

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Leah Karfunkel Requesting	:	Holding Companies Act, Article
Exemption from the Requirements of 40	:	XIV of the Insurance Company
P.S. §991.1402 to Increase her Percentage	:	Law of 1921, Act of May 17, 1921,
of Indirect Control of ARI Insurance	:	P.L. 682, <u>as amended</u> , 40 P.S.
Company	:	§§991.1401, 991.1402, and
	:	991.1403
	:	
	:	Order No. ID-RC-18-20

DECISION AND ORDER

AND NOW, on this 21st day of November, 2018, Joseph DiMemmo, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of the Parties

1. ARI Insurance Company (“ARI”) is a domestic stock property insurance company organized pursuant to the laws of Pennsylvania with its principal place of business in Newtown, Pennsylvania.
2. AmTrust Financial Services, Inc. (“AmTrust”) is a publicly traded corporation organized under the laws of Delaware with its principal place of business in New

York, New York. AmTrust currently indirectly holds 100% of the issued and outstanding stock of ARI.

3. George Karfunkel (“Mr. Karfunkel”) is an individual with his primary business address in New York, New York. Mr. Karfunkel currently directly holds approximately 16.5% of the issued and outstanding stock of AmTrust.
4. Leah Karfunkel (“Ms. Karfunkel”) is an individual with her primary business address in New York, New York. Ms. Karfunkel currently directly holds approximately 11.3% of the issued and outstanding stock of AmTrust.
5. Barry Zyskind (“Mr. Zyskind”) is an individual with his primary business address in New York, New York. Mr. Zyskind currently directly holds approximately 15% of the issued and outstanding stock of AmTrust.
6. Mr. Karfunkel, Ms. Karfunkel and Mr. Zyskind (collectively referenced hereinafter as the “Karfunkel-Zyskind Family”) are currently the ultimate controlling persons of ARI.

Filing of the Application

7. On May 10, 2018, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Application”) from Mr. Zyskind for approval to increase his percentage of control of ARI.
8. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all transactions affecting the control of a domestic insurer must be filed with the Department for approval or disapproval.
9. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
10. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction:
 - a. does not have the effect of changing or influencing the control of a domestic insurer, or
 - b. is otherwise not comprehended within the purposes of the section.

The Transaction

11. On March 1, 2018, AmTrust, Evergreen Parent, L.P. (“EP Limited”) and Evergreen Merger Sub, Inc. (“Merger Sub”) entered into an Agreement and Plan of Merger (the “Merger Agreement”).
12. As described in the Application and pursuant to the Merger Agreement, EP Limited intends to cause Merger Sub to merge with and into AmTrust, with AmTrust as the surviving corporation (the “Merger”).
13. As a result of the Merger, AmTrust will become a direct wholly-owned subsidiary of EP Limited and ARI will become an indirect wholly-owned subsidiary of EP Limited.
14. The outstanding shares of common stock, par value \$0.01 per share (the “Common Stock”), of AmTrust (other than the shares of Common Stock currently owned or controlled by members of the Karfunkel-Zyskind Family and their affiliates and certain related parties (the “Rollover Parties”)), will be cancelled and converted into the rights to receive \$14.75 per share in cash (the “Merger Consideration”).
15. On March 1, 2018, the Rollover Parties entered into a Rollover Agreement with EP Limited whereby the Rollover Parties would exchange their Common Stock for limited partnership interests of equivalent value in EP Limited.
16. The Merger Consideration is being funded in part by equity commitments from the Karfunkel-Zyskind Family in exchange for corresponding limited partnership interests in EP Limited.
17. EP Limited is managed by its general partner, Evergreen Parent GP, LLC (“EP General”).
18. As described in the Application, the capital structure of EP General will consist solely of common units. Holders of Class A and common units in EP Limited will be issued an equivalent number of common units in EP General.
19. As a result of the Merger, Ms. Karfunkel will own 14% membership interest of EP General and will remain an ultimate controlling person of ARI.
20. The Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) has delegated to the Deputy Insurance Commissioner the authority to approve an application that would not have the effect of changing or influencing the control of a domestic insurer.
21. The Deputy Commissioner finds that the transactions described in the Application would not have the effect of changing or influencing the control of a domestic

insurer.

22. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the acquisition of controlling securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
2. The Insurance Commissioner has delegated authority to approve an application that would not have the effect of changing or influencing the control of a domestic insurer to the Deputy Insurance Commissioner.
3. The Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
4. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
5. The increase in percentage of indirect control proposed in the Application is not being contemplated to change or influence the control of ARI, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
6. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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: 991.1403
: :
: Order No. ID-RC-18-19


ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania hereby makes the following Order:

An approving determination for the application of Leah Karfunkel requesting exemption from the requirements of 40 P.S. §991.1402 for the increase in her percentage of indirect control of ARI Insurance Company, as set forth in the Application, is hereby granted.

This Order is effective immediately and valid for one year, provided there are no material changes to the representations provided in the application.





JOSEPH DIMEMMO
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation