or cash equivalents under GAAP.

“CastlePoint Re” has the meaning set forth in the Preamble.

“CDI” means the California Department of Insurance, acting solely in its statutory capacity as regulator of the business of insurance conducted in the State of California.

“CLO” means the Commissioner’s Conservation & Liquidation Office, established by the Commissioner to rehabilitate and/or liquidate, under Court supervision, troubled insurance enterprises domiciled in the State of California.

“Closing” means the closing of the transactions contemplated by this Agreement.

“Closing Contribution Amount” means the Base Contribution Amount *minus* the Closing Date Reduction Amount, if any.

“Closing Date” means 10:00 a.m., local time, on the date of Closing, as described in Article 10 of this Agreement.

“Closing Date Reduction Amount” has the meaning set forth in Section 5.2.

“Commercial Lines Administrator” has the meaning set forth in the first paragraph of this Agreement.

“Commercial Lines Administrative Services Agreement” means the Commercial Lines Administrative Services Agreement to be entered into between the Company and the Commercial Lines Administrator (or its designee) on the Closing Date substantially in the form of Exhibit A attached hereto (as such form may be modified from time to time by agreement among the Conservator and the parties to such agreement).

“Commercial Lines Cut-Through QSA” means the Commercial Lines Cut-Through Quota Share Reinsurance Agreement, dated January 3, 2014, between Technology and the Company (including as successor by merger to the Constituent Companies).

“Commercial Lines MGA Agreement” means the Commercial Lines Managing General Agent Agreement dated September 15, 2014, among the Company (including as successor by merger to the Constituent Companies), ANA and ACP Re.

“Commercial Lines QSA” means the Commercial Lines Quota Share Reinsurance Agreement, dated September 15, 2014, between Technology and the Company (including as successor by merger to the Constituent Companies).

“Commissioner” has the meaning set forth in the first paragraph of this Agreement.

“Company” has the meaning set forth in the first paragraph of this Agreement, or a successor in interest (other than the Administrators or any of their respective Affiliates).

“Conservation Court” has the meaning set forth in Recital D.

“Conservation Plan” means that certain plan for the administration of the runoff of the Company, consisting of this Agreement, the Conservation Transaction Agreements, the Plan of Conservation & Liquidation, any motions and supporting documents filed by the Conservator with the Conservation Court and the Conservation Plan Approval Order.

“Conservation Plan Approval Order” means the order of the Conservation Court approving the Conservation Plan and approving and expressly authorizing the Conservator to enter into or perform all acts and transactions contemplated under this Agreement, and the Conservation Transaction Agreements (including all transactions contemplated hereby and thereby), without modification, unless such modification has been approved by the Conservator, the Administrators, AmTrust International and National General Re.

“Conservation Transaction Agreements” means the Administrative Services Agreements, the Mutual Release, the Reinsurance Commutation Agreements and all the respective exhibits, schedules and other addenda thereto.

“Conservator” has the meaning set forth in the first paragraph of this Agreement.

“Constituent Companies” means, collectively, Tower Insurance Company of New York, an insurance company organized under the laws of New York, Tower National Insurance Company, an insurance company organized under the laws of Massachusetts, Hermitage Insurance Company, an insurance company organized under the laws of New York, CastlePoint Florida Insurance Company, an insurance company organized under the laws of Florida, North East Insurance Company, an insurance company organized under the laws of California, York Insurance Company of Maine, an insurance company

organized under the laws of California, Massachusetts Homeland Insurance Company, an insurance company organized under the laws of Massachusetts, Preserver Insurance Company, an insurance company organized under the laws of New Jersey, and CastlePoint Insurance Company, an insurance company organized under the laws of New York.

“Continuing Agreements” has the meaning set forth in Section 9.1.11.

“Final Conservation Order” means the Conservation Plan Approval Order as it may be entered by the Conservation Court in the Proceeding, which shall not have been reversed, stayed, modified or amended, and against which the time to seek Recourse has expired without such Recourse having been timely sought, or as to which any such Recourse has been finally resolved without the Conservation Plan Approval Order being reversed, stayed, modified or amended, with no further timely Recourse against such resolution or against the Conservation Plan Approval Order available in any court. For the purposes of this paragraph, “Recourse” means and includes a motion for a new trial or for reargument, an appeal, a petition for certiorari or other review and a petition for rehearing.

“Insurance Code” means the California Insurance Code, including the regulations thereunder, in effect from time to time.

“Karfunkel Trust” has the meaning set forth in the first paragraph of this Agreement.

“Lien” means any mortgage, pledge, hypothecation, assignment, lien (statutory or otherwise), preference, priority, charge or other encumbrance, charge, adverse claim (whether pending or, to the knowledge of the Person against whom the adverse claim is

being asserted, threatened) or restriction of any kind affecting title or resulting in an encumbrance against property, real or personal, tangible or intangible, or a security interest of any kind, including any conditional sale or other title retention agreement, any right of first refusal on real property, and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statute) of any jurisdiction (other than a financing statement which is filed or given solely to protect the interest of a lessor).

“Litigation” means any action, cause of action (whether at law or in equity), arbitration, hearing, inquiry, proceeding claim or complaint by any Person alleging potential liability, wrongdoing or misdeed of another Person, or any administrative or other similar proceeding, criminal prosecution or investigation by any governmental authority or arbitration panel alleging potential liability, wrongdoing or misdeed of another Person.

“Liquidation Order” has the meaning set forth in Section 7.1.

“Loss Portfolio Transfer Agreement” means the Loss Portfolio Transfer Agreement, dated as of September 15, 2014, between the Company (including as successor by merger to the Constituent Companies) and CastlePoint Re.

“LPTA Commutation Agreement” means the Commutation and Release Agreement to be entered into between the Company (including as successor to the Constituent Companies) and CastlePoint Re on the Closing Date, substantially in the form of Exhibit B attached hereto.

“Mutual Release” means the Release Agreement to be entered into by the Company, the Conservator, ANA and National General on the Closing Date substantially

in the form of Exhibit C attached hereto (as such form may be modified from time to time by agreement among each of the parties thereto).

“National General” has the meaning set forth in the first paragraph of this Agreement.

“National General Re” means National General Re, Ltd.

“Non-Assumed Liability” has the meaning set forth in Section 6.1.

“Notification Package” has the meaning set forth in Section 4.1.

“Permits” means all licenses, franchises, permits, orders, approvals, consents, authorizations, qualifications and filings with and under all federal, state or local laws and of all governmental or regulatory bodies, including state insurance regulatory authorities.

“Person” means any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, public, governmental, judicial or regulatory authority or body or other entity.

“Personal Lines Administrator” has the meaning set forth in the first paragraph of this Agreement.

“Personal Lines Cut-Through QSA” means the Personal Lines Cut-Through Quota Share Reinsurance Agreement, dated January 3, 2014, between Integon and the Company (including as successor by merger to the Constituent Companies).

“Personal Lines Administrative Services Agreement” means the Personal Lines Administrative Services Agreement to be entered into among the Company and the Personal Lines Administrator (or its designee) on the Closing Date substantially in the

form of Exhibit D attached hereto (as such form may be modified from time to time by agreement among the Conservator and the parties to such agreement).

“Personal Lines MGA Agreement” means the Personal Lines Managing General Agent Agreement, dated September 15, 2014, among the Company (including as successor by merger to the Constituent Companies), National General Insurance Marketing, Inc. and ACP Re.

“Personal Lines QSA” means the Personal Lines Quota Share Reinsurance Agreement, dated September 15, 2014, between Integon and the Company (including as successor by merger to the Constituent Companies).

“Plan of Conservation & Liquidation” means the Plan of Conservation & Liquidation for the Company promulgated and adopted by the Conservator, dated July 27, 2016.

“Policyholder Claims” has the meaning set forth in Section 3.1.

“Proceeding” has the meaning set forth in Recital D.

“Reduction Amount” has the meaning set forth in Section 5.2.

“Reduction Amount Statement” has the meaning set forth in Section 5.2.

“Regulator Group” means, collectively, the Director of Insurance Supervision for the Bermuda Monetary Authority, the Commissioner, the Insurance Commissioner for the State of Florida, the Commissioner of Insurance for the State of Massachusetts, the Commissioner of the Department of Banking and Insurance for the State of New Jersey and the Superintendent of Financial Services for the State of New York.

“Reinsurance Commutation Agreements” means the LPTA Commutation Agreement, the Stop Loss Reinsurance Commutation Agreement and the Stop Loss Retrocession Commutation Agreement.

“Stop Loss Reinsurance Commutation Agreement” means the Commutation and Release Agreement to be entered into among CastlePoint Re, AmTrust International and National General Re on the Closing Date, substantially in the form of Exhibit E attached hereto.

“Stop Loss Reinsurance Contract” means the Aggregate Stop Loss Reinsurance Contract, dated as of September 15, 2014, among CastlePoint Re, AmTrust International and National General Re.

“Stop Loss Retrocession Commutation Agreement” means the Commutation and Release Agreement to be entered into among ACP Re, AmTrust International and National General Re on the Closing Date, substantially in the form of Exhibit F attached hereto.

“Stop Loss Retrocession Contract” means the Aggregate Stop Loss Retrocession Contract, dated as of September 15, 2014, among ACP Re, AmTrust International and National General Re.

“Taxes” means all taxes, charges, fees, levies or other assessments, including income, alternative minimum, gross receipts, excise, property, consumption, premium, sales, withholding, social security, occupation, use, service, service use, license, payroll, franchise, transfer and recording taxes, fees and charges, imposed by the United States, or by any state, territory, local or foreign government or subdivision or agency thereof, whether computed on a separate, consolidated, unitary, combined or any other basis; and

such term shall include any interest, fines, penalties or additional amounts attributable or imposed or with respect to any such taxes, charges, fees, levies or other assessments. The term “Tax” shall mean any one of the Taxes.

“TGI” has the meaning set forth in Recital A.

“Tower Companies” means, collectively, the Company and the Constituent Companies.

Section 1.2 Rules of Interpretation. In the event of a conflict between any defined term in this Agreement and a defined term in any of the Conservation Transaction Agreements, the definition in the applicable Conservation Transaction Agreement shall control. Any defined term used herein that is not expressly defined in this Agreement shall have the meaning set forth in the applicable Conservation Transaction Agreement. When used herein, (i) words, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires, (ii) the words “hereof,” “herein” and “hereunder” and words of similar import shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and (iii) the terms “include,” “includes,” and “including” are not limiting. All section headings contained in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the Conservator. The Conservator represents and warrants to the Administrators and the Karfunkel Trust as follows:

Section 2.1.1 Valid Appointment. The Conservator has, as of the date of this Agreement, been duly and validly appointed to be the statutory conservator of the Company as that term is used in Section 1011 of the Insurance Code.

Section 2.1.2 Authorization; Enforceable Obligations. The Conservator has all requisite power, authority and legal right necessary to execute and deliver this Agreement and the Conservation Transaction Agreements, and subject to the entry of the Conservation Plan Approval Order, to perform and carry out the transactions contemplated by this Agreement and the Conservation Transaction Agreements upon the terms and subject to the conditions of this Agreement and the Conservation Transaction Agreements.

Section 2.2 Representations and Warranties of the Company. The Conservator, on behalf of the Company, represents and warrants to the Administrators and the Karfunkel Trust as set forth below. The Administrators and the Karfunkel Trust expressly acknowledge that all representations and warranties of the Conservator herein are made in reliance on the information provided to the Conservator by pre-conservation management of the Company and the findings and orders of the Conservation Court, and that the Conservator has undertaken no independent investigation or analysis of facts in connection with this Agreement or other provisions of the Conservation Transaction Agreements.

Section 2.2.1 Authority. The Company, by and through the Conservator, has all requisite power and authority to execute and deliver this Agreement and the Conservation Transaction Agreements, to perform its obligations under this Agreement and the Conservation Transaction Agreements and to consummate the transactions contemplated by this Agreement and the Conservation Transaction Agreements, subject to the entry of

the Conservation Plan Approval Order. This Agreement has been duly executed and delivered by the Conservator, on behalf of the Company, and upon entry of the Conservation Plan Approval Order, will constitute the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms. Upon execution and delivery thereof by the Conservator, on behalf of the Company, and the other parties thereto, and upon entry of the Conservation Plan Approval Order, the Conservation Transaction Agreements shall constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms.

Section 2.3 Representations and Warranties of the Commercial Lines Administrator.

The Commercial Lines Administrator represents and warrants to the Company, the Conservator and the Personal Lines Administrator as follows:

Section 2.3.1 Organization and Standing. The Commercial Lines Administrator is a corporation duly organized and in good standing under the laws of the State of Delaware.

Section 2.3.2 Authority. The Commercial Lines Administrator has all requisite power and authority to execute and deliver this Agreement and the Conservation Transaction Agreements to which it is a party, to perform its obligations under this Agreement and such Conservation Transaction Agreements and to consummate the transactions contemplated by this Agreement and such Conservation Transaction Agreements. This Agreement has been duly executed and delivered by the Commercial Lines Administrator and constitutes the legal, valid and binding obligation of the Commercial Lines Administrator, enforceable against it in accordance with its terms.

Section 2.3.3 No Breach. Subject to the approval of the Conservator, the execution, delivery and performance of this Agreement by the Commercial Lines Administrator will not materially conflict with, or result in a material violation of, or constitute a material default under, any term or provision of applicable law, or any judgment, writ, injunction, decree or order of any court, governmental authority or arbitrator relating to the Commercial Lines Administrator.

Section 2.3.4 Litigation. There is no Litigation pending, or threatened, against the Commercial Lines Administrator, or any of its assets, properties or Affiliates, at law or in equity, that individually or in the aggregate have or may reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement or any of the Conservation Transaction Agreements to which it is a party, or on the ability of the Commercial Lines Administrator to perform its obligations under this Agreement and the Conservation Transaction Agreements to which it is a party.

Section 2.4 Representations and Warranties of the Personal Lines Administrator.

The Personal Lines Administrator represents and warrants to the Company, the Conservator and the Commercial Lines Administrator as follows:

Section 2.4.1 Organization and Standing. The Personal Lines Administrator is a corporation duly organized and in good standing under the laws of the State of Delaware.

Section 2.4.2 Authority. The Personal Lines Administrator has all requisite power and authority to execute and deliver this Agreement and the Conservation Transaction Agreements to which it is a party, to perform its obligations under this Agreement and such Conservation Transaction Agreements and to consummate the transactions contemplated by this Agreement and such Conservation Transaction

Agreements. This Agreement has been duly executed and delivered by the Personal Lines Administrator and constitutes the legal, valid and binding obligation of the Personal Lines Administrator, enforceable against it in accordance with its terms.

Section 2.4.3 No Breach. Subject to the approval of the Conservator, the execution, delivery and performance of this Agreement by the Personal Lines Administrator will not materially conflict with, or result in a material violation of, or constitute a material default under, any term or provision of applicable law, or any judgment, writ, injunction, decree or order of any court, governmental authority or arbitrator relating to the Personal Lines Administrator.

Section 2.4.4 Litigation. There is no Litigation pending, or threatened, against the Personal Lines Administrator, or any of its assets, properties or Affiliates, at law or in equity, that individually or in the aggregate have or may reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement or any of the Conservation Transaction Agreements to which it is a party, or on the ability of the Personal Lines Administrator to perform its obligations under this Agreement and the Conservation Transaction Agreements to which it is a party.

Section 2.5 Representations and Warranties of the Karfunkel Trust. The Karfunkel Trust represents and warrants to the Company, the Conservator and the Administrators as follows:

Section 2.5.1 Organization and Standing. The Karfunkel Trust is duly organized and validly existing under the laws of New York.

Section 2.5.2 Authority. The Karfunkel Trust has the personal capacity to execute and deliver this Agreement and any applicable Conservation Transaction

Agreements to which it will become a party, to perform its obligations under this Agreement and such applicable Conservation Transaction Agreements and to consummate the transactions contemplated by this Agreement and such applicable Conservation Transaction Agreements. This Agreement has been duly executed and delivered by the Karfunkel Trust and constitutes a legal, valid and binding obligation of the Karfunkel Trust, enforceable against it in accordance with its terms.

Section 2.5.3 No Breach. The execution, delivery and performance of this Agreement by the Karfunkel Trust will not materially conflict with, or result in a material violation of, or constitute a material default under, any term or provision of applicable law, or any judgment, writ, injunction, decree or order of any court, governmental authority or arbitrator relating to the Karfunkel Trust.

Section 2.5.4 Litigation. There is no Litigation pending, or threatened, against the Karfunkel Trust, or any of its assets or properties, at law or in equity, that individually or in the aggregate have or may reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement or any of the Conservation Transaction Agreements, or on the ability of the Karfunkel Trust to perform its obligations under this Agreement and the applicable Conservation Transaction Agreements.

Section 2.5.5 Ability to Perform. At Closing, the Karfunkel Trust will collectively have free, unencumbered and sufficiently liquid Cash or Cash Equivalents required to perform its obligations under this Agreement.

Section 2.6 Representations and Warranties of Technology. Technology represents and warrants to the Company, the Conservator and the Administrator as follows:

Section 2.6.1 Organization and Standing. Technology is an insurance company duly organized and in good standing under the laws of the State of New Hampshire.

Section 2.6.2 Authority. Technology has all requisite power and authority to execute and deliver this Agreement and any applicable Conservation Transaction Agreements, to perform its obligations under this Agreement and any applicable Conservation Transaction Agreements and to consummate the transactions contemplated by this Agreement and any applicable Conservation Transaction Agreements. This Agreement has been duly executed and delivered by Technology and constitutes the legal, valid and binding obligation of Technology, enforceable against it in accordance with its terms.

Section 2.6.3 No Breach. Subject to the approval of the Conservator, the execution, delivery and performance of this Agreement by Technology will not materially conflict with, or result in a material violation of, or constitute a material default under, any term or provision of applicable law, or any judgment, writ, injunction, decree or order of any court, governmental authority or arbitrator relating to Technology.

Section 2.6.4 Litigation. There is no Litigation pending, or threatened, against Technology, or any of its assets, properties or Affiliates, at law or in equity, that individually or in the aggregate have or may reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement or any of the Conservation Transaction Agreements, or on the ability of Technology to perform its obligations under this Agreement and the Conservation Transaction Agreements.

Section 2.7 Representations and Warranties of Integon. Integon represents and warrants to the Company, the Conservator and the Administrator as follows:

Section 2.7.1 Organization and Standing. Integon is an insurance company duly organized and in good standing under the laws of the State of North Carolina.

Section 2.7.2 Authority. Integon has all requisite power and authority to execute and deliver this Agreement and any applicable Conservation Transaction Agreements, to perform its obligations under this Agreement and any applicable Conservation Transaction Agreements and to consummate the transactions contemplated by this Agreement any applicable Conservation Transaction Agreements. This Agreement has been duly executed and delivered by Integon and constitutes the legal, valid and binding obligation of Integon, enforceable against it in accordance with its terms.

Section 2.7.3 No Breach. Subject to the approval of the Conservator, the execution, delivery and performance of this Agreement by Integon will not materially conflict with, or result in a material violation of, or constitute a material default under, any term or provision of applicable law, or any judgment, writ, injunction, decree or order of any court, governmental authority or arbitrator relating to Integon.

Section 2.7.4 Litigation. There is no Litigation pending, or threatened, against Integon, or any of its assets, properties or Affiliates, at law or in equity, that individually or in the aggregate have or may reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement or any applicable Conservation Transaction Agreements, or on the ability of Integon to perform its obligations under this Agreement and any applicable Conservation Transaction Agreements.

Section 2.8 Representations and Warranties of CastlePoint Re. CastlePoint Re represents and warrants to the Company and the Conservator as follows:

Section 2.8.1 Organization and Standing. CastlePoint Re is a corporation duly organized and in good standing under the laws of Bermuda.

Section 2.8.2 Authority. CastlePoint Re has all requisite power and authority to execute and deliver this Agreement and the Conservation Transaction Agreements to which it is a party, to perform its obligations under this Agreement and such Conservation Transaction Agreements and to consummate the transactions contemplated by this Agreement and such Conservation Transaction Agreements. This Agreement has been duly executed and delivered by CastlePoint Re and constitutes the legal, valid and binding obligation of CastlePoint Re, enforceable against it in accordance with its terms.

Section 2.8.3 No Breach. Subject to the approval of the Conservator, the execution, delivery and performance of this Agreement by CastlePoint Re will not materially conflict with, or result in a material violation of, or constitute a material default under, any term or provision of applicable law, or any judgment, writ, injunction, decree or order of any court, governmental authority or arbitrator relating to CastlePoint Re.

Section 2.8.4 Litigation. There is no Litigation pending, or threatened, against CastlePoint Re, or any of its assets, properties or Affiliates, at law or in equity, that individually or in the aggregate have or may reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement or any of the Conservation Transaction Agreements to which it is a party, or on the ability of CastlePoint Re to perform its obligations under this Agreement and the Conservation Transaction Agreements to which it is a party.

Section 2.9 Survival of Representations and Warranties. All representations, warranties, covenants and agreements made by the Parties to this Agreement, as well as in any certificate, exhibit, schedule, statement, document or instrument furnished hereunder or in connection with the negotiation, execution and performance of this Agreement, shall survive the Closing.

ARTICLE 3

CONSERVATION TRANSACTION AGREEMENTS

Section 3.1 Administrative Services Agreements. At Closing, the Administrators and the Conservator, on behalf of the Company, shall enter into the Administrative Services Agreements to which each of them is contemplated to become a party. The Parties acknowledge that the primary purpose and intent of the Administrative Services Agreements is to provide, subject to the terms and limitations set forth in the Administrative Services Agreements, for the timely administration, adjustment and payment, out of the assets of the Company, of claims and liabilities of the Company that fall within the policyholder claim priority class set forth under Section 1033(a)(2) of the Insurance Code (other than claims and liabilities reinsured under the Commercial Lines Cut-Through QSA, the Personal Lines Cut-Through QSA, the Commercial Lines QSA or the Personal Lines QSA) (“Policyholder Claims”). Pursuant to each of the Administrative Services Agreements, the applicable Administrator will provide the services thereunder at no cost to the Company for all periods from the Closing Date until the second anniversary of the Closing. If any Administrative Services Agreement remains in effect in accordance with its terms after such time, then the Conservator, on behalf of the Company, shall pay all fees, expenses and disbursements of the Administrator under the applicable

Administrative Services Agreement with respect to such periods, it being understood and agreed that any such amounts shall be charged to the Company at the Administrator's cost.

Section 3.2 Reinsurance Commutation Agreements. At Closing, CastlePoint Re and the Administrators shall, and the Administrators shall cause AmTrust International and National General Re to, and the Conservator, on behalf of the Company, shall, enter into the Reinsurance Commutation Agreements to which each of them is contemplated to become a party. The Parties acknowledge that pursuant to the Reinsurance Commutation Agreements, all liabilities and obligations of CastlePoint Re, AmTrust International, National General Re and ACP Re under the Loss Portfolio Transfer Agreement, the Stop Loss Reinsurance Agreement and the Stop Loss Retrocession Agreement will be commuted, with the effect that all liabilities currently reinsured by CastlePoint Re under the Loss Portfolio Transfer Agreement will be recaptured by the Company, and none of CastlePoint Re, AmTrust International, National General Re or ACP Re will have any liability whatsoever therefor from and after the Closing. It is acknowledged that CastlePoint Re will agree to the commutation of the Stop Loss Reinsurance Contract in consideration of the release of CastlePoint Re from liabilities under the Loss Portfolio Transfer Agreement, and that the Conservator and the Company will agree to the commutation of the Loss Portfolio Transfer Agreement in consideration of the receipt by the Conservator of the Closing Contribution Amount and the benefits of and under the Administrative Services Agreements.

Section 3.3 Mutual Release. The applicable Parties shall execute and deliver at Closing the Mutual Release. The Conservator represents and warrants to the Administrators and the Karfunkel Trust that it has not, and covenants that it shall not, assign, sell, convey or otherwise transfer to any other Person any of the duties, rights, obligations, liabilities, claims and demands to be released and discharged at Closing pursuant to the Mutual Release.

Section 3.4 Non-Policyholder Claims. Pursuant to Section 1033(a) of the Insurance Code, any liabilities of the Company, or claims based on such liabilities, that the Conservator determines to be subordinated to Policyholder Claims will not be paid under the Conservation Plan unless and until the Conservator determines that there are sufficient assets in the Company available to satisfy claims against the Company that are subordinate to the Policyholder Claims under Section 1033(a) of the Insurance Code. During the term of the Conservation Plan, the Conservator may, in his or her sole discretion, apply to the Conservation Court to establish a claims bar date or other appropriate procedures for receiving and determining the Company's liabilities other than Policyholder Claims.

ARTICLE 4

NOTIFICATION PACKAGE

Section 4.1 Delivery of Notification Package. As promptly as practicable after a hearing date is set in the Conservation Court on the Conservator's motion for the Conservation Plan Approval Order, the Administrators shall, on behalf of the Conservator, mail to each policyholder with an in-force policy or an open claim, at the last known address of such policyholder as shown on the Company's records, each member of the Regulator Group, the shareholder and director(s) of the Company, the indenture trustee for holders of trust preferred securities issued by the Company's Affiliates, known creditors, reinsurers and other interested parties: (i) a notice, in a form acceptable to the Conservation Court, the Conservator and the Administrators, regarding the conservation of the Company, the Conservation Plan, and the date, time and location of the hearing on the Conservator's motion to approve the Conservation Plan, and (ii) any other material reasonably deemed necessary or advisable by the Conservation Court, the Conservator or the Administrators, to assist policyholders and other notice recipients in

understanding the transactions contemplated by this Agreement and the Conservation Transaction Agreements (such information and material hereinafter referred to collectively as “Notification Package”). The Conservator and the Administrators shall use their respective best efforts to make such mailing as soon as practicable after such hearing date is set, and shall cooperate with each other in preparing the Notification Package. In lieu of incurring the expense of mailing copies or detailed summaries of the Conservation Transaction Agreements, the Administrators may, with the approval of the Conservation Court, provide notice of a website at which policyholders and other interested parties may obtain complete copies of all pleadings and documents filed in the Proceeding. The Parties agree that providing notice to any of the persons or entities listed above in accordance with this Section 4.1 shall not be an admission that such person or entity is in fact an interested party with standing to appear in the Proceeding. All expenses associated with the preparation and delivery of the Notification Package shall be paid by the Company as an administrative expense having the priority set forth in Section 1033(a)(1) of the California Insurance Code.

ARTICLE 5

TRANSFER OF ASSETS TO THE COMPANY

Section 5.1 Transfer of Assets by the Karfunkel Trust. Subject to the terms and conditions contained herein, at the Closing the Karfunkel Trust shall transfer or cause to be transferred to the Company an aggregate amount equal to the Closing Contribution Amount in Cash or Cash Equivalents.

Section 5.2 Closing Date Reduction Amount. ANA and National General shall deliver to the Conservator (a) not later than thirty (30) days prior to the anticipated Closing Date, an estimated computation (the “Preliminary Reduction Amount Statement”) of the Reduction

Amount as of May 31, 2016, and (b) not later than ten (10) days prior to the anticipated Closing Date, an estimated computation (the “Reduction Amount Statement”) of the Reduction Amount as of the Closing Date, which amount shall be the “Closing Date Reduction Amount” for purposes of this Agreement. Each such computation shall be substantially in the form of Exhibit G and shall be accompanied by a certificate of an officer of each of ANA and National General certifying that the Reduction Amount set forth therein has been computed in good faith and in accordance with the requirements of this Agreement. ANA and National General will furnish to the Conservator such work papers and other documents and information relating to the Preliminary Reduction Amount Statement and the Reduction Amount Statement as the Conservator may reasonably request. The “Reduction Amount” means, as of any date of determination, the combined net amount due and payable by the Company (including as successor to the Constituent Companies) to ANA, Technology, National General, Integon and their respective Affiliates.

Section 5.3 Releases. Effective as of the Closing Date, ANA, Technology, National General and Integon, for themselves and on behalf of their applicable Affiliates, hereby release and discharge the Company and its estate, and the Company and the Conservator hereby release and discharge ANA, Technology, National General and Integon and their applicable Affiliates, for all balances owing between them that are identified in the Reduction Amount Statement. For the avoidance of doubt, nothing herein shall be construed to limit the scope of the Mutual Release.

Section 5.4 Maintenance of Assets. The Conservator shall cause the amount transferred to the Company pursuant to Section 5.1 to be deposited in a segregated account, separate and apart from the other assets of the conservation estate. The Conservator shall be

entitled to withdraw without prior notice or approval assets therefrom at any time in connection with the run-off of the business of the Company and obligations payable under and in accordance with the priorities set forth in California Insurance Code section 1033(a) (including, without limitation, (i) the Conservator's expenses of administration and third party advisory and consulting services incurred by any member of the Regulator Group in connection with the Conservation Plan, (ii) amounts, if any, payable to an Administrator under an Administrative Services Agreement; (iii) liabilities to policyholders, insurance claimants, and/or applicable insurance guaranty associations; (iii) statutorily authorized early access distributions to insurance guaranty associations; (iv) taxes owed by the Company; and (v) any other liability of the Company allowed by the Conservator during the conservation or liquidation of the Company), provided, however, that the Conservator acknowledges and agrees that the amounts in such segregated account shall be utilized and exhausted before any other assets of the conservation estate shall be drawn upon in connection with the run-off or liquidation of the business of the Company. Until all amounts in such segregated account have been exhausted, the Conservator shall deliver to the Karfunkel Trust periodic reports, in a form and at such intervals as agreed between the Conservator and the Karfunkel Trust, on the amounts withdrawn from such segregated account, and such other information and reports as may be reasonably requested by the Karfunkel Trust with respect to the use of such funds, including information as may be reasonably requested to establish the timing, amounts and use of such withdrawals.

ARTICLE 6

NO ASSUMPTION OF LIABILITIES

Section 6.1 No Assumption of Liabilities. Except as provided in this Agreement or in the Conservation Transaction Agreements, none of the Karfunkel Trust, ACP Re the

Administrators, AmTrust International, National General Re, Integon, Technology or any of their respective Affiliates, predecessors, successors, parent companies, shareholders, trustees, assigns, officers, directors, agents, attorneys, accountants, auditors, employees or other representatives will, directly or indirectly, assume any liabilities of the Company or its Affiliates pursuant to the Conservation Plan or any liquidation of the Company, whether such liabilities arise prior to, at or after the Closing (collectively, the “Non-Assumed Liabilities”). For purposes of this Section 6.1, “Affiliates” of the Company shall mean all of the Company’s current or past Affiliates, including the Constituent Companies.

ARTICLE 7

REHABILITATION OR LIQUIDATION OF THE COMPANY

Section 7.1 Orders of Rehabilitation or Liquidation. The Parties agree that the Conservator may, at such time as he or she deems appropriate and in his or her sole discretion, apply to the Conservation Court for orders relating to or in furtherance of the rehabilitation of the Company, or for an order to liquidate or dissolve the Company (a “Liquidation Order”); provided, however, that the Conservator shall provide not less than twenty (20) days’ prior written notice of the application for a Liquidation Order to each Government Authority that has issued a certificate of authority to the Company and to each of the Parties of the filing of an application to the Conservation Court for a Liquidation Order.

Section 7.2 Obligations of Parties After Liquidation Order. The Parties agree that in the event a Liquidation Order for the Company is entered by the Conservation Court, the Parties will cooperate in good faith and take all commercially reasonable actions necessary to ensure the efficient transition of claim files of the Company to the liquidator or the applicable insurance guaranty association.

ARTICLE 8

CONDITIONS PRECEDENT TO CLOSING; TERMINATION

Section 8.1 Mutual Conditions Precedent to Closing. Except as otherwise expressly provided herein, the obligations of each of the Conservator, the Company, the Karfunkel Trust, the Administrators, AmTrust International and National General Re to proceed with the Closing are subject to the fulfillment, satisfaction or written waiver, prior to or at the Closing, of each of the following conditions precedent:

Section 8.1.1 Final Conservation Order. The Final Conservation Order shall have been entered.

Section 8.1.2 Terms of the Final Conservation Order. The Final Conservation Order shall confirm to the mutual reasonable satisfaction of the Conservator, the Karfunkel Trust and the Administrators: (i) the enforceability of the terms and conditions of this Agreement and the Conservation Transaction Agreements, and the transactions contemplated hereby and thereby, (ii) that this Agreement, the Conservation Transaction Agreements and the Conservation Plan are fair, just and reasonable to policyholders, creditors and the shareholder of the Company, (iii) that the notice provided to policyholders and other interested parties was adequate and reasonable and complied with any applicable legal or constitutional requirements, (iv) that all executory portions of the Conservation Transaction Agreements are approved and made valid, binding and enforceable in the event of a future insolvency of the Company if not otherwise terminated, (v) that reinsurers and other counterparties of the Company are not materially prejudiced by and have no lawful basis to avoid or terminate their material contractual obligations as a result of the transactions contemplated herein or in the Conservation Transaction Agreements, (vi) that there is reasonable protection against the assertion of

claims against the Karfunkel Trust, the Administrators, AmTrust International, National General Re, Integon, Technology or any of their respective Affiliates based on the Non-Assumed Liabilities, (vii) that all creditors and other interested parties (except for the Conservator, the Commissioner and their Affiliates) are enjoined from pursuing, without prior Conservation Court approval, against (a) the Karfunkel Trust, ACP Re, the Administrators, AmTrust International, National General Re, Integon, Technology or any of their Affiliates (other than TGI or its subsidiaries), or their respective predecessors, successors, parent companies, shareholders, assigns, officers, directors, agents, attorneys, accountants, auditors, employees and other representatives or (b) TGI's and its subsidiaries' (including the Company's and the Constituent Companies') respective directors, officers and employees, in each case, who held such positions at any time following the consummation of the Acquisition Transactions: (x) any Non-Assumed Liabilities, (y) any other claim or action that arises out of any act or omission by any such Person in connection with the business or affairs of the Company or the Constituent Companies and (z) any claim or action that arises out of the Conservation Plan, this Agreement or the Conservation Transaction Agreements (except, in the case of the foregoing clauses (y) and (z), to the extent such liability has been assumed by such Person under the Continuing Agreements or any other agreement), and (viii) that all creditors and other interested parties (except for the Conservator, the Commissioner and their Affiliates) are enjoined from pursuing, without prior Conservation Court approval, against TGI's and its subsidiaries' other agents, attorneys, accountants, auditors and representatives any claim or action in connection with the business or affairs of the Company or the Constituent Companies that (A) arises out of any acts or omissions of

such persons occurring after the consummation of the Acquisition Transactions and (B) may adversely affect the assets or operations of the Company or the Constituent Companies or the Conservation Plan.

Section 8.1.3 Orders. Each of the Conservator, the Company, the Karfunkel Trust and the Administrators shall have obtained from the Conservation Court those orders as are necessary or appropriate to the implementation of this Agreement, the Conservation Transaction Agreements, the Conservation Plan and the transactions contemplated hereby and thereby.

Section 8.1.4 Consents. Each of the Conservator, the Company, the Karfunkel Trust and the Administrators shall have received all consents, approvals and certifications (including estoppel certificates), in form and substance reasonably satisfactory to each of them, of third parties or government entities whose consent, approval or certification is required for the consummation of the transactions contemplated by this Agreement and the Conservation Transaction Agreements.

Section 8.1.5 Notification Package. The Notification Package shall have been sent to each policyholder and other recipient in accordance with Section 4.1.

Section 8.1.6 Governmental Approvals. All Permits, if any, which are reasonably necessary to consummate the transactions contemplated by this Agreement and the Conservation Transaction Agreements shall have been obtained on terms satisfactory to each Party in its sole discretion.

Section 8.1.7 No Prohibition. There shall not have been any action taken, or any statute, regulation, judgment, or order enacted, entered or issued which, directly or indirectly (i) prohibits or makes illegal the consummation of the transactions

contemplated by this Agreement or the Conservation Transaction Agreements or (ii) imposes any material conditions or limitations on the ability of the Conservator, the Company, the Karfunkel Trust or the Administrators to exercise full rights under this Agreement or the Conservation Transaction Agreements or (iii) imposes any material conditions or limitations on the Karfunkel Trust, any Non-Assumed Liabilities or any other claim or action, the Administrators or their respective ownership or operation of all or a material portion of their respective businesses or assets to be owned by them after the consummation of the transactions contemplated by this Agreement or the Conservation Transaction Agreements.

Section 8.2 Conditions Precedent to the Karfunkel Trust's and the Administrators' Obligations to Close. The obligations of the Karfunkel Trust and the Administrators to proceed with the Closing is subject to the fulfillment, satisfaction or written waiver, prior to or at the Closing, of each of the following conditions precedent (in addition to those described in Section 8.1 hereof):

Section 8.2.1 Performance by the Conservator and the Company. The Conservator and the Company shall have performed and complied with, in all material respects, all provisions of the agreements and covenants required by this Agreement and the Conservation Transaction Agreements to be performed or complied with by each of them prior to or at the Closing, and there shall have been no adverse event or occurrence which materially impairs or interferes with the ability of the Conservator or the Company to consummate the transactions contemplated by this Agreement or the Conservation Transaction Agreements and to perform each of their obligations under this Agreement and the Conservation Transaction Agreements.

Section 8.2.2 Representations and Warranties. The representations and warranties of the Company and the Conservator contained in this Agreement and the Conservation Transaction Agreements shall be true and correct as of the Closing Date.

Section 8.2.3 Corporate Matters. The Conservator and the Company shall have delivered to the Karfunkel Trust and the Administrators such other documents, instruments, certifications and further assurances reasonable and necessary to effect the transactions contemplated by this Agreement and the Conservation Transaction Agreements.

Section 8.2.4 Conservation Transaction Agreements. On or prior to the Closing Date, (i) the Conservator and the Company shall have executed and delivered the Conservation Transaction Agreements to the Karfunkel Trust and the Administrators, (ii) any conditions precedent stated in the Conservation Transaction Agreements shall have been satisfied or waived in accordance with the terms thereof and (iii) none of the Conservation Transaction Agreements shall have been terminated for any reason.

Section 8.3 Conditions Precedent to Conservator's and the Company's Obligations to Close. The obligation of each of the Conservator and the Company to proceed with the Closing shall be subject to the fulfillment, satisfaction or written waiver, prior to or at the Closing, of each of the following conditions precedent (in addition to those described in Section 8.1 hereof):

Section 8.3.1 Performance by the Karfunkel Trust and the Administrators. Each of the Karfunkel Trust and the Administrators shall have performed and complied with, in all material respects, all provisions of the covenants and agreements required by this Agreement to be performed or complied with by it prior to or at Closing, and there shall

have been no adverse event which materially impairs or interferes with the ability of the Karfunkel Trust or the Administrators to consummate the transactions contemplated by this Agreement and the Conservation Transaction Agreements and to perform their respective obligations under this Agreement and the Conservation Transaction Agreements.

Section 8.3.2 Representations and Warranties. All representations and warranties of the Karfunkel Trust and the Administrators contained herein shall be true and correct on the Closing Date with the same force and effect as though made on and as of the Closing Date.

Section 8.3.3 Conservation Transaction Agreements. On or prior to the Closing Date, the Karfunkel Trust and the Administrators shall have executed and delivered the Conservation Transaction Agreements as to which they are a party.

Section 8.4 Termination of this Agreement Prior to Closing. This Agreement may be terminated prior to Closing only as follows:

- (i) By written mutual consent of the Conservator, the Administrators and the Karfunkel Trust; or
- (ii) By the Conservator, any Administrator or the Karfunkel Trust, if any governmental authority that must grant a requisite regulatory approval has denied approval of the transaction or if any governmental entity has issued an injunction prohibiting the transaction that has become final and nonappealable; provided that the right to terminate is not available to any Party whose failure to perform or observe its covenants or agreements has been a cause of or resulted in such action; or

- (iii) By any Party that is not in material breach of the Agreement, if another Party has breached the Agreement in a manner that would result in the failure of a condition precedent to the obligations to close and the breach cannot be cured within thirty (30) days after receipt of written notice of such breach;
- (iv) By any Administrator or the Karfunkel Trust, if the Conservator's motion to approve the Conservation Plan and Conservation Transaction Agreements has not been filed on or before August 15, 2016.
- (v) By any Administrator or the Karfunkel Trust, if the Final Conservation Order has not been entered on or before October 15, 2016.
- (vi) By the Conservator if any governmental authority enters a liquidation order respecting any other Party.

In the event of the termination of this Agreement prior to Closing, this Agreement shall thereafter become void and have no effect, and no Party to this Agreement shall have any liability or obligation to any other Party to this Agreement with respect to this Agreement, except for the provisions of Section 11.1; provided, however, that if this Agreement is terminated as a result of the breach of this Agreement by one of the Parties, such Party shall not be relieved of its liability for such breach.

ARTICLE 9

ADDITIONAL COVENANTS OF THE PARTIES

Section 9.1 Covenants of the Conservator.

Section 9.1.1 Conservation Plan Approval Order. The Conservator shall take all reasonable actions to maintain any injunctions or stays issued with respect to the Final Conservation Order.

Section 9.1.2 Conservator to File Motion for the Conservation Plan Approval Order. The Conservator shall file a motion in the Conservation Court for the Conservation Plan Approval Order with respect to this Agreement, the Conservation Plan and the Conservation Transaction Agreements as promptly as possible and shall provide each member of the Regulator Group, the Karfunkel Trust and the Administrators with a copy of the proposed Conservation Plan Approval Order and proposed Conservation Plan and an opportunity to comment upon them prior to their submission to the Conservation Court.

Section 9.1.3 Cooperation to Obtain Additional Orders. The Conservator shall use commercially reasonable efforts to assist the Karfunkel Trust and the Administrators in securing any orders from the Conservation Court in addition to the Conservation Plan Approval Order in order to carry out the provisions of this Agreement and the Conservation Transaction Agreements.

Section 9.1.4 Reserved.

Section 9.1.5 Delivery of Motion, Notice, etc.. Copies of any motion or notice filed with the Conservation Court or with any other Person by the Conservator as contemplated by this Agreement, and of any order issued by the Conservation Court to the Conservator, and of any motion, notice or pleading in the Proceeding made against any of the persons against whom the injunctions referred to in Section 8.1.2(vii) or

Section 8.1.2(viii) are effective, shall be provided by the Conservator to each member of the Regulator Group, the Karfunkel Trust and the Administrators and their counsel.

Section 9.1.6 Access to Books and Records. The Conservator shall, and shall cause the Company to, afford to each member of the Regulator Group and the Administrators and their respective agents, attorneys, accountants and other authorized representatives full and reasonable access during normal business hours to all books and records of the Company for the purpose of investigating and evaluating all aspects of the business of the Company, and shall permit any such Person, at such Person's expense, to make copies of such books and records. Each member of the Regulator Group and each Administrator will treat, and shall cause each of its respective agents, attorneys, accountants and other authorized representatives to treat, all information obtained pursuant to this Section 9.1.6 as confidential, except as may otherwise be required by law. The Conservator shall not be required to provide access to attorney work product or attorney-client privileged materials.

Section 9.1.7 Reserved.

Section 9.1.8 Orderly Transition. Prior to Closing, the Conservator shall permit the Administrators and their respective employees to assist the Conservator in the run-off management and operation of the Company.

Section 9.1.9 Reserved.

Section 9.1.10 Administrative Services Agreements. The Conservator shall not repudiate, reject, terminate or take any similar action with respect to the Administrative Services Agreements, whether before or after entry of any Liquidation Order, other than termination in accordance with the terms of the applicable Administrative Services

Agreement (including the rights granted to the Company thereunder to terminate each Administrative Service Agreements at any time upon reasonable notice to the applicable Administrator). In the event of termination, the applicable Administrator shall provide reasonable cooperation and assistance to facilitate the transition of claim files to the Conservator or applicable insurance guarantee associations. For the avoidance of doubt, such obligation of the Company to reimburse the Administrators for the fees, expenses and disbursements due and payable to the Administrators under the applicable Administrative Services Agreement, shall constitute an administrative expense claim having the priority set forth in Section 1033(a)(1) of the California Insurance Code.

Section 9.1.11 QSAs and MGAs. The Conservator shall assume and affirm the Commercial Lines Cut-Through QSA, the Personal Lines Cut-Through QSA, the Commercial Lines QSA, the Personal Lines QSA, the Commercial Lines MGA Agreement or the Personal Lines MGA Agreement (together, the “Continuing Agreements”), and in no event shall the Conservator, the Insurance Commissioner in his or her capacity as liquidator of the Company, or the Conservation Court repudiate, reject, commute, terminate, breach or take any similar action with respect to any such agreement, whether before or after entry of any Liquidation Order. Effective as of the Closing:

(a) (i) the Company hereby assigns to Technology, and Technology hereby assumes, as its direct obligation to the applicable policyholders or other obligees of the Company, all of the liabilities of the Company reinsured under the Commercial Lines Cut-Through QSA and the Commercial Lines QSA; and (ii) the Company hereby assign to Integon, and Integon hereby assumes, as its direct obligation to the applicable policyholders or other

obligees of the Company, all of the liabilities of the Company reinsured under the Personal Lines Cut-Through QSA and the Personal Lines QSA; and in each case the Company is hereby released and discharged from all liabilities and obligations so assumed by Technology or Integon. In connection therewith, within a reasonable period following the Closing, Technology shall issue to the holder of each insurance policy reinsured under the Commercial Lines QSA, and Integon shall issue to the holder of each insurance policy reinsured under the Personal Lines QSA, a cut-through endorsement in a form as agreed between the Conservator and Technology or Integon, as applicable, such that Technology or Integon, as applicable, shall become a direct obligor with respect to the insurance thereunder; and

(b) (i) the Company hereby sells, assigns and transfers to Technology, and Technology hereby purchases and accepts, all of the Company's right, title and interest in and to the premiums and other amounts receivable, and all proceeds and products thereof, that are required to be remitted to Technology, or to which Technology is otherwise entitled, under the Commercial Lines Cut-Through QSA and the Commercial Lines QSA; and (ii) the Company hereby sells, assigns and transfers to Integon, and Integon hereby purchases and accepts, all of the Company's right, title and interest in and to the premiums and other amounts receivable, and all proceeds and products thereof, that are required to be remitted to Integon, or to which Integon is otherwise entitled, under the Personal Lines Cut-Through QSA and the Personal Lines QSA; and, in each case, such premiums and other amounts shall cease to be assets of the Company or its estate.

It is hereby acknowledged and agreed by the Company and the Conservator that no premiums or liabilities have been ceded under the ACP Re Quota Share Agreement, and from

and after the Closing the Company no party to such agreement, or the Conservator, shall make any claim for, or otherwise seek to assert or enforce, any obligation or liability thereunder.

Section 9.1.12 Reinsurance Commutation Agreements. The Conservator shall not repudiate, reject, terminate or take any similar action with respect to the Reinsurance Commutation Agreements or the Mutual Release, whether before or after entry of any Liquidation Order. Nothing in this Agreement or otherwise in the Conservation Plan, in any Liquidation Order or otherwise shall alter or affect the rights and obligations of the applicable parties under such agreements.

Section 9.2 Reporting Obligations. For each Administrative Services Agreement, from the Closing until the termination of such agreement in accordance with its terms, the Administrator thereunder shall deliver to the Conservator (i) quarterly run-off and liquidity reports, in a form and with content to be agreed upon by Conservator and the applicable Administrator, delivered not later 45 days following the end of each calendar quarter, with respect to the business administered under such Administrative Services Agreement and (ii) such additional information and reports as may be reasonably required by the Conservator to monitor the run-off of Policyholder Claims administered under such Administrative Services Agreement.

Section 9.3 Reserved.

Section 9.4 Reserved.

Section 9.5 Statutory Financial Reporting. Neither the Conservator nor the Company shall have any obligation under this Agreement to provide statutory financial statements with respect to the Company to any member of the Regulator Group or otherwise. The Conservator shall enter into a memorandum of understanding or other agreement with any governmental authority, including the Regulator Group, upon a written request therefrom, to

provide alternative financial reporting regarding the Company and the status of the run-off of Policyholder Claims.

Section 9.6 Further Covenants.

Section 9.6.1 Further Assurances. Each of the Parties to this Agreement covenants to take the following actions: (i) act in mutual cooperation and provide to each other all reasonable assistance in furtherance of the implementation and effectuation of this Agreement and the Conservation Transaction Agreements following Conservation Court approval, it being understood by all Parties that, prior to Conservation Court approval of this Agreement, the Conservator must remain free to evaluate any competing proposals for the rehabilitation of the Company and thereafter to take such actions as he determines, in his discretion, to be in the best interest of the Company's policyholders and other interested persons and entities; (ii) present a motion for approval of this Agreement and the Conservation Transaction Agreements; and (iii) execute, acknowledge, deliver, file and record such further certificates, amendments, instruments, agreements and documents (including the filing of any notices with any regulatory agencies or other governmental entities) and do all other actions and things as may be required by law or as may be necessary or reasonably advisable to carry out the intent of this Agreement and the Conservation Transaction Agreements following Conservation Court approval.

ARTICLE 10

CLOSING

Section 10.1 Closing. The Closing shall take place on the first Business Day following the satisfaction or waiver of all of the conditions set forth in Article 8 hereof (other

than conditions which contemplate or require only delivery or filing of one or more documents immediately prior to or contemporaneously with the Closing) on the Closing Date at The Orrick Building, 405 Howard Street, 10th Floor, San Francisco, California, commencing at 10:00 a.m., local time, or at such other place and time as the Parties shall mutually agree.

Section 10.2 Items to be Delivered at Closing by the Conservator and the Company.

At the Closing, upon the terms and subject to the conditions contained in this Agreement, the Conservator and the Company will deliver or cause to be delivered to the Karfunkel Trust and the Administrators, unless waived by the Karfunkel Trust and the Administrators, the following:

- (i) A certificate of the Conservator, dated the Closing Date, certifying that the representations and warranties of the Company are true and correct as of the Closing Date as if made on and as of the Closing Date and that the Company has performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed and complied with by the Company at the Closing;
- (ii) A certificate of the Conservator, dated the Closing Date, certifying that the representations and warranties of the Conservator are true and correct as of the Closing Date as if made on and as of the Closing Date and that the Conservator has performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed and complied with the Conservator at the Closing;
- (iii) A copy of each Conservation Transaction Agreement to which the Company or the Conservator, on behalf of the Company, is a party, in

each case duly executed by the Company or the Conservator, on behalf of the Company, as applicable;

- (iv) Such orders of the Conservation Court confirming the terms of this Agreement and the Conservation Transaction Agreements and the transactions contemplated hereby and thereby relative to the respective transactions and interests under this Agreement; and
- (v) Such other certificates and closing documents as may be necessary for the consummation of the transactions contemplated by this Agreement and the Conservation Transaction Agreements.

Section 10.3 Items to be Delivered at Closing by the Karfunkel Trust and the Administrators. At the Closing, upon the terms and subject to the conditions contained in this Agreement, the Karfunkel Trust and the Administrators will deliver, or cause to be delivered, as appropriate, to the Conservator and the Company, unless waived by the Conservator and the Company, as appropriate, the following:

- (i) Certificates of a duly authorized and elected officer of each of the Administrators, and a trustee of the Karfunkel Trust, dated the Closing Date, certifying (a) that the representations and warranties of such Party are true and correct as of the Closing Date as if made on and as of the Closing Date; (b) that such Party has performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed and complied with by it at the Closing; (c) that such Party has all requisite power and authority to execute and deliver this Agreement, the Conservation Transaction Agreements and any other

documents required for the Closing to which it is a party and to consummate the transactions contemplated hereby and thereby; (d) that the execution, delivery and performance by such Party of this Agreement or the Conservation Transaction Agreements to which it is a party will not violate any laws or statutes to which it is subject, or its corporate charter or bylaws or any material indenture, contract or agreement to which it is a party or by which it is bound, and (e) that this Agreement and the Conservation Transaction Agreements have been duly executed and delivered by such party and constitute the legal, valid and binding obligations of it, enforceable against it in accordance with its terms;

- (ii) An incumbency certificate for each of the Administrators dated the Closing Date, including specimen signatures;
- (iii) A copy of all resolutions adopted by the Board of Directors of each Administrator, in each case relating to the transactions contemplated by this Agreement and the Conservation Transaction Agreements, certified on the Closing Date to be correct and remaining in effect by the Secretary or Assistant Secretary of each, as the case may be;
- (iv) A copy of each Conservation Transaction Agreement to which any of the Administrators or the Karfunkel Trust is a party, in each case duly executed by the Commercial Lines Administrator, the Personal Lines Administrator or the Karfunkel Trust, as applicable;
- (v) Such documents, certificates and other evidence satisfactory to the Conservator that the transactions contemplated by the Plan of

Conservation & Liquidation for CastlePoint National Insurance Company, dated as of July 27, 2016, have been consummated, other than any such documents, certificates and other evidence that are to be delivered by or on behalf of the Conservator or the Company; and

- (vi) Such other certificates and closing documents as may be necessary for the consummation of the transactions contemplated by this Agreement and the Conservation Transaction Agreements.

Section 10.4 Items to be Delivered at Closing by CastlePoint Re. At the Closing, upon the terms and subject to the conditions contained in this Agreement, CastlePoint Re will deliver to the other Parties hereto, unless waived by the other Parties hereto, the following:

- (i) a certificate of a duly authorized and elected officer of each of CastlePoint Re, dated the Closing Date, certifying (a) that the representations and warranties of CastlePoint Re are true and correct as of the Closing Date as if made on and as of the Closing Date; (b) that CastlePoint Re has performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed and complied with by it at the Closing; (c) that CastlePoint Re has all requisite power and authority to execute and deliver this Agreement, the Conservation Transaction Agreements and any other documents required for the Closing to which it is a party and to consummate the transactions contemplated hereby and thereby; (d) that the execution, delivery and performance by CastlePoint Re of this Agreement or the Conservation Transaction Agreements to which it is a party will not violate any laws or statutes to

which it is subject, or its corporate charter or bylaws or any material indenture, contract or agreement to which it is a party or by which it is bound, and (e) that this Agreement and the Conservation Transaction Agreements have been duly executed and delivered by CastlePoint Re and constitute the legal, valid and binding obligations of it, enforceable against it in accordance with its terms;

- (ii) An incumbency certificate for CastlePoint Re dated the Closing Date, including specimen signatures;
- (iii) A copy of all resolutions adopted by the Board of Directors of CastlePoint Re, in each case relating to the transactions contemplated by this Agreement and the Conservation Transaction Agreements, certified on the Closing Date to be correct and remaining in effect by the Secretary or Assistant Secretary of CastlePoint Re;
- (iv) A copy of each Conservation Transaction Agreement to which CastlePoint Re is a party, duly executed by CastlePoint Re; and
- (v) Such other certificates and closing documents as may be necessary for the consummation of the transactions contemplated by this Agreement and the Conservation Transaction Agreements.

Section 10.5 Further Assurances After the Closing. Each of the Conservator, the Company, CastlePoint Re, the Karfunkel Trust and the Administrators will, from time to time after the Closing, take such other proper actions and execute and deliver such other documents, instruments, certifications and further assurances as may reasonably be requested by another

Party as required or necessary to effectuate the intent and purpose of this Agreement and the Conservation Transaction Agreements.

ARTICLE 11

GENERAL PROVISIONS

Section 11.1 Press Releases and Interviews. The Parties shall cooperate in the preparation of any and all press releases, pre-arranged press interviews or other public statements, written or oral, regarding this Agreement, any of the Conservation Transaction Agreements and/or the transactions contemplated hereby or thereby or related hereto or thereto, and no such press release, pre-arranged press interview or other public statement shall be issued, given or made without the prior written approval of the Conservator and the Commissioner, which approval shall not be unreasonably withheld, conditioned or delayed; provided, however, nothing in this Section 11.1 shall restrict any publicly traded Affiliate of ANA and National General from making public disclosures it advised by legal counsel that is required to make under applicable law prior to receiving the written approval of the Conservator and the Commissioner. Prior to any such press release, pre-arranged press interview or other public statement, the Party desiring to make such a disclosure shall provide the other Parties with copies of such press release or related materials.

Section 11.2 Expenses. Except as provided in Section 736 of the Insurance Code, each Party shall pay its own expenses in connection with the authorization, negotiation, preparation, execution and performance of this Agreement and the Conservation Transaction Agreements, including all fees and expenses of agents, representatives, attorneys, accountants and consultants; provided, however, that such fees and expenses incurred by the Conservator, the CDI and the Company shall be paid by the Company.

Section 11.3 Entire Agreement. This Agreement and the Conservation Transaction Agreements (including the exhibits and schedules attached hereto and thereto) constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties. There are no representations, promises, warranties, covenants or undertakings, other than those expressly set forth or referred to in this Agreement or the Conservation Transaction Agreements.

Section 11.4 Amendment. This Agreement may be amended only in writing executed by all of the Parties and with the approval of the Conservation Court, with subsequent written notice to the Regulator Group regarding such amendment. In addition, each of the Conservation Transaction Agreements may be amended only in writing executed by the applicable Parties thereto and with the approval of the Conservation Court, with subsequent written notice to the Regulator Group regarding such amendment.

Section 11.5 No Assignment. None of the rights or obligations of any Party to this Agreement may be assigned or transferred to or assumed by any other person, except as (i) expressly provided herein or (ii) with prior written consent of all Parties hereto and notice to the Regulator Group.

Section 11.6 Governing Law; Venue. This Agreement shall be governed and construed in accordance with the laws of the State of California, including the Insurance Code, applicable to agreements made and to be performed entirely within the State of California, without giving effect to the principles of conflicts of law thereof. The Parties hereby stipulate that any action or other legal proceeding arising under or in connection with this Agreement may be commenced and prosecuted in its entirety in the Conservation Court, each Party hereby

submitting to the personal jurisdiction thereof, and the Parties agree not to raise the objection that such courts are not a convenient forum. Process and pleadings mailed to a Party at the address provided in Section 11.9 shall be deemed properly served and accepted for all purposes.

Section 11.7 No Benefit to Others. The representations, warranties, covenants and agreements contained in this Agreement are for the sole benefit of the Parties hereto, and their respective permitted successors and assigns, and shall not be construed as conferring any rights on any other Person.

Section 11.8 Notices. Any notice, request, demand, waiver, consent, approval or other communication required or permitted to be made hereunder shall be in writing and shall be deemed given only if delivered by hand, or mailed by certified or registered mail with postage prepaid and return receipt requested, or sent by facsimile transmission, as follows:

- (i) If to the Conservator or the Company, to:

CastlePoint National Insurance Company
c/o Conservation & Liquidation Office
100 Pine Street, 23rd Floor
San Francisco, CA 94105
Attention: John Finston
 Deputy Insurance Commissioner and General Counsel

with concurrent copies to:

California Department of Insurance
Legal Division
45 Fremont Street, 22nd Floor
San Francisco, CA 94105
Attention: David E. Wilson
 Special Deputy Insurance Commissioner

Orrick, Herrington & Sutcliffe LLP
400 Capitol Mall, Suite 3000
Sacramento, CA 95814
Attention: Thomas J. Welsh

- (ii) If to ANA, to:

AmTrust North America, Inc.
59 Maiden Lane, 43rd Floor
New York, NY 10038
Attention: Stephen Ungar, Esq.

with concurrent copies to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022
Attention: Eric Dinallo, Esq.

- (iii) If to CastlePoint Re, to:

Wakefield Quin Limited
Victoria Place
31 Victoria Street
Hamilton HM10
Bermuda
Attention: Ian Stone, Esq.

- (iv) If to National General, to:

National General Management Corp.
59 Maiden Lane, 38th Floor
New York, NY 10038
Attention: Jeffrey Weissmann, Esq.

with concurrent copies to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022
Attention: Eric Dinallo, Esq.

- (v) If to the Karfunkel Trust, to:

c/o AmTrust North America, Inc.
59 Maiden Lane, 43rd Floor
New York, NY 10038
Attention: Stephen Ungar, Esq.

(vi) If to Technology, to:

Technology Insurance Company, Inc.
59 Maiden Lane, 43rd Floor
New York, NY 10038
Attention: Stephen Ungar, Esq.

(vii) If to Integon, to:

Integon National Insurance Company
59 Maiden Lane, 38th Floor
New York, NY 10038
Attention: Jeffrey Weissmann, Esq.

or to such other address as may be designated by a Party by written notice to the other Parties.

Such notice, request, demand, waiver, consent, approval or other communication will be deemed to have been given as of the date so delivered, sent by facsimile (with confirmation of receipt) or mailed.

Section 11.9 Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, illegal or unenforceable, the remainder of the provisions of this Agreement shall remain in full force and effect. The Parties shall endeavor in good faith negotiations to replace any invalid, illegal or unenforceable provision with a valid, legal and enforceable provision, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provision.

Section 11.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. It shall not be necessary that any one counterpart be signed by all of the Parties as long as each of the Parties has signed at least one counterpart. Such counterparts may be delivered by facsimile,

electronic mail or otherwise, each of which shall be deemed to be an original for purposes of this paragraph.

Section 11.11 Liability of the Conservator. The Conservator is a Party to this Agreement and the Conservation Transaction Agreements only in his representative capacity as conservator of the Company and as the Conservator, and not individually, and the Parties agree and acknowledge that the Conservator shall not have any personal liability in any capacity for any matters or obligations hereunder, and further that the State of California is not a Party and shall have no liability with respect hereto. This agreement is binding on and shall inure to the benefit of the Conservator's successors in office.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their respective duly authorized officers, solely in their respective capacities as officers of the undersigned and not in any other capacity, as of the date first set forth above.

CASTLEPOINT NATIONAL
INSURANCE COMPANY

By: David E Wilson
Name: DAVID E WILSON
Title: Special Deputy Insurance Commissioner

CASTLEPOINT REINSURANCE
COMPANY LTD.

By: _____
Name: _____
Title: _____

DAVE JONES, INSURANCE
COMMISSIONER, STATE OF
CALIFORNIA, IN HIS CAPACITY AS
CONSERVATOR OF CASTLEPOINT
NATIONAL INSURANCE COMPANY

By: David E Wilson
Name: DAVID E WILSON
Title: Special Deputy Insurance Commissioner

AMTRUST NORTH AMERICA, INC.

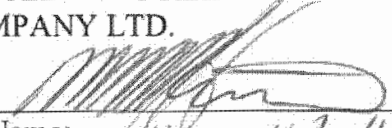
By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered by their respective duly authorized officers, solely in their respective capacities as officers of the undersigned and not in any other capacity, as of the date first set forth above.

CASTLEPOINT NATIONAL
INSURANCE COMPANY

By: _____
Name:
Title:

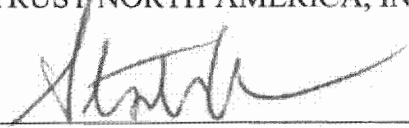
CASTLEPOINT REINSURANCE
COMPANY LTD.

By:  _____
Name: *William Hitzelberger*
Title: *President & Treasurer*

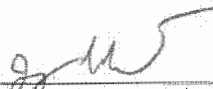
DAVE JONES, INSURANCE
COMMISSIONER, STATE OF
CALIFORNIA, IN HIS CAPACITY AS
CONSERVATOR OF CASTLEPOINT
NATIONAL INSURANCE COMPANY

By: _____
Name:
Title:

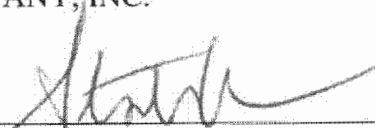
AMTRUST NORTH AMERICA, INC.

By:  _____
Name: Stephen Ungar
Title: Secretary

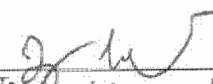
NATIONAL GENERAL MANAGEMENT
CORP.

By: 
Name: Jeffrey Weisman
Title: General Counsel & Secretary

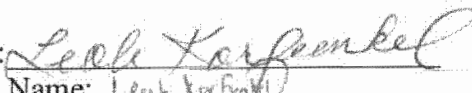
TECHNOLOGY INSURANCE
COMPANY, INC.

By: 

INTEGON NATIONAL INSURANCE
COMPANY

By: 
Jeffrey Weisman, General Counsel & Secretary

MICHAEL KARFUNKEL FAMILY 2005
TRUST

By: 
Name: Leah Karfunkel
Title: Trustee

LEAH KARFUNKEL, IN HER
CAPACITY AS TRUSTEE OF THE
MICHAEL KARFUNKEL FAMILY 2005
TRUST AND NOT INDIVIDUALLY

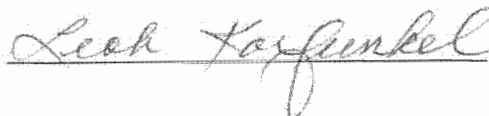


Exhibit A

Commercial Lines Administrative Services Agreement

COMMERCIAL LINES ADMINISTRATIVE SERVICES AGREEMENT

BY AND AMONG

CASTLEPOINT NATIONAL INSURANCE COMPANY,

AND

AMTRUST NORTH AMERICA, INC.

COMMERCIAL LINES ADMINISTRATIVE SERVICES AGREEMENT

THIS COMMERCIAL LINES ADMINISTRATIVE SERVICES AGREEMENT (this “Agreement”) is made and entered into as of [●], 2016, by and among:

1. CastlePoint National Insurance Company in Conservation (the “Company”), an insurance company organized under the laws of California and successor by merger to North East Insurance Company, Preserver Insurance Company, York Insurance Company of Maine, Massachusetts Homeland Insurance Company, Tower Insurance Company of New York, Tower National Insurance Company, Hermitage Insurance Company, CastlePoint Florida Insurance Company, and CastlePoint Insurance Company (collectively, the “Constituent Companies”), acting by and through California Insurance Commissioner Dave Jones (the “Commissioner”) as statutory conservator (“Conservator”); and
2. AmTrust North America, Inc., a Delaware corporation (“Administrator”) (collectively, the “Parties” and each, a “Party”).

RECITALS

WHEREAS, ACP Re, Ltd., a Bermuda corporation (“ACP Re”), AmTrust Financial Services, Inc., a Delaware corporation (“AmTrust”), and National General Holdings Corporation, a Delaware corporation (“National General Holdings”) entered into a series of agreements by which ACP Re agreed to acquire Tower Group International, Ltd. (“Tower”), a Bermuda insurance holding company, which transacted commercial and personal lines insurance business in the United States through the Company and the Constituent Companies, and, in connection therewith, AmTrust and National General Holdings have agreed to administer the run-off of Tower’s legacy business and, prospectively, manage and reinsure all business to be written by the Company and the Constituent Companies after the Effective Time;

WHEREAS, in connection with the acquisition, (i) the Company, the Constituent Companies and CastlePoint Reinsurance Company Ltd. (“CastlePoint Re”) entered into that certain Loss Portfolio Transfer Agreement, dated as of September 15, 2014, providing the run-off of the liabilities of the Company and the Constituent Companies (the “LPTA”) and (ii) the Company, the Constituent Companies, CastlePoint Re and Administrator entered into that certain Commercial Lines LPTA Administrative Services Agreement, dated as of September 15, 2014, providing for administration by Administrator of the commercial lines business of the Company and the Constituent Companies issued prior to such date, including such business reinsured under the LPTA (the “Existing Commercial Lines ASA”);

WHEREAS, on or about July 20, 2016, the Constituent Companies merged with and into the Company;

WHEREAS, the Commissioner has been appointed Conservator of the Company pursuant to an order of the Superior Court for the City and County of San Francisco (the “Conservation Court”) entered on [●], 2016 (the “Conservation Order”);

WHEREAS, pursuant to the plan of conservation for the Company approved and authorized by the Conservation Court in the Conservation Order (the “Conservation Plan”) and the related Conservation Agreement dated July 28, 2016 among the Conservator, the Administrator, National General Management Corp. (“National General”), Technology Insurance Company, Inc., Integon Insurance Company, Inc., CastlePoint Re and the Michael Karfunkel Family 2005 Trust (the “Conservation Agreement”), Administrator, National General, CastlePoint Re and the Company are entering into that certain

Commutation and Release Agreement (the “Commutation Agreement”), dated as of the date hereof, pursuant to which, among other things, the LPTA is being commuted and the Existing Commercial Lines ASA is being terminated; and

WHEREAS, in accordance with the Conservation Plan, for a period of time following the Restructuring Effective Date and as more particularly set forth herein, the Company wishes to appoint Administrator as its third-party administrator for purposes of performing the claims administration related to the runoff of claims under Subject Policies.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and promises contained herein, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

ARTICLE 1:

DEFINITIONS

1.1 Definitions. The following terms have the respective meanings set forth below throughout this Agreement and the following definitions are equally applicable to both the singular and plural forms of any of the terms defined herein:

“ACP Re” has the meaning set forth in the Recitals.

“Administrator Invoice” has the meaning set forth in Section 5.2(a).

“Affiliate” means, with respect to any Person, at the time in question, any other Person controlling, controlled by or under common control with such Person.

“Agreement” has the meaning set forth in the preamble.

“AmTrust” has the meaning set forth in the Recitals.

“Books and Records” means all hard-copy and electronic policy information, data, records and policy forms in the possession or control of the Company relating primarily to the Subject Business, including, but not limited to, administrative records, claim records, marketing compliance records, policy files, sales records, files and records relating to regulatory matters, files and records relating to tax information and tax qualification reporting, reinsurance records, underwriting records and accounting records (in whatever form maintained and wherever housed or held); provided, however, that if any such records contain information which does not relate to the Subject Business, such information shall not constitute “Books and Records” and may be redacted from the “Books and Records” as the Company reasonably deems appropriate. Books and Records shall exclude any records that are subject to attorney-client privilege. Except with respect to records or documents that are subject to the attorney-client privilege or that do not relate to the Subject Business, the Company shall provide Administrator with reasonable access to any books and records that are excluded herein from the definition of “Books and Records” and retained by the Company to the extent reasonably required by Administrator to perform its obligations under this Agreement.

“Business Day” means any day other than a Saturday, Sunday or other day on which banking institutions in the State of New York are permitted or obligated by applicable Law to be closed.

“Commercial Lines Business” means all insurance contracts, policies, certificates, binders, slips, covers or other agreements of insurance, including all supplements, riders, endorsements, renewals and extensions (other than Personal Lines Business) issued by the Company (including as successor by merger to the Constituent Companies).

“Commissioner” has the meaning set forth in the preamble.

“Company” has the meaning set forth in the preamble.

“Commutation Agreement” has the meaning set forth in the Recitals.

“Confidential Information” means all Books and Records and all documents and information concerning (i) one Party or any of its Affiliates, (ii) a Policyholder, or (iii) the Subject Business, in each case furnished to a Party or such Party’s Affiliates (the “Receiving Party”) or representatives in connection with this Agreement or the Services contemplated hereby, except that, to the extent not prohibited by applicable Law, Confidential Information shall not include information which: (i) at the time of disclosure or thereafter is generally available to and known by the public other than by way of a wrongful disclosure by the Receiving Party hereto or by any representative of the Receiving Party; (ii) was available on a non-confidential basis from a source other than the Receiving Party or its representatives, provided that such source is not and was not bound by a confidentiality agreement with the Party disclosing such information; (iii) prior to the disclosure, was already in the Receiving Party’s possession as evidenced by written records kept in the ordinary course of the Receiving Party’s business or by proof of actual use by the Receiving Party (other than the Books and Records which shall remain “Confidential Information”); or (iv) was independently developed by the Receiving Party without violating any obligations under this Agreement and without the use of any Confidential Information.

“Conservation Agreement” has the meaning set forth in the Recitals.

“Conservation Court” has the meaning set forth in the Recitals.

“Conservation Plan” has the meaning set forth in the Recitals.

“Conservation Order” has the meaning set forth in the Recitals.

“Conservator” has the meaning set forth in the preamble.

“Constituent Companies” has the meaning set forth in the preamble.

“Cut-Through Agreement” means the Commercial Lines Cut-Through Quota Share Reinsurance Agreement, dated as of January 3, 2014, by and among the Company (including as successor by merger to the Constituent Companies) and Technology Insurance Company, Inc., an insurance company organized under the laws of New Hampshire.

“Damages” means damages, losses, liabilities and expenses (including reasonable attorneys’ fees and reasonable expenses of investigation in connection with any action, suit or proceeding), but shall not include any measure of indirect, special, punitive, contingent, consequential, lost profit or other similar damages.

“Disbursement Account” means a bank account or accounts to be established by the Company and/or Affiliate of AmTrust prior to the Restructuring Effective Date and to be used by Administrator on behalf of the Company as provided in this Agreement and as more particularly described in ARTICLE 3.

“Effective Date” means September 15, 2014.

“Effective Time” means 12:01 a.m. Eastern Standard Time on the Effective Date.

“Extra-Contractual Obligations” means all liabilities or obligations to any Person arising out of or relating to the Subject Policies, other than liabilities or obligations arising under the express terms and conditions and within the policy limits of the Subject Policies, including, without limitation, any liability or obligation for fines, penalties, taxes, fees, forfeitures, compensatory, consequential, punitive, exemplary, special, treble, bad faith, tort, statutory or any other form of extra-contractual damages, as well as all legal fees and expenses relating thereto, which liabilities or obligations arise out of, result from or relate to any act, error or omission, whether or not intentional, negligent, fraudulent, in bad faith or otherwise (actual or alleged), arising out of or relating to the Subject Policies, including, without limitation, (i) the sale, marketing, distribution, underwriting, production, issuance, cancellation or administration of the Subject Policies, (ii) the investigation, defense, prosecution, trial, settlement (or failure to settle) or handling of claims, benefits or payments under the Subject Policies, or (iii) the failure to pay or the delay in payment or errors in calculating or administering the payment of benefits, claims or any other amounts due or alleged to be due under or in connection with the Subject Business.

“Final Administrator Invoice” has the meaning set forth in Section 5.2(b).

“Government Entity” means any court, arbitrator, department, commission, board, bureau, agency, authority, instrumentality or other body, whether federal, state, municipal, foreign or other.

“Law” or “Laws” means any statute, law, ordinance, rule, regulation, administrative or judicial order, bulletin or other governmental pronouncement issued or adopted by any Government Entity.

“LPTA” has the meaning set forth in the Recitals.

“Loss” means “Subject Business Loss”.

“Miscellaneous Costs” has the meaning set forth in Section 5.1.

“MGA Agreement” means the Commercial Lines Managing General Agent Agreement, dated September 15, 2014, among the Company (including as successor by merger to the Constituent Companies), the Administrator and ACP Re.

“National General” has the meaning set forth in the Recitals.

“Out-of-Pocket Costs” has the meaning set forth in Section 5.1.

“Party” or “Parties” have the meanings set forth in the preamble.

