BEFORE THE INSURANCE COMMISSIONER

OF THE

COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to the Insurance Company Mutual-to-Stock Conversion Act, Article VIII-A of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, added 1995, Dec. 21, P.L. 714, 40 P.S. §§911-A et seq., as amended; Sections 1401, 1402, and 1403 of 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. §§991.1401-1403.
Application of ARI Mutual Insurance Company Requesting Approval of a Series of Transactions Allowing for the Conversion of ARI Mutual Insurance Company to a Stock Insurance Company, the Immediate Acquisition of Control of the Converted Company, to be Renamed ARI Insurance Company, by ARI Holdco and the Acquisition of Control of ARI Holdco by AmTrust Financial Services, Inc.	:	Order No. ID-RC-15-18

DECISION AND ORDER

AND NOW, on this 6th day of November, 2015, Teresa D. Miller, Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner"), hereby makes the following Decision and Order:

Pursuant to the Insurance Company Mutual-to-Stock Conversion Act and 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 Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of the Parties

1. ARI Mutual Insurance Company (both before and after conversion "ARI") is a mutual property insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Newtown, Pennsylvania.

2. ARI HoldCo ("HoldCo") will be formed as a Delaware corporation prior to the conversion of ARI.

3. AmTrust Financial Services, Inc. ("AmTrust") is a publicly-traded business corporation organized under the laws of the State of Delaware with its principal place of business in

New York, New York.

4. Leah Karfunkel is an individual with her principal place of business in Brooklyn, New York. Leah Karfunkel controls greater than 10% of the voting securities of AmTrust.

5. George Karfunkel is an individual with his principal place of business in New York, New York. George Karfunkel controls greater than 10% of the voting securities of AmTrust.

6. Barry Zyskind is an individual with his principal place of business in New York, New York. Barry Zyskind controls greater than 10% of the voting securities of AmTrust.

7. Leah Karfunkel, George Karfunkel and Barry Zyskind are collectively hereinafter referenced as the "Ultimate Controlling Persons."

Adoption and Filing

Conversion

8. On March 17, 2015, the Board of Directors of ARI adopted a Plan of Conversion (the "Plan").

9. The Insurance Company Mutual-To-Stock Conversion Act, Article VIII-A of the Insurance Companies Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§911-A et seq. ("Conversion Act"), provides that all plans of conversion of domestic mutual insurers must be filed with the Commissioner for approval or disapproval.

10. Section 807-A of the Conversion Act provides that a domestic mutual insurer may adopt an alternative plan that does not rely in whole or in part upon issuing nontransferable subscription rights to members to purchase stock of the converted stock company if the Commissioner finds that the plan does not prejudice the interests of the policyholders, is fair and equitable, and is not inconsistent with the purpose and intent of the Conversion Act.

11. On April 10, 2015, the Insurance Department of the Commonwealth of Pennsylvania ("Department") received an application (which together with all material received subsequently is hereinafter collectively referenced as "Conversion Application") from ARI requesting approval to convert from a mutual to stock form (the "Conversion").

12. As specified in the Conversion Application, ARI proposes to convert from a mutual to stock form pursuant to Section 807-A of the Conversion Act and be renamed ARI Insurance Company.

Acquisition

13. On March 17, 2015, ARI and AmTrust entered into a Stock Purchase Agreement (the "Agreement").

14. The Insurance Holding Companies Act, Article XIV of the Insurance Companies 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 mergers or other acquisitions of control of domestic insurers must be filed with the Commissioner for approval or disapproval.

15. On April 15, 2015, the Department received an application (which together with all material received subsequently is hereinafter collectively referenced as "Acquisition Application") from AmTrust requesting approval to acquire control of ARI (the "Acquisition").

16. The Conversion Application and Acquisition Application are collectively hereinafter referenced as "Application."

17. The Application was filed with the Department pursuant to Section 803-A of the Conversion Act and Section 1402 of the Insurance Holding Companies Act.

Department Procedures

Public File

18. The public file is comprised of all documents filed with the Department by ARI and AmTrust except those for which the Department determined that confidential treatment was appropriate. The public file contains all final reports of ARI's outside consultants, all final reports of the Department's outside consultant, correspondence between the Department and ARI and AmTrust, and the transcript of the public informational hearing.

19. The public file was maintained by the Department at its Harrisburg office and has been available to any interested person for inspection and copying in accordance with rules of the Department.

