

**FORM A**  
**STATEMENT REGARDING THE ACQUISITION OF CONTROL OF**

**ARI MUTUAL INSURANCE COMPANY**

A Pennsylvania Domestic Insurer

BY

**AMTRUST FINANCIAL SERVICES, INC.**

(Applicant)

Filed with the Insurance Department of the Commonwealth of Pennsylvania

Dated: April 13, 2015

Name, title, address and telephone number of individual to whom notices and correspondence concerning this form should be addressed:

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This Statement (this “Statement”) seeks the approval of the Insurance Commissioner of the State of Pennsylvania (the “Commissioner”), pursuant to Section 991.1402 of title 40 of the Pennsylvania Statutes, for the acquisition of the Domestic Insurer (as herein defined) by the Applicant (as herein defined).

The Applicant respectfully requests that the biographical affidavits, which are attached hereto at Exhibit 3, and the business plan and financial projections of the Domestic Insurer, which are attached at Exhibit 5(b), be afforded confidential treatment under the applicable exceptions to Pennsylvania’s Right to Know Law, 65 P.S. 67.10 et seq. All such information is being provided with the express understanding that the confidentiality of such information will be safeguarded and protected pursuant to all provisions of law, including but not limited to, the exemptions from disclosure under subparagraphs (6) and (11) of paragraph (a) of Section 708 of the Right to Know Law.

### **ITEM 1: INSURER AND METHOD OF ACQUISITION**

This Statement relates to the proposed acquisition (the “Proposed Acquisition”) by AmTrust Financial Services, Inc., a Delaware corporation (the “Applicant”), of a Pennsylvania insurer, ARI Mutual Insurance Company, NAIC # 13900 (the “Domestic Insurer”), upon the consummation of its conversion from a mutual to a stock company pursuant to a subscription rights conversion sponsored by the Applicant (the “Conversion”).

The Domestic Insurer is the direct 100% owner of ARI Casualty Company, NAIC # 37680, a New Jersey domestic stock insurer (“ARI Casualty”), and ARI Services, Inc., a New Jersey stock corporation.

The address of the Domestic Insurer is:

125 Pheasant Run  
Newtown, Pennsylvania 18940

At the time of this filing, the Domestic Insurer is a Pennsylvania domestic mutual insurer. On March 17, 2015, the Board of Directors of the Domestic Insurer adopted a Plan of Conversion from Mutual Insurance Company to Stock Form (the “Plan of Conversion”). The Domestic Insurer is submitting the Plan of Conversion to the Pennsylvania Department of Insurance contemporaneously with this filing. Pursuant to the Plan of Conversion, the Domestic Insurer will convert from a mutual insurer to a stock insurer, and the name of the Domestic Insurer will be changed to ARI Insurance Company. One hundred percent (100%) of shares of common stock of the converted Domestic Insurer, consisting of 1,000 shares of common stock, par value \$0.01, will be sold to ARI Holdco Inc., a to-be-formed Delaware holding company (“ARI Holdco”).

Upon the consummation of the Plan of Conversion, control of the Domestic Insurer will be acquired pursuant to the terms of a Stock Purchase Agreement dated as of March 17, 2015 entered into between the Applicant and the Domestic Insurer (the “Stock Purchase Agreement”). Pursuant to the terms of the Stock Purchase Agreement, the Applicant will acquire 100% of the

issued and outstanding shares of capital stock of ARI Holdco, consisting of 1,000 shares of common stock, par value \$0.01. As a result of the Proposed Acquisition, the Applicant will become the ultimate controlling person of the Domestic Insurer and ARI Casualty. A copy of the Stock Purchase Agreement is attached as Exhibit 1. The Plan of Conversion is included as Exhibit A to the Stock Purchase Agreement.

Following approval by the Commissioner, the Applicant will grant subscription rights to acquire shares of Applicant's common stock to eligible members of the Domestic Insurer, and, in certain circumstances, non-employee directors of the Domestic Insurer (the "Offering"). Applicant's common stock will be issued pursuant to the Offering to eligible members and non-employee directors who subscribe to the Offering, following approval of the Conversion by the members of the Domestic Insurer contemporaneously with the Conversion.

The Proposed Acquisition is subject to customary closing conditions, including regulatory approval by the Insurance Department of the Commonwealth of Pennsylvania (the "Department") and the New Jersey Department of Banking and Insurance.

The Proposed Acquisition will have no anticompetitive effect on the Pennsylvania insurance market. The insurance business of the Domestic Insurer and the Applicant each represent approximately one tenth of one percent (0.1%) of the commercial auto market in Pennsylvania. The aggregation of these market shares will not result in any anticompetitive market concentration.