“Person” means any individual, corporation, partnership, firm, joint venture, association, joint stock company, limited liability company, trust, unincorporated organization, Government Entity, business unit, division or entity.

“Personal Lines Business” means all insurance contracts, policies, certificates, binders, slips, covers or other agreements of insurance, including all supplements, riders, endorsements, renewals and extensions for personal automobile liability and physical damage, homeowners, personal excess and umbrella coverage issued by the Company (including as successor by merger to the Constituent Companies).

“Plan” has the meaning set forth in the Recitals.

“Policyholder” means the owner and/or named insured on policies that are included within the Subject Business.

“QSA Agreement” means the Commercial Lines Quota Share Reinsurance Agreement, dated as of September 15, 2014, by and among the Company (including as successor by merger to the Constituent Companies) and Technology Insurance Company, Inc., an insurance company organized under the laws of New Hampshire.

“Restructuring Effective Date” means [●], 2016.¹

“Services” has the meaning set forth in Section 2.1(c).

“Subject Business” means, collectively, the Subject Policies.

“Subject Business Losses” shall mean liabilities and obligations to make payments to policyholders, beneficiaries and third party claimants under the Subject Business and all loss adjustment expenses and defense costs, including (i) all expenses incurred by or on behalf of the Company in the investigation, appraisal, adjustment, litigation, defense or appeal of claims under the Subject Business and/or coverage actions under the Subject Business, (ii) all liabilities for consequential, exemplary, punitive or similar extracontractual damages, or for statutory or regulatory fines or penalties, or for any loss in excess of the limits of any Subject Business, whether owing to the policyholders or insureds under the Subject Business, and (iii) court costs accrued prior to final judgment, prejudgment interest or delayed damages and interest accrued after final judgment.

“Subject Consideration” has the meaning set forth in Section 5.1.

“Subject Policies” means insurance contracts, policies, certificates, binders, slips, covers or other agreements of insurance that constitute Commercial Lines Business issued by the Company (including as successor by merger to the Constituent Companies) in the states or other jurisdictions where it is authorized to conduct such business through independent agents appointed by the Company (including as successor by merger to the Constituent Companies); provided that the “Subject Policies” exclude any such contracts, policies, certificates, binders, slips, covers or other agreements of insurance that are reinsured under the Cut-Through Agreement or the QSA Agreement.

“Taxes” or “Tax” means all federal, state, local or foreign taxes, charges, fees, levies, rates or dues, or other assessments, including all income, capital gains, capital, sales, use, excise, transfer, goods and services, value added, franchise, withholding, payroll, premium, gross receipts, employment, employment insurance, business, property or other taxes, customs, duties, surtaxes, fees, assessments, charges or governmental imposts of any kind whatsoever imposed by any governmental authority or taxing authority, together with any interest, penalty, fine, or addition thereto, whether disputed or not.

ARTICLE 2:

SERVICES APPOINTMENT

2.1 Appointment and Acceptance; Standards.

¹ **Note to Draft:** To be dated the Closing Date.

(a) Effective as of the Restructuring Effective Date until the complete performance by Administrator of all obligations and duties arising under this Agreement or the earlier termination of this Agreement in accordance with its terms, and subject to Section 2.2, the Company hereby appoints Administrator to perform on its behalf all claims administration services related to claims under Subject Policies written by the Company (including as successor by merger to the Constituent Companies), as more particularly set forth in this ARTICLE 2 (collectively, the “Services”), and Administrator hereby accepts such appointment and agrees to act as the designated representative of the Company as necessary to perform the Services in accordance with the terms of this Agreement and applicable Law.

(b) Subject to Section 2.2, Administrator agrees that in providing the Services it shall be subject to the supervision of the Conservator and conduct itself in accordance with all reasonable commercial and professional standards of skill, diligence, care, effort and expertise that are at least equal in quality to the standards Administrator exercises in carrying out its own insurance business; provided, that such standards must be in material compliance with the provisions of applicable Law.

(c) For the avoidance of doubt, and notwithstanding anything contained herein to the contrary, no authority is given or obligations assigned or imposed upon Administrator under this Agreement with respect to the administration of Personal Lines Business written by the Company (including as successor by merger to the Constituent Companies). For the further avoidance of doubt, the claims and other administration of the Personal Lines Business or other personal lines business written by the Company (including as successor by merger to the Constituent Companies) shall be provided by National General.

2.2 Control of Subject Business. The performance of the Services by Administrator pursuant to this Agreement shall in no way impair the absolute control, and responsibility for, the business and operations of the Company. The Company and the Conservator have the ultimate control over the functions and Services delegated to Administrator pursuant to this Agreement in regards to the Subject Business. Administrator shall comply with any written directions from the Company or the Conservator with respect to all matters affecting the Services in regards to the Subject Business, so long as such directions comply with applicable Law. In respect of such directions involving the Subject Business, the Company shall indemnify and hold harmless Administrator and its Affiliates in following such directions.

2.3 Power of Attorney. The Company hereby appoints and names Administrator, acting through its duly authorized officers, employees and agents, as its true and lawful attorney-in-fact insofar as necessary to enable Administrator to provide the Services in the name of the Company, from and after the Restructuring Effective Date for so long as Administrator is authorized hereunder to provide the Services. Without limiting the foregoing, Administrator is expressly authorized, subject to Section 2.2: (a) to do any and all lawful acts that the Company might have done with respect to the Subject Business insofar as such acts qualify as Services; (b) to proceed by all lawful means to perform any and all of the Company’s claims administration obligations with respect to the Subject Business; (c) to enforce any right and defend against any liability arising under the Subject Business as they relate to the Services; (d) to sue or defend in the name of the Company any action arising under the Subject Business; (e) to sign in the name of the Company vouchers, receipts, releases and other papers in connection with any of the foregoing matters, and (f) to endorse checks payable to the Company for deposit. If requested by Administrator, the Company shall execute and deliver to Administrator powers of attorney evidencing such power in a form reasonably acceptable to the Company.

2.4 Confidentiality and Privacy.

(a) The Parties agree that, other than as contemplated hereunder and to the extent permitted or required to implement this Agreement, each of them will and will cause their officers, employees and agents to keep confidential and will not use or disclose Confidential Information and the terms and conditions of this Agreement, including, without limitation, the exhibits and schedules hereto, except as otherwise required by applicable Law or as may be agreed in writing by the Parties hereto.

(b) The Parties acknowledge and agree that Administrator and its Affiliates shall and shall cause their agents to only use Confidential Information regarding Policyholders or the Subject Business in accordance with this Agreement and applicable Law and with due and careful regard for rights of confidentiality and privacy, in order to perform the Services.

(c) Administrator shall and shall cause its Affiliates and their officers, employees and agents to implement and maintain appropriate administrative, technical and physical safeguards to (i) ensure the security, confidentiality and integrity of Confidential Information regarding Policyholders and the Subject Business, (ii) protect against reasonably anticipated threats or hazards to the security or integrity of such Confidential Information, and (iii) protect against unauthorized access to, or use of, such Confidential Information.

(d) Nothing in this Section 2.4 shall prohibit Administrator or any of its Affiliates providing services associated with the Subject Business from allowing disclosures of Confidential Information required under applicable Law or to Governmental Entities or as reasonably requested by rating agencies.

2.5 Communication with Government Entities. Except as otherwise provided herein, and subject to Section 2.2 hereof, from and after the Restructuring Effective Date, Administrator shall be responsible on behalf of the Company to communicate, make filings and/or correspond with Government Entities with respect to the Services. The Company shall have the right to receive, as promptly as shall be commercially practicable, copies of all communications, filings, and correspondence with respect to the Services, whether made to or received from Government Entities by Administrator, and shall have the right to prior review, at its expense, of such communications, filings and correspondence to or with Government Entities.

2.6 Audit Rights. During the term of this Agreement and for a period of three (3) months thereafter, the Company and the Conservator shall have the right, at their sole cost and expense, to audit the Services during regular business hours and upon reasonable notice.

2.7 Administrator's Services. From and after the Restructuring Effective Date and until the termination of this Agreement, and subject to Section 2.2, Administrator shall provide the following administrative services on behalf of the Company with respect to the Subject Business in accordance with applicable Law and subject to the terms of the Subject Business:

(a) Facilities, Supplies and Staffing. Administrator shall provide the facilities and retain all personnel required to perform the Services as determined in the reasonable discretion of Administrator. Administrator shall also furnish all of the operating forms, printing supplies and any other related items which may become necessary for the operation of the Subject Business, except, for the forms specified by the Company which it shall provide and which are technically compatible with Administrator's facilities and equipment.

(b) Losses, Claim Expenses, Attorney Appointments, Loss Reporting and Reinsurance.

(i) Administrator shall receive, consider, review, investigate, defend, reject, supervise the adjustment of, settle, compromise and pay all Losses on the Subject Business, and shall also pay all survey, investigating, legal and other costs thereof, provided that the Company shall have reasonable access to Administrator's claim files and other claim records in regards to the Subject Policies during normal business hours upon reasonable notice. Administrator shall pay all such losses and claims expenses out of funds held in the Disbursement Account. Administrator shall have no access to, or power to draw on, any other account of the Company for purposes of this Agreement.

(ii) Administrator shall maintain claims files on all Subject Business, which claims files shall be subject to review by the Company, or its Representatives, in regards to the Subject Business during normal business hours and upon reasonable notice.

(iii) Administrator shall appoint claims, defense and loss control attorneys or other outside vendors for the Subject Business.

(iv) Administrator shall determine and evaluate coverage issues arising out of or in connection with the Subject Business and prepare and send all applicable correspondence relating to the Subject Business, including, but not limited to reservation of rights and coverage denial letters.

(v) Administrator shall have the obligation to exercise control and direction over litigation involving the Subject Business and defend against such litigation pursuant to this Agreement, and shall have the authority to settle or consent to judgment in any such litigation.

(vi) Administrator shall perform all commercially reasonable services to pursue salvage and subrogation recoveries and to properly credit recoveries to the appropriate claim file.

(vii) Following reasonable written request therefore, specifying information or reports and filing dates, Administrator shall prepare and submit to the Company all Tax information and Tax-related business reports related to the Services and reasonably necessary for the Company to file all Tax returns or reports, and shall do so no later than fifteen (15) days before such Tax returns or reports must be filed.

(viii) To the extent Administrator collects any premium in respect of the Subject Business, Administrator shall promptly remit such premium to the Company.

(c) Books and Records.

(i) From and after the Restructuring Effective Date, the Company, or its Representatives, shall deliver to Administrator a copy of any Books and Records as reasonably requested by Administrator to the extent that Administrator or any of its Affiliates does not already possess copies of such Books and Records. Administrator shall keep all information related to the Subject Business and the Books and Records confidential, subject to Section 2.4, and shall not disclose or provide access to such information to any third party, except as otherwise contemplated or permitted under this

Agreement or required by applicable Law or with the Company's prior written consent. Notwithstanding the foregoing, upon termination of the Services under this Agreement, any copies of the Books and Records and all other books and records maintained at such time by Administrator pertaining to the Subject Business, or copies thereof, shall be delivered promptly to the Company or such other person or entity as it shall designate in writing.

(ii) Administrator agrees that it will and will cause its Affiliates and agents to maintain books and records, including the Books and Records, with respect to the Services, in accordance with the same standards Administrator applies to its own business and applicable Law, including all such books and records as may be required by applicable Law, and all such books and records, including the Books and Records, shall be (A) the property of the Company in regards to the Subject Business, and (B) available for inspection and copying by the Company, or its Representatives, in regards to the Subject Business and at its sole cost and expense, and any Government Entities at any reasonable time during Administrator's normal business hours upon prior reasonable notice. Administrator shall maintain facilities and procedures comparable to the facilities and procedures it employs for its own books and records for the safekeeping of all books and records used in the performance of the Services and in accordance with applicable Law.

(iii) Administrator agrees to maintain an adequate system of internal controls over financial reporting as it relates to the Services, and at the Company's sole option and cost, to allow the Company, the Conservator or its Representatives, to conduct periodic tests of such internal controls over financial reporting in regards to the Subject Business during normal business hours and upon reasonable notice. Administrator shall make the relevant employees of Administrator or its Affiliates available to the Company, and/or its Representatives, for purposes of this Section 2.7(c)(iii).

(d) Accounting and Reporting. Administrator agrees to provide the following accounting and reporting services:

(i) Within forty-five (45) days after the close of each quarter, Administrator or its Representatives shall render a quarterly account to the Company, summarizing the following items pertaining to the Subject Business and the Services and any amounts due in this regard to the Company:

(A) paid Subject Business Losses less subrogation and salvages and amounts received during the quarter; and

(B) a statement of the gross and net Subject Business Losses outstanding (including loss reserves) at the close of each quarter.

(ii) Administrator or its Representatives shall also provide such other reports with respect to the Subject Business as may be reasonably requested by the Company that arise out of or relate to the Services, including, but not limited to, such reports as are necessary to prepare the Company's Tax returns and financial statements, actuarial analyses of the Subject Business and related reserves, or any report required by any Government Entity, in each case within the time frame needed by the Company to comply with its own contractual or other legal obligations or as otherwise mutually agreed by the Parties.

(iii) The Company and Administrator will cooperate with each other in good faith to develop a mutually acceptable format for the accounts, statements or other reports required under this Section.

(iv) The quarterly accounting and cash settlement are unconditional upon the performance of any other agreement or Person.

(e) Miscellaneous Services. Without limiting the foregoing, Administrator shall provide any and all other claims-related services on behalf of the Company that may be necessary, required or appropriate for the provision of the Services, including, but not limited to, the following: (i) providing or causing the provision of usual and customary services for Policyholders; (ii) processing or causing the processing of all necessary Policyholder notifications and collections; (iii) answering all inquiries and (iv) taking all actions necessary to comply with its obligations under the Conservation Plan, the Conservation Order and the Conservation Agreement. In the event that this Agreement is terminated prior to the complete performance by Administrator of the Services, Administrator shall take all actions reasonably requested by the Company or the Conservator necessary to (x) transfer control of the Disbursement Account to the Company and the Conservator and/or (y) transition the Services to a replacement administrator (which the Conservator may choose in its sole discretion).

(f) Services Not Covered. For the avoidance of doubt, the Company will be responsible for performing all of its own accounting, financial and regulatory reporting (if any), and Administrator will have no responsibility with respect thereto; provided, that Administrator will provide the Company with the statistical and other information required for such reporting in a timely manner, as reasonably requested by the Company from time to time in accordance with the terms of this Agreement.

ARTICLE 3:

DISBURSEMENT ACCOUNT

3.1 Disbursement Account.

(a) Any and all amounts needed to pay Subject Business Losses arising under the Subject Business shall be paid on behalf of the Company by Administrator exclusively from one or more disbursement accounts identified by the Company for such purposes (the “Disbursement Account”).

(b) The Disbursement Account shall be funded by the Company, on an as required basis based on reasonable estimates of cash flow and capital requirements necessary to cover Subject Business Losses.

(c) No later than five days prior to the end of each month during the term of this Agreement, Administrator and its Affiliates shall remit to the Company any and all amounts they receive for or on behalf of the Company in respect of the Subject Business during such month.

(d) All investment income on funds held in the Disbursement Account shall be credited to the Company.

(e) Administrator acknowledges and agrees that it has a fiduciary obligation to the Company to access and disburse funds from the Disbursement Account solely for the purposes set

forth in this Section 3.1.

(f) For the avoidance of doubt, any withdrawals from the Disbursement Account shall be used solely to pay (i) Subject Business Losses arising under the Subject Business and (ii) costs and expenses payable in accordance with this Agreement. In the event that any amounts that are used in violation of the preceding sentence, Administrator shall immediately cause such amounts to be refunded to the Disbursement Account.

3.2 Company Estate. For the avoidance of doubt, the Administrator and its Affiliates shall have no obligation to pay Subject Business Losses or any other amounts payable to the Company, its Policyholders, beneficiaries, third party claimants or any other Person hereunder, except out of the assets of the estate of the Company as and when made available by the Conservator in the Disbursement Account.

ARTICLE 4:

TERM AND TERMINATION RIGHTS

4.1 Term.

(a) Unless terminated earlier as set forth in Section 4.2 of this Agreement, the Services provided hereunder with respect to the Subject Business shall terminate as to the Subject Business on the first to occur of: (i) the complete performance by Administrator of all obligations and duties arising under this Agreement; or (ii) upon the mutual written consent by the Parties hereto to the termination of this Agreement.

(b) Upon the expiration or termination of this Agreement pursuant to Section 4.1(a) or Section 4.2, Administrator shall cooperate with the Conservator to effect an orderly transition of the Services to Conservator (or a replacement administrator designated by the Conservator) at Administrator's sole cost and expense. Such cooperation on the part of Administrator shall include, without limitation: (i) transferring all Books and Records to the Conservator or such replacement Administrator, and (ii) using its commercially reasonable efforts to assign, for the benefit of the Company, any agreements with authorized third-party administrators or other service providers relating to the Services.

4.2 Termination Rights. Without limiting any other rights of any Party under this Agreement:

(a) The Company shall have the right to terminate this Agreement at any time, upon reasonable prior notice from the Conservator to the Administrator; and

(b) Administrator shall have the right to terminate this Agreement following the second (2nd) anniversary of the Restructuring Effective Date, if the Company does not cure, within thirty (30) days of receiving written notice thereof, any failure to pay Subject Consideration in accordance with Section 5.1.

ARTICLE 5:

COMPENSATION

5.1 Subject Consideration. None of the Company, the Conservator or any of their Affiliates shall have any obligation to pay any consideration to the Administrator in respect of the provision of the Services prior to the second (2nd) anniversary of the Restructuring Effective Date. The Company shall reimburse the Administrator for the following costs and expenses that, in each case, are allocable to periods following the second (2nd) anniversary of the Restructuring Effective Date: (i) the portion of the total actual costs incurred by Administrator for the claims operations for the Subject Business (including wages and employee benefits provided to Administrator's employees, and overhead costs related to the performance of the Services, including without limitation, other loss adjustment expenses not incurred in relation to a specific claim within the Subject Business), (ii) all of Administrator's out-of-pocket expenses in respect of the Subject Business, including, without limitation, claims investigations, legal fees, defense costs and loss containment expenses, or other third-party vendor costs that are incurred in relation to a specific claim within the Subject Business ("Out-of-Pocket Costs") and (iii) costs paid in connection with any modifications to Administrator's claims system necessary to perform the Services ("Miscellaneous Costs", and the foregoing (i), (ii) and (iii) collectively, the "Subject Consideration"). For the avoidance of doubt, such obligation of the Company to reimburse Administrator for such Subject Consideration shall constitute an administrative expense claim having the priority set forth in Section 1033(a)(1) of the California Insurance Code.

5.2 Procedure.

(a) Beginning with the calendar quarter during which the second (2nd) anniversary of the Restructuring Effective Date occurs, and for each calendar quarter thereafter during the term of this Agreement, Administrator shall, within thirty (30) days following the end of such quarter, and within thirty (30) days following the expiration or termination of this Agreement, provide the Company with requests for payment of Subject Consideration hereunder consisting of a reasonably itemized bill and other reasonable proof requested by the Company for such amounts (the "Administrator Invoice"). Subject to the foregoing and relative to undisputed amounts, the Company shall pay Administrator the Subject Consideration no later than fifteen (15) days following its receipt of any Administrator Invoice.

(b) Disputed amounts under this Section 5.2 will be paid subject to the dispute resolution provisions incorporated in Article 10. For the avoidance of doubt, the Subject Consideration shall not include any amounts for Out-of-Pocket Costs or Miscellaneous Costs incurred or paid by Administrator that are not reasonably related or allocable to the performance of the Services.

ARTICLE 6:

REPRESENTATIONS AND WARRANTIES OF ADMINISTRATOR

Administrator represents and warrants to the Company as follows:

6.1 Authority. Administrator has all requisite power and authority to execute and deliver this Agreement, to perform its obligations under this Agreement and to consummate the transactions contemplated by this Agreement. This Agreement has been duly executed and delivered by Administrator and constitutes the legal, valid and binding obligation of Administrator, enforceable against it in accordance with its terms

6.2 No Breach. Subject to the approval of the Conservator, the execution, delivery and performance of this Agreement by Administrator will not materially conflict with, or result in a material violation of, or constitute a material default under, any term or provision of applicable Law, or any

judgment, writ, injunction, decree or order of any court, governmental authority or arbitrator relating to Administrator.

6.3 Litigation. There is no Litigation (as defined in the Conservation Agreement) pending, or threatened, against Administrator, or any of its assets, properties or Affiliates, at law or in equity, that individually or in the aggregate have or may reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement or on the ability of Administrator to perform its obligations under this Agreement.

6.4 Capacity. Administrator has all licenses, authorizations and resources necessary to provide, or to obtain a licensed and authorized subcontractor to provide, the Services in accordance with applicable Law, and Administrator has, or has available to it via agents or subcontractors, sufficient expertise, trained personnel, resources, systems, controls and procedures (financial, legal, accounting, administrative, data processing or otherwise) as may be necessary or appropriate to discharge Administrator's services hereunder.

ARTICLE 7:

CERTAIN COVENANTS OF ADMINISTRATOR

7.1 Capacity. Administrator will continue to maintain during the term of this Agreement all licenses, authorizations and resources necessary to provide, or to obtain a licensed and authorized subcontractor to provide, the Services in accordance with applicable Law.

7.2 Insurance. Administrator agrees to maintain general liability and errors and omissions coverages for itself and for its directors, officers and employees as outlined in Schedule 7.2 and to provide updated evidence of that coverage as reasonably requested by the Company.

7.3 Inability to Perform Services. Without limitation to any of the Company's rights hereunder, in the event that Administrator shall be unable to materially perform the Services as required by this Agreement for any reason whatsoever for a period that can reasonably be expected to exceed five Business Days, Administrator shall promptly notify the Company in writing and cooperate with them in obtaining an alternative means of providing such Services. For the avoidance of doubt, Administrator's compliance with the notice requirement set forth in the preceding sentence shall not relieve Administrator of its obligations to indemnify the Company and their Affiliates for Damages pursuant to Article 9.

ARTICLE 8:

RESERVED

ARTICLE 9:

INDEMNIFICATION

9.1 Indemnification

(a) Administrator agrees to indemnify and hold the Company and its Affiliates, predecessors, successors and assigns (and their respective officers, directors and employees) (the "Indemnified Persons") harmless from and against and in respect of all Damages incurred by them resulting from (i) any material breach by Administrator of any representation, warranty, covenant or agreement of Administrator in this Agreement and (ii) any fraud or misrepresentation

of Administrator in connection with the Services. Notwithstanding the foregoing, Administrator shall have no liability to any Indemnified Person for (x) acts, errors or omissions taken at the request or direction of the Company or the Conservator, or (y) any Extra-Contractual Obligations in respect of the Subject Business, unless such liability for Extra-Contractual Obligations arises from the fraud of a member of the board of directors or a corporate officer of the Administrator acting individually or collectively or in collusion with any individual or corporation or any other organization or party involved in the presentation, defense or settlement of any claim in respect of any Subject Policy.

(b) In the event that any Indemnified Person determines to assert a claim for indemnification hereunder, such Indemnified Person shall promptly give written notice to the Administrator describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim and the amount or estimated amount of the Damages sought to be recovered thereunder. Upon receipt of such notice, the Administrator shall have the right to assume the defense and control of the claim or litigation giving rise to the claim for indemnification hereunder, to the extent such claim or litigation is made or instituted by a person not either a party to this Agreement or an Affiliate of a party to this Agreement (a “Third Party Claim”). The Company and the Conservator shall cooperate reasonably with the Administrator in the defense of any such Third Party Claim.

9.2 Survival. All representations, warranties, covenants and agreements made by Administrator pursuant to this Agreement shall survive the Restructuring Effective Date.

ARTICLE 10:

RESOLUTION OF DISPUTES

10.1 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California applicable to contracts executed in and to be performed entirely within that State.

10.2 Dispute Resolution; Enforcement.

(a) Any dispute arising out of this Agreement shall be subject to the continuing jurisdiction of the Conservation Court, which shall be the exclusive forum in which all such disputes shall be resolved.

(b) Administrator acknowledges that the performance of its obligations, including the Services, pursuant to this Agreement is critical to the business and operations of the Company. Accordingly, in the event of a dispute between the Company and Administrator, Administrator shall continue to perform the Services in good faith during the resolution of such dispute unless and until this Agreement is terminated in accordance with the provisions hereof.

10.3 RESERVED.

10.4 Survival. This Article 10, Section 2.4 and Article 5 shall survive the termination of this Agreement.

ARTICLE 11:

MISCELLANEOUS

11.1 Cooperation. Each Party hereto shall cooperate fully with the other in all reasonable respects in order to accomplish the objectives of this Agreement.

11.2 Assignment; Parties in Interest.

(a) Assignment. Except as expressly provided herein, the rights and obligations of a Party hereunder may not be assigned, transferred or encumbered without the prior written consent of the other Party; *provided, however*, that the Conservator may assign or transfer to any statutory insurance guaranty association or fund that assumes responsibility for the Company's claims administration any obligations to perform the Services without the consent of any other Party.

(b) Parties in Interest. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors and permitted assigns. Nothing contained herein shall be deemed to confer upon any other Person any right or remedy under or by reason of this Agreement.

11.3 Notices. All notices, requests, demands and other communications hereunder shall be given in writing and shall be: (a) personally delivered; (b) sent by telecopier, facsimile transmission or other electronic means of transmitting written documents; or (c) sent to the Parties at their respective addresses indicated herein by registered or certified U.S. mail, return receipt requested and postage prepaid, or by private overnight mail courier service. The respective addresses to be used for all such notices, demands or requests are as follows:

If to the Company:

CastlePoint National Insurance Company
c/o Conservation & Liquidation Office
100 Pine Street, 23rd Floor
San Francisco, CA 94105
Attention: John Finston
Deputy Insurance Commissioner and General Counsel

with concurrent copies to:

California Department of Insurance
Legal Division
45 Fremont Street, 22nd Floor
San Francisco, CA 94105
Attention: David E. Wilson
Special Deputy Insurance Commissioner

Orrick, Herrington & Sutcliffe LLP
400 Capitol Mall, Suite 3000
Sacramento, CA 95814
Attention: Thomas J. Welsh

If to Administrator:

AmTrust North America, Inc.
59 Maiden Lane, 43rd Floor

New York, NY 10038
Attention: Stephen Ungar, Esq.
Facsimile No.: (212) 220-7130
E-mail: Steve.Ungar@amtrustgroup.com

or to such other person or address as a Party shall furnish to the Company in writing.

If personally delivered, such communication shall be deemed delivered upon actual receipt; if electronically transmitted pursuant to this paragraph, such communication shall be deemed delivered the next Business Day after transmission (and sender shall bear the burden of proof of delivery); if sent by overnight courier pursuant to this paragraph, such communication shall be deemed delivered upon receipt; and if sent by U.S. mail pursuant to this paragraph, such communication shall be deemed delivered as of the date of delivery indicated on the receipt issued by the relevant postal service, or, if the addressee fails or refuses to accept delivery, as of the date of such failure or refusal. Any Party to this Agreement may change its address for the purposes of this Agreement by giving notice thereof in accordance with this Section.

11.4 Entire Agreement; Merger. This Agreement and any exhibits, schedules and appendices attached hereto together constitute the final written integrated expression of all of the agreements among the Parties with respect to the subject matter hereof and is a complete and exclusive statement of those terms, and supersede all prior or contemporaneous, written or oral, memoranda, arrangements, contracts and understandings between the Parties relating to the subject matter hereof, except for any applicable provisions contained in the Conservation Agreement. Any representations, promises, warranties or statements made by any Party which differ in any way from the terms of this Agreement or any applicable provisions contained in the Conservation Agreement shall be given no force or effect. The Parties specifically represent, each to the other, that there are no additional or supplemental agreements or contracts between or among them related in any way to the matters herein contained unless specifically included or referred to in this Agreement or any applicable provisions contained in the Conservation Agreement. No addition to or modification of any provision of this Agreement or any applicable provisions contained in the Conservation Agreement shall be binding upon either Party unless embodied in a dated written instrument signed by all Parties.

11.5 Waivers and Amendments; Preservation of Remedies. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by each of the Parties and approved by the Conservation Court or, in the case of a waiver, by the Party waiving compliance. No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right, power, remedy or privilege, nor any single or partial exercise of any such right, power, remedy or privilege, preclude any further exercise thereof or the exercise of any other such right, remedy, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any Party may otherwise have under applicable Law or in equity.

11.6 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11.7 Governing Law. This Agreement shall be construed and interpreted according to the internal laws of the State of California excluding any choice of law rules that may direct the application of the laws of another jurisdiction. Subject to the provisions of ARTICLE 10, the Parties hereby stipulate that any action or other legal proceeding arising under or in connection with this Agreement shall be commenced and prosecuted in its entirety in the Conservation Court, each Party hereby submitting to the personal jurisdiction thereof, and the Parties agree not to raise the objection that such court is not a

convenient forum. Process and pleadings mailed to a party at the address provided in Section 11.3 shall be deemed properly served and accepted for all purposes.

11.8 Headings. The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

11.9 Severability. If any part of this Agreement is contrary to, prohibited by, or deemed invalid under applicable Law or regulations, that provision shall not apply and shall be omitted to the extent so contrary, prohibited, or invalid; but the remainder of this Agreement shall not be invalidated and shall be given full force and effect insofar as possible.

11.10 Expenses. Regardless of whether or not the transactions contemplated in this Agreement are consummated, each of the Parties shall bear its own expenses and the expenses of its counsel and other agents in connection with the transactions contemplated hereby.

11.11 Currency. The currency of this Agreement and all transactions under this Agreement shall be in United States Dollars.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed on the day and year first written above.

AMTRUST NORTH AMERICA, INC.

By_____

Title_____

**CASTLEPOINT NATIONAL INSURANCE
COMPANY, acting by and through California
Insurance Commissioner Dave Jones, as Statutory
Conservator**

By_____

Title_____

Exhibit B

LPTA Commutation Agreement

TERMINATION, COMMUTATION AND RELEASE AGREEMENT

This TERMINATION, COMMUTATION AND RELEASE AGREEMENT (the “Agreement”) dated as of [●], 2016 is entered into by and between CASTLEPOINT NATIONAL INSURANCE COMPANY IN CONSERVATION, an insurance company organized under the laws of California currently in conservation in the State of California (the “Company”) and successor by merger to TOWER INSURANCE COMPANY OF NEW YORK, TOWER NATIONAL INSURANCE COMPANY, HERMITAGE INSURANCE COMPANY, CASTLEPOINT FLORIDA INSURANCE COMPANY, NORTH EAST INSURANCE COMPANY, YORK INSURANCE COMPANY OF MAINE, MASSACHUSETTS HOMELAND INSURANCE COMPANY, PRESERVER INSURANCE COMPANY and CASTLEPOINT INSURANCE COMPANY (collectively, the “Constituent Companies”), acting by and through the California Insurance Commissioner (the “Commissioner”) as statutory conservator (“Conservator”), CastlePoint Reinsurance Company Ltd. (the “Reinsurer”), National General Management Corp. (“NGMC”) and AmTrust North America, Inc. (“ANA” and together with the Company and NGMC, the “Parties”).

WHEREAS, ACP Re, Ltd., a Bermuda corporation (“ACP Re”), AmTrust Financial Services, Inc., a Delaware corporation (“AmTrust”), and National General Holdings Corporation, a Delaware corporation (“National General Holdings”), entered into a series of agreements by which ACP Re acquired Tower Group International, Ltd. (“Tower”), a Bermuda insurance holding company, which transacted commercial and personal lines insurance business in the United States through the Company and the Constituent Companies, and, in connection therewith, AmTrust and National General Holdings and their respective affiliates agreed to, among other things, administer the run-off of Tower’s legacy business;

WHEREAS, in connection with the acquisition of Tower by ACP Re, the Company, the Constituent Companies and the Reinsurer entered into that certain Loss Portfolio Transfer Agreement, dated as of September 15, 2014 (the “Loss Portfolio Transfer Agreement”), and, in connection therewith, the Company, the Constituent Companies, Reinsurer and NGMC entered into that certain related Personal Lines LPTA Administrative Services Agreement, dated as of September 15, 2014 (the “Personal Lines ASA”) and the Company, the Constituent Companies, Reinsurer and ANA entered into that certain related Commercial Lines LPTA Administrative Services Agreement, dated as of September 15, 2014 (the “Commercial Lines ASA”);

WHEREAS, on or about July 20, 2016, the Constituent Companies merged with and into the Company;

WHEREAS, the Commissioner has been appointed Conservator of the Company pursuant to an order of the Superior Court for the City and County of San Francisco (the “Conservation Court”) entered on [●], 2016;

WHEREAS, pursuant to the plan of conservation for CastlePoint National approved and authorized by the Conservation Court in its Order entered on [●], 2016 and the related Conservation Agreement dated July 28, 2016 among CastlePoint National, ANA, NGMC and the Michael Karfunkel Family 2005 Trust, the Company and the Reinsurer are entering into this Agreement to effect a full and final settlement, discharge and release of any and all of each of their respective liabilities, rights, duties and obligations under the Loss Portfolio Transfer Agreement, all on the terms hereinafter set forth and effective as of 12:01 a.m. Bermuda time on the date hereof (the “Effective Time”); and

WHEREAS, the Company, Reinsurer, NGMC and ANA are entering into this Agreement to effect a termination of the Personal Lines ASA and the Commercial Lines ASA, as applicable, all on the terms hereinafter set forth and as of the Effective Time, with the business previously administered under such agreements and reinsured under the Loss Portfolio Transfer Agreement to be administered following the Effective Date pursuant to new administrative services agreements between the Company and ANA and NMGC, respectively.

NOW, THEREFORE, the Parties hereto agree as follows:

ARTICLE I COMMUTATION; TERMINATION

Section 1.1 Commutation; Termination. The Loss Portfolio Transfer Agreement, the Personal Lines ASA and the Commercial Lines ASA are each hereby terminated as of the Effective Time. The Company hereby recaptures and assumes one hundred percent (100%) of the Reinsurer’s liabilities and obligations under the Loss Portfolio Transfer Agreement to the extent unpaid as of the Effective Time.

Section 1.2 Transfer of Funds Withheld and Additional Consideration. As consideration for the commutation of the Loss Portfolio Transfer Agreement, as of the Effective Time, the Reinsurer shall (a) sell, transfer, convey, assign and set over to the Company, all of the Reinsurer’s rights, obligations, liabilities, title and interest in the cash and other assets held on a funds withheld basis in accordance with the Loss Portfolio

Transfer Agreement and (b) sell, transfer, convey, assign and set over to the Company the cash and assets listed on Annex 1 hereto.¹

ARTICLE II RELEASE

Section 2.1 Company Release of the Reinsurer. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, as of the Effective Time, the Company hereby forever releases and discharges the Reinsurer, and its predecessors, successors, parents, assigns, officers, directors, agents, employees and representatives from any and all duties, rights, obligations, liabilities, claims and demands of any kind, whether known or unknown, that the Company now has, owns, or holds, or at any time had, owned, or held, or may after the execution of this Agreement have, own, or hold, against the Reinsurer, arising from, based upon, or in any way related to the Loss Portfolio Transfer Agreement, it being the intention of the Parties that this release operate as a full and final settlement of the Reinsurer's past, current and future liabilities to the Company under and in connection with the Loss Portfolio Transfer Agreement.

Section 2.2 Reinsurer Release of the Company. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, as of the Effective Time, the Reinsurer hereby forever releases and discharges the Company, and its predecessors, successors, parents, assigns, officers, directors, agents, employees and representatives from any and all duties, rights, obligations, liabilities, claims and demands of any kind, whether known or unknown, that the Reinsurer now has, owns, or holds, or at any time had, owned, or held, or may after the execution of this Agreement have, own, or hold, against the Company, arising from, based upon, or in any way related to the Loss Portfolio Transfer Agreement, it being the intention of the Parties that this release operate as a full and final settlement of the Company's past, current and future liabilities to the Reinsurer under and in connection with the Loss Portfolio Transfer Agreement.

Section 2.3 Mutual Release by Parties to ASAs. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, as of the Effective Time, each of the Company, Reinsurer, NGMC and ANA hereby forever release and discharge each of the other parties to the Personal Lines ASA and the Commercial Lines ASA, as applicable, and their respective predecessors, successors, parents, assigns, officers, directors, agents, employees and representatives from any and all duties, rights, obligations, liabilities, claims and demands of any kind, whether known

¹ **Note to Draft:** Annex 1 to list all assets of CastlePoint Reinsurance Company Ltd. immediately prior to execution of this Agreement.

or unknown, that the Company, Reinsurer, NGMC and ANA, as applicable, now has, owns, or holds, or at any time had, owned, or held, or may after the execution of this Agreement have, own, or hold, against any of the other parties to the Personal Lines ASA or the Commercial Lines ASA, as applicable, arising from, based upon, or in any way related to the Personal Lines ASA or the Commercial Lines ASA, as applicable, it being the intention of the Parties that this release operate as a full and final settlement of each of the other parties', past, current and future liabilities to the each of the Company, Reinsurer, NGMC and ANA under and in connection with the Personal Lines ASA or the Commercial Lines ASA, as applicable.