20. The public file has also been made available on the Department's website at: http://www.insurance.pa.gov/Companies/IndustryActivity/CorporateTransactionsofPublicInterest/ARIMutualInsuranceCompanyPlanofConversionFormA/Pages/default.aspx .

Notice and Comments

21. On May 9, 2015, the Department published notice in the *Pennsylvania Bulletin* of receipt of the Application. The notice invited interested persons to submit comments to

the Department regarding the Conversion and Acquisition for a forty-five (45) day period ("the Comment Period").

22. The Department received no comments during the Comment Period.

Public Informational Hearing

23. Section 803-A(e) of the Conversion Act provides that the Commissioner may order a hearing on whether the terms of a plan of conversion comply with the Conversion Act.

24. Since the Conversion Act does not require that the Commissioner hold a hearing, the conduct of a hearing is solely at the Commissioner's discretion.

25. If the Commissioner decides to conduct a hearing, the Conversion Act does not require that the hearing be an evidentiary, trial-type hearing.

26. On August 29, 2015, the Department published notice in the *Pennsylvania Bulletin* that a public informational hearing would be held on October 7, 2015, with regard to the Plan. The notice advised that the public informational hearing would provide an opportunity for policyholders and interested persons to present oral comments relevant to the Plan. In the alternative, the notice stated that written comments could be mailed to the Department or sent via the internet.

27. On August 21, 2015, ARI mailed a notice of the public informational hearing to its members.

28. On October 7, 2015, in an exercise of discretion, the Department held a public informational hearing with regard to the Plan as provided in Section 803-A(e) of the Conversion Act.

29. During the public informational hearing,

    a) the Department described its review process,

    b) ARI discussed the process they went through to arrive at the Plan,

    c) Griffin Financial Group ("Griffin") discussed the financial services that they provided ARI to include issuance of a fairness opinion,

    d) Feldman Financial Advisors ("Feldman") explained the pro forma market valuation,

    e) AmTrust discussed the reason for the acquisition and plans for ARI; and

    f) Boenning and Scattergood, Inc. described the financial advisory work provided to the Department and presented a summary of its review of Feldman's appraisal

of the pro forma market value of ARI.

30. No members of the general public attended the public informational hearing. Additionally, no members of the general public provided written comments in lieu of attending and speaking at the public informational hearing.

31. The public informational hearing was transcribed by a stenographer. The transcript of the public informational hearing is sixty-three (63) pages long.

32. At the conclusion of the public informational hearing, the Department announced that the transcript of the hearing would be posted on the Department's website and that the Department would continue to accept comments for ten (10) days after the transcript was made available on the Department's website.

33. On October 19, 2015, the Department posted the hearing transcript on its website.

34. The Department received no comments after the transcript was posted on the website.

Pro Forma Market Valuation

35. Section 803-A(b)(1) of the Conversion Act requires that an independent evaluation of the pro forma market value of the mutual company ("Appraisal") be filed with the Commissioner.

36. As described in the Conversion Application, ARI retained Feldman to prepare an Appraisal of the pro forma market value of ARI as a subsidiary of AmTrust.

37. As described in the Conversion Application, Feldman is experienced in the field of corporate appraisals.

38. The Conversion Application includes the independent evaluation of the pro forma market value of ARI prepared by Feldman entitled "Conversion Valuation Appraisal Report," dated March 31, 2015.

39. As described in the Conversion Application, Feldman estimated the pro forma mid-point market value of ARI after conversion to be $28 million and estimated a range of between $23.8 million to $32.2 million.

40. As described in the Conversion Application, on August 20, 2015, Feldman issued a pro forma appraisal update report ("August Update").

41. Section 913-A(d) of the Conversion Act provides that the Commissioner may retain, at the mutual company's expense, any expert not otherwise a part of the Commissioner's staff to assist in reviewing the Plan and the independent evaluation of the pro forma market value.

42. On June 30, 2015, the Department engaged Boenning & Scattergood to assist in the review of the Plan and review of the independent evaluation of the pro forma market value as estimated by Feldman ("Engagement Letter").

43. In the Engagement Letter, the Department requested Boenning & Scattergood's opinion as to whether the allocation of subscription rights was fair and equitable under Section 804-A(a)(3)(ii) and (b) of the Conversion Act.

44. The Department also requested Boenning & Scattergood's opinion regarding the reasonableness of the methodologies and assumptions utilized by ARI (or its advisors) in deriving the estimate of the pro forma market value of ARI in light of Section 804-A(d) of the Conversion Act.

45. Boenning & Scattergood is an investment banking firm that is regularly involved in the valuation of assets, securities and companies in connection with various types of asset and securities transactions, including mergers, acquisitions, private placements, public offerings and valuations for various other purposes, and in the determination of adequate consideration in such transactions. Boenning & Scattergood's professionals have significant experience in mutual-to-stock conversions.

46. On September 29, 2015, Boenning & Scattergood issued its report to the Department with regard to the Engagement Letter.

47. In its report, Boenning & Scattergood issued its opinion that the allocation of subscription rights was fair and equitable under Section 804-A(a)(3)(ii) and (b) of the Conversion Act.

48. Boenning & Scattergood also opined that the methodologies and assumptions utilized by Feldman in its Conversion Valuation Appraisal Report in deriving the estimate of the pro forma market value of ARI were reasonable in light of Section 804-A(d) of the Conversion Act.

Description of Proposed Conversion and Acquisition

49. As described in the Conversion Application, the Board of Directors of ARI annually undertakes a strategic review of its operations, business plans, enterprise risk management, and market position.

50. As described in the Conversion Application, in 2014 ARI engaged Griffin as a financial advisor to assist with this process by performing an independent review of ARI's strategic alternatives.

51. As described in the Conversion Application, in consultation with Griffin, the Board of Directors of ARI considered a variety of alternatives including the status quo, reinsurance transactions, mergers or affiliations with other mutual insurance companies, and a subscription rights demutualization, either on a standalone basis, with a standby

investor, or by means of a sponsored demutualization.

52. As described in the Conversion Application, the board of directors determined that ARI's future success and its ability to continue to serve its policyholders and other stakeholders will be enhanced if it expands geographically, augments its capital position to support this growth and, over time, achieves an "A-" or better rating from A.M. Best Company, Inc.

53. As described in the Conversion Application, ARI concluded that the subscription rights method of demutualization, in a transaction sponsored by AmTrust best suited ARI's circumstances. ARI considered that a sponsored demutualization with AmTrust would:

a) provide ARI with access to a significant amount of additional capital;

b) permit ARI to avail itself of AmTrust's stable A.M. Best "A" financial strength rating and AmTrust's larger A.M. Best financial size category;

c) provide eligible members with an opportunity to acquire AmTrust stock at a discount to market and realize significant value that will be protected by AmTrust for a 60-day period following the effective date;

d) permit ARI to operate as a wholly-owned subsidiary of AmTrust or one of its operating insurance subsidiaries and serve as a platform for AmTrust's specialty commercial auto insurance business;

e) permit ARI to continue to serve its specialty commercial auto insurance customers;

f) permit ARI to maintain its name, headquarters, culture, values and management team; and

g) provide ARI employees with opportunities for career advancement.

54. As specified in the Plan, all members of ARI as of the close of business on March 17, 2015, are considered to be "Eligible Members." As of March 17, 2015, ARI had 2,546 Eligible Members.

55. As outlined in the Application:

a) ARI will convert from a mutual insurance company to the stock form of organization under the Conversion Act and issue all its stock to HoldCo.

b) AmTrust will acquire the authorized common stock of HoldCo for an amount of cash equal to at least $23.8 million, the minimum of the valuation range established by the statutorily required and independently determined appraised

value.

c) AmTrust will fund the purchase of HoldCo common stock from the proceeds of an offering of AmTrust common stock to ARI Eligible Members and non-employee directors, plus to the extent necessary, AmTrust cash.

d) ARI's Eligible Members will receive the right to acquire between $23.8 million and $32.2 million of AmTrust common stock at a discount to its volume weighted average trading price for the 10 calendar day period ending on the business day prior to the date of the special meeting of ARI voting members to be held to consider and vote on the Plan ("Special Meeting") and can receive an aggregate discount value of up to $3.75 million.

e) To the extent subscriptions do not result in subscribers realizing $3.75 million in aggregate discount value, the difference between $3.75 million and the aggregate discount value actually realized by subscribers will be contributed to an incentive compensation pool for all ARI employees in lieu of the formation of, and the issuance of AmTrust common stock to, an employee stock ownership plan.

f) As a result of the foregoing, ARI will become an indirect subsidiary of AmTrust.