## **ITEM 2: IDENTITY AND BACKGROUND OF THE APPLICANT**

(a) The full name of the party seeking to acquire control of the Domestic Insurer is AmTrust Financial Services, Inc. The Applicant's business address is 59 Maiden Lane, 43<sup>rd</sup> Floor, New York, NY 10038. Following the closing of the Proposed Acquisition, the Applicant's business address will be the same.

(b) The Applicant, through its subsidiaries, underwrites and provides property and casualty insurance in the United States and internationally. Applicant currently owns eight (8) insurers admitted in Pennsylvania: Security National Insurance Company (NAIC No. 19879); Technology Insurance Company, Inc. (NAIC No. 42376); Wesco Insurance Company (NAIC No. 25011); CorePointe Insurance Company (NAIC No. 10499); AmTrust Insurance Company of Kansas, Inc. (NAIC No. 15954); Sequoia Insurance Company (NAIC No. 22985); First Nonprofit Insurance Company (NAIC No. 10859); and Developers Surety and Indemnity Company (NAIC No. 12718). Applicant also has two insurance subsidiaries conducting surplus lines business in Pennsylvania: AmTrust International Underwriters Limited (NAIC Alien ID No. AA-1780074) and Associated Industries Insurance Company, Inc. (NAIC No. 23140).

Applicant operates in three general segments: Small Commercial Business, Specialty Risk and Extended Warranty, and Specialty Program. The Small Commercial Business segment provides workers compensation, commercial package, and other commercial insurance lines to small businesses through wholesale and retail agents, and brokers.

The Specialty Risk and Extended Warranty segment provides coverage for consumer and commercial goods; custom designed coverages, such as accidental damage plans and payment protection plans; and coverage for niche property, casualty, and specialty liability risks comprising general liability, employers' liability, and professional and medical liability.

The Specialty Program segment provides workers' compensation; package products; general liability; commercial auto liability; excess and surplus lines programs; and other specialty commercial property and casualty insurance. This segment serves small and middle market companies through general and wholesale agents.

Attached as Exhibit 12(a)(i) are audited financial statements for the years 2010, 2011, 2012, 2013 and 2014 for Applicant. Attached as Exhibit 3(i) are Applicant's Annual Reports for the years 2010, 2011, 2012, 2013 and 2014.

(c) Organizational charts depicting Applicant and all persons known to control the Applicant both prior to (the "Pre-Closing Organizational Chart of Applicant") and upon the Closing (the "Closing Organizational Chart of Applicant") of the Proposed Acquisition are attached hereto as Exhibit 2(c)(i) and 2(c)(ii), respectively. No court proceedings involving a reorganization or liquidation are pending with respect to any person identified in Exhibit 2(c)(i).

### **ITEM 3: IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

(a), (b), (c) and (d) The names and titles of Applicant's executive officers and directors and the owners of 10% or more of Applicant's shares of voting securities are as follows:

<b>Name</b>	<b>Title</b>
Max G. Caviat	President, European Operations
Donald T. DeCarlo	Director
Susan C. Fisch	Director
Abraham Gulkowitz	Director
George Karfunkel	Director
Leah Karfunkel	10%+ Shareholder
Michael Karfunkel	Chairman
Christopher M. Longo	Chief Information Officer
Jay J. Miller	Director
Ronald E. Pipoly, Jr.	Chief Financial Officer
David H. Saks	Executive Vice President and Chief Legal Officer
Michael J. Saxon	Chief Operating Officer
Harry Schlachter	Treasurer
Stephen B. Ungar	Senior Vice President, General Counsel and Secretary
Barry D. Zyskind	Chief Executive Officer, President, Director and 10%+ Shareholder

Attached hereto as Exhibit 3 are NAIC Biographical Affidavits for the above-referenced persons. To the best knowledge, information and belief of Applicant, except as noted in one of the affidavits, none of such persons has been convicted in a criminal proceeding (excluding minor traffic violations) during the past ten (10) years. An organizational chart illustrating the ownership structure of Applicant is included in Exhibit 2(c)(i), and please see the Annual Reports of Applicant for the years 2014, 2013, 2012, 2011 and 2010 are included in Exhibit 3(i).

#### **ITEM 4: NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

(a) As set forth in detail in Article 1 of the Stock Purchase Agreement, the purchase price for the shares of ARI Holdco will be an amount equal to the gross proceeds received by the Applicant in the Offering, plus, to the extent that those gross proceeds are less than the Minimum of the Valuation Range (as defined in the Plan of Conversion), the Cash Contribution Fund (as defined in the Plan of Conversion). The Applicant will have sufficient cash on hand to fund the entire purchase price.

(b) The purchase price will consist wholly of cash. The nature and amount of the consideration involved in the purchase of the Domestic Insurer was determined through arm's length negotiations between unrelated parties.

(c) Not applicable

#### **ITEM 5: FUTURE PLANS FOR THE INSURER**

(a) Except as otherwise provided in this Item 5, the Applicant has no plans or proposals to declare any extraordinary dividend, affect or cause the liquidation or merger of the Domestic Insurer, sell the Domestic Insurer's assets, or make or cause any other major change in the Domestic Insurer's business operations or corporate structure or management. The Domestic Insurer has sought approval from the Commissioner to implement the Conversion. Completion of the Conversion is contingent upon a favorable vote by the policyholders of the Domestic Insurer.

- (i) *Agreements with Affiliates.* Following the Closing, the Domestic Insurer will enter into the following agreements with the Applicant and its affiliates:
- *Tax Allocation Agreement.* It is contemplated that immediately following the Closing, the Applicant and the Domestic Insurer will enter into a Tax Sharing Agreement (the "Tax Allocation Agreement"). Notification with respect to the Tax Allocation Agreement under Section 40-10-105 of the Pennsylvania Insurance Code will be provided to the Department under separate cover.
  - *Management Agreement.* It is contemplated that immediately following the Closing, the Applicant and the Domestic Insurer will enter into an Intercompany Management Agreement (the "Management Agreement"). Under this agreement certain management services would be provided to the Domestic Insurer on an at-cost basis. Notification with respect to the Management

Agreement under Section 40-10-105 of the Pennsylvania Insurance Code will be provided to the Department under separate cover.

- *General Agency Agreement.* It is contemplated that immediately following the Closing, the Domestic Insurer will enter into a General Agency Agreement (the “General Agency Agreement”) with one of the Applicant’s subsidiaries, AmTrust North America, Inc. (“ANA”). Under this agreement, certain agency, underwriting, policy administration and claims administration services would be provided to the Domestic Insurer. Notification with respect to the General Agency Agreement under Section 40-10-105 of the Pennsylvania Insurance Code will be provided to the Department under separate cover.
- *Intercompany Reinsurance Agreement.* It is contemplated that immediately following the Closing, AmTrust International Insurance, Ltd., a wholly-owned subsidiary of the Applicant, and the Domestic Insurer will enter into a certain AmTrust Intercompany Reinsurance Agreement (the “Intercompany Reinsurance Agreement”). Notification with respect to the Intercompany Reinsurance Agreement under Section 40-10-105 of the Pennsylvania Insurance Code will be provided to the Department under separate cover.

Approval (or non-disapproval) of the Management Agreement, Tax Allocation Agreement, General Agency Agreement, and Intercompany Reinsurance Agreement will be requested contemporaneous with the approval of the Proposed Acquisition that is the subject of this Statement.

Applicant does not anticipate any significant changes to the manner in which the Domestic Insurer conducts its business operations. Certain administrative functions currently being conducted by the Domestic Insurer will, in time, be integrated into the Applicant's operations. Applicant expects to make available to the Domestic Insurer various resources from Applicant's current operations, including agency force information, marketing strategies, underwriting best practices, claims administration and information technology services. With improved technology and internal processes, it is expected that some operating structures will change and lower operating expenses will be realized. The Domestic Insurer’s improved expense ratios are expected to boost the Domestic Insurer’s profitability, and provide the opportunity for increased growth.

(b) Attached at Exhibit 5(b) is a 5 year business plan which describes the types of business to be written by the Domestic Insurer, marketing plan, projected direct, assumed, ceded, and net written premiums by line, pro-forma statutory balance sheets and income statements.

In addition, at Closing, the Applicant will reconstitute the Domestic Insurer's board of directors and slate of officers with the following persons:

<b>Proposed Board of Directors of Domestic Insurer Post-Acquisition</b>
Donald Thomas DeCarlo
Jay Jerome Miller
Harry Schlachter
Stephen Barry Ungar
Barry Dov Zyskind
Karen S. Fulton

<b>Proposed Officers of Domestic Insurer Post-Acquisition</b>
David A. Gerth, Treasurer
Stephen Barry Ungar, Secretary
Barry Wolff Moses, Vice President and Assistant Secretary
Karen S. Fulton, President

Biographical affidavits for these individuals are included in Exhibit 3.

The books and records of the Domestic Insurer will remain at its home offices in Pennsylvania.