ARTICLE III REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of Each Party. Each Party hereto represents and warrants to the other Party that:

- (a) it is fully authorized to execute and deliver this Agreement;
- (b) this Agreement is enforceable against each of the Parties in accordance with its terms;
- (c) the person or persons executing this Agreement on its behalf has the power, legal capacity and it fully authorized to do so;
- (d) there are no pending conditions, agreements, transactions or negotiations to which it is a party or are likely to be made a party that would render this Agreement or any part thereof, void, voidable, or unenforceable;
- (e) it has obtained the consent of each person or entity, governmental or otherwise, whose authorization, consent, or approval is required to give effect to this Agreement; and
- (f) no claim or loss being paid or settled by this Agreement has been previously assigned, sold and/or transferred to any other entity.

ARTICLE IV FURTHER ASSURANCES

Section 4.1 Further Assurances. Each Party agrees to execute promptly any and all supplemental agreements, releases, affidavits, waivers and all other documents of any nature or kind which the other Party may reasonable require in order to implement the provisions or objectives of this Agreement.

ARTICLE V CONFIDENTIALITY

Section 5.1 Confidentiality. The Parties agree to keep the terms and conditions of this Agreement confidential and will not disclose (except as required by applicable law, regulation, or legal process) the existence and/or terms and conditions of this Agreement to third parties, provided that the Parties agree that their directors, officers, partners, members, employees, affiliates, retrocessionaires, brokers, agents, managing general agents or other representatives (including financial advisors, attorneys, accountants, actuaries) may be permitted to know the existence and the terms and conditions of this Agreement on a confidential, need to know basis in the course of normal business.

ARTICLE VI MISCELLANEOUS

Section 6.1 Notices. All notices, requests, demands and other communications hereunder shall be given in writing and shall be: (a) personally delivered; (b) sent by telecopier, facsimile transmission or other electronic means of transmitting written documents; or (c) sent to the Parties at their respective addresses indicated herein by registered or certified U.S. mail, return receipt requested and postage prepaid, or by private overnight mail courier service. The respective addresses to be used for all such notices, demands or requests are as follows:

(a) If to the Company:

CastlePoint National Insurance Company
c/o Conservation & Liquidation Office
100 Pine Street, 26th Floor
San Francisco, CA 94105
Attention: David E. Wilson
Special Deputy Insurance Commissioner

with concurrent copies to:

California Department of Insurance
Legal Division
45 Fremont Street, 22nd Floor
San Francisco, CA 94105
Attention: David E. Wilson
Special Deputy Insurance Commissioner

Orrick, Herrington & Sutcliffe LLP
400 Capitol Mall, Suite 3000
Sacramento, CA 95814
Attention: Thomas J. Welsh

(b) If to the Reinsurer:

CastlePoint Re, Ltd.
Washington Mall
7 Reid Street Suite 404
Hamilton HM11 Bermuda
Attention: [●]
Facsimile: [●]
E-mail: [●]

with a copy to:
Bermuda Monetary Authority
P.O. Box 2447
Hamilton HMJX
Bermuda

(c) if to ANA:

AmTrust North America, Inc.
59 Maiden Lane, 43rd Floor
New York, NY 10038
Attention: Stephen Ungar, Esq.
E-mail: Steve.Ungar@amtrustgroup.com

(d) If to NGMC:

National General Management Corp.
59 Maiden Lane, 38th Floor
New York, NY 10038
Attn: Jeffrey Weissmann, Esq.
Facsimile No.: (212) 380-9499
E-mail: jeffrey.weissmann@ngic.com

or to such other address or to such other person as any Party may have last designated by notice to the other Party.

If personally delivered, such communication shall be deemed delivered upon actual receipt; if electronically transmitted pursuant to this paragraph, such

communication shall be deemed delivered the next business day after transmission (and sender shall bear the burden of proof of delivery); if sent by overnight courier pursuant to this paragraph, such communication shall be deemed delivered upon receipt; and if sent by U.S. mail pursuant to this paragraph, such communication shall be deemed delivered as of the date of delivery indicated on the receipt issued by the relevant postal service, or, if the addressee fails or refuses to accept delivery, as of the date of such failure or refusal. Any Party to this Agreement may change its address for the purposes of this Agreement by giving notice thereof in accordance with this Section.

Section 6.2 Entire Agreement. This Agreement contains the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersedes all other prior agreements, understandings, statements, representations and warranties, oral or written, express or implied, between the Parties and their respective affiliates, representatives and agents in respect of the subject matter hereof and thereof.

Section 6.3 Governing Law. This Agreement shall be construed and interpreted according to the internal laws of the State of California excluding any choice of law rules that may direct the application of the laws of another jurisdiction. The Parties hereby stipulate that any action or other legal proceeding arising under or in connection with this Agreement may be commenced and prosecuted in its entirety in the Conservation Court, each Party hereby submitting to the personal jurisdiction thereof, and the Parties agree not to raise the objection that such courts are not a convenient forum. Process and pleadings mailed to a party at the address provided in Section 6.1 shall be deemed properly served and accepted for all purposes.

Section 6.4 Successors and Assigns. This Agreement shall be binding upon and shall inure solely to the benefit of the Parties hereto and their respective successors, assigns, receivers, liquidators, rehabilitators, conservators and supervisors, it not being the intent of the Parties to create any third party beneficiaries, except as specifically provided in Article II, provided, however, this Agreement and the obligations of the Parties shall not be assigned by any Party hereto without the prior written consent of the other Party.

Section 6.5 Amendments. This Agreement may not be changed, altered or modified unless the same shall be in writing executed by the Company and the Reinsurer.

Section 6.6 No Waiver; Preservation of Remedies. No consent or waiver, express or implied, by any Party to or of any breach or default by the other Party in the performance by such other Party of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance of obligations hereunder by such other Party hereunder. Failure on the part of any Party to complain of any act or failure to act of the other Party or to declare the other Party in default, irrespective of how long such failure continues, shall not constitute

a waiver by such first Party of any of its rights hereunder. The rights and remedies provided are cumulative and are not exclusive of any rights or remedies that any Party may otherwise have at law or equity.

Section 6.7 Special Waiver. The Parties explicitly agree that all rights under Section 1542 of the California Civil Code or any similar provisions of law are hereby expressly waived. Section 1542 of the California Civil Code provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Section 6.8 Negotiated Agreement. This Agreement has been negotiated by the Parties and the fact that the initial and final draft will have been prepared by any Party or an intermediary will not give rise to any presumption for or against any Party to this Agreement or be used in any respect or forum in the construction or interpretation of this Agreement or any of its provisions.

Section 6.9 Expenses. All expenses incurred in connection with this Agreement, including fees and disbursements of legal, actuarial, accounting and other advisors incurred before the Effective Time, shall be paid by the Party incurring such expenses.

Section 6.10 Interpretation. Wherever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

Section 6.11 Incontestability. In consideration of the mutual covenants and agreements contained herein, each Party hereto does hereby agree that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each Party does hereby agree that it shall not, directly or indirectly, contest the validity or enforceability hereof.

Section 6.12 Severability. If any provision of this Agreement is held to be void or unenforceable, in whole or in part, (i) such holding shall not affect the validity and enforceability of the remainder of this Agreement, including any other provision, paragraph or subparagraph, and (ii) the Parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

Section 6.13 Headings. Headings used herein are not a part of this Agreement and shall not affect the terms hereof.

Section 6.14 Execution in Counterpart. This Agreement may be executed by the Parties hereto in any number of counterparts, and by each of the Parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

CASTLEPOINT NATIONAL INSURANCE
COMPANY

By _____
Name:
Title:

CASTLEPOINT REINSURANCE COMPANY LTD.

By _____
Name:
Title:

NATIONAL GENERAL MANAGEMENT CORP.

By _____
Name:
Title:

AMTRUST NORTH AMERICA, INC.

By _____
Name:
Title:

Annex 1
Additional Consideration

[TO COME]

Exhibit C

Mutual Release

RELEASE AGREEMENT

This RELEASE AGREEMENT (the “Agreement”) dated as of [●], 2016 (the “Effective Date”) is entered into by and between the INSURANCE COMMISSIONER OF THE STATE OF CALIFORNIA (the “Commissioner”), in his capacity as Conservator of and on behalf of CASTLEPOINT NATIONAL INSURANCE COMPANY IN CONSERVATION, an insurance company organized under the laws of California currently in conservation in the State of California (the “Company”) and successor by merger to TOWER INSURANCE COMPANY OF NEW YORK, TOWER NATIONAL INSURANCE COMPANY, HERMITAGE INSURANCE COMPANY, CASTLEPOINT FLORIDA INSURANCE COMPANY, NORTH EAST INSURANCE COMPANY, YORK INSURANCE COMPANY OF MAINE, MASSACHUSETTS HOMELAND INSURANCE COMPANY, PRESERVER INSURANCE COMPANY and CASTLEPOINT INSURANCE COMPANY (collectively, the “Constituent Companies”); AmTrust North America, Inc. (“ANA”), a Delaware corporation; National General Management Corp. (“National General”), a Delaware corporation; and the Michael Karfunkel Family 2005 Trust, members of the Karfunkel family and Leah Karfunkel in her capacity as trustee thereof and not individually (collectively, the “Karfunkel Trust”). Each of the Company, the Karfunkel Trust, ANA and National General, shall be referred to herein as a “Party” and, collectively, as the “Parties.” Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Conservation Agreement.

WHEREAS, the Commissioner has been appointed Conservator of the Company (in such capacity, the “Conservator”) pursuant to an order of the Superior Court for the City and County of San Francisco (the “Conservation Court”) entered on [●], 2016; and

WHEREAS, pursuant to the plan of conservation for the Company approved and authorized by the Conservation Court in its Order entered on [●], 2016, including the related Conservation Agreement among the Parties hereto and certain other parties dated July 28, 2016 (the “Conservation Agreement”), the Parties are entering into this Agreement to effect a release of each of their respective duties, rights, obligations, liabilities, claims and demands on the terms hereinafter set forth and effective as of the Effective Date.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I RELEASE

Section 1.01. Release by the Conservator and the Company.

(a) As of the Effective Date, the Conservator, for itself and on behalf of the Company, hereby forever releases and discharges:

(i) The Karfunkel Trust, ACP Re, ANA, AmTrust International, National General, National General Re, Integon, Technology and their Affiliates (other than TGI and its subsidiaries) and their respective past or present predecessors, successors, parent companies, shareholders, assigns, officers, directors, agents, attorneys, accountants, auditors, employees and representatives (together, the “Specified Releasees”) from any and all duties, rights, obligations, liabilities, claims and demands of any kind, whether known or unknown (“Claims”), that the Conservator or the Company now has, owns, or holds, or at any time had, owned, or held, or may after the execution of this Agreement have, own, or hold, against any of them in connection with the business or affairs of the Company or the Constituent Companies, except as may arise under the Conservation Agreement, the Conservation Transaction Agreements, the Continuing Agreements or the Acquisition Agreements (as further set forth in Section 1.01(c)); and

(ii) TGI’s and its subsidiaries’ (including the Company’s and the Constituent Companies’) respective past or present directors, officers, employees, agents, attorneys, accountants, auditors and other representatives from any and all Claims that the Conservator or the Company now has, owns, or holds, or at any time had, owned, or held, or may after the execution of this Agreement have, own, or hold, against any of them, arising out of any acts or omissions of such persons occurring after the consummation of the Acquisition Transactions in connection with the business or affairs of the Company or the Constituent Companies.

(b) Without limiting the generality of Section 1.01(a), the Conservator, for himself and on behalf of the Company, hereby waives, releases and discharges any Claim they or any liquidator who may be appointed for the Company have or may in the future have, including following entry of an order of liquidation or dissolution with respect to the Company, any amount paid by or on behalf of the Company to any of the Specified Releasees constitutes a voidable preference (as such term is defined in Section 1034 of the California Insurance Code) or that the Acquisition Agreements are subject to avoidance as a fraudulent conveyance (as such term is defined in Section 1034.1 of the California Insurance Code).

(c) For the avoidance of doubt, the Conservator, for himself and on behalf of the Company, agrees that the Acquisition Transactions and the Acquisition Agreements, as approved by the applicable insurance regulatory authorities having jurisdiction over such transactions, shall not be subject to reformation, rescission or modification in connection with the conservation or liquidation of the Company, except as expressly provided in the Conservation Agreement and the other Conservation Transaction Agreements, but in no way waives, releases or discharges the Specified Releasees or any other Party or Person for any Claim arising from the Company's rights under the Acquisition Agreements, except as such rights are expressly modified or terminated pursuant to the Conservation Agreement and the other Conservation Transaction Agreements. As used in this Agreement, "Acquisition Agreements" means (i) the Amended and Restated Commercial Lines Master Agreement by and between ACP Re, Ltd. and AmTrust Financial Services, Inc., dated as of July 23, 2014, (ii) the Amended and Restated Personal Lines Master Agreement by and between ACP Re., Ltd. and National General Holdings Corp., dated as of July 23, 2014, and (iii) the agreements executed and other documents and instruments delivered pursuant to the terms of such Master Agreements.

Section 1.02. Release of the Conservator and the Company. As of the Effective Date, ANA and National General, for themselves and on behalf of the other Specified Releasees, hereby forever release and discharge the Company, the Conservator and their predecessors, successors and assigns, and the Conservator's officers, agents, attorneys, accountants, auditors, employees and representatives, from any and all duties, rights, obligations, liabilities, claims and demands of any kind, whether known or unknown, that the Specified Releasees now have, own, or hold, or at any time have, owned, or held, or may after the execution of this Agreement have, own, or hold, against any of them, except as may arise under the Conservation Agreement, the Conservation Transaction Agreements or the Continuing Agreements.

Section 1.03. Special Waiver. The Parties explicitly agree that all rights under Section 1542 of the California Civil Code or any similar provisions or principles of law of any jurisdiction, to the extent they might be held applicable to the releases in this Agreement, are hereby expressly waived to the fullest extent permitted by law. Section 1542 of the California Civil Code provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

ARTICLE II MISCELLANEOUS

Section 2.01. Entire Agreement. This Agreement, together with the Conservation Agreement and the Conservation Transaction Agreements, contains the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersedes all other prior agreements, understandings, statements, representations and warranties, oral or written, express or implied, between the Parties and their respective affiliates, representatives and agents in respect of the subject matter hereof and thereof.

Section 2.02. Governing Law. This Agreement shall be construed and interpreted according to the internal laws of the State of California excluding any choice of law rules that may direct the application of the laws of another jurisdiction.

Section 2.03. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors, assigns, receivers, liquidators, rehabilitators, conservators and supervisors.

Section 2.04. Amendments. This Agreement may not be changed, altered or modified unless the same shall be in writing executed by each of the Parties.

Section 2.05. Negotiated Agreement. This Agreement has been negotiated by the Parties and the fact that the initial and final draft will have been prepared by any Party or an intermediary will not give rise to any presumption for or against any Party to this Agreement or be used in any respect or forum in the construction or interpretation of this Agreement or any of its provisions.

Section 2.06. Expenses. All expenses incurred in connection with this Agreement, including fees and disbursements of legal, actuarial, accounting and other advisors incurred before the Effective Date, shall be paid by the Party incurring such expenses.

Section 2.07. Interpretation. Wherever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

Section 2.08. Incontestability. In consideration of the mutual covenants and agreements contained herein, each Party hereto does hereby agree that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each Party does hereby agree that it shall not, directly or indirectly, contest the validity or enforceability hereof.

Section 2.09. Severability. If any provision of this Agreement is held to be void or unenforceable, in whole or in part, (i) such holding shall not affect the validity

and enforceability of the remainder of this Agreement, including any other provision, paragraph or subparagraph, and (ii) the Parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

Section 2.10. Headings. Headings used herein are not a part of this Agreement and shall not affect the terms hereof.

Section 2.11. Execution in Counterpart. This Agreement may be executed by the Parties hereto in any number of counterparts, and by each of the Parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

CASTLEPOINT NATIONAL INSURANCE
COMPANY

By: _____
Name:
Title:

DAVE JONES, INSURANCE COMMISSIONER,
STATE OF CALIFORNIA, IN HIS CAPACITY
AS CONSERVATOR OF CASTLEPOINT
NATIONAL INSURANCE COMPANY

By: _____
Name:
Title:

AMTRUST NORTH AMERICA, INC.

By: _____
Name:
Title:

NATIONAL GENERAL MANAGEMENT CORP.

By: _____
Name:
Title:

MICHAEL KARFUNKEL FAMILY 2005 TRUST

By: _____

Name:

Title: Trustee

LEAH KARFUNKEL, IN HER CAPACITY AS
TRUSTEE OF THE MICHAEL KARFUNKEL
FAMILY 2005 TRUST AND NOT
INDIVIDUALLY

Exhibit D

Personal Lines Administrative Services Agreement

PERSONAL LINES ADMINISTRATIVE SERVICES AGREEMENT

BY AND AMONG

CASTLEPOINT NATIONAL INSURANCE COMPANY,

AND

NATIONAL GENERAL MANAGEMENT CORP.

PERSONAL LINES ADMINISTRATIVE SERVICES AGREEMENT

THIS PERSONAL LINES ADMINISTRATIVE SERVICES AGREEMENT (this “Agreement”) is made and entered into as of [●], 2016, by and among:

1. CastlePoint National Insurance Company in Conservation (the “Company”), an insurance company organized under the laws of California and successor by merger to North East Insurance Company, Preserver Insurance Company, York Insurance Company of Maine, Massachusetts Homeland Insurance Company, Tower Insurance Company of New York, Tower National Insurance Company, Hermitage Insurance Company, CastlePoint Florida Insurance Company, and CastlePoint Insurance Company (collectively, the “Constituent Companies”), acting by and through California Insurance Commissioner Dave Jones (the “Commissioner”) as statutory conservator (“Conservator”); and
2. National General Management Corp., a Delaware corporation (“Administrator”) (collectively, the “Parties” and each, a “Party”).

RECITALS

WHEREAS, ACP Re, Ltd., a Bermuda corporation (“ACP Re”), AmTrust Financial Services, Inc., a Delaware corporation (“AmTrust”), and National General Holdings Corporation, a Delaware corporation (“National General Holdings”) entered into a series of agreements by which ACP Re agreed to acquire Tower Group International, Ltd. (“Tower”), a Bermuda insurance holding company, which transacted commercial and personal lines insurance business in the United States through the Company and the Constituent Companies, and, in connection therewith, AmTrust and National General Holdings have agreed to administer the run-off of Tower’s legacy business and, prospectively, manage and reinsure all business to be written by the Company and the Constituent Companies after the Effective Time;

WHEREAS, in connection with the acquisition, (i) the Company, the Constituent Companies and CastlePoint Reinsurance Company Ltd. (“CastlePoint Re”) entered into that certain Loss Portfolio Transfer Agreement, dated as of September 15, 2014, providing the run-off of the liabilities of the Company and the Constituent Companies (the “LPTA”) and (ii) the Company, the Constituent Companies, CastlePoint Re and Administrator entered into that certain Personal Lines LPTA Administrative Services Agreement, dated as of September 15, 2014, providing for administration by Administrator of the personal lines business of the Company and the Constituent Companies issued prior to such date, including such business reinsured under the LPTA (the “Existing Personal Lines ASA”);

WHEREAS, on or about July 20, 2016, the Constituent Companies merged with and into the Company;

WHEREAS, the Commissioner has been appointed Conservator of the Company pursuant to an order of the Superior Court for the City and County of San Francisco (the “Conservation Court”) entered on [●], 2016 (the “Conservation Order”);

WHEREAS, pursuant to the plan of conservation for the Company approved and authorized by the Conservation Court in the Conservation Order (the “Conservation Plan”) and the related Conservation Agreement dated July 28, 2016 among the Conservator, the Administrator, AmTrust North America, Inc. (“ANA”), Technology Insurance Company, Inc., Integon Insurance Company, Inc., CastlePoint Re and the Michael Karfunkel Family 2005 Trust (the “Conservation Agreement”), Administrator, ANA, CastlePoint Re and the Company are entering into that certain Commutation and Release Agreement (the

“Commutation Agreement”), dated as of the date hereof, pursuant to which, among other things, the LPTA is being commuted and the Existing Personal Lines ASA is being terminated; and

WHEREAS, in accordance with the Conservation Plan, for a period of time following the Restructuring Effective Date and as more particularly set forth herein, the Company wishes to appoint Administrator as its third-party administrator for purposes of performing the claims administration related to the runoff of claims under Subject Policies.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and promises contained herein, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

ARTICLE 1:

DEFINITIONS

1.1 Definitions. The following terms have the respective meanings set forth below throughout this Agreement and the following definitions are equally applicable to both the singular and plural forms of any of the terms defined herein:

“ACP Re” has the meaning set forth in the Recitals.

“Administrator Invoice” has the meaning set forth in Section 5.2(a).

“Affiliate” means, with respect to any Person, at the time in question, any other Person controlling, controlled by or under common control with such Person.

“Agreement” has the meaning set forth in the preamble.

“AmTrust” has the meaning set forth in the Recitals.

“ANA” has the meaning set forth in the Recitals.

“Books and Records” means all hard-copy and electronic policy information, data, records and policy forms in the possession or control of the Company relating primarily to the Subject Business, including, but not limited to, administrative records, claim records, marketing compliance records, policy files, sales records, files and records relating to regulatory matters, files and records relating to tax information and tax qualification reporting, reinsurance records, underwriting records and accounting records (in whatever form maintained and wherever housed or held); provided, however, that if any such records contain information which does not relate to the Subject Business, such information shall not constitute “Books and Records” and may be redacted from the “Books and Records” as the Company reasonably deems appropriate. Books and Records shall exclude any records that are subject to attorney-client privilege. Except with respect to records or documents that are subject to the attorney-client privilege or that do not relate to the Subject Business, the Company shall provide Administrator with reasonable access to any books and records that are excluded herein from the definition of “Books and Records” and retained by the Company to the extent reasonably required by Administrator to perform its obligations under this Agreement.

“Business Day” means any day other than a Saturday, Sunday or other day on which banking institutions in the State of New York are permitted or obligated by applicable Law to be closed.

“Commissioner” has the meaning set forth in the preamble.

“Company” has the meaning set forth in the preamble.

“Commutation Agreement” has the meaning set forth in the Recitals.

“Confidential Information” means all Books and Records and all documents and information concerning (i) one Party or any of its Affiliates, (ii) a Policyholder, or (iii) the Subject Business, in each case furnished to a Party or such Party’s Affiliates (the “Receiving Party”) or representatives in connection with this Agreement or the Services contemplated hereby, except that, to the extent not prohibited by applicable Law, Confidential Information shall not include information which: (i) at the time of disclosure or thereafter is generally available to and known by the public other than by way of a wrongful disclosure by the Receiving Party hereto or by any representative of the Receiving Party; (ii) was available on a non-confidential basis from a source other than the Receiving Party or its representatives, provided that such source is not and was not bound by a confidentiality agreement with the Party disclosing such information; (iii) prior to the disclosure, was already in the Receiving Party’s possession as evidenced by written records kept in the ordinary course of the Receiving Party’s business or by proof of actual use by the Receiving Party (other than the Books and Records which shall remain “Confidential Information”); or (iv) was independently developed by the Receiving Party without violating any obligations under this Agreement and without the use of any Confidential Information.

“Conservation Agreement” has the meaning set forth in the Recitals.

“Conservation Court” has the meaning set forth in the Recitals.

“Conservation Plan” has the meaning set forth in the Recitals.

“Conservation Order” has the meaning set forth in the Recitals.

“Conservator” has the meaning set forth in the preamble.

“Constituent Companies” has the meaning set forth in the preamble.

“Cut-Through Agreement” means the Personal Lines Cut-Through Quota Share Reinsurance Agreement, dated as of January 3, 2014, by and among the Company (including as successor by merger to the Constituent Companies) and Integon Insurance Company, Inc., an insurance company organized under the laws of North Carolina.

“Damages” means damages, losses, liabilities and expenses (including reasonable attorneys’ fees and reasonable expenses of investigation in connection with any action, suit or proceeding), but shall not include any measure of indirect, special, punitive, contingent, consequential, lost profit or other similar damages.

“Disbursement Account” means a bank account or accounts to be established by the Company and/or Affiliate of AmTrust prior to the Restructuring Effective Date and to be used by Administrator on behalf of the Company as provided in this Agreement and as more particularly described in ARTICLE 3.

“Effective Date” means September 15, 2014.

“Effective Time” means 12:01 a.m. Eastern Standard Time on the Effective Date.

“Extra-Contractual Obligations” means all liabilities or obligations to any Person arising out of or relating to the Subject Policies, other than liabilities or obligations arising under the express terms and conditions and within the policy limits of the Subject Policies, including, without limitation, any liability or obligation for fines, penalties, taxes, fees, forfeitures, compensatory, consequential, punitive, exemplary, special, treble, bad faith, tort, statutory or any other form of extra-contractual damages, as well as all legal fees and expenses relating thereto, which liabilities or obligations arise out of, result from or relate to any act, error or omission, whether or not intentional, negligent, fraudulent, in bad faith or otherwise (actual or alleged), arising out of or relating to the Subject Policies, including, without limitation, (i) the sale, marketing, distribution, underwriting, production, issuance, cancellation or administration of the Subject Policies, (ii) the investigation, defense, prosecution, trial, settlement (or failure to settle) or handling of claims, benefits or payments under the Subject Policies, or (iii) the failure to pay or the delay in payment or errors in calculating or administering the payment of benefits, claims or any other amounts due or alleged to be due under or in connection with the Subject Business.

“Final Administrator Invoice” has the meaning set forth in Section 5.2(b).

“Government Entity” means any court, arbitrator, department, commission, board, bureau, agency, authority, instrumentality or other body, whether federal, state, municipal, foreign or other.

“Law” or “Laws” means any statute, law, ordinance, rule, regulation, administrative or judicial order, bulletin or other governmental pronouncement issued or adopted by any Government Entity.

“LPTA” has the meaning set forth in the Recitals.

“Loss” means “Subject Business Loss”.

“Miscellaneous Costs” has the meaning set forth in Section 5.1.

“MGA Agreement” means the Personal Lines Managing General Agent Agreement, dated September 15, 2014, among the Company (including as successor by merger to the Constituent Companies), National General Insurance Marketing, Inc. and ACP Re.

“Out-of-Pocket Costs” has the meaning set forth in Section 5.1.

“Party” or “Parties” have the meanings set forth in the preamble.

“Person” means any individual, corporation, partnership, firm, joint venture, association, joint stock company, limited liability company, trust, unincorporated organization, Government Entity, business unit, division or entity.

“Personal Lines Business” means all insurance contracts, policies, certificates, binders, slips, covers or other agreements of insurance, including all supplements, riders, endorsements, renewals and extensions for personal automobile liability and physical damage, homeowners, personal excess and umbrella coverage issued by the Company (including as successor by merger to the Constituent Companies).

“Plan” has the meaning set forth in the Recitals.

“Policyholder” means the owner and/or named insured on policies that are included within the Subject Business.

“QSA Agreement” means the Personal Lines Quota Share Reinsurance Agreement, dated as of September 15, 2014, by and among the Company (including as successor by merger to the Constituent Companies) and Integon Insurance Company, Inc., an insurance company organized under the laws of North Carolina.

“Restructuring Effective Date” means [●], 2016.

“Services” has the meaning set forth in Section 2.1(c).

“Subject Business” means, collectively, the Subject Policies.

“Subject Business Losses” shall mean liabilities and obligations to make payments to policyholders, beneficiaries and third party claimants under the Subject Business and all loss adjustment expenses and defense costs, including (i) all expenses incurred by or on behalf of the Company in the investigation, appraisal, adjustment, litigation, defense or appeal of claims under the Subject Business and/or coverage actions under the Subject Business, (ii) all liabilities for consequential, exemplary, punitive or similar extracontractual damages, or for statutory or regulatory fines or penalties, or for any loss in excess of the limits of any Subject Business, whether owing to the policyholders or insureds under the Subject Business, and (iii) court costs accrued prior to final judgment, prejudgment interest or delayed damages and interest accrued after final judgment.

“Subject Consideration” has the meaning set forth in Section 5.1.

“Subject Policies” means insurance contracts, policies, certificates, binders, slips, covers or other agreements of insurance that constitute Personal Lines Business issued by the Company (including as successor by merger to the Constituent Companies) in the states or other jurisdictions where it is authorized to conduct such business through independent agents appointed by the Company (including as successor by merger to the Constituent Companies); provided that the “Subject Policies” exclude any such contracts, policies, certificates, binders, slips, covers or other agreements of insurance that are reinsured under the Cut-Through Agreement or the QSA Agreement.

“Taxes” or “Tax” means all federal, state, local or foreign taxes, charges, fees, levies, rates or dues, or other assessments, including all income, capital gains, capital, sales, use, excise, transfer, goods and services, value added, franchise, withholding, payroll, premium, gross receipts, employment, employment insurance, business, property or other taxes, customs, duties, surtaxes, fees, assessments, charges or governmental imposts of any kind whatsoever imposed by any governmental authority or taxing authority, together with any interest, penalty, fine, or addition thereto, whether disputed or not.

ARTICLE 2:

SERVICES APPOINTMENT

2.1 Appointment and Acceptance; Standards.

(a) Effective as of the Restructuring Effective Date until the complete performance by Administrator of all obligations and duties arising under this Agreement or the earlier termination of this Agreement in accordance with its terms, and subject to Section 2.2, the Company hereby appoints Administrator to perform on its behalf all claims administration services related to claims under Subject Policies written by the Company (including as successor by merger to the Constituent Companies), as more particularly set forth in this ARTICLE 2 (collectively, the “Services”), and Administrator hereby accepts such appointment and agrees to

act as the designated representative of the Company as necessary to perform the Services in accordance with the terms of this Agreement and applicable Law.

(b) Subject to Section 2.2, Administrator agrees that in providing the Services it shall be subject to the supervision of the Conservator and conduct itself in accordance with all reasonable commercial and professional standards of skill, diligence, care, effort and expertise that are at least equal in quality to the standards Administrator exercises in carrying out its own insurance business; provided, that such standards must be in material compliance with the provisions of applicable Law.

(c) For the avoidance of doubt, and notwithstanding anything contained herein to the contrary, no authority is given or obligations assigned or imposed upon Administrator under this Agreement with respect to the administration of Commercial Lines Business written by the Company (including as successor by merger to the Constituent Companies). For the further avoidance of doubt, the claims and other administration of the Commercial Lines Business or other commercial lines business written by the Company (including as successor by merger to the Constituent Companies) shall be provided by ANA.

2.2 Control of Subject Business. The performance of the Services by Administrator pursuant to this Agreement shall in no way impair the absolute control, and responsibility for, the business and operations of the Company. The Company and the Conservator have the ultimate control over the functions and Services delegated to Administrator pursuant to this Agreement in regards to the Subject Business. Administrator shall comply with any written directions from the Company or the Conservator with respect to all matters affecting the Services in regards to the Subject Business, so long as such directions comply with applicable Law. In respect of such directions involving the Subject Business, the Company shall indemnify and hold harmless Administrator and its Affiliates in following such directions.

2.3 Power of Attorney. The Company hereby appoints and names Administrator, acting through its duly authorized officers, employees and agents, as its true and lawful attorney-in-fact insofar as necessary to enable Administrator to provide the Services in the name of the Company, from and after the Restructuring Effective Date for so long as Administrator is authorized hereunder to provide the Services. Without limiting the foregoing, Administrator is expressly authorized, subject to Section 2.2: (a) to do any and all lawful acts that the Company might have done with respect to the Subject Business insofar as such acts qualify as Services; (b) to proceed by all lawful means to perform any and all of the Company's claims administration obligations with respect to the Subject Business; (c) to enforce any right and defend against any liability arising under the Subject Business as they relate to the Services; (d) to sue or defend in the name of the Company any action arising under the Subject Business; (e) to sign in the name of the Company vouchers, receipts, releases and other papers in connection with any of the foregoing matters, and (f) to endorse checks payable to the Company for deposit. If requested by Administrator, the Company shall execute and deliver to Administrator powers of attorney evidencing such power in a form reasonably acceptable to the Company.

2.4 Confidentiality and Privacy.

(a) The Parties agree that, other than as contemplated hereunder and to the extent permitted or required to implement this Agreement, each of them will and will cause their officers, employees and agents to keep confidential and will not use or disclose Confidential Information and the terms and conditions of this Agreement, including, without limitation, the exhibits and schedules hereto, except as otherwise required by applicable Law or as may be agreed in writing by the Parties hereto.

(b) The Parties acknowledge and agree that Administrator and its Affiliates shall and shall cause their agents to only use Confidential Information regarding Policyholders or the Subject Business in accordance with this Agreement and applicable Law and with due and careful regard for rights of confidentiality and privacy, in order to perform the Services.

(c) Administrator shall and shall cause its Affiliates and their officers, employees and agents to implement and maintain appropriate administrative, technical and physical safeguards to (i) ensure the security, confidentiality and integrity of Confidential Information regarding Policyholders and the Subject Business, (ii) protect against reasonably anticipated threats or hazards to the security or integrity of such Confidential Information, and (iii) protect against unauthorized access to, or use of, such Confidential Information.

(d) Nothing in this Section 2.4 shall prohibit Administrator or any of its Affiliates providing services associated with the Subject Business from allowing disclosures of Confidential Information required under applicable Law or to Governmental Entities or as reasonably requested by rating agencies.

2.5 Communication with Government Entities. Except as otherwise provided herein, and subject to Section 2.2 hereof, from and after the Restructuring Effective Date, Administrator shall be responsible on behalf of the Company to communicate, make filings and/or correspond with Government Entities with respect to the Services. The Company shall have the right to receive, as promptly as shall be commercially practicable, copies of all communications, filings, and correspondence with respect to the Services, whether made to or received from Government Entities by Administrator, and shall have the right to prior review, at its expense, of such communications, filings and correspondence to or with Government Entities.

2.6 Audit Rights. During the term of this Agreement and for a period of three (3) months thereafter, the Company and the Conservator shall have the right, at their sole cost and expense, to audit the Services during regular business hours and upon reasonable notice.

2.7 Administrator's Services. From and after the Restructuring Effective Date and until the termination of this Agreement, and subject to Section 2.2, Administrator shall provide the following administrative services on behalf of the Company with respect to the Subject Business in accordance with applicable Law and subject to the terms of the Subject Business:

(a) Facilities, Supplies and Staffing. Administrator shall provide the facilities and retain all personnel required to perform the Services as determined in the reasonable discretion of Administrator. Administrator shall also furnish all of the operating forms, printing supplies and any other related items which may become necessary for the operation of the Subject Business, except, for the forms specified by the Company which it shall provide and which are technically compatible with Administrator's facilities and equipment.

(b) Losses, Claim Expenses, Attorney Appointments, Loss Reporting and Reinsurance.

(i) Administrator shall receive, consider, review, investigate, defend, reject, supervise the adjustment of, settle, compromise and pay all Losses on the Subject Business, and shall also pay all survey, investigating, legal and other costs thereof, provided that the Company shall have reasonable access to Administrator's claim files and other claim records in regards to the Subject Policies during normal business hours upon reasonable notice. Administrator shall pay all such losses and claims expenses out

of funds held in the Disbursement Account. Administrator shall have no access to, or power to draw on, any other account of the Company for purposes of this Agreement.

(ii) Administrator shall maintain claims files on all Subject Business, which claims files shall be subject to review by the Company, or its Representatives, in regards to the Subject Business during normal business hours and upon reasonable notice.

(iii) Administrator shall appoint claims, defense and loss control attorneys or other outside vendors for the Subject Business.

(iv) Administrator shall determine and evaluate coverage issues arising out of or in connection with the Subject Business and prepare and send all applicable correspondence relating to the Subject Business, including, but not limited to reservation of rights and coverage denial letters.

(v) Administrator shall have the obligation to exercise control and direction over litigation involving the Subject Business and defend against such litigation pursuant to this Agreement, and shall have the authority to settle or consent to judgment in any such litigation.

(vi) Administrator shall perform all commercially reasonable services to pursue salvage and subrogation recoveries and to properly credit recoveries to the appropriate claim file.

(vii) Following reasonable written request therefore, specifying information or reports and filing dates, Administrator shall prepare and submit to the Company all Tax information and Tax-related business reports related to the Services and reasonably necessary for the Company to file all Tax returns or reports, and shall do so no later than fifteen (15) days before such Tax returns or reports must be filed.

(viii) To the extent Administrator collects any premium in respect of the Subject Business, Administrator shall promptly remit such premium to the Company.

(c) Books and Records.

(i) From and after the Restructuring Effective Date, the Company, or its Representatives, shall deliver to Administrator a copy of any Books and Records as reasonably requested by Administrator to the extent that Administrator or any of its Affiliates does not already possess copies of such Books and Records. Administrator shall keep all information related to the Subject Business and the Books and Records confidential, subject to Section 2.4, and shall not disclose or provide access to such information to any third party, except as otherwise contemplated or permitted under this Agreement or required by applicable Law or with the Company's prior written consent. Notwithstanding the foregoing, upon termination of the Services under this Agreement, any copies of the Books and Records and all other books and records maintained at such time by Administrator pertaining to the Subject Business, or copies thereof, shall be delivered promptly to the Company or such other person or entity as it shall designate in writing.

(ii) Administrator agrees that it will and will cause its Affiliates and agents to maintain books and records, including the Books and Records, with respect to the

Services, in accordance with the same standards Administrator applies to its own business and applicable Law, including all such books and records as may be required by applicable Law, and all such books and records, including the Books and Records, shall be (A) the property of the Company in regards to the Subject Business, and (B) available for inspection and copying by the Company, or its Representatives, in regards to the Subject Business and at its sole cost and expense, and any Government Entities at any reasonable time during Administrator's normal business hours upon prior reasonable notice. Administrator shall maintain facilities and procedures comparable to the facilities and procedures it employs for its own books and records for the safekeeping of all books and records used in the performance of the Services and in accordance with applicable Law.

(iii) Administrator agrees to maintain an adequate system of internal controls over financial reporting as it relates to the Services, and at the Company's sole option and cost, to allow the Company, the Conservator or its Representatives, to conduct periodic tests of such internal controls over financial reporting in regards to the Subject Business during normal business hours and upon reasonable notice. Administrator shall make the relevant employees of Administrator or its Affiliates available to the Company, and/or its Representatives, for purposes of this Section 2.7(c)(iii).

(d) Accounting and Reporting. Administrator agrees to provide the following accounting and reporting services:

(i) Within forty-five (45) days after the close of each quarter, Administrator or its Representatives shall render a quarterly account to the Company, summarizing the following items pertaining to the Subject Business and the Services and any amounts due in this regard to the Company:

(A) paid Subject Business Losses less subrogation and salvages and amounts received during the quarter; and

(B) a statement of the gross and net Subject Business Losses outstanding (including loss reserves) at the close of each quarter.

(ii) Administrator or its Representatives shall also provide such other reports with respect to the Subject Business as may be reasonably requested by the Company that arise out of or relate to the Services, including, but not limited to, such reports as are necessary to prepare the Company's Tax returns and financial statements, actuarial analyses of the Subject Business and related reserves, or any report required by any Government Entity, in each case within the time frame needed by the Company to comply with its own contractual or other legal obligations or as otherwise mutually agreed by the Parties.

(iii) The Company and Administrator will cooperate with each other in good faith to develop a mutually acceptable format for the accounts, statements or other reports required under this Section.

(iv) The quarterly accounting and cash settlement are unconditional upon the performance of any other agreement or Person.

(e) Miscellaneous Services. Without limiting the foregoing, Administrator shall

provide any and all other claims-related services on behalf of the Company that may be necessary, required or appropriate for the provision of the Services, including, but not limited to, the following: (i) providing or causing the provision of usual and customary services for Policyholders; (ii) processing or causing the processing of all necessary Policyholder notifications and collections; (iii) answering all inquiries and (iv) taking all actions necessary to comply with its obligations under the Conservation Plan, the Conservation Order and the Conservation Agreement. In the event that this Agreement is terminated prior to the complete performance by Administrator of the Services, Administrator shall take all actions reasonably requested by the Company or the Conservator necessary to (x) transfer control of the Disbursement Account to the Company and the Conservator and/or (y) transition the Services to a replacement administrator (which the Conservator may choose in its sole discretion).

(f) Services Not Covered. For the avoidance of doubt, the Company will be responsible for performing all of its own accounting, financial and regulatory reporting (if any), and Administrator will have no responsibility with respect thereto; provided, that Administrator will provide the Company with the statistical and other information required for such reporting in a timely manner, as reasonably requested by the Company from time to time in accordance with the terms of this Agreement.

ARTICLE 3:

DISBURSEMENT ACCOUNT

3.1 Disbursement Account.

(a) Any and all amounts needed to pay Subject Business Losses arising under the Subject Business shall be paid on behalf of the Company by Administrator exclusively from one or more disbursement accounts identified by the Company for such purposes (the “Disbursement Account”).

(b) The Disbursement Account shall be funded by the Company, on an as required basis based on reasonable estimates of cash flow and capital requirements necessary to cover Subject Business Losses.

(c) No later than five days prior to the end of each month during the term of this Agreement, Administrator and its Affiliates shall remit to the Company any and all amounts they receive for or on behalf of the Company in respect of the Subject Business during such month.

(d) All investment income on funds held in the Disbursement Account shall be credited to the Company.

(e) Administrator acknowledges and agrees that it has a fiduciary obligation to the Company to access and disburse funds from the Disbursement Account solely for the purposes set forth in this Section 3.1.

(f) For the avoidance of doubt, any withdrawals from the Disbursement Account shall be used solely to pay (i) Subject Business Losses arising under the Subject Business and (ii) costs and expenses payable in accordance with this Agreement. In the event that any amounts that are used in violation of the preceding sentence, Administrator shall immediately cause such amounts to be refunded to the Disbursement Account.

3.2 Company Estate. For the avoidance of doubt, the Administrator and its Affiliates shall have no obligation to pay Subject Business Losses or any other amounts payable to the Company, its Policyholders, beneficiaries, third party claimants or any other Person hereunder, except out of the assets of the estate of the Company as and when made available by the Conservator in the Disbursement Account.

ARTICLE 4:

TERM AND TERMINATION RIGHTS

4.1 Term.

(a) Unless terminated earlier as set forth in Section 4.2 of this Agreement, the Services provided hereunder with respect to the Subject Business shall terminate as to the Subject Business on the first to occur of: (i) the complete performance by Administrator of all obligations and duties arising under this Agreement; or (ii) upon the mutual written consent by the Parties hereto to the termination of this Agreement.

(b) Upon the expiration or termination of this Agreement pursuant to Section 4.1(a) or Section 4.2, Administrator shall cooperate with the Conservator to effect an orderly transition of the Services to Conservator (or a replacement administrator designated by the Conservator) at Administrator's sole cost and expense. Such cooperation on the part of Administrator shall include, without limitation: (i) transferring all Books and Records to the Conservator or such replacement Administrator, and (ii) using its commercially reasonable efforts to assign, for the benefit of the Company, any agreements with authorized third-party administrators or other service providers relating to the Services.

4.2 Termination Rights. Without limiting any other rights of any Party under this Agreement:

(a) The Company shall have the right to terminate this Agreement at any time, upon reasonable prior notice from the Conservator to the Administrator; and

(b) Administrator shall have the right to terminate this Agreement following the second (2nd) anniversary of the Restructuring Effective Date, if the Company does not cure, within thirty (30) days of receiving written notice thereof, any failure to pay Subject Consideration in accordance with Section 5.1.

ARTICLE 5:

COMPENSATION

5.1 Subject Consideration. None of the Company, the Conservator or any of their Affiliates shall have any obligation to pay any consideration to the Administrator in respect of the provision of the Services prior to the second (2nd) anniversary of the Restructuring Effective Date. The Company shall reimburse the Administrator for the following costs and expenses that, in each case, are allocable to periods following the second (2nd) anniversary of the Restructuring Effective Date: (i) the portion of the total actual costs incurred by Administrator for the claims operations for the Subject Business (including wages and employee benefits provided to Administrator's employees, and overhead costs related to the performance of the Services, including without limitation, other loss adjustment expenses not incurred in relation to a specific claim within the Subject Business), (ii) all of Administrator's out-of-pocket expenses

in respect of the Subject Business, including, without limitation, claims investigations, legal fees, defense costs and loss containment expenses, or other third-party vendor costs that are incurred in relation to a specific claim within the Subject Business (“Out-of-Pocket Costs”) and (iii) costs paid in connection with any modifications to Administrator’s claims system necessary to perform the Services (“Miscellaneous Costs”, and the foregoing (i), (ii) and (iii) collectively, the “Subject Consideration”). For the avoidance of doubt, such obligation of the Company to reimburse Administrator for such Subject Consideration shall constitute an administrative expense claim having the priority set forth in Section 1033(a)(1) of the California Insurance Code.

5.2 Procedure.

(a) Beginning with the calendar quarter during which the second (2nd) anniversary of the Restructuring Effective Date occurs, and for each calendar quarter thereafter during the term of this Agreement, Administrator shall, within thirty (30) days following the end of such quarter, and within thirty (30) days following the expiration or termination of this Agreement, provide the Company with requests for payment of Subject Consideration hereunder consisting of a reasonably itemized bill and other reasonable proof requested by the Company for such amounts (the “Administrator Invoice”). Subject to the foregoing and relative to undisputed amounts, the Company shall pay Administrator the Subject Consideration no later than fifteen (15) days following its receipt of any Administrator Invoice.

(b) Disputed amounts under this Section 5.2 will be paid subject to the dispute resolution provisions incorporated in Article 10. For the avoidance of doubt, the Subject Consideration shall not include any amounts for Out-of-Pocket Costs or Miscellaneous Costs incurred or paid by Administrator that are not reasonably related or allocable to the performance of the Services.

ARTICLE 6:

REPRESENTATIONS AND WARRANTIES OF ADMINISTRATOR

Administrator represents and warrants to the Company as follows:

6.1 Authority. Administrator has all requisite power and authority to execute and deliver this Agreement, to perform its obligations under this Agreement and to consummate the transactions contemplated by this Agreement. This Agreement has been duly executed and delivered by Administrator and constitutes the legal, valid and binding obligation of Administrator, enforceable against it in accordance with its terms

6.2 No Breach. Subject to the approval of the Conservator, the execution, delivery and performance of this Agreement by Administrator will not materially conflict with, or result in a material violation of, or constitute a material default under, any term or provision of applicable Law, or any judgment, writ, injunction, decree or order of any court, governmental authority or arbitrator relating to Administrator.

6.3 Litigation. There is no Litigation (as defined in the Conservation Agreement) pending, or threatened, against Administrator, or any of its assets, properties or Affiliates, at law or in equity, that individually or in the aggregate have or may reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement or on the ability of Administrator to perform its obligations under this Agreement.

6.4 Capacity. Administrator has all licenses, authorizations and resources necessary to provide, or to obtain a licensed and authorized subcontractor to provide, the Services in accordance with applicable Law, and Administrator has, or has available to it via agents or subcontractors, sufficient expertise, trained personnel, resources, systems, controls and procedures (financial, legal, accounting, administrative, data processing or otherwise) as may be necessary or appropriate to discharge Administrator's services hereunder.

ARTICLE 7:

CERTAIN COVENANTS OF ADMINISTRATOR

7.1 Capacity. Administrator will continue to maintain during the term of this Agreement all licenses, authorizations and resources necessary to provide, or to obtain a licensed and authorized subcontractor to provide, the Services in accordance with applicable Law.

7.2 Insurance. Administrator agrees to maintain general liability and errors and omissions coverages for itself and for its directors, officers and employees as outlined in Schedule 7.2 and to provide updated evidence of that coverage as reasonably requested by the Company.

7.3 Inability to Perform Services. Without limitation to any of the Company's rights hereunder, in the event that Administrator shall be unable to materially perform the Services as required by this Agreement for any reason whatsoever for a period that can reasonably be expected to exceed five Business Days, Administrator shall promptly notify the Company in writing and cooperate with them in obtaining an alternative means of providing such Services. For the avoidance of doubt, Administrator's compliance with the notice requirement set forth in the preceding sentence shall not relieve Administrator of its obligations to indemnify the Company and their Affiliates for Damages pursuant to Article 9.

ARTICLE 8:

RESERVED

ARTICLE 9:

INDEMNIFICATION

9.1 Indemnification.

(a) Administrator agrees to indemnify and hold the Company and its Affiliates, predecessors, successors and assigns (and their respective officers, directors and employees) (the "Indemnified Persons") harmless from and against and in respect of all Damages incurred by them resulting from (i) any material breach by Administrator of any representation, warranty, covenant or agreement of Administrator in this Agreement and (ii) any fraud or misrepresentation of Administrator in connection with the Services. Notwithstanding the foregoing, Administrator shall have no liability to any Indemnified Person for (x) acts, errors or omissions taken at the request or direction of the Company or the Conservator, or (y) any Extra-Contractual Obligations in respect of the Subject Business, unless such liability for Extra-Contractual Obligations arises from the fraud of a member of the board of directors or a corporate officer of the Administrator acting individually or collectively or in collusion with any individual or corporation or any other organization or party involved in the presentation, defense or settlement of any claim in respect of any Subject Policy.

(b) In the event that any Indemnified Person determines to assert a claim for indemnification hereunder, such Indemnified Person shall promptly give written notice to the Administrator describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim and the amount or estimated amount of the Damages sought to be recovered thereunder. Upon receipt of such notice, the Administrator shall have the right to assume the defense and control of the claim or litigation giving rise to the claim for indemnification hereunder, to the extent such claim or litigation is made or instituted by a person not either a party to this Agreement or an Affiliate of a party to this Agreement (a "Third Party Claim"). The Company and the Conservator shall cooperate reasonably with the Administrator in the defense of any such Third Party Claim.

9.2 Survival. All representations, warranties, covenants and agreements made by Administrator pursuant to this Agreement shall survive the Restructuring Effective Date.

ARTICLE 10:

RESOLUTION OF DISPUTES

10.1 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California applicable to contracts executed in and to be performed entirely within that State.

10.2 Dispute Resolution; Enforcement.

(a) Any dispute arising out of this Agreement shall be subject to the continuing jurisdiction of the Conservation Court, which shall be the exclusive forum in which all such disputes shall be resolved.

(b) Administrator acknowledges that the performance of its obligations, including the Services, pursuant to this Agreement is critical to the business and operations of the Company. Accordingly, in the event of a dispute between the Company and Administrator, Administrator shall continue to perform the Services in good faith during the resolution of such dispute unless and until this Agreement is terminated in accordance with the provisions hereof.

10.3 RESERVED.

10.4 Survival. This Article 10, Section 2.4 and Article 5 shall survive the termination of this Agreement.

ARTICLE 11:

MISCELLANEOUS

11.1 Cooperation. Each Party hereto shall cooperate fully with the other in all reasonable respects in order to accomplish the objectives of this Agreement.

11.2 Assignment; Parties in Interest.

(a) Assignment. Except as expressly provided herein, the rights and obligations of a Party hereunder may not be assigned, transferred or encumbered without the prior written consent of the other Party; *provided, however*, that the Conservator may assign or transfer to any statutory

insurance guaranty association or fund that assumes responsibility for the Company's claims administration any obligations to perform the Services without the consent of any other Party.

(b) Parties in Interest. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors and permitted assigns. Nothing contained herein shall be deemed to confer upon any other Person any right or remedy under or by reason of this Agreement.

11.3 Notices. All notices, requests, demands and other communications hereunder shall be given in writing and shall be: (a) personally delivered; (b) sent by telecopier, facsimile transmission or other electronic means of transmitting written documents; or (c) sent to the Parties at their respective addresses indicated herein by registered or certified U.S. mail, return receipt requested and postage prepaid, or by private overnight mail courier service. The respective addresses to be used for all such notices, demands or requests are as follows:

If to the Company:

CastlePoint National Insurance Company
c/o Conservation & Liquidation Office
100 Pine Street, 23rd Floor
San Francisco, CA 94105
Attention: John Finston
Deputy Insurance Commissioner and General Counsel

with concurrent copies to:

California Department of Insurance
Legal Division
45 Fremont Street, 22nd Floor
San Francisco, CA 94105
Attention: David E. Wilson
Special Deputy Insurance Commissioner

Orrick, Herrington & Sutcliffe LLP
400 Capitol Mall, Suite 3000
Sacramento, CA 95814
Attention: Thomas J. Welsh

If to Administrator:

National General Management Corp.
59 Maiden Lane, 38th Floor
New York, NY 10038
Attention: Jeffrey Weissmann, Esq.
Facsimile No.: (212) 380-9499
E-mail: jeffrey.weissmann@ngic.com

or to such other person or address as a Party shall furnish to the Company in writing.

If personally delivered, such communication shall be deemed delivered upon actual receipt; if electronically transmitted pursuant to this paragraph, such communication shall be deemed delivered the

next Business Day after transmission (and sender shall bear the burden of proof of delivery); if sent by overnight courier pursuant to this paragraph, such communication shall be deemed delivered upon receipt; and if sent by U.S. mail pursuant to this paragraph, such communication shall be deemed delivered as of the date of delivery indicated on the receipt issued by the relevant postal service, or, if the addressee fails or refuses to accept delivery, as of the date of such failure or refusal. Any Party to this Agreement may change its address for the purposes of this Agreement by giving notice thereof in accordance with this Section.

11.4 Entire Agreement; Merger. This Agreement and any exhibits, schedules and appendices attached hereto together constitute the final written integrated expression of all of the agreements among the Parties with respect to the subject matter hereof and is a complete and exclusive statement of those terms, and supersede all prior or contemporaneous, written or oral, memoranda, arrangements, contracts and understandings between the Parties relating to the subject matter hereof, except for any applicable provisions contained in the Conservation Agreement. Any representations, promises, warranties or statements made by any Party which differ in any way from the terms of this Agreement or any applicable provisions contained in the Conservation Agreement shall be given no force or effect. The Parties specifically represent, each to the other, that there are no additional or supplemental agreements or contracts between or among them related in any way to the matters herein contained unless specifically included or referred to in this Agreement or any applicable provisions contained in the Conservation Agreement. No addition to or modification of any provision of this Agreement or any applicable provisions contained in the Conservation Agreement shall be binding upon either Party unless embodied in a dated written instrument signed by all Parties.

11.5 Waivers and Amendments; Preservation of Remedies. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by each of the Parties and approved by the Conservation Court or, in the case of a waiver, by the Party waiving compliance. No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right, power, remedy or privilege, nor any single or partial exercise of any such right, power, remedy or privilege, preclude any further exercise thereof or the exercise of any other such right, remedy, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any Party may otherwise have under applicable Law or in equity.

11.6 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11.7 Governing Law. This Agreement shall be construed and interpreted according to the internal laws of the State of California excluding any choice of law rules that may direct the application of the laws of another jurisdiction. Subject to the provisions of ARTICLE 10, the Parties hereby stipulate that any action or other legal proceeding arising under or in connection with this Agreement shall be commenced and prosecuted in its entirety in the Conservation Court, each Party hereby submitting to the personal jurisdiction thereof, and the Parties agree not to raise the objection that such court is not a convenient forum. Process and pleadings mailed to a party at the address provided in Section 11.3 shall be deemed properly served and accepted for all purposes.

11.8 Headings. The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

11.9 Severability. If any part of this Agreement is contrary to, prohibited by, or deemed invalid under applicable Law or regulations, that provision shall not apply and shall be omitted to the extent so contrary, prohibited, or invalid; but the remainder of this Agreement shall not be invalidated and

shall be given full force and effect insofar as possible.

11.10 Expenses. Regardless of whether or not the transactions contemplated in this Agreement are consummated, each of the Parties shall bear its own expenses and the expenses of its counsel and other agents in connection with the transactions contemplated hereby.

11.11 Currency. The currency of this Agreement and all transactions under this Agreement shall be in United States Dollars.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed on the day and year first written above.

NATIONAL GENERAL MANAGEMENT CORP.

By_____

Title_____

**CASTLEPOINT NATIONAL INSURANCE
COMPANY, acting by and through California
Insurance Commissioner Dave Jones, as Statutory
Conservator**

By_____

Title_____

Exhibit E

Stop Loss Reinsurance Commutation Agreement

COMMUTATION AND RELEASE AGREEMENT

This COMMUTATION AND RELEASE AGREEMENT (the “Agreement”) dated as of [●], 2016 is entered into by and between CASTLEPOINT REINSURANCE COMPANY, LTD., a Bermuda corporation (the “Company”), AMTRUST INTERNATIONAL INSURANCE, LTD., an insurance company organized under the laws of Bermuda (“AmTrust International”) and NATIONAL GENERAL RE, LTD., an insurance company organized under the laws of Bermuda (“National General Re” and together with AmTrust International, the “Reinsurers”).

WHEREAS, the Reinsurers have issued to the Company that certain Aggregate Stop Loss Reinsurance Contract (the “Stop Loss Reinsurance Contract”), effective September 15, 2014, pursuant to which the Reinsurers have agreed to indemnify the Company for certain losses incurred by the Company under that certain Loss Portfolio Transfer Agreement, dated as of September 15, 2014, between the Company, CastlePoint National and certain of its predecessor companies (the “Loss Portfolio Transfer Agreement”), in excess of an agreed retention amount (the “Reinsurers’ Liability”);

WHEREAS, AmTrust International and National General Re each assumed fifty percent (50%) of the Reinsurers’ Liability, pursuant to the Interests and Liabilities Contract by and between the Company and AmTrust International and the Interests and Liabilities Contract by and between the Company and National General Re, each effective September 15, 2014 and each attached to the Stop Loss Reinsurance Contract;

WHEREAS, as of the date hereof, the Company’s losses in respect of the Loss Portfolio Transfer Agreement have not yet exceeded the Company’s retention under the Stop Loss Reinsurance Agreement, and no amounts have been paid under the Stop Loss Reinsurance Agreement by any party thereto, and the Loss Portfolio Transfer Agreement is being commuted on the date hereof such that no amounts will be payable to the Company under the Stop Loss Reinsurance Agreement in the future;

WHEREAS, the California Insurance Commissioner has been appointed statutory conservator of CastlePoint National Insurance Company, an insurance company organized under the laws of California and an affiliate of the Company (“CastlePoint National”) pursuant to an order of the Superior Court for the City and County of San Francisco (the “Conservation Court”) entered on [●], 2016; and

WHEREAS, pursuant to the plan of conservation for CastlePoint National approved and authorized by the Conservation Court in its Order entered on [●], 2016 and the related Conservation Agreement among the Conservator and certain other parties dated July 28, 2016, the Company and the Reinsurers are entering into this Agreement to effect a full and final settlement, discharge and release of any and all of each of their respective liabilities, rights, duties and obligations under the Stop Loss Reinsurance

Contract, all on the terms hereinafter set forth and effective as of 12:01 a.m. Bermuda time on the date hereof (the “Effective Time”).

NOW, THEREFORE, the Company and the Reinsurers (each a “Party”, and collectively, the “Parties”) agree as follows:

ARTICLE I COMMUTATION

Section 1.1 Commutation. The Stop Loss Reinsurance Contract is hereby terminated as of the Effective Time, provided that Article 14 of the Stop Loss Reinsurance Contract (Confidentiality) shall survive such termination. The Company hereby recaptures and assumes one hundred percent (100%) of the Reinsurers’ liabilities and obligations under the Stop Loss Reinsurance Contract to the extent unpaid as of the Effective Time.

ARTICLE II RELEASES

Section 2.1 Company Release of the Reinsurers. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, as of the Effective Time, the Company hereby forever releases and discharges each of the Reinsurers, and its respective predecessors, successors, parents, assigns, officers, directors, agents, employees and representatives from any and all duties, rights, obligations, liabilities claims and demands of any kind, whether known or unknown, that the Company now has, owns, or holds, or at any time had, owned, or held, or may after the execution of this Agreement have, own, or hold against either of the Reinsurers, arising from, based upon, or in any way related to the Stop Loss Reinsurance Contract, it being the intention of the Parties that this release operate as a full and final settlement of each of the Reinsurers’ past, current and future liabilities to the Company under and in connection with the Stop Loss Reinsurance Contract.

Section 2.2 Reinsurer Release of the Company. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, as of the Effective Time, each of the Reinsurers hereby forever releases and discharges the Company, and its predecessors, successors, parents, assigns, officers, directors, agents, employees and representatives from any and all duties, rights, obligations, liabilities, claims and demands of any kind, whether known or unknown, that such Reinsurer now has, owns, or holds, or at any time had, owned, or held, or may after the execution of this Agreement have, own, or hold against the Company, arising from, based upon, or in any way related to the Stop Loss Reinsurance Contract, it being the intention of the Parties that release operate as a full and final settlement of the Company’s past, current and

future liabilities to each of the Reinsurers under and in connection with the Stop Loss Reinsurance Contract.

ARTICLE III REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of Each Party. Each Party hereto represents and warrants to the other Parties that:

- (a) it is a company in good standing;
- (b) it is fully authorized to execute and deliver this Agreement;
- (c) this Agreement is enforceable against each of the Parties in accordance with its terms;
- (d) the person or persons executing this Agreement on its behalf has the power, legal capacity and it fully authorized to do so;
- (e) there are no pending conditions, agreements, transactions or negotiations to which it is a party or are likely to be made a party that would render this Agreement or any part thereof, void, voidable, or unenforceable;
- (f) it has obtained the consent of each person or entity, governmental or otherwise, whose authorization, consent, or approval is required to give effect to this Agreement; and
- (g) no claim or loss being paid or settled by this Agreement has been previously assigned, sold and/or transferred to any other entity.

ARTICLE IV FURTHER ASSURANCES

Section 4.1 Further Assurances. The Company and the Reinsurers agree to execute promptly any and all supplemental agreements, releases, affidavits, waivers and all other documents of any nature or kind which any other Party may reasonable require in order to implement the provisions or objectives of this Agreement. This Section also includes the duty of the Company to continue to provide the Reinsurers with financial, claims and other pertinent information to support the Company's efforts to collect moneys owed to them from its retrocessionaires.

ARTICLE V CONFIDENTIALITY

Section 5.1 Confidentiality. The Parties agree to keep the terms and conditions of this Agreement confidential and will not disclose (except as required by applicable law, regulation, or legal process) the existence and/or terms and conditions of this Agreement to third parties, provided that the Parties agree that their directors, officers, partners, members, employees, affiliates, retrocessionaires, brokers, agents, managing general agents or other representatives (including financial advisors, attorneys, accountants, actuaries) may be permitted to know the existence and the terms and conditions of this Agreement on a confidential, need to know basis in the course of normal business.

ARTICLE VI MISCELLANEOUS

Section 6.1 Notices. All notices, requests, demands and other communications hereunder shall be given in writing and shall be: (a) personally delivered; (b) sent by telecopier, facsimile transmission or other electronic means of transmitting written documents; or (c) sent to the Parties at their respective addresses indicated herein by registered or certified U.S. mail, return receipt requested and postage prepaid, or by private overnight mail courier service. The respective addresses to be used for all such notices, demands or requests are as follows:

(a) If to the Company:

CastlePoint Reinsurance Company, Ltd.
Washington Mall
7 Reid Street
Suite 404
Hamilton HM11
Bermuda
Attention: CFO
Tel: 441.444.4803

(b) If to AmTrust International:

AmTrust International Insurance, Ltd.
Washington Mall
7 Reid Street
Suite 404
Hamilton HM 11
Bermuda

Attention: CFO
Tel: 441.444.4803

(c) If to National General Re:

National General Re, Ltd.
Washington Mall
7 Reid Street
Suite 404
Hamilton HM 11
Bermuda
Attention: CFO
Tel: 441.444.4803

or to such other address or to such other person as any Party may have last designated by notice to the other Parties.

If personally delivered, such communication shall be deemed delivered upon actual receipt; if electronically transmitted pursuant to this paragraph, such communication shall be deemed delivered the next business day after transmission (and sender shall bear the burden of proof of delivery); if sent by overnight courier pursuant to this paragraph, such communication shall be deemed delivered upon receipt; and if sent by U.S. mail pursuant to this paragraph, such communication shall be deemed delivered as of the date of delivery indicated on the receipt issued by the relevant postal service, or, if the addressee fails or refuses to accept delivery, as of the date of such failure or refusal. Any Party to this Agreement may change its address for the purposes of this Agreement by giving notice thereof in accordance with this Section.

Section 6.2 Entire Agreement. This Agreement contains the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersedes all other prior agreements, understandings, statements, representations and warranties, oral or written, express or implied, between the Parties and their respective affiliates, representatives and agents in respect of the subject matter hereof and thereof.

Section 6.3 Governing Law. This Agreement shall be governed as to performance, administration and interpretation by the laws of Bermuda. This Agreement shall be construed and interpreted according to the internal laws of Bermuda excluding any choice of law rules that may direct the application of the laws of another jurisdiction. The Parties hereby stipulate that any action or other legal proceeding arising under or in connection with this Agreement may be commenced and prosecuted in its entirety in Bermuda, each Party hereby submitting to the personal jurisdiction thereof, and the Parties agree not to raise the objection that such courts are not a convenient forum.

Section 6.4 Successors and Assigns. This Agreement shall be binding upon and shall inure solely to the benefit of the Parties hereto and their respective successors, assigns, receivers, liquidators, rehabilitators, conservators and supervisors, it not being the intent of the Parties to create any third party beneficiaries, except as specifically provided in **Error! Reference source not found.**, provided, this Agreement and the obligations of the Parties shall not be assigned by any Party hereto without the prior written consent of the other Parties.

Section 6.5 Amendments. This Agreement may not be changed, altered or modified unless the same shall be in writing executed by the Company and each Reinsurer.

Section 6.6 No Waiver; Preservation of Remedies. No consent or waiver, express or implied, by any Party to or of any breach or default by any other Party in the performance by such other Party of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance of obligations hereunder by such other Party hereunder. Failure on the part of any Party to complain of any act or failure to act of any other Party or to declare any other Party in default, irrespective of how long such failure continues, shall not constitute a waiver by such first Party of any of its rights hereunder. The rights and remedies provided are cumulative and are not exclusive of any rights or remedies that any Party may otherwise have at law or equity.

Section 6.7 Negotiated Agreement. This Agreement has been negotiated by the Parties and the fact that the initial and final draft will have been prepared by any Party or an intermediary will not give rise to any presumption for or against any Party to this Agreement or be used in any respect or forum in the construction or interpretation of this Agreement or any of its provisions.

Section 6.8 Expenses. All expenses incurred in connection with this Agreement, including fees and disbursements of legal, actuarial, accounting and other advisors incurred before the Effective Time, shall be paid by the Party incurring such expenses.

Section 6.9 Interpretation. Wherever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

Section 6.10 Incontestability. In consideration of the mutual covenants and agreements contained herein, each Party hereto does hereby agree that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each Party does hereby agree that it shall not, directly or indirectly, contest the validity or enforceability hereof.

Section 6.11 Severability. If any provision of this Agreement is held to be void or unenforceable, in whole or in part, (i) such holding shall not affect the validity and enforceability of the remainder of this Agreement, including any other provision, paragraph or subparagraph, and (ii) the Parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

Section 6.12 Headings. Headings used herein are not a part of this Agreement and shall not affect the terms hereof.

Section 6.13 Execution in Counterpart. This Agreement may be executed by the Parties hereto in any number of counterparts, and by each of the Parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

CASTLEPOINT REINSURANCE COMPANY, LTD.

By _____
Name:
Title:

AMTRUST INTERNATIONAL INSURANCE, LTD.

By _____
Name:
Title:

NATIONAL GENERAL RE, LTD.

By _____
Name:
Title:

Exhibit F

Stop Loss Retrocession Commutation Agreement

COMMUTATION AND RELEASE AGREEMENT

This COMMUTATION AND RELEASE AGREEMENT (the “Agreement”) dated as of [●], 2016 is entered into by and between AMTRUST INTERNATIONAL INSURANCE, LTD., an insurance company organized under the laws of Bermuda (“AmTrust International”) and NATIONAL GENERAL RE, LTD., an insurance company organized under the laws of Bermuda (“National General Re” and together with AmTrust International, the “Retrocedents”) and ACP RE, LTD., a Bermuda corporation (the “Retrocessionaire”).

WHEREAS, the Retrocessionaire has issued to the Retrocedents that certain Aggregate Stop Loss Retrocession Contract (the “Stop Loss Retrocession Contract”), effective September 15, 2014, pursuant to which the Retrocessionaire has agreed to indemnify the Retrocedents for one hundred percent (100%) of the amount, if any, that the Retrocedents are required to pay under the Aggregate Stop Loss Reinsurance Contract, dated September 15, 2014 by and between CastlePoint Reinsurance Company Ltd. (“CastlePoint Re”), a Bermuda corporation, and the Retrocedents (the “Stop Loss Reinsurance Contract”);

WHEREAS, as of the date hereof, the Retrocedents have not yet been required to pay any amounts under the Stop Loss Reinsurance Contract and, as a result, the Stop Loss Retrocession Contract has not yet attached and no premiums have been paid thereunder, and the Stop Loss Reinsurance Contract is being commuted on the date hereof such that no amounts will be payable to the Retrocedents under the Stop Loss Retrocession Contract in the future;

WHEREAS, the California Insurance Commissioner has been appointed statutory conservator of CastlePoint National Insurance Company, an insurance company organized under the laws of California and an affiliate of CastlePoint Re (“CastlePoint National”) pursuant to an order of the Superior Court for the City and County of San Francisco (the “Conservation Court”) entered on [●], 2016; and

WHEREAS, pursuant to the plan of conservation for CastlePoint National approved and authorized by the Conservation Court in its Order entered on [●], 2016 and the related Conservation Agreement among the Conservator and certain other parties dated July 28, 2016, (i) CastlePoint Re and the Retrocedents are entering into a Commutation and Release Agreement pursuant to which the Stop Loss Reinsurance Contract is being commuted as of 12:01 a.m. Bermuda time on the date hereof (the “Effective Time”), and (ii) the Retrocedents and the Retrocessionaire are entering into this Agreement to effect a full and final settlement, discharge and release of any and all of each of their respective liabilities, rights, duties and obligations under the Stop Loss Retrocession Contract, all on the terms hereinafter set forth and effective as of the Effective time.

NOW, THEREFORE, the Retrocedents and the Retrocessionaire (each a “Party”, and collectively, the “Parties”) agree as follows:

ARTICLE I COMMUTATION

Section 1.1 Commutation. The Stop Loss Retrocession Contract is hereby terminated as of the Effective Time, provided that Article 13 of the Stop Loss Retrocession Contract (Confidentiality) shall survive such termination. The Retrocedents hereby recapture and assume one hundred percent (100%) of the Retrocessionaire’s liabilities and obligations under the Stop Loss Retrocession Contract to the extent unpaid as of the Effective Time.

ARTICLE II RELEASES

Section 2.1 Retrocedents’ Release of the Retrocessionaire. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, as of the Effective Time, each of the Retrocedents hereby forever releases and discharges the Retrocessionaire, and its predecessors, successors, parents, assigns, officers, directors, agents, employees and representatives. from any and all duties, rights, obligations, liabilities, claims and demands of any kind, whether known or unknown, that such Retrocedent now has, owns, or holds, or at any time had, owned, or held, or may after the execution of this Agreement have, own, or hold against the Retrocessionaire, arising from, based upon, or in any way related to the Stop Loss Retrocession Contract, it being the intention of the Parties that this release operate as a full and final settlement of the Retrocessionaire’s past, current and future liabilities to each Retrocedent under and in connection with the Stop Loss Retrocession Contract.

Section 2.2 Retrocessionaires Release of the Retrocedents. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, as of the Effective Time, the Retrocessionaire hereby forever releases and discharges each of the Retrocedents, and its respective predecessors, successors, parents, assigns, officers, directors, agents, employees and representatives. from any and all duties, rights, obligations, liabilities, claims and demands of any kind, whether known or unknown, that the Retrocessionaire now has, owns, or holds, or at any time had, owned, or held, or may after the execution of this Agreement have, own, or hold against either of the Retrocedents, arising from, based upon, or in any way related to the Stop Loss Retrocession Contract, it being the intention of the Parties that this release operate as a full and final settlement of each of the Retrocedents’ past, current and future liabilities to the Retrocessionaire under and in connection with the Stop Loss Retrocession Contract.

ARTICLE III REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of Each Party. Each Party hereto represents and warrants to the other Parties that:

- (a) It is a company in good standing;
- (b) it is fully authorized to execute and deliver this Agreement;
- (c) this Agreement is enforceable against each of the Parties in accordance with its terms;
- (d) the person or persons executing this Agreement on its behalf has the power, legal capacity and it fully authorized to do so;
- (e) there are no pending conditions, agreements, transactions or negotiations to which it is a party or are likely to be made a party that would render this Agreement or any part thereof, void, voidable, or unenforceable;
- (f) it has obtained the consent of each person or entity, governmental or otherwise, whose authorization, consent, or approval is required to give effect to this Agreement; and
- (g) no claim or loss being paid or settled by this Agreement has been previously assigned, sold and/or transferred to any other entity.

ARTICLE IV FURTHER ASSURANCES

Section 4.1 Further Assurances. The Retrocedents and the Retrocessionaire agree to execute promptly any and all supplemental agreements, releases, affidavits, waivers and all other documents of any nature or kind which any other Party may reasonable require in order to implement the provisions or objectives of this Agreement.

ARTICLE V CONFIDENTIALITY

Section 5.1 Confidentiality. The Parties agree to keep the terms and conditions of this Agreement confidential and will not disclose (except as required by applicable law, regulation, or legal process) the existence and/or terms and conditions of this Agreement to third parties, provided that the Parties agree that their directors, officers, partners, members, employees, affiliates, retrocessionaires, brokers, agents, managing general agents or other representatives (including financial advisors, attorneys,

accountants, actuaries) may be permitted to know the existence and the terms and conditions of this Agreement on a confidential, need to know basis in the course of normal business.

ARTICLE VI MISCELLANEOUS

Section 6.1 Notices. All notices, requests, demands and other communications hereunder shall be given in writing and shall be: (a) personally delivered; (b) sent by telecopier, facsimile transmission or other electronic means of transmitting written documents; or (c) sent to the Parties at their respective addresses indicated herein by registered or certified U.S. mail, return receipt requested and postage prepaid, or by private overnight mail courier service. The respective addresses to be used for all such notices, demands or requests are as follows:

(a) If to AmTrust International:

AmTrust International Insurance, Ltd.
Washington Mall
7 Reid Street
Suite 404
Hamilton HM 11
Bermuda
Attention: CFO
Tel: 441.444.4803

(b) If to National General Re:

National General Re, Ltd.
Washington Mall
7 Reid Street
Suite 404
Hamilton HM 11
Bermuda
Attention: CFO
Tel: 441.444.4803

(c) If to the Retrocessionaire:

ACP Re, Ltd.
Purvis House
29 Victoria Street
Hamilton, HM10
Bermuda

Attention: Daron Skipper
Tel: [●]

or to such other address or to such other person as any Party may have last designated by notice to the other Parties.

If personally delivered, such communication shall be deemed delivered upon actual receipt; if electronically transmitted pursuant to this paragraph, such communication shall be deemed delivered the next business day after transmission (and sender shall bear the burden of proof of delivery); if sent by overnight courier pursuant to this paragraph, such communication shall be deemed delivered upon receipt; and if sent by U.S. mail pursuant to this paragraph, such communication shall be deemed delivered as of the date of delivery indicated on the receipt issued by the relevant postal service, or, if the addressee fails or refuses to accept delivery, as of the date of such failure or refusal. Any Party to this Agreement may change its address for the purposes of this Agreement by giving notice thereof in accordance with this Section.

Section 6.2 Entire Agreement. This Agreement contains the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersedes all other prior agreements, understandings, statements, representations and warranties, oral or written, express or implied, between the Parties and their respective affiliates, representatives and agents in respect of the subject matter hereof and thereof.

Section 6.3 Governing Law. This Agreement shall be governed as to performance, administration and interpretation by the laws of Bermuda. This Agreement shall be construed and interpreted according to the internal laws of Bermuda excluding any choice of law rules that may direct the application of the laws of another jurisdiction. The Parties hereby stipulate that any action or other legal proceeding arising under or in connection with this Agreement may be commenced and prosecuted in its entirety in Bermuda, each Party hereby submitting to the personal jurisdiction thereof, and the Parties agree not to raise the objection that such courts are not a convenient forum.

Section 6.4 Successors and Assigns. This Agreement shall be binding upon and shall inure solely to the benefit of the Parties hereto and their respective successors, assigns, receivers, liquidators, rehabilitators, conservators and supervisors, it not being the intent of the Parties to create any third party beneficiaries, except as specifically provided in **Error! Reference source not found.**, provided, this Agreement and the obligations of the Parties shall not be assigned by any Party hereto without the prior written consent of the other Parties.

Section 6.5 Amendments. This Agreement may not be changed, altered or modified unless the same shall be in writing executed by each Retrocedent and the Retrocessionaire.

Section 6.6 No Waiver; Preservation of Remedies. No consent or waiver, express or implied, by any Party to or of any breach or default by any other Party in the performance by such other Party of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance of obligations hereunder by such other Party hereunder. Failure on the part of any Party to complain of any act or failure to act of any other Party or to declare any other Party in default, irrespective of how long such failure continues, shall not constitute a waiver by such first Party of any of its rights hereunder. The rights and remedies provided are cumulative and are not exclusive of any rights or remedies that any Party may otherwise have at law or equity.

Section 6.7 Negotiated Agreement. This Agreement has been negotiated by the Parties and the fact that the initial and final draft will have been prepared by any Party or an intermediary will not give rise to any presumption for or against any Party to this Agreement or be used in any respect or forum in the construction or interpretation of this Agreement or any of its provisions.

Section 6.8 Expenses. All expenses incurred in connection with this Agreement, including fees and disbursements of legal, actuarial, accounting and other advisors incurred before the Effective Time, shall be paid by the Party incurring such expenses.

Section 6.9 Interpretation. Wherever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

Section 6.10 Incontestability. In consideration of the mutual covenants and agreements contained herein, each Party hereto does hereby agree that this Agreement, and each and every provision hereof, is and shall be enforceable by and between them according to its terms, and each Party does hereby agree that it shall not, directly or indirectly, contest the validity or enforceability hereof.

Section 6.11 Severability. If any provision of this Agreement is held to be void or unenforceable, in whole or in part, (i) such holding shall not affect the validity and enforceability of the remainder of this Agreement, including any other provision, paragraph or subparagraph, and (ii) the Parties agree to attempt in good faith to reform such void or unenforceable provision to the extent necessary to render such provision enforceable and to carry out its original intent.

Section 6.12 Headings. Headings used herein are not a part of this Agreement and shall not affect the terms hereof.

Section 6.13 Execution in Counterpart. This Agreement may be executed by the Parties hereto in any number of counterparts, and by each of the Parties hereto in separate

counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

AMTRUST INTERNATIONAL INSURANCE, LTD.

By _____
Name:
Title:

NATIONAL GENERAL RE, LTD.

By _____
Name:
Title:

ACP RE, LTD.

By _____
Name:
Title:

Exhibit G

Closing Date Reduction Amount Computation

NatGen Cash Settlement Details

Premium Inception to Date Activity as of April 30 2016

Written Premium:

Gross Premium Written - All Years	726,000,101	
Less: 3rd Party Reinsurance	(165,644,351)	
Less: Approved Write-Offs	(468,968)	
Less: Uncollected Premium (i.e A/R)	10,749,967	
Net Premium Payable prior to commission		549,136,815
Less: Ceding Commission		114,986,840
Less: Losses from FAIR Plan		-
Net Premium Due NatGen - All Years and All Programs		434,149,975

Cash Settlements:

Initial Premium Deposit for UPR	(97,289,453)	
Daily Estimated Payments through 01.09.2015	(181,626,999)	
Premium True-up Payments	(149,177,429)	
Total Cash for Premium Held By NatGen		(428,093,881)
Total Balance Due to NatGen/(Tower) for Premium Collections		6,056,094

Claims Paid By Tower on CTE/QS Policies before EPIC Claims Conversion	121,832,834	
Cash Paid by NatGen for Claims	121,832,834	
Total Balance Due to NatGen/(Tower) for Claims Paid		-
Total Balance Due to NatGen/(Tower) for Premium and Claims Activity		6,056,094

Expense Allocations:

Expense Expenses incurred by Tower and Allocated to NatGen	(14,451,739)	
Expense Expenses Incurred by NatGen and Allocated to Tower	83,623,233	
Total Balance Due to NatGen/(Tower) for Expense Allocations		69,171,494
Cash Paid by NatGen/(Tower) for Expense Allocations		(58,419,489)
Total Balance Due to NatGen/(Tower) for Premium and Claims Activity		16,808,098

Net Settlement Due to NatGen/(Tower)	16,808,098
---	-------------------

May Estimate for AP Expenses incurred by AmTrust and Allocated to Tower	12,000,000
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Total Projected due to AmTrust through May	28,808,098
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AmTrust Cash Settlement Details

Premium Inception to Date Activity as of April 30 2016

Written Premium:

Gross Premium Written for Amtrust - All Years	579,640,147	
Less: 3rd Party Reinsurance	(75,633,600)	
Plus: FAIR Plan	9,383,622	
Plus: WC Constant	(5,001,209)	
Less: Uncollected Premium (i.e A/R)	7,353,067	
Net Premium Payable prior to commission		501,035,892
Less: Ceding Commission		(109,632,683)
Less: Losses from FAIR Plan		(3,733,230)
Less: Commission due on MGA Premium - both Tower & AmTrust systems		(2,700,658)
Net Premium Due AmTrust - All Years and All Programs		<u>384,969,322</u>

Cash Settlements:

Initial Premium Deposit for UPR	(79,388,551)	
Daily Estimated Payments to AmTrust - 2.14.14 to 9.22.14	(158,639,000)	
Premium True-up Payments	(202,305,495)	
Total Cash for Premium Held By AmTrust		(440,333,046)
Total Balance Due to AmTrust/(Tower) for Premium Collections		(55,363,724)
Claims Paid By Tower on CTE/QS Policies before ANA Claims Conversion	(57,932,180)	
Claims Paid by Tower for Pinnacle Claims through 6.19.15	(1,611,447)	
Cash Paid by AmTrust for Claims	107,399,833	
Total Balance Due to AmTrust/(Tower) for Claims Paid		47,856,207
Total Balance Due to AmTrust/(Tower) for Premium and Claims Activity		<u>(7,507,517)</u>

AP Allocations:

AP Expenses incurred by Tower and Allocated to AmTrust	(15,626,108)	
AP Expenses Incurred by AmTrust and Allocated to Tower	39,339,990	
Total Balance Due to AmTrust/(Tower) for AP Allocations		23,713,882
Total Balance Due to AmTrust/(Tower) for Premium and Claims Activity		<u>16,206,365</u>

ITD Salvage & Subrogation on non-CTE claims in ANA collected by AmTrust and Due to AmTrust/(Tower)	(16,158,100)
3rd Party Inuring Reinsurance Claims Recoveries collected by Tower (net of Bruno and Pre-ANA)	11,014,133

Net Settlement Due to AmTrust/(Tower)	11,062,398
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May Estimate for AP Expenses incurred by AmTrust and Allocated to Tower	3,000,000
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Total Projected due to AmTrust through May	14,062,398
---	-------------------

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

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

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

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

21 Applicant,

22 v.

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

24 Respondents.
25
26
27
28

Case No.CPF-16-515183

**INSURANCE COMMISSIONER DAVE
JONES' MEMORANDUM OF POINTS
AND AUTHORITIES IN SUPPORT OF
MOTION FOR ORDER APPROVING
CONSERVATION AND
LIQUIDATION PLAN FOR
CASTLEPOINT NATIONAL
INSURANCE COMPANY**

**Date: September 13, 2016
Time: 9:30 a.m.
Dept: 302
Judge: Hon. Harold E. Kahn**

**ELECTRONICALLY
FILED**
*Superior Court of California,
County of San Francisco*
08/05/2016
Clerk of the Court
BY:VANESSA WU
Deputy Clerk

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I.

INTRODUCTION & SUMMARY OF THE PLAN

On July 28, 2016, the Court granted California Insurance Commissioner Dave Jones' (the "Commissioner's") application for an order appointing him as statutory conservator ("Conservator") of CastlePoint National Insurance Company ("CastlePoint") pursuant to Insurance Code section 1011 based on the Commissioner's determination that the further conduct of CastlePoint's business outside of statutory conservation would be hazardous to the company's policyholders, creditors, and the public. In anticipation of his appointment as Conservator of CastlePoint, the Commissioner has been working with CastlePoint's management, the other U.S. insurance regulators of CastlePoint's predecessors, and other interested parties on a comprehensive plan to address the conservation and ultimate liquidation of CastlePoint. As the Conservator of CastlePoint, the Commissioner has now promulgated and adopted his *Plan of Conservation & Liquidation for CastlePoint National Insurance Company* (the "Plan").¹ The Plan has been finalized and documented, and the Conservator now seeks the Court's approval of the Plan so that the Plan may be fully adopted and implemented by the Conservator.²

As explained in the *Verified Application for Ex Parte Order Appointing Insurance Commissioner as Conservator*, CastlePoint is the successor by merger with nine other affiliated insurance company members of the Tower Group that were domiciled in five other states (collectively, the "Tower Insurance Companies").³ (See Supplemental Declaration of David E. Wilson in Support of Motion for Order Approving Conservation and Liquidation Plan for

¹ The Commissioner filed his Motion for Order Approving Conservation and Liquidation Plan for CastlePoint National Insurance Company on July 29, 2016 (the "Motion"). On the same date, the Court granted the Commissioner's *ex parte* application setting a hearing date for the Motion and establishing a briefing schedule for this Memorandum and other pleadings relating to the Motion.

² A complete copy of the Plan is attached as Exhibit A to the Declaration of David E. Wilson In Support of Motion for Order Approving Conservation and Liquidation Plan for CastlePoint National Insurance Company ("Wilson Decl.") filed by the Commissioner on July 29, 2016.

³ The nine other insurers that merged with and into CastlePoint are: Tower Insurance Company of New York, Tower National Insurance Company, Hermitage 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. A tenth company, Kodiak Insurance Company, was dissolved several years ago, but its residual insurance liabilities were assumed by CastlePoint. (Supp. Wilson Decl., ¶ 6.)

1 CastlePoint National Insurance Company (“Supp. Wilson Decl.,” ¶ 6), which is being filed
2 contemporaneously herewith.) The Tower Insurance Companies had been operated on a
3 consolidated basis, with all of their insurance liabilities and premiums “pooled” and reallocated
4 pursuant to an intercompany reinsurance pooling program. (*Id.*, ¶ 7.) In addition, substantially
5 all of the companies’ policy and claims administration work was performed on a consolidated
6 basis. (*Ibid.*) As a result of this pooling arrangement and the thoroughly integrated manner in
7 which the Tower Insurance Companies were operated, the deterioration of the financial condition
8 of the companies over the past several years adversely impacted all ten companies. (*Ibid.*) The
9 financial impairment of the Tower Insurance Companies gave rise to the distinct possibility that
10 insurance regulators in six states would be required to commence ten individual receivership
11 proceedings to protect policyholders. (*Ibid.*) During the past seven months, the Conservator has
12 worked closely with fellow regulators in the other states and with company management to
13 develop a more efficient and orderly alternative. (*Ibid.*) The Plan is the result of those efforts.

14 The Plan contemplates a four-step process for the efficient and orderly runoff and eventual
15 liquidation of the Tower Insurance Companies:

- 16 1) Consolidation by Merger and Conservation: The first step, which was undertaken
17 prior to and in anticipation of conservation, was to consolidate the ten insurance
18 companies into a single company – CastlePoint – and then place that insurer into
19 conservation. (Supp. Wilson Decl., ¶ 9(a).) By consolidating the Tower Insurance
20 Companies, the regulators avoided the delay, confusion and potential waste that
21 would have resulted from ten separate legal proceedings in six states. (*Ibid.*)
- 22 2) Restructuring of CastlePoint Under Internal Revenue Code section 382(l)(5): In
23 an attempt to preserve CastlePoint’s tax attributes, including hundreds of millions
24 of dollars in net operating loss carryforwards (also known as “NOLs”), to protect
25 CastlePoint from exposure to any future tax liabilities of the non-insurance
26 company members of the consolidated taxpayer group in which CastlePoint is
27 currently a member, and to facilitate the valuable Conservation Agreement
28 transactions described in the third step described immediately below, the Plan

1 provides for the restructuring of CastlePoint's equity ownership in a way that is
2 intended to conform to federal tax law, specifically Internal Revenue Code section
3 382(l)(5). (Supp. Wilson Decl., ¶ 9(b).) The tax restructuring provisions of the
4 Plan are intended to ensure that CastlePoint's NOLs are preserved and that the
5 CastlePoint estate is not inappropriately subjected to federal income tax liabilities
6 during its conservation and liquidation, and so that policyholder and other creditor
7 recoveries may be maximized to every extent possible. (*Ibid.*)

- 8 3) Conservation Agreement Transactions: Following the tax deconsolidation, the
9 Plan provides for CastlePoint to close on a series of integrated transactions and
10 agreements set forth in the *CastlePoint National Insurance Company*
11 *Conservation Agreement* (the "Conservation Agreement")⁴ entered into by the
12 Conservator with a group of aligned parties that participated in an earlier effort in
13 September 2014 to salvage the Tower Insurance Companies. (Supp. Wilson Decl.,
14 ¶ 9(c).) Under the Conservation Agreement, \$200 million (net of certain advances
15 already made, as more specifically described in section 5.2 of the Conservation
16 Agreement) will be injected into CastlePoint by several parties to the Conservation
17 Agreement. (*Ibid.*) This infusion will provide CastlePoint with much needed
18 liquidity to ensure that policy claims and benefits will continue to be paid during
19 the conservation period while the Conservator prepares for the eventual liquidation
20 of CastlePoint and the resulting transfer of all claims to the appropriate state
21 insurance guaranty associations ("IGAs"). (*Ibid.*) In consideration for the
22 injection of this \$200 million, (a) the Conservator will cause CastlePoint to
23 commute (terminate) several existing reinsurance agreements between and among
24 several Parties to the Conservation Agreement, and (b) all insurance policies
25 issued by CastlePoint after September 15, 2014, which were already 100% quota-
26 share reinsured (the "Fronted Policies"), will be assigned and assumed by two
27

28 ⁴ A copy of the Conservation Agreement, including its ancillary agreements, is attached as Exhibit B to the Wilson Declaration dated July 29, 2016.

1 solvent insurers so that to every extent possible these policyholders are not
2 disadvantaged by CastlePoint's conservation and liquidation. (*Ibid.*) The
3 Conservation Agreement also provides for CastlePoint to receive run-off
4 administration services (policy administration and claims administration) free of
5 charge for up to two years, at an estimated value to CastlePoint of as much as
6 \$40 million. (*Ibid.*)

- 7 4) Orderly Liquidation and Transition of Claims to IGAs: Finally, the Plan
8 anticipates that at such time as the Conservator determines is appropriate and in
9 the best interests of policyholders, he will apply to the Court for entry of an Order
10 of Liquidation for CastlePoint and a finding that CastlePoint is legally insolvent.
11 (Supp. Wilson Decl., ¶ 9(d).) Those two events, a liquidation order and a finding
12 of insolvency, will trigger the statutory duties of the IGAs to step in and assume
13 the administration and payment of CastlePoint's remaining claims. (*Ibid.*) During
14 the conservation period prior to entry of a liquidation order, the Conservator will
15 work closely with the IGAs to facilitate a smooth transition of claims
16 administration and payment responsibilities in order to reduce disruption and
17 inconvenience to policyholders and claimants. (*Ibid.*) The Conservator will also
18 work to assign the right to receive any remaining free run-off administration
19 services to be provided under the Conservation Agreement to any of the IGAs that
20 are willing and authorized to use those free services. (*Ibid.*)

21 The Conservator's Motion requests the Conservation Court's approval and ratification of
22 the Plan and entry of an order expressly authorizing the Conservator to implement, close, and
23 effect all of the transactions described in the Plan. The Plan has clear and valuable benefits to the
24 policyholders and creditors of CastlePoint and is a reasonable and prudent exercise of the
25 Conservator's broad discretion to wind up the affairs of an impaired insurer in a manner that
26 protects the interests of and maximizes the recovery for all policyholders, claimants, and other
27 creditors.

28 ///

1 For the reasons set forth in more detail below, the Conservator respectfully requests that
2 the Court grant the Motion, approve the Plan, authorize the Conservator to perform and close the
3 transactions described in the Plan and the Conservation Agreement, and to take such other actions
4 as are necessary to implement the Plan forthwith.

5 II.

6 FACTUAL BACKGROUND

7 **A. The Tower Group**

8 CastlePoint and its predecessors were owned by a publicly traded insurance holding
9 company group known as Tower Group International, Ltd. (“Tower Group”). (Supp. Wilson
10 Decl., ¶ 5.) The Tower Group was formed and then grew over time through a series of
11 acquisitions of smaller property and casualty insurers. (*Ibid.*) Collectively, the Tower Insurance
12 Companies were admitted in all 50 states and wrote a variety of multi-line property & casualty
13 insurance, with an emphasis on workers’ compensation and commercial multi-peril, as well as a
14 significant personal lines business. (*Ibid.*)

15 Although the ultimate causes of the Tower Group and Tower Insurance Companies’
16 eventual failure has not yet been fully investigated, the problems appear to have arisen from a
17 combination of factors, including management instability, poorly executed integration of the
18 insurers acquired by the Tower Group, poor underwriting practices that resulted in bad risk
19 selection and inadequate premiums, and inferior and poorly integrated data systems. (Supp.
20 Wilson Decl., ¶ 10.) As a result of these and other factors, financial problems started to emerge
21 for the Tower Insurance Companies during 2013. (*Ibid.*)

22 On October 7, 2013, Tower Group announced that the Tower Insurance Companies’
23 aggregate loss reserves for incurred policyholder liabilities and unearned premiums as of June 30,
24 2013, were strengthened (increased) by approximately \$365 million and Tower Group was also
25 recording a \$215 million goodwill impairment. (Supp. Wilson Decl., ¶ 11.) On November 14,
26 2013, Tower Group announced that it would be restating its previously filed audited annual
27 consolidated financial statements for 2011 and 2012, which included financial results for the
28 Tower Insurance Companies, and the prior statements “should no longer be relied upon.” (*Ibid.*)

1 These events resulted in a rating downgrade by both AM Best and Fitch Ratings, and Tower
2 Group's stock price declined from over \$21 per share to under \$4 in just three months. (*Ibid.*)
3 Facing a significant drop in its stock price, material weaknesses in its accounting systems and
4 controls, and ongoing doubt as to the sufficiency of the loss reserves for the Tower Insurance
5 Companies, Tower International began considering options for a sale. (*Ibid.*)

6 **B. September 2014 – The Tower Group is Purchased by ACP Re**

7 On September 15, 2014, Tower Group and its subsidiaries, including the Tower Insurance
8 Companies, were acquired by ACP Re, Ltd ("ACP Re"), a privately owned Bermuda-domiciled
9 reinsurer that is beneficially owned by the Michael Karfunkel Family 2005 Trust ("Karfunkel
10 Family Trust"). (Supp. Wilson Decl., ¶ 12.) Pursuant to this transaction, ACP Re immediately
11 entered into several related post-closing transactions with AmTrust Financial Services, Inc.
12 ("AmTrust"), a publicly traded Delaware insurance holding company; and National General
13 Holdings Corp ("National General"), a publicly traded Delaware insurance holding company,
14 under which certain operating assets of the Tower Insurance Companies were sold to AmTrust
15 (commercial lines insurance assets) and to National General (personal lines insurance assets).
16 (*Ibid.*) Also as part of the purchase transaction, the Tower Insurance Companies' aggregate
17 policyholder loss reserves and unearned premium reserves as of September 15, 2014 were ceded
18 to an affiliated Bermuda-domiciled reinsurer, CastlePoint Reinsurance Company, Ltd. ("CP Re"),
19 and operating subsidiaries of AmTrust and National General took over claims administration for
20 all claims and liabilities that were assumed by CP Re. (*Ibid.*) Finally, affiliates of AmTrust and
21 National General entered into a \$250 million aggregate stop loss reinsurance agreement with CP
22 Re, under which these reinsurers would (in exchange for a reinsurance premium of \$56 million
23 payable in September 2019) agree to pay up to \$250 million in additional policyholder claims that
24 remained unpaid after CP Re's payment of claims equal to the Tower Insurance Companies' loss
25 reserves and unearned premium reserves as of September 15, 2014. (*Ibid.*) In turn, such
26 reinsurers retroceded 100% of their liability under the stop loss reinsurance agreement to ACP Re
27 pursuant to a stop loss retrocession agreement. All of the foregoing transactions closed on
28 September 15, 2014. (*Ibid.*)

1 **C. The Tower Companies Continue To Struggle**

2 During the 15 months following the closing date, the distressed financial condition of the
3 Tower Insurance Companies became increasingly apparent. (Supp. Wilson Decl., ¶ 13.) As of
4 the closing date, the Tower Insurance Companies' aggregate loss reserves for insurance liabilities
5 were, subject to further evaluation, recorded at approximately \$1.383 billion. (*Ibid.*) This
6 amount already included approximately \$568 million of adverse development on accident years
7 2013 and prior. (*Ibid.*) The Conservator is informed and believes that during 2015, the Tower
8 Insurance Companies' consulting actuaries determined that such loss reserves should be increased
9 again by more than \$400 million. (Supp. Wilson Decl., ¶ 14.) After further review, CastlePoint
10 later increased its estimate of carried reserves by more than \$500 million as of year-end 2015.
11 (*Ibid.*) This volatility and uncertainty surrounding the adequacy of the loss reserves, together
12 with cash flow challenges, seriously impaired the efforts of ACP Re to oversee a solvent run-off
13 of the Tower Insurance Companies. (*Ibid.*)

14 **D. Development of the Plan and the Merger of the Tower Insurance Companies into**
15 **CastlePoint**

16 Early in 2016, the Tower Insurance Companies, along with Tower Group, ACP Re, and its
17 affiliates, began working with the six domiciliary insurance regulators of the Tower Insurance
18 Companies (in the states of California, Maine, Florida, New Jersey, New York and
19 Massachusetts) to develop a plan to address the increasingly distressed financial condition of the
20 Tower Insurance Companies in a manner that would best protect policyholders and other
21 creditors. (Supp. Wilson Decl., ¶ 15.) After extensive discussions and the consideration and
22 evaluation of alternative structures, the Plan was developed and all interested parties began
23 working on documenting and implementing the Plan. (*Ibid.*)

24 The core features of the Plan are summarized in Section I above, and a complete copy of
25 the Plan is attached as Exhibit A to the Wilson Declaration.

26 **E. The Need for Tax Deconsolidation and Restructuring of CastlePoint Under Internal**
27 **Revenue Code Section 382(l)(5)**

28 CastlePoint is currently a member of a consolidated taxpayer group that includes a number

1 of non-insurance company affiliates. (Supp. Wilson Decl., ¶ 16.) Having joined the tax group,
2 pursuant to federal tax law, CastlePoint is jointly and severally liable for any tax liabilities of any
3 member of the taxpayer group. (*Ibid.*) In addition, CastlePoint's individual tax attributes such as
4 the NOLs that have been generated from the loss reserve increases described in the Motion can be
5 adversely affected by the actions of other members of the group and the upstream owners of the
6 Tower Group. (*Ibid.*)

7 During the negotiation of the transactions described in the Conservation Agreement, ACP
8 Re notified the Commissioner of its need to either transfer its stock in Tower Group or claim a
9 worthless tax deduction on its 2016 U.S. federal income tax return with respect to the stock.
10 (Supp. Wilson Decl., ¶ 17.) ACP Re stated that this tax treatment of its Tower Group stock was
11 an essential prerequisite to its willingness to enter into the Conservation Agreement and perform
12 its portions of the transactions and agreements that will ultimately deliver \$90 and \$150 million in
13 net new value into CastlePoint for the benefit of policyholders. (*Ibid.*) The Conservator has been
14 advised that unless the Plan is properly structured to include a deconsolidation of CastlePoint that
15 is designed to meet the requirements of Internal Revenue Code section 382(l)(5), either of ACP
16 Re's proposed actions with respect to its Tower Group stock will significantly reduce and
17 potentially eliminate CastlePoint's sizable NOL asset. (*Ibid.*)

18 The Conservator has also been advised and believes that based on the adverse
19 developments of CastlePoint's loss reserves described above, CastlePoint's NOLs will have
20 grown to approximately \$500 million as of year-end 2015, and that a sale, transfer, or worthless
21 stock deduction by ACP Re with respect to its Tower Group stock might completely eliminate the
22 carryforward value of CastlePoint's accrued NOLs and potentially subject CastlePoint to future
23 avoidable tax liability, the payment of which would come directly at the expense of CastlePoint's
24 policyholders. (Supp. Wilson Decl., ¶ 18.) As a result, it is essential to the viability of the Plan
25 that the Plan include deconsolidation provisions that would affirmatively protect CastlePoint's
26 extensive tax related assets. (*Ibid.* 26 U.S.C. § 382.)

27 Accordingly, to protect CastlePoint's policyholders and creditors, the Conservator has
28 proposed the tax deconsolidation procedure set forth in the Plan. (Supp. Wilson Decl., ¶ 19.)

1 This tax deconsolidation procedure is intended to mitigate and manage CastlePoint's exposure to
2 potentially significant federal income tax liabilities in the future by preserving the NOLs in
3 compliance with federal tax law. (*Ibid.*) The Plan establishes a procedure to ensure that
4 CastlePoint's deconsolidation from the Tower Tax Group occurs on terms that are intended to
5 preserve CastlePoint's NOLs for utilization on separate, stand-alone tax returns. (*Ibid.*)
6 Specifically, the Plan provides for the transfer of the CastlePoint stock on terms that the
7 Conservator intends to be consistent with the requirements of Internal Revenue Code section
8 382(l)(5). (Supp. Wilson Decl., ¶ 20.) As part of this section 382(l)(5) process, CastlePoint's
9 immediate parent company, Specialty Underwriters Alliance, Inc. ("SUAI"), will surrender
10 possession of all stock certificates issued by CastlePoint to the Conservator for cancellation and
11 reissuance to a shareholder trust, which will hold the "New CastlePoint Stock" for the benefit of
12 CastlePoint's historical shareholders and creditors. (*Ibid.*) The express intent of the Plan is to
13 effectuate the stock transfer in a manner that will qualify under section 382(l)(5) of the Internal
14 Revenue Code so that such transfer will not jeopardize CastlePoint's existing NOLs, which the
15 Conservator is advised might otherwise be extinguished and rendered valueless. (*Ibid.*)

16 III.

17 THE CONSERVATION AND LIQUIDATION PLAN

18 A. The Conservator's Goals In Formulating The Plan

19 The Conservator's goals in formulating and seeking authorization to implement the Plan
20 for CastlePoint are as follows:

- 21 a. Protection of CastlePoint policyholders and claimants and administration of their
22 claims through a controlled, systematic runoff process and eventual liquidation;
- 23 b. Preservation of the safety-net protection provided by the IGAs, which will
24 commence administration and payment of policyholder claims upon the Court's entry of a
25 liquidation order and a finding of insolvency;
- 26 c. Mitigation of CastlePoint's exposure to potentially significant federal income tax
27 liabilities by deconsolidating CastlePoint from the Tower Tax Group and establishing a plan
28 consistent with Internal Revenue Code section 382(l)(5) to preserve CastlePoint's sizable NOLs

1 by restructuring CastlePoint's ownership; and

2 d. Injecting immediate liquidity into CastlePoint to permit uninterrupted payment of
3 policyholder claims while the Conservator and other regulatory authorities prepare for an orderly
4 liquidation of CastlePoint's business, including by triggering IGAs.

5 **B. Terms of the Conservation and Liquidation Plan**

6 The Conservator has engaged in negotiations with the management of CastlePoint,
7 AmTrust, National General, and other affected parties to structure a conservation and liquidation
8 plan for CastlePoint that satisfies the foregoing goals. (Supp. Wilson Decl., ¶¶ 8, 9.) The
9 Conservator, on behalf of CastlePoint, has promulgated and adopted the Plan and entered into the
10 Conservation Agreement, subject to and conditioned upon Court approval and ratification. (See
11 Wilson Decl., Ex. A.)

12 The core components of the proposed Plan include (1) restructuring CastlePoint's
13 ownership in an attempt to preserve CastlePoint's NOLs for use to offset potential future tax
14 liabilities, particularly those that may arise from adjustments to its reserves; and (2) enhancing the
15 value of the CastlePoint estate by executing on the transactions described in the Conservation
16 Agreement. (Supp. Wilson Decl., ¶ 21.)

17 **1. Tax Deconsolidation and Restructuring Procedure**

18 The tax deconsolidation features of the proposed Plan will occur in the following steps:

19 Deconsolidation of CastlePoint from the Tax Group. First, upon approval of the
20 Plan, the Conservator will restructure CastlePoint's ownership to effect a deconsolidation
21 of CastlePoint from the Tower Tax Group. (Supp. Wilson Decl., ¶ 22(a).) As a member
22 of the Tower Tax Group, CastlePoint presently shares joint and several liability for any
23 tax liabilities incurred by another member of the group. (*Ibid.*) Deconsolidating from the
24 Tower Tax Group allows CastlePoint to eliminate this risk of potential future liability
25 during the course of the conservation proceedings by removing CastlePoint from the
26 Tower Tax Group. (*Ibid.*) Moreover, the deconsolidation will permit CastlePoint to file
27 stand-alone tax returns from 2016 forward. (*Ibid.*)

28 Termination of Existing Stock of CastlePoint. Second, on the Effective Date (the

1 date on which a final order is entered granting the Conservator's Motion and approving
2 the Plan), or as soon thereafter as is practicable but not later than October 15, 2016, ACP
3 Re will cause SUAI to deliver its stock in CastlePoint to the Conservator for cancellation.
4 (Supp. Wilson Decl., ¶ 22(b).) The Conservator will cancel the existing stock and
5 ownership of CastlePoint and transfer it to CastlePoint's historical creditors by way of re-
6 issuance of new CastlePoint stock to the Commissioner, as trustee for the benefit of
7 historical shareholders and creditors of CastlePoint. (*Ibid.*) The Plan allows for the
8 transfer or sale of the capital stock of CastlePoint to occur in a way that is intended to
9 preserve, pursuant to Internal Revenue Code section 382(l)(5), CastlePoint's sizable
10 portfolio of NOLs generated by CastlePoint's operations. (*Ibid.*) These provisions of the
11 Plan are intended to satisfy ACP Re's desire to divest its ownership of the Tower Group
12 through a process that will comply with the requirements of Internal Revenue Code
13 section 382(l)(5) by providing for the newly issued stock to be held by or for the sole
14 benefit of historical shareholders and creditors of CastlePoint. (*Ibid.*)

15 Establishment of a Trust. Third, as part of the termination of existing CastlePoint
16 stock, upon the Effective Date, the Conservator will execute the Trust Agreement to create
17 the Trust that will hold the new CastlePoint stock. (Supp. Wilson Decl., ¶ 22(c).) The
18 Trust will hold the reissued CastlePoint stock for the sole benefit of CastlePoint's
19 historical shareholders and creditors, together with any other assets of CastlePoint that the
20 Conservator determines can or should be managed in the Trust to ensure that maximum
21 value is realized for the benefit of CastlePoint's policyholders and creditors. (*Ibid.*)

22 Administration of the Trust. Finally, the Plan provides that the Conservator will
23 administer the Trust and distribute its assets in a manner that effectuates the priorities of
24 payment set forth in Insurance Code section 1033(a). (Supp. Wilson Decl., ¶ 22(d).)

25 **2. Conservation Agreement Transactions**

26 The proposed Conservation Agreement with the Karfunkel Family Trust, AmTrust and
27 related or affiliated parties, will generate substantial new value for CastlePoint by providing for
28 the following beneficial transactions:

1 Injection of \$200 Million in Additional Liquidity. The Karfunkel Family Trust will
2 transfer or cause to be transferred \$200 million, net of advances already made, into the
3 CastlePoint estate to be used in the payment of policyholder claims and other estate
4 liabilities. (Supp. Wilson Decl., ¶ 23(a).) This injection of additional liquidity will allow
5 for uninterrupted claim payments during the conservation period while the Conservator
6 prepares for liquidation and the transfer of claims files to the IGAs. (*Ibid.*) The additional
7 liquidity will enable a smooth transition of CastlePoint's remaining liabilities to the
8 appropriate IGAs upon the ultimate liquidation of the CastlePoint estate. (*Ibid.*)

9 Run-Off Administration Services. The Conservation Agreement provides for
10 affiliates of AmTrust and National General to enter into *Runoff Administration Services*
11 *Agreements*, pursuant to which the administration of the runoff will be handled by those
12 parties without charge to CastlePoint for up to two years. (Supp. Wilson Decl., ¶ 23(b).)
13 AmTrust will administer the runoff of CastlePoint's commercial lines business, while
14 National General will administer the runoff of CastlePoint's personal lines business. The
15 benefit of these administration agreements is assignable to the IGAs at liquidation. (*Ibid.*)

16 Transfer of Liability on Fronted Policies. The Conservation Agreement provides
17 for the transfer and assumption of all of CastlePoint's obligations on the Fronted Policies
18 to the reinsurers that are already providing 100% quota share reinsurance for all claims
19 under the Fronted Policies. (Supp. Wilson Decl., ¶ 23 (c).) Given that assumption by
20 those reinsurers, any claims under the Fronted Policies will therefore not be transferred to
21 the IGAs upon the liquidation of CastlePoint so long as the reinsurers are administering
22 and paying those claims. (*Ibid.*)

23 Commutation Of Existing LPT and Stop Loss Reinsurance Agreements. Also in
24 exchange for the \$200 million infusion, administration services, and other consideration
25 being provided by the Parties, the Plan provides for the commutation of the existing loss
26 portfolio transfer ("LPT") between CastlePoint and CP Re and the \$250 million aggregate
27 stop loss reinsurance and retrocession contracts. (Supp. Wilson Decl., ¶ 23(d).) The stop
28 loss reinsurance contract provided \$250 million in aggregate stop loss protection, but that

1 protection only attaches and begins to pay after \$1.383 billion or more in CastlePoint
2 claims have been paid. (*Ibid.*) That milestone was not expected to be reached until 2018
3 at the earliest, and perhaps later. (*Ibid.*) Moreover, absent a commutation CastlePoint has
4 a \$56 million reinsurance premium obligation payable in September 2019 under the stop
5 loss agreement. (*Ibid.*) Accordingly, the Conservator is informed and believes that an
6 immediate injection of \$200 million into the estate, in addition to the administrative
7 services and other valuable consideration provided by these parties under the
8 Conservation Agreement, is substantially more valuable to the CastlePoint estate than the
9 future net benefits available under the aggregate stop loss agreement. (*Ibid.*)

10 IV.

11 LEGAL STANDARD APPLICABLE TO 12 THE CONSERVATION AND LIQUIDATION PLAN PROCEEDINGS

13 In exercising his power as Conservator to administer the estate of a conserved insurer, the
14 Conservator is vested with broad discretion. California Insurance Code⁵ 1037(d) vests the
15 Conservator with authority to enter into transactions for the sale or transfer of estate property with
16 the conservation court's authorization. Further, the conservation court must approve the
17 Conservator's plan absent an affirmative showing that its terms constitute an abuse of discretion
18 because they either are unsupported by a rational basis or are arbitrary and improperly
19 discriminatory. (*See In re Executive Life Ins. Co. v. Aurora Nat'l Life Assurance Co.* (1995) 32
20 Cal.App.4th 344, 358 [the conservator's actions in rehabilitating a conserved insurer are reviewed
21 under the abuse of discretion standard]; *Commercial Nat. Bank v. Superior Court* (1993) 14
22 Cal.App.4th 393, 398 ["This [abuse of discretion] standard and the requirements of the statutory
23 provisions governing insurance insolvency proceedings furnish the test against which a court
24 must judge any plan of rehabilitation. If they are satisfied, the court should defer to the executive
25 judgment of the Commissioner and approve the plan."] *See also Carpenter v. Pac. Mut. Life Ins.*
26 *Co. of Cal.* (1937) 10 Cal.2d 307, 329 ["The only restriction on the exercise of this [police] power
27 is that the state's action shall be reasonably related to the public interest and shall not be arbitrary
28

⁵ Unless otherwise indicated, all of the following statutory references are to the California Insurance Code.

1 or improperly discriminatory.”))

2 A plan that provides benefits to policyholders and creditors equivalent to or greater than
3 those they would have received in a straight liquidation is an appropriate exercise of discretion by
4 the Conservator and satisfies the standard for approval under California law. (*See Carpenter v.*
5 *Pac. Mut., supra*, 10 Cal.2d at p. 335-336 [a dissenter to a plan “has no legal cause for complaint
6 simply because the commissioner determined to rehabilitate rather than liquidate” and in a
7 conservation plan an interested party is entitled to “the equivalent of what he would receive on
8 liquidation.”]) Thus policyholders receiving the same or superior benefits under their policies as
9 they would in liquidation have no cause to complain about a conservation plan.

10 V.

11 ARGUMENT

12 A. The Conservator Has The Authority To Formulate The Plan

13 CastlePoint was placed into conservation pursuant to the Commissioner’s authority under
14 section 1011, which authorizes conservation when the Commissioner determines that the insurer
15 is “in a condition that makes its further transaction of business hazardous to its policyholders, or
16 creditors, or to the public.” (§ 1011, subd. (d).) Under section 1011, title and possession of
17 CastlePoint’s assets become vested in the Conservator, who is authorized to conduct
18 CastlePoint’s business on its behalf to ensure the protection of CastlePoint’s policyholders,
19 creditors, and the public interest. (§ 1011; and *see Carpenter v. Pac. Mut., supra*, 10 Cal.2d at p.
20 331.)

21 The Commissioner, as Conservator, has broad authority to carry on and conduct the
22 business affairs of CastlePoint. (§§ 1037, 1043.) Specifically, section 1043 authorizes the
23 Conservator to enter into rehabilitation related agreements subject to court approval. In addition,
24 1037(a) authorizes the Conservator to take all actions “necessary or expedient to collect, conserve
25 or protect [the conserved company’s] assets, property, and business, and to carry on and conduct
26 the business and affairs of [the company].” The Conservator may attempt to rehabilitate the
27 insurer by entering into, with court approval, either reinsuring or rehabilitation agreements.
28 (*Carpenter v. Pac. Mut., supra*, 10 Cal.2d at p. 331.) Liquidation is authorized if rehabilitation

1 proves futile. (*Ibid.*; see also *Executive Life Ins. Co.*, *supra*, 32 Cal.App.4th at p. 356 [“The
2 public has a grave and important interest in preserving the business of the insolvent insurer if that
3 is possible. Hence while the Commissioner as conservator has the power to either rehabilitate the
4 insolvent insurer or to liquidate it, liquidation is a last resort.”] (Internal citations and quotations
5 omitted).) Section 1037 also provides that the Conservator’s authority under the section is not
6 limited to those powers or actions enumerated in the section. (§ 1037 [“The enumeration, in this
7 article, of the duties, powers and authority of the commissioner in proceedings under this article
8 shall not be construed as a limitation upon the commissioner, nor shall it exclude in any manner
9 his or her right to perform and to do such other acts not herein specifically enumerated, or
10 otherwise provided for, which the commissioner may deem necessary or expedient for the
11 accomplishment or in aid of the purpose of such proceedings.”]; *Caminetti v. Guaranty Union*
12 *Life Ins. Co.* (1942) 52 Cal.App.2d 330, 333 [finding that it is Commissioner’s duty to take
13 possession of insurer’s assets and to conduct its business as conservator if insurer conducts
14 business in manner that risks or results in loss].)

15 The Conservator has negotiated and developed the Plan specifically to benefit the
16 policyholders and creditors of CastlePoint and to improve on the financial results they would
17 have obtained through a multi-state, multi-company liquidation process. Simply put, the Plan is a
18 far superior alternative. Based upon his review of this matter and the advice of professional tax
19 advisors and counsel, the Conservator has determined that the Plan is in the best interest of the
20 CastlePoint estate. The Plan (1) is rational, not arbitrary, and geared toward maximizing the
21 estate’s value by efficiently winding up the affairs of CastlePoint; (2) is not contrary to statute;
22 and (3) does not breach the Conservator’s fiduciary duty or improperly discriminate. (*In re*
23 *Executive Life Ins. Co.*, *supra*, 32 Cal.App.4th at p. 358.) The court should therefore approve the
24 Plan.

25 **B. The Plan Adds Value to CastlePoint and Preserves Assets for the Benefit of**
26 **Policyholders and Creditors**

27 The Plan is designed to maximize the assets of the CastlePoint estate for the benefit of
28 CastlePoint’s policyholders and creditors. The restructuring of CastlePoint’s ownership under the

1 Plan will enable CastlePoint to sever its ties with the Tower Tax Group, without losing the value
2 of its accrued NOLs and other tax attributes. The Plan is also intended to eliminate the
3 uncertainty regarding future liabilities as a result of any tax liabilities incurred by another member
4 of the Tower Tax Group.

5 **1. The Plan Achieves The Objective of Deconsolidation Without Jeopardizing**
6 **CastlePoint's NOLs**

7 To accomplish the above-stated goals of protecting the NOLs and cutting off potential
8 future liability from the Tower Tax Group, and to ensure that the Conservation Agreement
9 transactions can close, CastlePoint must be deconsolidated from the Tower Tax Group by
10 October 15, 2016. The Plan is designed to effect the transfer of the CastlePoint stock in a manner
11 that preserves the value of CastlePoint's NOLs by transferring ownership of CastlePoint from
12 SUAI to CastlePoint's historical creditors under terms that are intended to qualify for the
13 exemption provided in Internal Revenue Code section 382(l)(5).

14 Generally, under Internal Revenue Code section 382(a), a transfer of CastlePoint's stock
15 could extinguish CastlePoint's existing NOLs, as such stock transfer could constitute an
16 ownership change in the company. (26 U.S.C. § 382, subd. (a).) At present, the Conservator
17 estimates that CastlePoint has accumulated upwards of \$500 million in NOL carryforwards since
18 September of 2014. These NOLs should be available to carry forward to offset future operating
19 income generated by CastlePoint.

20 However, Internal Revenue Code section 382(l)(5) provides an exception to the general
21 rule that a stock transfer constitutes an ownership change in the company which could thereby
22 extinguish the company's then-existing NOLs. Under that section, an ownership change does not
23 trigger the extinguishment of a corporation's NOLs if (1) the corporation prior to the ownership
24 change is under the jurisdiction of a court in a title 11 bankruptcy or similar case, and (2) the
25 historical shareholders and creditors of the corporation immediately before the ownership change
26 own at least fifty percent of the corporation's stock immediately after the ownership change. (26
27 U.S.C. § 382, subd. (l)(5)(A).)

28 The transfer of CastlePoint's ownership from SUAI to the Trust is designed to satisfy the

1 requirements of section 382(l)(5) of the Internal Revenue Code, thus protecting and preserving
2 the value of CastlePoint's NOLs to offset future taxable operating income. First, CastlePoint is
3 under the jurisdiction of a court in a "title 11 or similar proceeding," a phrase that means "(i) a
4 case under title 11 of the United States Code, or (ii) a receivership, foreclosure, or similar
5 proceeding in a Federal or State court." (26 U.S.C. § 368, subd. (a)(3)(A); 26 U.S.C. § 382, subd.
6 (l)(5)(F) ["For purposes of this paragraph, the term 'Title 11 or similar case' has the meaning
7 given such term by section 368(a)(3)(A)."].) State insurance insolvency proceedings are the state
8 court corollary to federal bankruptcy court for insurance companies, which are not entitled to file
9 for protection under the Bankruptcy Code. (*See* 11 U.S.C. § 109, subd. (b)(2) [expressly
10 excluding insurers from bankruptcy protection].) As an alternative to bankruptcy protection,
11 Article 14 of the California Insurance Code (commencing with section 1010) establishes a
12 receivership proceeding for troubled or failed insurers, pursuant to which the Insurance
13 Commissioner acts as a statutory receiver and trustee for the benefit of the failed insurer's
14 creditors. (*See* § 1011 [title to failed insurer's assets vested in the Commissioner as receiver] and
15 § 1057 [Commissioner acts as trustee for the benefit of all creditors].)

16 Second, the transfer will result in the historical shareholders and creditors of CastlePoint
17 having a 100% ownership of CastlePoint after the ownership change, satisfying the second
18 requirement of Internal Revenue Code section 382(l)(5). With respect to CastlePoint's creditors,
19 the IRS has opined that if a company transfers its stock to a trust owned by the various creditors,
20 the stock will be treated for purposes of Internal Revenue Code section 382(l)(5) as owned by the
21 beneficiaries of the trust in proportion to their respective interests in the trust. (Internal Revenue
22 Service Private Letter Ruling No. 9619051 (May 10, 1996) 1996 WL 241508.) In other words,
23 the beneficiaries of the trust are treated as the owners of the company in proportion to their
24 interests in the trust assets.

25 As applied here, CastlePoint's historical creditors will assume de facto ownership of
26 CastlePoint in satisfaction of their claims. Under the Plan, all of CastlePoint's assets and
27 liabilities not previously distributed with the permission of this Court will be transferred to the
28 Trust by way of the ownership of the CastlePoint stock. Thus, the same pool of assets will be

1 available to creditors as was available prior to the transfer. The Conservator will distribute those
2 assets to the historical creditors and the shareholders in accordance with the priority scheme set
3 forth in section 1033(a). As a result, the creditors' pro rata share of CastlePoint's assets will
4 remain the same before and after the transfer: each will receive the share to which he is entitled
5 under statute. The only difference will be that the surrender of the CastlePoint stock by SUAI
6 will conclusively sever CastlePoint from the Tower Tax Group.

7 Because the Conservator's Plan was intended to and should meet all of the requirements
8 of Internal Revenue Code section 382(l)(5), the Court may appropriately find and determine that,
9 for purposes of this proceeding, CastlePoint's NOLs accrued since September 2014 have been
10 preserved and are available to carry forward to offset any operating income that may be generated
11 by CastlePoint during its liquidation.⁶

12 **2. The Plan and Establishment Of A Trust Is The Best Alternative To Achieve**
13 **Deconsolidation While Preserving CastlePoint's NOLs**

14 Structuring the transfer of CastlePoint stock to satisfy the requirements of Internal
15 Revenue Code section 382(l)(5) is the best alternative to preserve the value of CastlePoint's
16

17 ⁶ The IRS will be given special notice of this Motion and the Commissioner's Plan. However, since it appears
18 unlikely that the IRS will appear in the proceeding to participate in the Court's consideration of the Motion, the
19 Commissioner wishes to advise the Court of certain authorities that could be relied upon by the IRS to assert that a
20 finding by this Court that the Plan satisfies Internal Revenue Code section 382(l)(5) will not be conclusively binding
21 on the IRS. Specifically, in the unlikely event that the IRS later seeks to contest the Plan's conformity to the
22 requirements of Internal Revenue Code section 382(l)(5), the IRS will likely rely on *Commissioner v. Tower*
23 ("Tower") (1946) 327 U.S. 280, 287-88, in which the Supreme Court stated that a state "cannot by its decisions and
24 laws governing questions over which it has final say, also decide issues of federal tax law and thus hamper the
25 effective enforcement of a valid federal tax levied against earned income." In reliance on *Tower* the U.S. Tax Court
26 has simply stated: "Finally, it is well settled that State courts by their decisions cannot determine issues of Federal tax
27 law." (*Picou v. C.I.R.* (May 22, 2006) T.C. Summ.Op. 2006-82, 2006 WL 1391391, U.S. Tax Ct., (No. 10879-05S).)

28 While these and similar authorities establish that the federal courts are generally entitled to the final word on
the interpretation and application of federal tax law, none of these cases arose in the context of an insurance company
liquidation and thus were not required to examine the complex jurisdictional issues that arise from the Congressional
delegation to states insurance commissioners and state courts of responsibility over the liquidation of failed domestic
insurers (See 15 U.S.C. §§ 1011-1015 [the McCarran-Ferguson Act delegates to the states the duty to regulate and
liquidate domestic insurance companies].) The Commissioner has been unable to locate any federal authorities that
expressly address the issue of whether an insurance insolvency court's exclusive jurisdiction over the assets of a
failed insurer – including tax assets like NOLs – authorize the state court to conclusively determine whether tax
assets are protected by application of federal law. However, the U.S. Supreme Court has conclusively established
that the states are authorized to subordinate the payment of IRS claims to the claims of insurance policyholders.
(*United States Dept. of the Treasury v. Fabe*, (1993) 508 U.S. 491, 113 S.Ct. 2202, 124 L.Ed. 2d 449.) The State of
California has done just that by relegating IRS claims to "Class 3" priority under Insurance Code section 1033(a).
(See § 1033, subd. (a)(3).)

1 NOLs for use to offset future taxable operating income. No other alternatives would accomplish
2 this objective. First, a direct transfer of CastlePoint's stock to the Conservator, without
3 establishing a Trust, might meet the requirements of Internal Revenue Code section 382(l)(5).
4 (*See* Ins. Code, § 1057 [Commissioner as liquidator acts as a trustee for the benefit of all creditors
5 and other persons interested in the estate].) However, the Internal Revenue Service has not
6 directly addressed whether such a transfer satisfies Internal Revenue Code section 382(l)(5),
7 creating the additional and unnecessary risk that the IRS might later conclude that such a transfer
8 did not satisfy that section and thus resulted in an extinguishment of CastlePoint's NOLs. By
9 contrast, the IRS already has issued a letter ruling to the effect that a transfer to a trust for the
10 benefit of creditors will satisfy this section of the Internal Revenue Code. (IRS Private Letter
11 Ruling No. 9619051.) As a result, the Conservator believes that creating a Trust for the benefit of
12 policyholders and creditors is the best alternative to preserve the value of CastlePoint's NOLs.

13 The only remaining alternative is to do nothing. During negotiation of the Conservation
14 Agreement, ACP Re notified the Conservator of its need to effect the final deconsolidation of
15 CastlePoint if CastlePoint is unable to secure this Court's approval of the Plan by October 15,
16 2016. If the Conservator and the Court fail to enjoin such actions, ACP Re could cause the final
17 and certain deconsolidation in whatever expedient manner it may choose, thereby potentially
18 triggering an ownership change that extinguishes CastlePoint's NOLs under section 382(a) of the
19 Internal Revenue Code. This alternative is far worse for CastlePoint's policyholders and
20 creditors, as it may result in the loss of the protection afforded by CastlePoint's NOLs and may
21 result in the payment of tens of millions of dollars to the IRS prior to the full payment of all class
22 2 policyholder claims. While an election under Internal Revenue Code section 831(b) remains
23 available to mitigate tax exposure from insurance reserve reductions, such an election would
24 require CastlePoint to pay taxes on all investment income, income that would otherwise have
25 been offset by carrying forward NOLs.

26 After considering all available alternatives, the Conservator has determined that the
27 restructuring provisions for CastlePoint as outlined in the Plan are in the best interests of
28 policyholders and creditors.

1 **3. The Transactions Provided For In The Conservation Agreement Are**
2 **Beneficial To The CastlePoint Estate, Policyholders and Creditors.**

3 The Conservation Agreement provides for three primary transactions, each of which are
4 beneficial to and add value to the CastlePoint estate for the benefit of policyholders, claimants,
5 creditors and the shareholder. The Conservator is expressly authorized to enter into agreements
6 that involve the assets and business of CastlePoint if he determines that such agreements either
7 add value to the estate or reduce the estate's liabilities. (§ 1037, subd. (d).) The transactions
8 provided for in and under the Conservation Agreement do both, and thus should be approved.

9 First, the Conservation Agreement provides for the commutation (termination) of existing
10 reinsurance agreements, including the LPT with CP Re and the \$250 million aggregate stop loss.
11 In addition to obtaining the immediate \$200 million infusion and the return of assets transferred
12 and rights assigned to CP Re under the LPT, CastlePoint is significantly benefitted by the
13 elimination of the \$56 million reinsurance premium payment obligation due September 2019
14 under the stop loss agreement and by elimination of any credit risk associated with collection on
15 the LPT with CP Re, a Bermuda based reinsurer. (Supp. Wilson Decl., ¶ 23(d).) Absent the
16 commutation of the LPT, if CP Re was determined to be insolvent and was placed into
17 receivership in Bermuda by its regulator, the Bermuda Monetary Authority, the Conservator and
18 CastlePoint would suffer extensive delays and expense from becoming involved in an
19 international receivership process. This scenario is avoided if the Conservation Agreement is
20 approved and the reinsurance commutations are concluded.

21 Second, the Conservation Agreement provides for the formal assignment and assumption
22 of CastlePoint policies issued after September 15, 2014 by insurance company affiliates of
23 AmTrust and National General. (Supp. Wilson Decl., ¶ 9(c).) Those insurers are issuing "cut-
24 through" endorsements to all of those Fronted Policies. The cut-through endorsement provides
25 that those policyholders may submit claims under the Fronted Policies directly to those solvent
26 insurance companies, rather than having the claims swept into the CastlePoint conservation and
27 liquidation proceedings and into the IGAs. In addition to being a clearly better option for the
28 affected policyholders, this transaction also benefits CastlePoint and the IGAs by relieving the

1 estate and IGAs from responsibility for administering and paying claims under the Fronted
2 Policies. (*Ibid.*)

3 Third, the Conservation Agreement provides for affiliates of AmTrust and National
4 General to provide runoff administration services for CastlePoint without charge. This benefit of
5 the Conservation Agreement avoids up to \$40 million in administration fee liability that
6 CastlePoint would otherwise be required to pay while running off and administering CastlePoint's
7 policies and claims. (*Ibid.*)

8 The value of the Conservation Agreement transactions are significant and inure to the
9 benefit of all parties interested in CastlePoint. Given the obvious importance of the Conservation
10 Agreement to the overall Plan for CastlePoint, the Conservation Agreement should be approved.

11 **C. The Conservator's Goals Are Met By The Conservation and Liquidation Plan**

12 The Plan satisfies the Conservator's goals for the conservation and liquidation of the
13 CastlePoint estate as follows:

14 **a. Protection of CastlePoint Policyholders**—The Plan provides for continued
15 administration and payment of policyholder claims by AmTrust and National General as well as
16 the smooth, uninterrupted transition of payment and administrative obligations to the IGAs upon
17 the liquidation of CastlePoint. Further, under the Plan, the CastlePoint Estate will receive \$200
18 million, net advances already made, that will be available immediately for the payment of
19 policyholder claims. The Plan also minimizes expenses to the estate, thereby maximizing the
20 assets available to pay policyholder claims. Based on the analysis and evaluation described above,
21 the Conservator has concluded that the Plan, the Conservation Agreement, and the Conservation
22 Transaction Agreements are fair and reasonable and provide significantly greater benefits to
23 policyholders than they would obtain under a statutory liquidation of CastlePoint.

24 **b. Preservation of the Guaranty Association Safety Net**—The Plan recognizes the
25 statutory role and responsibilities of the IGAs, and does nothing to alter or limit the safety net
26 provided by the IGAs to policyholders. To the contrary, the Conservation and Liquidation Plan is
27 designed to allow for the seamless transition of claims administration and payment to the IGAs
28 upon the ultimate liquidation of CastlePoint.

1 **c. Mitigation of Exposure to Federal Income Tax Liabilities**—As set forth in
2 detail above, the Plan also provides for the restructuring of CastlePoint’s equity ownership,
3 pursuant to Internal Revenue Code Section 382(l)(5), to mitigate CastlePoint’s exposure to
4 potentially significant federal income tax liabilities during the conservation and liquidation. By
5 restructuring the equity ownership, the Plan ensures that CastlePoint’s tax attributes, including its
6 sizeable NOIs, will be preserved so that the CastlePoint estate is not inappropriately subjected to
7 federal income tax liabilities, which will ensure that the recoveries available for policyholders and
8 other creditors are maximized to every extent possible. The tax deconsolidation procedure in the
9 Plan also eliminates the risk of future joint and several tax liability from members of
10 CastlePoint’s tax group thereby further providing protection to CastlePoint’s policyholders and
11 creditors.

12 **d. Injection of Liquidity into CastlePoint**—The Plan provides for the immediate
13 injection of \$200 million (less certain advances) into CastlePoint, which will permit the
14 uninterrupted payment of policyholder claims. As detailed in the Plan and the analysis above,
15 CastlePoint will close on a series of integrated transactions set forth in the Conservation
16 Agreement, pursuant to which \$200 million will be injected into CastlePoint by several parties to
17 the Conservation Agreement. The Conservator has found that the infusion of this much needed
18 liquidity, under the terms of the Conservation Agreement and as set forth in the Plan, is fair and
19 reasonable as it will ensure that policy claims and benefits will continue to be paid during the
20 conservation period while the Conservator prepares for the eventual liquidation of CastlePoint.

21 **D. Risks Attendant To The Plan**

22 The viability and ultimate value of the Plan depends on number of factors, including the
23 rate of the runoff of the CastlePoint claims, as well as the continued financial health of AmTrust
24 and National General as the “Administrators” under the Plan. While the Plan seeks to reduce
25 policyholder risk, the Plan cannot entirely eliminate the risk of adverse insurance loss
26 development. The preceding three decades have seen volatility in liabilities on insurance policies
27 issued by property and casualty insurance companies, and extraordinary volatility in the workers’
28 compensation markets in particular. There is no way to predict what impact such developments

1 will have on past and current CastlePoint insurance liabilities. Nevertheless, the Conservator
2 believes that the Plan is based on the best available actuarial assessment of CastlePoint. In sum,
3 the Conservation and Liquidation Plan has some inherent risk due to the nature of the business
4 underwritten. The Plan, however, significantly hedges against those risks as described above.

5 **E. Conservator's Recommendation**

6 The Plan provides several advantages over an immediate liquidation. First, under the Plan
7 CastlePoint will deconsolidate from the Tower Group on terms that maximize and preserve the
8 value of its tax attributes. Also pursuant to the Plan, CastlePoint will receive between \$90 and
9 \$150 million in net new value, including an immediate liquidity infusion specifically designated
10 for the payment of policyholder claims. The Conservator does not believe that, outside of the
11 Plan, such additional liquidity would be available. Second, the Plan provides for continuity of
12 claims administration and the efficient, organized runoff of claims, with administration being
13 provided for up to two years at no cost to CastlePoint. Additionally, the Plan provides for
14 elimination of risk on the Fronted Policies, and protects those policyholders from engagement
15 with the conservation and the IGAs. Finally, the Plan provides much needed immediate certainty
16 for policyholders, as it ensures the provision of administrative services for policyholders and
17 claimants and provides for the smooth transition of those services to the IGAs upon CastlePoint's
18 liquidation.

19 Based on the Conservator's analysis and evaluation of the proposed Conservation and
20 Liquidation Plan, the Conservator has concluded that the Plan, the Conservation Agreement and
21 the Conservation Transaction Agreements, are fair and reasonable, and provide significantly
22 greater benefits to policyholders than they would obtain under an immediate statutory liquidation
23 of CastlePoint. (Supp. Wilson Decl., ¶ 24.) The proposed plan provides several benefits to the
24 CastlePoint estate, its policyholders, and creditors, including the immediate injection of an
25 additional \$200 million in liquidity and continuity in the claims and administration process prior
26 to liquidation. (Supp. Wilson Decl., ¶25.) Based on these benefits, and having considered the
27 alternatives, the Conservator has determined that the Plan is superior to an immediate liquidation
28 and provides the best chance of maximizing the assets available to pay creditor claims. (*Ibid.*)

VI.

CONCLUSION

For all the foregoing reasons, the Conservator requests that the Court approve the Plan and enter the order lodged by the Conservator authorizing the Conservator to implement the transactions set forth in the Plan.

Dated: August 5, 2016

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Attorney General of the State of California

By: Marguerite C. Stricklin
MARGUERITE C. STRICKLIN
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Attorneys for Applicant Dave Jones,
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Dated: August 5, 2016

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**EXEMPT from filing fees per Govt.
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 Respondents.
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27
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Case No. CPF-16-515183

**NOTICE OF APPLICATION AND
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**

**ELECTRONICALLY
FILED**
*Superior Court of California,
County of San Francisco*
02/17/2017
Clerk of the Court
BY: BOWMAN LIU
Deputy Clerk

1 TO ALL INTERESTED PARTIES AND THEIR ATTORNEYS OF RECORD:

2 PLEASE TAKE NOTICE that on March 30, 2017, at 2:00 p.m., or as soon thereafter as
3 the matter may be heard in Department 302 of the Superior Court of the State of California, San
4 Francisco County, located at 400 McAllister Street, San Francisco, CA 94103 (the "Hearing"),
5 California Insurance Commissioner Dave Jones, in his capacity as the statutory Conservator of
6 CastlePoint National Insurance Company ("CastlePoint"), will and hereby does apply to the Court
7 for an Order Of Liquidation For CastlePoint National Insurance Company pursuant to Insurance
8 Code section 1016. By this Application, the Conservator seeks an order finding that the
9 CastlePoint estate is insolvent, ordering CastlePoint into statutory liquidation with the
10 Commissioner appointed as Liquidator, authorizing the Commissioner to liquidate and wind up
11 CastlePoint's business, establishing a Claims Bar Date, and continuing and/or issuing certain
12 injunctions as authorized under Insurance Code section 1020 in aid of liquidation.

13 CastlePoint was placed into conservation on July 28, 2016, pursuant to the Court's *Order*
14 *Appointing Insurance Commissioner as Conservator and Restraining Orders*. Since that time,
15 the Conservator has taken over the management of CastlePoint, closed all of the transactions
16 provided for in the Conservator's Plan of Conservation & Liquidation For CastlePoint National
17 Insurance Company approved by the Court ("Plan"), and overseen the administration and
18 payment of policy claims pursuant to the Conservator's "*Procedures For Claims Administration*
19 *and Payments During Conservation*." As described in the Plan and the *Conservator's Report To*
20 *The Court Concerning The Conservation Of CastlePoint National Insurance Company*, the
21 Conservator estimated that the estate would exhaust its liquidity shortly after the end of the first
22 quarter of 2017, and has used the conservation period to prepare for the transition of the estate
23 into liquidation, including the collection of all insurance claims related data and documents that
24 will need to be transferred to state insurance guaranty associations ("IGAs") on or before the
25 effective date of entry of a Liquidation Order so that the IGAs are in a position to discharge their
26 obligations to handle claims administration duties and pay CastlePoint's insurance claims
27 pursuant to their respective enabling statutes.

28 ///

1 As is demonstrated in the materials filed in support of this Application, CastlePoint is
2 insolvent. The Conservator has determined that as of December 31, 2016, CastlePoint's capital
3 and surplus was negative \$281 million. Pursuant to Insurance Code sections 11600 and 700.01-
4 700.05, CastlePoint is required to have capital and surplus of not less than \$5,000,000. Pursuant
5 to Insurance Code section 985, CastlePoint is statutorily insolvent because (1) its minimum paid-
6 in capital, as required by the Insurance Code, has been impaired, and (2) it is unable to meet its
7 financial obligations when they are due. (Ins. Code § 985.) CastlePoint's liquid assets are not
8 adequate to permit the company to continue to meet its insurance claim payment obligations on a
9 timely basis, as and when they come due for payment. The Conservator has therefore determined
10 that it would be futile to proceed with the conduct of CastlePoint's business in conservation
11 beyond March 31, 2017, and has and does apply to the court for the entry of a Liquidation Order.

12 The Conservator's Application for Entry of Liquidation Order for CastlePoint National
13 Insurance Company is based on the content of this Application, on the Declaration of David E.
14 Wilson and the Conservator's Memorandum of Points and Authorities in support of the
15 Application, on all other pleadings and documents filled by the Conservator in this action, and on
16 the evidence and arguments to be presented at the Hearing.

17
18
19 Dated: February 17, 2017

XAVIER BECERRA
Attorney General of California

20
21
22 By: 

MARGUERITE C. STRICKLIN
Deputy Attorney General

23
24 Attorneys for Applicant Dave Jones,
Insurance Commissioner of the
25 State of California
26
27
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1 Dated: February 17, 2017

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CastlePoint National Insurance Company
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**EXEMPT from filing fees per Govt.
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 Respondents.
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27
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Case No. CPF-16-515183

**MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF
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**

**ELECTRONICALLY
FILED**
*Superior Court of California,
County of San Francisco*
02/17/2017
Clerk of the Court
BY: BOWMAN LIU
Deputy Clerk

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1 Insurance Commissioner Dave Jones, in his capacity as the statutory Conservator
2 (“Conservator”) of CastlePoint National Insurance Company in Conservation (“CastlePoint”),
3 hereby submits this Memorandum of Points and Authorities in support of his Application For
4 Order Of Liquidation For CastlePoint National Insurance Company (the “Application”).

5 **I. INTRODUCTION**

6 On July 28, 2016 (“Conservation Date”), California Insurance Commissioner Dave Jones
7 was appointed by this Court as the statutory Conservator of CastlePoint, based on the
8 Commissioner’s determination and the Court’s finding in its *Order Appointing Insurance*
9 *Commissioner As Conservator And Restraining Orders* (“Conservation Order”)¹ that CastlePoint
10 was operating in a hazardous financial condition. Acting under the authority granted to him by
11 the Court’s Conservation Order and the Insurance Code, the Conservator immediately took
12 possession of CastlePoint and all of its assets and has been operating CastlePoint’s insurance
13 business since the Conservation Date. (Wilson Liq. Decl., ¶ 8.) As indicated in the
14 Commissioner’s original application for a Conservation Order, the financial condition of
15 CastlePoint was dire, and the company would inevitably end up in liquidation. (*Ibid.*)

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

27
28 ¹ A true and correct copy of the Conservation Order is attached as Exhibit A to the Declaration of David E. Wilson
in Support of Application for Liquidation Order (“Wilson Liq. Decl.”), which has been filed concurrently herewith.

1 In addition to implementing the complex transactions provided for under the Plan, the
2 Conservator has also been supervising the administration and payment of insurance claims under
3 CastlePoint's insurance policies. (Wilson Liq. Decl., *supra*, ¶ 10.) Under the terms of those
4 policies, CastlePoint had unpaid insurance liabilities totaling over \$1 billion on the Conservation
5 Date. (*Ibid.*) During the conservation period, the Conservator has supervised a portfolio of
6 approximately 9,000 insurance claims. (*Ibid.*) The administration of these claims has been
7 conducted pursuant to the Conservator's "*Procedures For Claims Administration and Payments*
8 *During Conservation*," the core purpose of which is to equalize the treatment of insurance
9 claimants paid during the conservation period and those that will be paid after liquidation. (*Ibid.*)

10 As described both in the Conservator's July 29, 2016 *Motion for Order Approving*
11 *Conservation and Liquidation Plan* and more recently in the Conservator's January 12, 2017
12 *Report To The Court Concerning The Conservation Of CastlePoint National Insurance Company*,
13 the Conservator has anticipated that CastlePoint would need to transition into formal liquidation
14 around the end of the first quarter of 2017 since well before the Conservation Date. That time has
15 come. CastlePoint is statutorily insolvent, with negative capital and surplus (i.e., negative
16 "equity") of more than \$281 million as of December 31, 2016. (Wilson Liq. Decl., *supra*, ¶¶ 13-
17 14.) Moreover, absent the entry of the requested liquidation order and the triggering of the
18 obligation of the state insurance guaranty associations ("IGAs") to assume immediately the
19 administration and payment of CastlePoint's remaining insurance claims, CastlePoint will run out
20 of cash to pay claims by mid-2017. (*Id.*, ¶ 14.) Thus, as the Commissioner originally projected,
21 entry of a liquidation order for CastlePoint is required and is essential to the protection of
22 CastlePoint's policyholders and creditors.

23 The Conservator has therefore determined – according to the provisions of Insurance
24 Code section 1016, the statute authorizing entry of a liquidation order – that "it would be futile to
25 proceed as conservator with the conduct of [CastlePoint's] business" beyond March 31, 2017, and
26 harmful to CastlePoint's policyholders and creditors. (Wilson Liq. Decl., *supra*, ¶ 14) The

27 ///

28 ///

1 Conservator has therefore submitted an Application to the Court seeking a Liquidation Order to
2 take effect on April 1, 2017.²

3 In the Application, the Conservator seeks entry of a liquidation order to implement this
4 next phase of the orderly wind up and liquidation of CastlePoint. In pertinent part, under the
5 proposed Liquidation Order the Conservator asks the Court to:

- 6 1. Find that CastlePoint is insolvent (this is necessary to trigger the IGAs statutory
7 obligations to begin administering and paying CastlePoint's policy related claims);
- 8 2. Find that the Commissioner has duly determined that it would be futile for him to
9 proceed as Conservator (this will establish the statutory grounds under Insurance Code
10 section 1016 for entry of a liquidation order);
- 11 3. Order that the Commissioner's status as Conservator is terminated; that he is
12 appointed Liquidator of CastlePoint under Insurance Code section 1016; that the
13 Liquidator is vested with legal title to hold all of CastlePoint's assets for the benefit of
14 policyholders and creditors, that the Liquidator shall conduct an orderly and efficient
15 liquidation and wind up of CastlePoint, and that the Liquidator shall be authorized to
16 act in all ways and exercise all powers necessary for the purpose of carrying out the
17 liquidation;
- 18 4. Order, pursuant to Insurance Code section 1037, that the Liquidator be charged with
19 appropriate and necessary powers to collect, liquidate, and administer CastlePoint's
20 assets and adjust claims from its creditors and policyholders;
- 21 5. Order, pursuant to Insurance Code section 1019, that the rights and liabilities of
22 claimants, policyholders, shareholders, members and all other persons interested in the
23 assets of CastlePoint are "fixed" as of the date of entry of the order;
- 24 6. Order, pursuant to Insurance Code section 1020, that the Conservation Order's
25 restraining orders and injunctions necessary to an orderly conservation and liquidation,
26 including orders against certain actions that would undermine the effectiveness of the

27
28 ² For the purposes of providing a clean transition for accounting and financial reporting purposes, the Conservator requests that, should the Court grant the Conservator's Application, that the Liquidation Order expressly be made effective on April 1, 2017 in order to close-out the conservation period on March 31, 2017.

CastlePoint's liquidation shall continue in full forces and effect, as supplemented; and

7. Order, pursuant to Insurance Code section 1021, subdivision a, that all claims against CastlePoint, wherever or however such assets may be owned or held, be filed no later than a "claims bar date" of December 31, 2017.

For all of the reasons set forth in the Application and described herein, the entry of the proposed Liquidation Order for CastlePoint is necessary, appropriate and essential to the protection of CastlePoint's policyholders and creditors from further financial harm. The Conservator respectfully requests that his Application be granted and that the Court enter the proposed *Liquidation Order for Castle Point National Insurance Company*, in the form submitted with the Application.

II. FACTUAL BACKGROUND

A. Pre-Conservation Regulatory Activities

CastlePoint is the survivor of the merger of ten insurance companies, domiciled in six states and owned by Tower Group International, Ltd (collectively, the "Tower Insurance Companies").³ (Wilson Liq. Decl., *supra*, ¶ 5.) The Tower Insurance Companies, collectively, were admitted in all 50 states and wrote a variety of multi-line property and casualty insurance, with an emphasis on workers' compensation and commercial multi-peril, as well as a significant personal lines business. (Plan MPA,⁴ at p. 5). Due to the ongoing financial struggles of the Tower Insurance Companies over several years, the Commissioner, prior to his formal appointment as Conservator, began discussions with regulators in each of the Tower Insurance Companies' domiciliary states (together with the Commissioner, the "Regulator Group")⁵ to develop a plan that would address the deteriorating financial condition of the Tower Insurance Companies while protecting policyholders and creditors. (Wilson Liq. Decl., *supra*, ¶ 7.) As part

³ The nine other insurers that merged with and into CastlePoint are: Tower Insurance Company of New York, Tower National Insurance Company, Hermitage 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. A tenth company, Kodiak Insurance Company, was dissolved several years ago, but its residual insurance liabilities were assumed by CastlePoint. (Plan MPA, p. 1 n. 3.)

⁴ Memorandum of Points And Authorities In Support Of Motion For Order Approving Conservation And Liquidation Plan For CastlePoint National Insurance Company ("Plan MPA").

⁵ In addition to California, the Regulator Group involved in these discussions included regulators from Florida, Maine, Massachusetts, New Jersey, and New York.

1 of the multi-state examination into the Tower Insurance Companies, the Regulator Group retained
2 outside counsel, actuaries, and other professionals, for which the Tower Insurance Companies
3 agreed to pay a portion of the costs.⁶ Ultimately, the Regulator Group determined that the best
4 course of action was to merge the Tower Insurance Companies with and into CastlePoint, and to
5 place CastlePoint into conservation in California. (*Ibid.*)

6 **B. The Conservation Order**

7 The Insurance Commissioner filed his Conservation Application with the Court on
8 July 27, 2016, outlining the Tower Insurance Companies' financial struggles and the pre-
9 conservation merger of the companies into CastlePoint. (Wilson Liq. Decl., *supra*, ¶ 8.) On July
10 28, 2016, the Court issued its Conservation Order. The Conservation Order granted the
11 Conservator numerous powers, including, among others, the authority to take possession of and
12 manage CastlePoint's assets and records; to assume, reject, or modify executory contracts; to
13 initiate necessary legal proceedings; to terminate and enter into compensation and benefits
14 arrangements with CastlePoint employees; and to pay all reasonable costs of conserving
15 CastlePoint out of CastlePoint assets. (*See Id.*, Ex. A.) Upon taking control of CastlePoint, the
16 Conservator promptly notified all interested parties that CastlePoint had been placed into
17 statutory conservation.