#### **ITEM 6: VOTING SECURITIES TO BE ACQUIRED**

As a result of the Conversion, ARI Holdco will own 1,000 issued and outstanding shares of the Domestic Insurer, par value \$0.01 per share, representing 100% of the issued and outstanding shares of capital stock of the Domestic Insurer. Pursuant to the terms of the Stock Purchase Agreement, the Applicant will acquire 1,000 issued and outstanding shares of the capital stock of ARI Holdco, par value \$0.01 per share, representing 100% of the issued and outstanding shares of capital stock of the ARI Holdco. There is no other plan by which the Applicant, its affiliates or any person listed in Item 3 plan to acquire voting shares of the Domestic Insurer.

The proposal was arrived at through arms-length negotiation between the Applicant and the Domestic Insurer.

#### **ITEM 7: OWNERSHIP OF VOTING SECURITIES**

Except as otherwise disclosed in this Statement, there are no classes of any voting security of the Domestic Insurer which are beneficially owned or concerning which there is a right to acquire beneficial ownership by the Applicant, its affiliates or any person listed in Item 3.

**ITEM 8: CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER**

Except as otherwise disclosed in this Statement, there are no contracts, arrangements or understandings with respect to any voting security of the Domestic Insurer in which the Applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.

**ITEM 9: RECENT PURCHASES OF VOTING SECURITIES**

Except as otherwise disclosed in this Statement, there have been no purchases of any voting securities of the Domestic Insurer by the Applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this Statement.

**ITEM 10: RECENT RECOMMENDATIONS TO PURCHASE**

Except as otherwise disclosed in this Statement, no recommendations to purchase any voting security of the Domestic Insurer have been made by the Applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the Applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this Statement.

**ITEM 11: AGREEMENTS WITH BROKER-DEALERS**

Except as disclosed in this Statement, there are no agreements, contracts or understandings made with any broker-dealer as to solicitation of voting securities of the Domestic Insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.



## **ITEM 12: FINANCIAL STATEMENTS AND EXHIBITS**

The following exhibits are attached:

### **Exhibits**

- Exhibit 1: Stock Purchase Agreement, including Plan of Conversion
- Exhibit 2(c)(i): Pre-Closing Organizational Chart of Applicant
- Exhibit 2(c)(ii): Closing Organizational Chart of Applicant
- Exhibit 3: NAIC Biographical Affidavits of Executive Officers, Directors and 10% owners of Applicant.
- Exhibit 3(i): Applicant's Annual Report for years 2010 – 2014
- Exhibit 5(b): Business plan and projections.
- Exhibit 12(a)(i) Applicant's audited Financial Statement for years 2010 – 2014.

## **ITEM 13: ENTERPRISE RISK MANAGEMENT**

Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F within thirty (30) days after the end of the month in which the acquisition of control occurs and annually thereafter as long as control exists or upon request as necessary for the Commissioner to evaluate enterprise risk of the insurer unless otherwise ordered by the Commissioner.

**ITEM 14: SIGNATURE AND CERTIFICATION**

Pursuant to the requirements of Section 1402 of the act AmTrust Financial Services, Inc. has caused this application to be duly signed on its behalf in the City of New York and State of New York on the \_\_\_\_\_ day of April, 2015.

(SEAL)

**AMTRUST FINANCIAL SERVICES,  
INC.**

\_\_\_\_\_  
By: Stephen B. Ungar  
Title: General Counsel and Secretary

Attest:

\_\_\_\_\_  
By:  
Title:

**CERTIFICATION**

The undersigned deposes and says that (s)he has duly executed the attached application dated April \_\_\_\_, 2015, for and on behalf of AmTrust Financial Services, Inc., that he is the General Counsel and Secretary of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.

\_\_\_\_\_  
Stephen B. Ungar

**ITEM 14: SIGNATURE AND CERTIFICATION**

Pursuant to the requirements of Section 1402 of the act AmTrust Financial Services, Inc. has caused this application to be duly signed on its behalf in the City of New York and State of New York on the 04 day of April, 2015.

(SEAL)



**AMTRUST FINANCIAL SERVICES,  
INC.**

A handwritten signature in black ink, appearing to read "Stephen B. Ungar", written over a horizontal line.

By: Stephen B. Ungar  
Title: General Counsel and Secretary

Attest:

A handwritten signature in black ink, appearing to read "Adam Perri", written over a horizontal line.

By: Adam Perri  
Title: VP, Counsel

**CERTIFICATION**

The undersigned deposes and says that (s)he has duly executed the attached application dated April \_\_\_\_, 2015, for and on behalf of AmTrust Financial Services, Inc., that he is the General Counsel and Secretary of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.

A handwritten signature in black ink, appearing to read "Stephen B. Ungar", written over a horizontal line.

Stephen B. Ungar