18 **C. The Conservation & Liquidation Plan**

19 The Conservator promptly sought the Court's approval to implement the Conservation and
20 Liquidation Plan that was negotiated with various interested parties. (Wilson Liq. Decl., *supra*,
21 ¶ 9.) The Plan provided for a number of beneficial transactions designed to provide the liquidity
22 and certainty necessary to an orderly and efficient wind up and eventual liquidation of
23 CastlePoint. The Court approved the Plan following a hearing on September 13, 2016. (*Ibid.*)
24 Following the Court's approval of the Plan, the Conservator closed on several related transactions
25 that provided for, among other things:

26
27
28 ⁶ The fees and costs incurred during the pre-conservation period and Conservation Period will be outlined in the
Conservator's Application For Approval Of Administrative Expenses, which will be filed following the close of the
Conservation Period.

- The payment of \$200 million into the CastlePoint estate, net of certain pre-closing advances and the reconciliation of intercompany balances between CastlePoint and the counterparties to these transactions;
- The execution of two Administrative Services Agreements by CastlePoint with AmTrust Financial Services Inc. and with National General Holdings Company for the continuity of claims servicing and payment processing at no cost to the CastlePoint estate;
- The cancellation of existing CastlePoint stock and execution of a Trust Agreement to create a trust to hold new CastlePoint stock (this aspect of the Plan effected a tax deconsolidation of CastlePoint from its prior affiliated taxpayer group, which included a number of non-insurance companies that are not controlled by either CastlePoint or the Conservator); and
- The commutation of a series of reinsurance, retrocessional and stop loss agreements between or among CastlePoint, CastlePoint Reinsurance Company (a Bermuda reinsurance company that was an affiliate of CastlePoint), ACP Re, Ltd. and other companies, for the collective purpose of restoring CastlePoint's direct control of its policy liabilities and the recovery of related assets and reinsurance receivables to streamline and simplify the eventual liquidation process.

(*Ibid.*) These transactions were officially closed on September 20, 2016. (*Ibid.*)

D. Conservation Claims Administration and Payment

Upon taking control over CastlePoint, the Conservator assumed responsibility for the oversight of all administration of claims on policies issued by CastlePoint and its predecessors. (Wilson Liq. Decl., *supra*, ¶ 10.) The Conservator developed and implemented “*Procedures For Claims Administration and Payments During Conservation*” (the “Conservation Procedures”), the purpose of which was to ensure equal treatment for claimants paid during conservation and those claimants paid after the entry of the proposed Liquidation Order. Pursuant to the Conservation Procedures, claims administered and paid by CastlePoint during the Conservation Period have been satisfied in two parts. (*Id.*, ¶ 11.) First, the CastlePoint estate pays accepted claims up to the

1 maximum amount that may be paid by statute by the insurance guaranty association (“IGA”) that
2 will ultimately become responsible for administration and payment of the claim following
3 CastlePoint’s liquidation (that is, the state IGA that would have administered the claim if
4 CastlePoint were already in liquidation). (*Ibid.*) The relatively few claims that exceed the
5 relevant IGA maximum amount⁷ will also receive, in addition to the cash payment, the
6 Conservator’s commitment to issue a pre-approved Class 2 priority proof of claim against the
7 CastlePoint liquidation estate for the remaining amount of the claim up to the applicable policy
8 limits. (*Ibid.*) Those pre-approved proofs of claim will be deemed filed and will be issued by the
9 Conservator as Liquidator shortly after the entry of the Liquidation Order. (*Ibid.*)

10 **E. Preparation For Liquidation**

11 The closing of the Plan transaction and the infusion of \$200 million in additional cash
12 allowed the Conservator time to work on all necessary administrative preparations for
13 CastlePoint’s eventual liquidation. (Wilson Liq. Decl., *supra*, ¶ 9, 12.) As noted above, the entry
14 of a liquidation order, with an accompanying judicial finding of insolvency, will trigger affected
15 state IGAs to take over the administration of claims on CastlePoint policies. In anticipation of
16 that event, the Conservator’s staff has been communicating and coordinating with the affected
17 IGAs to prepare for the eventual transfer of files and claims administration duties to the IGAs at
18 liquidation. (*Id.*, ¶ 12.) This work has primarily involved the assembly of large amounts of
19 electronic claims data, including claims data located in several claims administration database
20 systems, as well as paperless claim files, so that copies of this claims information can be
21 delivered on a timely basis to the IGAs that will become responsible for claim payments when the
22 Liquidation Order is entered. (*Ibid.*)

23 Because CastlePoint is the successor by merger with nine other insurance companies, the
24 claims data and claims files were spread across a number of different data systems controlled by
25 vendors (“third party administrators”). (Wilson Liq. Decl., *supra*, ¶ 12.) The Conservator’s staff
26 has also worked on ensuring that the claims data meets or has been converted to meet the
27

28 ⁷ As of the date of this Conservator’s Report, there had been just four resolved claims in excess of the applicable statutory IGA cap, and less than 50 claims with the apparent potential to exceed such IGA caps.

1 Uniform Data Standards (UDS) used by all of the IGAs. (*Ibid.*) That work has generally
2 progressed smoothly and the Conservator believes that the IGAs will receive the data and claim
3 files necessary to assume their respective claims administration duties without undue delays in
4 claim payments. (*Ibid.*)

5 With respect to workers' compensation insurance claims, the Conservator has also made
6 preparations to pre-fund the payment of all open indemnity (wage replacement) claims for up to
7 two months after entry of the Liquidation Order to prevent harm to the injured workers who
8 depend on the timely payment of their benefits under CastlePoint's workers' compensation
9 policies. (Wilson Liq. Decl., *supra*, ¶ 12.) The IGAs that benefit from this pre-funding of post-
10 liquidation indemnity payments will either reimburse the CastlePoint estate for such payments, or
11 the advances will be offset from future distributions to the IGAs.

12 **F. CastlePoint's Insolvency**

13 In order to trigger the IGAs' statutory obligations to take over administration and payment
14 of CastlePoint insurance policy claims, the Court is required to make a finding that CastlePoint is
15 insolvent. (*See, e.g.*, Ins. Code § 1062.1, subd. (b) (defining an "insolvent insurer" as a company
16 "against which an order of liquidation *with a finding of insolvency* has been entered by a court of
17 competent jurisdiction.")). In the Application, supporting declarations and evidence, the
18 Conservator has demonstrated CastlePoint's insolvency in two ways.

19 First, CastlePoint is "statutorily insolvent" under the Insurance Code because the statutory
20 accounting principles as applied to CastlePoint show that the company has negative capital and
21 surplus of \$281 million as of December 31, 2016. (Wilson Liq. Decl., *supra*, ¶ 13, Ex B.) This is
22 \$50 million worse than the negative surplus of \$231 million at September 30, 2016. (*Ibid.*)
23 Pursuant to Insurance Code sections 11600 and 700.01-700.05, CastlePoint is required to have
24 capital and surplus of not less than \$5,000,000. Pursuant to Insurance Code section 985,
25 CastlePoint is statutorily insolvent because (1) its minimum paid-in capital, as required by the
26 Insurance Code, has been impaired, and (2) it is unable to meet its financial obligations when they
27 are due. (Ins. Code § 985.)
28

1 Second, CastlePoint is also insolvent because its available liquid assets are not adequate to
2 permit the company to continue to meet its insurance claim payment obligations on a timely
3 basis, as and when they come due for payment. (Wilson Liq. Decl., *supra*, ¶ 14.) Absent the
4 issuance of the requested liquidation order, CastlePoint will run out of cash to pay claims by mid-
5 2017. (*Ibid.*) The simple fact that CastlePoint is literally running out of cash to meet its claim
6 payment obligations, in combination with the company's technical statutory or balance sheet
7 insolvency, provides an ample factual basis for the Court to make a judicial finding of
8 CastlePoint's insolvency.

9 **III. AUTHORITY FOR LIQUIDATION OF CALIFORNIA INSURANCE** 10 **COMPANIES**

11 Impaired and insolvent insurance companies are precluded from seeking relief in
12 bankruptcy. (11 U.S.C., § 109(b)(2) ["A person may be a debtor under chapter 7 of this title only
13 if such person is not . . . a domestic insurance company"].) Instead, California, like most states,
14 has statutory proceedings subjecting impaired and insolvent insurers to orderly conservation,
15 rehabilitation and/or liquidation. California's insurance liquidation proceedings are codified in
16 Insurance Code sections 1010, *et seq.* The following summarizes California's statutory scheme
17 pertinent to the conservation and liquidation.

18 **A. Conservation.**

19 Pursuant to Insurance Code section 1011, the Commissioner is authorized to obtain an *ex*
20 *parte* order appointing him Conservator of insurers regulated by him whenever he finds certain
21 enumerated conditions exist, including that an insurer is "found, after an examination, to be in
22 such condition that its further transaction of business will be hazardous to its policyholders, or
23 creditors, or to the public" or that "a domestic insurer does not comply with the requirements for
24 the issuance to it of a certificate of authority, or that its certificate of authority has been revoked."
25 (Ins. Cod § 1011, subd. (d) & (h).) On July 28, 2016, this Court appointed the Commissioner as
26 Conservator of CastlePoint.

1 As Conservator, the Commissioner was authorized to take possession of the insurer's
2 assets and business and to conduct so much of its business as he deemed appropriate, to appoint
3 deputy commissioners, and to employ legal counsel and clerks and assistants, in addition to being
4 granted broad authority and powers concerning the conserved insurer and the handling of its
5 assets and liabilities. (Ins. Code §§ 1011, 1035, 1036 & 1037.) The order appointing the
6 Commissioner to act as Conservator continues "in force and effect until, on the application either
7 of the commissioner or of [*i.e.*, the insurance company], it shall, after a full hearing, appear to the
8 court that the ground for the order directing the commissioner to take title and possession does
9 not exist or has been removed and that the person can properly resume title and possession of its
10 property and the conduct of its business." (Ins. Code § 1012.) Neither CastlePoint nor the
11 Commissioner have filed or intend to file such an application.

12 **B. Liquidation.**

13 If, at any time after conservation, it appears to the Commissioner that it would be futile to
14 proceed as Conservator, he may apply to the Court for an order to liquidate and wind up the
15 insurer's business. The Insurance Code provides, in relevant part:

16 If at any time after the issuance of an order under section 1011, or if at the time of
17 instituting any proceeding under this article, it shall appear to the commissioner
18 that it would be *futile to proceed as conservator with the conduct of the business*
19 *of that person* [*i.e.*, the insurance company], he or she may apply to the court for
20 an order to liquidate and wind up the business of the person. Upon a full hearing
of that application, the court may make an order directing the winding up and
liquidation of the business of that person by the commissioner, as liquidator, for
the purpose of carrying out the order to liquidate and wind up the business of that
person.

21 (Ins. Code. § 1016, subd. (a) [emphasis added].) A liquidation ensures that the estate's
22 assets will be distributed pro rata in accordance with the priorities established in
23 Insurance Code section 1033.

24 An order appointing a liquidator is appropriate here because CastlePoint is insolvent and it
25 is futile for the Commissioner to proceed as the Conservator with the conduct of CastlePoint's
26 business. As noted above, CastlePoint is insolvent on a statutory accounting basis, as it has
27 negative capital and surplus of \$281 million at December 31, 2016, and it is quickly running out
28 of the cash it needs to pay insurance claims as and when they become due. The Conservator has

1 also determined that there are no non-admitted assets, such as contingent assets or litigation
2 claims, which could possibly make up that massive deficit in the company's asset and liquidity.
3 The "futility" of continuing as Conservator is manifest and indisputable.

4 **C. Proposed Order.**

5 The California Insurance Code provides that, in aid of the conservation or liquidation
6 proceedings for an insurer, a court "shall" issue whatever orders are necessary to carry out the
7 conservatorship or liquidation, including "injunctions or orders as may be deemed necessary to
8 prevent" certain occurrences including:

- 9 (a) Interference with the commissioner or the proceeding.
10 (b) Waste of assets of such person.
11 (c) The institution or prosecution of any actions or proceedings.
12 (d) The obtaining of preferences, judgments, attachments, or other liens
13 against such person or its assets.
14 (e) The making of any levy against any such person or its assets.
15 (f) The sale or deed for nonpayment of taxes or assessments levied by any
16 taxing agency of property [provided certain conditions exist]
17 (g) Any managing general agent or attorney in fact from withholding from the
18 commissioner any books, records, accounts, documents or other writing relating
19 to the business of such person; provided, however, that, if by contract or
20 otherwise any of the same are the property of such an agent or attorney, the same
21 shall be returned when no longer necessary to the commissioner or at any time the
22 court after notice and hearing shall so direct.

23 (Ins. Code § 1020.)

24 Further, Insurance Code section 1037, entitled "Powers of commissioner as conservator or
25 liquidator," provides the following broad powers to the Commissioner as conservator or
26 liquidator:

27 Upon taking possession of the property and business of any person in any
28 proceeding under this article, the commissioner, exclusively and except as
otherwise expressly provided by this article, either as conservator or liquidator:

- (a) Shall have authority to collect all moneys due that person, and to
do such other acts as are necessary or expedient to collect, conserve, or
protect its assets, property, and business, and to carry on and conduct the
business and affairs of that person or so much thereof as to him or her may
seem appropriate.

1 (b) Shall collect all debts due and claims belonging to that person, and
2 shall have the authority to sell, compound, compromise, or assign, for the
3 purpose of collection upon such terms and conditions as the commissioner
4 deems best, any bad or doubtful debts.

5 (c) Shall have authority to compound, compromise or in any other
6 manner negotiate settlements of claims against that person upon such terms
7 and conditions as the commissioner shall deem to be most advantageous to
8 the estate of the person being administered or liquidated or otherwise dealt
9 with under this article.

10 (d) Shall have authority without notice, to acquire, hypothecate,
11 encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of or
12 deal with, any real or personal property of that person at its reasonable
13 market value, or, in cases other than acquisition, sale, or transfer on the basis
14 of reasonable market value, upon such terms and conditions as the
15 commissioner may deem proper. However, no transaction involving real or
16 personal property shall be made where the market value of the property
17 involved exceeds the sum of twenty thousand dollars (\$20,000) without first
18 obtaining permission of the court, and then only in accordance with any
19 terms that court may prescribe.

20 (e) Shall have authority to transfer to a trustee or trustees, under a
21 voting trust agreement, the stock of an insurer heretofore or hereafter issued
22 to the commissioner as conservator or as liquidator in connection with a
23 rehabilitation or reinsurance agreement, or any other proceeding under this
24 article. This voting trust agreement shall confer upon the trustee or trustees
25 the right to vote or otherwise represent that stock, and shall not be
26 irrevocable for a period of more than 21 years.

27 (f) May, for the purpose of executing and performing any of the
28 powers and authority conferred upon the commissioner under this article, in
the name of the person affected by the proceeding or in the commissioner's
own name, prosecute and defend any and all suits and other legal
proceedings, and execute, acknowledge and deliver any and all deeds,
assignments, releases and other instruments necessary and proper to
effectuate any sale of any real and personal property or other transaction in
connection with the administration, liquidation, or other disposition of the
assets of the person affected by that proceeding; and any deed or other
instrument executed pursuant to the authority hereby given shall be valid and
effectual for all purposes as though it had been executed by the person
affected by any proceeding under this article or by its officers pursuant to the
direction of its governing board or authority. In cases where any real property
sold by the commissioner under this article is located in a county other than
the county wherein the proceeding is pending, the commissioner shall cause a
certified copy of the order of his or her appointment, or order authorizing or
ratifying the sale, to be filed in the office of the county recorder of the county
in which that property is located.

(g) Shall have authority to invest and reinvest, in such manner as the
commissioner may deem suitable for the best interests of the creditors of that
person, such portions of the funds and assets of that person in his or her
possession as do not exceed the amount of the reserves required by law to be
maintained by that person as reserves for life insurance policies, annuity
contracts, supplementary agreements incidental to life business, and reserves

1 for noncancellable disability policies, and which funds and assets are not
2 immediately distributable to creditors. However, no investment or
3 reinvestment shall be made which exceeds the sum of one hundred thousand
4 dollars (\$100,000) without first obtaining permission of the court, and then
only in accordance with any terms that court may prescribe. That permission
shall not be required for any investment or reinvestment of those funds or
assets in funds administered by the Treasurer.

5 The enumeration, in this article, of the duties, powers and authority of the
6 commissioner in proceedings under this article shall not be construed as a
7 limitation upon the commissioner, nor shall it exclude in any manner his or her
8 right to perform and to do such other acts not herein specifically enumerated, or
otherwise provided for, which the commissioner may deem necessary or
expedient for the accomplishment or in aid of the purpose of such proceedings.

9 (Ins. Code § 1037.)

10 In addition to appointing the Commissioner the Liquidator of CastlePoint and setting a
11 Claims Bar Date, the Proposed Order implements those portions of Insurance Code sections 1020
12 and 1037 that are necessary for the Commissioner to effectively and efficiently liquidate
13 CastlePoint. Most or all of the provisions of the Proposed Order are carried over from the
14 Conservation Order and are standard in cases of insurance liquidations and conservatorships. The
15 Commissioner respectfully submits that each of the provisions are necessary here and requests
16 entry of the Proposed Order.

17 **IV. CONCLUSION**

18 For the reasons and based on the facts set forth in the Application, in this Memorandum,
19 and the documents and information submitted in support of the Application, the Commissioner
20 respectfully requests that the Court enter the proposed Liquidation Order for CastlePoint National
21 Insurance Company, to take effect on April 1, 2017.

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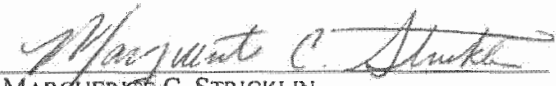
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Respectfully submitted,

Dated: February 17, 2017

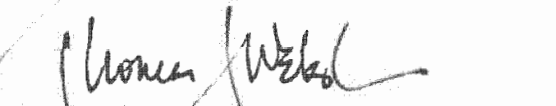
XAVIER BECERRA
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By: 
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Attorneys for Applicant Dave Jones,
Insurance Commissioner of the
State of California

Dated: February 17, 2017

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14

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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 Respondents.
24
25
26
27
28

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.

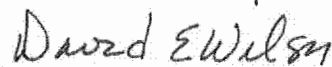
14 13. CastlePoint is now statutorily insolvent. Attached hereto as **Exhibit B** is a true
15 and correct copy of the “*Selected Financial Information of CastlePoint National Insurance*
16 *Company*”, which shows the statutory financial condition of CastlePoint as of December 31,
17 2016. As is shown 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 

13 _____
David E. Wilson

Exhibit A

1 KAMALA D. HARRIS
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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

1 and activities as are necessary to carry out his functions as Conservator. Such payments may
2 include reimbursements for third party advisory and consulting services incurred by a member of
3 the Regulator Group in preparation for conservation of CastlePoint; and,

4 26. The Conservator is authorized to pay such priority liabilities during conservation
5 as he shall determine appropriate and to immediately reserve against the full payment of such
6 expenses; and

7 27. All persons are enjoined from the waste of the assets of CastlePoint;
8
9

10 Dated: 'JUL 28 2016
11

12 HAROLD KAHN
13 HONORABLE HAROLD E. KAHN
14 JUDGE OF THE SUPERIOR COURT
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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:

Changes in Policyholders' Surplus (unaudited)			
	Year to Date,		
(\$ in thousands)	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)			
	Year to Date,		
(\$ in thousands)	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	Nine months ended	Six months ended
	31-Dec-16	30-Sep-16	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	\$609,972

CASTLEPOINT NATIONAL INSURANCE COMPANY

Selected Financial Information and Analysis

Castlepoint National Insurance Company (in Conservation)
Adjusted Direct Reserves (Loss and LAE) 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-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 Passenger auto physical damage	Commercial Auto physical damage	Fidelity and Surety	Boilers & machinery	Total Reserves
Alabama	-	42,775	274,601	166,008	-	875,097	101,448	-	-	5,670	-	70,206	-	-	-	-	1,535,605
Alaska	-	-	-	-	-	9,206	-	-	-	-	-	-	-	-	-	-	9,206
Arizona	-	-	-	-	-	1,125,547	81,809	-	-	-	-	261,487	-	-	-	-	1,469,843
Arkansas	-	-	-	-	-	1,346,592	-	-	-	-	-	27,667	-	-	-	-	1,374,459
California	-	386,276	471,517	842,874	-	76,694,223	2,037,103	546,893	36,817,090	189,255	15,065	4,886,364	-	1,159	140,521	-	125,028,343
Colorado	-	-	-	55,005	-	62,454	-	37,920	-	-	-	165,072	-	-	-	-	320,450
Connecticut	-	435,092	68,119	1,687,927	-	1,585,275	832,785	-	-	-	2,138,315	-	3,325	-	-	-	6,750,838
Delaware	-	-	-	-	-	35,560	-	-	-	-	-	-	-	-	-	-	35,560
District of Columbia	-	-	-	26,823	-	10,731	31,748	13,330	-	-	-	-	-	-	-	-	82,632
Florida	-	-	(17,522)	1,109,900	-	10,794,354	3,568,012	452,500	840,012	217,035	327,900	9,168,449	-	22,032	5,000	-	28,488,273
Georgia	-	-	(5,000)	256,985	-	2,256,512	30,883	-	-	-	-	629,372	-	-	8,066	-	3,175,817
Hawaii	-	-	-	-	-	(11,663)	-	-	-	-	-	-	-	-	-	-	(11,663)
Idaho	-	-	-	-	-	146,394	-	-	-	-	-	-	-	-	-	-	146,394
Illinois	-	-	-	599,169	-	4,232,799	-	-	-	-	-	959,356	-	-	-	-	5,791,326
Indiana	-	-	-	-	-	2,346	-	-	-	-	-	131,762	-	-	-	-	134,108
Iowa	-	-	-	-	-	7,700	-	-	-	-	-	-	-	-	-	-	7,700
Kansas	-	-	-	-	-	74,862	-	-	-	-	-	-	-	-	-	-	74,862
Kentucky	-	-	-	587,754	-	14,853	-	-	-	-	-	24,377	-	-	(170)	-	626,814
Louisiana	-	-	2,500	638,486	23,466	1,009,398	270,626	-	-	22,262	-	911,081	-	2,500	-	-	2,880,319
Maine	32,003	147,501	-	101,848	-	137,626	450,000	-	-	-	1,810,268	385,550	15,704	-	-	15,741	3,096,241
Maryland	-	-	-	87,341	-	5,669,594	-	-	-	-	-	35,000	-	-	-	-	5,791,935
Massachusetts	67,318	457,576	7,072	435,402	-	(247,572)	206,967	-	-	-	1,115,704	-	1,424	-	-	-	2,043,891
Michigan	-	-	-	-	18,118	1,260,802	-	-	-	-	-	60,155	-	-	-	-	1,359,078
Minnesota	-	-	-	-	-	105,030	-	-	-	-	-	27,823	-	-	-	-	132,853
Mississippi	-	-	5,000	134,292	-	101,800	-	-	-	-	-	16,525	-	50,000	-	-	307,617
Missouri	-	-	-	2,142	-	377,023	-	-	-	-	-	60,552	-	-	-	-	439,717
Montana	-	-	-	-	-	(57,793)	-	-	-	-	-	-	-	-	-	-	(57,793)
Nebraska	-	-	-	-	-	980,451	-	-	-	-	-	-	-	-	-	-	980,451
Nevada	-	-	-	-	-	13,694,939	43,801	-	-	-	-	-	-	-	-	-	13,738,740
New Hampshire	-	100,100	-	140,000	-	1,891,319	-	-	-	-	13,032	82,500	35	-	-	-	2,226,987
New Jersey	90,128	2,040,570	908,250	5,249,730	400,119	18,436,953	1,894,977	-	579,604	142,000	974,631	4,088,443	51,553	964	-	-	34,857,922
New Mexico	-	-	-	-	-	114,027	-	-	-	-	-	-	-	-	-	-	114,027
New York	(137,716)	9,336,049	3,369,148	78,967,505	301,100	41,761,179	40,296,878	759,362	52,000	306,321	7,502	19,586,166	-	-	1,220,375	166,595	195,992,765
North Carolina	-	-	-	-	-	194,198	-	-	-	-	-	-	-	-	-	-	194,198
North Dakota	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ohio	647,096	-	-	-	-	-	-	-	-	-	-	138	-	-	-	-	847,233
Oklahoma	-	-	-	658,649	-	908,568	-	-	-	-	-	-	-	250	-	-	1,567,467
Oregon	-	-	-	-	-	37,281	500	-	-	-	-	360,047	-	-	(12,989)	-	364,840
Pennsylvania	-	-	(220,799)	481,115	-	2,254,495	(28,439)	-	-	-	-	994,642	-	(1,078)	3,438	-	3,483,374
Rhode Island	-	11,400	25,000	874	-	52,470	-	-	-	-	694,318	-	1,300	-	-	-	785,362
South Carolina	-	-	(660)	265,458	-	537,290	19,021	-	-	-	-	158,243	-	-	-	-	979,352
South Dakota	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tennessee	250	-	-	40,043	-	129,510	30,848	-	-	-	-	159,871	-	-	1,474	-	361,996
Texas	-	48,817	393	714,620	17,875	4,617,980	285,639	(13,330)	-	250	-	1,233,654	-	-	23,133	-	6,929,030
Utah	-	-	-	-	-	38,643	-	-	-	-	-	-	-	-	50,000	-	88,643
Vermont	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Virginia	-	-	-	-	-	30,670	-	-	-	-	9	62,448	-	-	-	-	93,127
Washington	-	-	-	313,968	-	-	250	-	-	-	-	411,455	-	-	-	-	725,672
West Virginia	-	-	-	72,998	-	-	-	-	-	-	-	-	-	-	-	-	72,998
Wisconsin	-	-	-	-	-	-	85,000	-	-	-	-	-	-	-	-	-	85,000
Wyoming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	699,078	13,006,158	4,887,619	93,636,215	760,677	195,319,724	50,240,856	1,796,675	38,288,706	882,794	7,096,345	44,958,606	73,342	75,827	1,438,847	182,337	453,343,808

Note: Adjusted Direct Reserves (Loss and LAE) 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 IBNR

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	Commercial 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 Passenger auto physical damage	Commercial Auto physical damage	Surety	Boilers & machinery	Paid
Alabama	-	26,494	-	13,497	-	-	181,548	228,633	-	-	-	15,274	-	-	2,100	-	670,468
Alaska	-	-	-	-	-	-	(3,070)	-	-	-	-	-	-	-	-	-	(3,070)
Arizona	-	-	-	16,518	(1,000)	83,712	308,582	-	-	-	-	9,972	-	-	-	-	417,784
Arkansas	-	-	-	-	-	21,807	-	-	-	-	(22,496)	24,360	(3,090)	-	-	-	20,580
California	3,557	368,149	135,082	475,881	-	18,012,135	257,527	18,694	2,449,763	66,164	(88,951)	2,310,119	(44,639)	366	(502,501)	-	23,461,344
Colorado	-	-	-	52,216	-	1,931	-	2,090	-	-	(4,194)	325,058	1,105	-	-	-	378,206
Connecticut	2,867	76,895	207,826	1,269,116	-	60,157	314,250	-	-	-	1,131,473	-	(88,555)	-	-	-	2,974,019
Delaware	-	-	-	-	-	-	-	-	-	-	(17,279)	-	(17,489)	-	-	-	(34,768)
District of Columbia	-	-	-	8,177	-	-	-	-	-	-	(3,725)	-	(3,474)	-	-	-	979
Florida	49,966	(2,175)	98,893	307,207	(16,323)	1,548,518	363,522	424,373	175,711	80,669	(1,050,696)	2,042,037	(97,023)	975	-	-	3,926,655
Georgia	-	-	(0)	984	-	(41,864)	7,413	-	-	(35,670)	447,052	447,052	(36,091)	-	29,912	-	371,736
Hawaii	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Idaho	-	-	-	-	-	104,136	-	-	-	-	-	-	-	-	-	-	104,136
Illinois	94	60	-	407,652	-	342,853	-	-	-	-	(26,911)	96,374	(803)	-	-	-	819,319
Indiana	-	-	-	-	-	3,286	-	-	-	-	(2,464)	6,947	(653)	-	-	-	7,114
Iowa	-	-	-	-	-	(906)	-	-	-	-	-	-	-	-	-	-	(906)
Kansas	-	-	-	-	-	2,415	-	-	-	-	-	1,437	-	-	11,045	-	14,897
Kentucky	-	-	-	20,300	-	30,596	-	-	-	-	(1,416)	207,094	(2,691)	-	-	-	253,973
Louisiana	-	-	1,455	322,440	16,110	75,460	8,668	-	-	42,458	(228,819)	305,711	(2,868)	-	-	-	540,615
Maine	16,311	(4,009)	(192)	7,576	238	4,745	0	-	-	-	61,347	200,000	(6,069)	(90)	-	844	280,701
Maryland	-	(3,050)	(142)	51,510	-	555,605	6,193	-	-	-	(137,114)	(1,172)	(68,855)	-	(569,796)	-	(163,821)
Massachusetts	(4,806)	(45,664)	215	220,691	(1,821)	904	240,263	-	-	2,025	448,002	-	(5,101)	(23)	4,000	0	858,686
Michigan	638	-	-	-	1,937	260,415	-	-	-	-	(1,845)	928	(2,274)	-	-	-	259,798
Minnesota	-	-	-	-	-	74,548	-	-	-	-	(4)	8,900	(1,667)	-	-	-	81,775
Mississippi	-	-	1,978	30,363	-	(215)	31,229	-	-	-	(62)	101,225	(60)	-	-	-	164,458
Missouri	-	-	-	24,418	-	33,375	-	-	-	-	-	24,063	(2,322)	249	-	-	79,801
Montana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nebraska	-	-	-	-	-	22,991	-	-	-	-	-	-	-	-	-	-	22,991
Nevada	-	-	-	-	-	320,114	-	-	-	-	(258)	-	(5,375)	-	-	-	314,481
New Hampshire	0	3,148	-	-	-	12,255	-	-	-	-	27,219	-	(7,933)	-	-	-	34,689
New Jersey	(187,429)	5,843,531	316,992	1,058,494	(653,810)	1,402,666	(968,525)	-	18,433	13,892	7,262,967	3,352,078	1,360,040	1,302	-	16,197	18,847,127
New Mexico	-	-	-	-	-	(733)	-	-	-	-	-	-	-	-	-	-	(733)
New York	(239,979)	1,744,613	1,548,446	30,829,560	(231,743)	2,924,833	11,171,374	(51,103)	-	(168,304)	(671)	8,422,822	(593)	(4,322)	(1,053,352)	30,914	54,922,497
North Carolina	-	-	-	-	-	25,602	-	-	-	-	(187,784)	-	(16,897)	-	-	-	(179,080)
North Dakota	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ohio	5,296	-	(1,746)	2,392	-	-	-	-	-	-	(378,843)	(8,780)	(18,102)	-	-	-	(398,732)
Oklahoma	-	-	-	185,972	-	31,505	-	-	-	-	(83,877)	(40)	-	-	-	-	133,560
Oregon	-	-	2,720	47,881	-	(0)	-	-	-	-	(614)	1,019,681	-	-	1,836	-	1,071,504
Pennsylvania	-	(1,615)	4,289	293,586	-	592,430	113,783	-	-	(86,750)	(3,184,643)	436,348	(710,857)	-	(16,830)	4,293	(2,555,976)
Rhode Island	-	(2,996)	37	24,631	-	52	-	-	-	-	(84,600)	(0)	(29,848)	-	-	-	(92,728)
South Carolina	-	45,268	663	9,592	-	38,934	-	-	-	-	(110,948)	613	(53,556)	-	327	-	(69,108)
South Dakota	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,620)
Tennessee	(216)	-	-	-	-	16,983	1,030	-	-	-	(921)	76,347	(5,756)	-	1,079	-	89,446
Texas	-	(236,821)	3,717	292,291	-	215,794	355,578	-	-	(136,624)	(43,764)	761,259	(20,259)	346	78,289	-	1,269,806
Utah	-	-	-	-	-	8,212	-	-	-	-	-	-	(448)	-	-	-	7,763
Vermont	-	-	-	-	-	-	-	-	-	-	(5,419)	-	(35,737)	-	-	-	(41,155)
Virginia	-	-	-	-	-	1,580	-	-	-	-	(444,437)	41,868	(60,638)	3,843	-	-	(457,763)
Washington	-	-	-	135,679	-	(800)	-	-	-	-	(100,605)	471,099	-	-	-	-	505,372
West Virginia	-	-	-	3,013	-	9	-	-	-	-	-	14,616	(468)	-	-	-	17,169
Wisconsin	-	-	-	-	-	-	4,828	-	-	-	-	565	-	-	(5,425)	-	(32)
Wyoming	-	-	-	-	-	-	-	-	-	-	-	-	(4,267)	-	-	-	(4,267)
Total	(353,701)	7,812,125	2,333,730	36,289,112	(886,412)	26,944,516	12,454,347	394,054	2,643,907	(154,821)	2,765,814	20,630,057	7,948	2,645	(2,018,424)	52,247	106,917,443

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 (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 liab	Commercial auto liab	Private Passenger auto physical 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	-	-	-	-	2	-	-	-	-	27
Arkansas	-	-	-	-	-	4	-	-	-	-	-	1	-	-	-	-	5
California	-	13	7	19	-	1,672	106	2	720	10	5	56	-	2	19	-	2,631
Colorado	-	-	-	2	-	4	-	1	-	-	-	8	-	-	-	-	15
Connecticut	-	16	8	37	-	14	25	-	-	-	49	-	1	-	-	-	150
Delaware	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	1
District of Columbia	-	-	-	1	-	1	1	1	-	-	-	-	-	-	-	-	4
Florida	-	-	1	29	-	158	69	2	14	6	1	145	-	2	1	-	426
Georgia	-	-	-	1	-	40	3	-	-	-	-	12	-	-	2	-	58
Hawaii	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Idaho	-	-	-	-	-	12	-	-	-	-	-	-	-	-	-	-	12
Illinois	-	-	-	12	-	76	-	-	-	-	-	40	-	-	-	-	128
Indiana	-	-	-	-	-	3	-	-	-	-	-	1	-	-	-	-	4
Iowa	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	1
Kansas	-	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	3
Kentucky	-	-	-	3	-	2	-	-	-	-	-	1	-	-	-	-	6
Louisiana	-	-	1	21	7	8	7	-	-	3	-	13	-	1	-	-	61
Maine	2	4	-	5	-	8	2	-	-	-	65	4	14	-	-	1	105
Maryland	-	-	-	1	-	6	-	-	-	-	-	1	-	-	-	-	8
Massachusetts	1	14	2	14	-	3	10	-	-	-	46	-	5	-	-	-	95
Michigan	-	-	-	-	1	25	-	-	-	-	-	1	-	-	-	-	27
Minnesota	-	-	-	-	-	3	-	-	-	-	-	1	-	-	-	-	4
Mississippi	-	-	1	5	-	3	-	-	-	-	-	2	-	1	-	-	12
Missouri	-	-	-	1	-	7	-	-	-	-	-	2	-	-	-	-	10
Montana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nebraska	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	1
Nevada	-	-	-	-	-	47	5	-	-	-	-	-	-	-	-	-	52
New Hampshire	-	3	-	2	-	18	-	-	-	-	3	1	1	-	-	-	28
New Jersey	2	55	26	112	1	212	32	-	2	5	56	83	22	3	-	-	611
New Mexico	-	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	2
New York	4	292	101	1,099	2	452	551	7	1	13	2	294	-	-	6	10	2,834
North Carolina	-	-	-	-	-	6	-	-	-	-	-	-	-	-	-	-	6
North Dakota	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ohio	1	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	2
Oklahoma	-	-	-	2	-	8	-	-	-	-	-	-	-	1	-	-	11
Oregon	-	-	-	-	-	6	2	-	-	-	-	4	-	-	2	-	14
Pennsylvania	-	-	3	14	-	57	2	-	-	-	-	9	-	1	1	-	87
Rhode Island	-	1	1	1	-	1	-	-	-	-	11	-	1	-	-	-	16
South Carolina	-	1	-	4	-	14	2	-	-	-	-	1	-	-	-	-	22
South Dakota	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tennessee	1	-	-	4	-	5	1	-	-	-	-	6	-	-	1	-	18
Texas	-	17	1	8	1	28	11	-	-	1	-	44	-	-	4	-	115
Utah	-	-	-	-	-	2	-	-	-	-	-	-	-	-	1	-	3
Vermont	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Virginia	-	-	-	-	-	3	-	-	-	-	1	5	-	-	-	-	9
Washington	-	-	-	1	-	-	1	-	-	-	-	14	-	-	-	-	16
West Virginia	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	1
Wisconsin	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	1
Wyoming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	11	418	159	1,408	12	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