56. On March 17, 2015, Griffin issued an opinion that the transaction as outlined above was fair, from a financial point of view, to ARI.

57. As specified in the Application, the conversion, the issuance by ARI of its shares to HoldCo, and the issuance of shares of HoldCo to AmTrust in exchange for the aggregate subscription amount and the cash contribution fund are intended to happen simultaneously.

58. As specified in the Plan, ARI shall send notice of a policyholders' meeting to vote upon the Conversion to the Eligible Members upon receiving an approving determination by the Commissioner in the instant proceeding.

59. As specified in the Plan, upon receiving the affirmative vote of at least two-thirds of the votes cast by the Eligible Members, ARI may convert to the stock form by completing the required filings with the Secretary of State.

60. As specified in the Plan, the effective date of the Conversion ("Effective Date") will be the date that the amended and restated articles of incorporation are filed with the Secretary of State.

61. As described in the Application, on the Effective Date, Leah Karfunkel, George Karfunkel and Barry Zyskind would be the ultimate controlling persons of ARI.

Department's Approval of the Conversion – Conversion Act

62. Section 807-A of the Conversion Act provides that a domestic mutual insurer may adopt an alternative Plan if the Commissioner finds that the plan does not prejudice the interests of the policyholders, is fair and equitable, and is not inconsistent with the purpose and intent of the Conversion Act.

Plan Provisions

63. Pursant to 804-A of the Conversion Act, the Plan is required to contain the following:

a) a description of the reasons for the proposed conversion;

b) a description of the effect of the proposed conversion on existing policies, satisfying the specific requirements of Section 804-A(a)(2) of the Conversion Act;

c) a description of the subscription rights to be offered to eligible members, satisfying the specific requirements of Section 804-A(a)(3) of the Conversion Act;

d) a fair and equitable means for allocating shares of capital stock to eligible members in the event of an oversubscription;

e) a provision that any shares of capital stock not subscribed to by eligible members shall be sold in a public offering through an underwriter, subject to certain permissible exceptions set forth in Section 804-A(c) of the Conversion Act;

f) the total price of the capital stock equal to the estimated pro forma market value of the converted stock company based upon an independent evaluation by a qualified expert;

g) the purchase price for shares of capital stock equal to a reasonable amount, not to exceed a $500 minimum subscription amount;

h) a provision limiting the number of shares of capital stock in the converted company or any company participating in the conversion that may be acquired by any person or group of persons acting in concert in the subscription rights offering or the public offering to five percent (5%) of the total number of shares, except by an entity that is to purchase one hundred percent (100%) of the capital stock of the converted company as part of the conversion plan approved by the Commissioner;

i) a provision prohibiting the acquisition of shares of capital stock in the converted company or any company participating in the conversion by the mutual

company's directors and officers for a three year period after the effective date of the conversion plan, except through a broker-dealer or by permission of the Commissioner, subject to certain permissible exceptions specified in Section 804-A(g) of the Conversion Act;

j) a provision specifying that no officer or director may sell stock purchased pursuant to Sections 804-A(h) or 806-A(a) of the Conversion Act within one year after the effective date of the conversion;

k) a provision specifying that the rights of surplus note holders to participate in the conversion shall be governed by the terms of the surplus note; and

l) a provision specifying that the converted company or any corporation participating in the conversion shall not repurchase any of its capital stock for a three year period, subject to certain permissible exceptions specified in Section 804-A(j) of the Conversion Act.

64. The Plan contains the provisions required by Section 804-A of the Conversion Act.

Member Interests

65. When analyzing an alternative plan of conversion, the Department reviews the plan to make certain that it will not prejudice the interests of the members.

66. As a condition to the effectiveness of the Conversion, the Plan must be approved by 2/3 of the Eligible Members voting at the Special Meeting.

67. Eligible Members will be entitled to cast their votes, either in person or by proxy, at the Special Meeting of Eligible Members.

68. For purposes of voting on the Plan, ARI will mail a notice of the Special Meeting, a proxy statement/prospectus and proxy form to each Eligible Member. A stock order form will be included with the mailing.

69. ARI advised the Department that on April 24, 2015, it mailed to Eligible Members notice by first class mail advising them of the filing of the Conversion Application with the Department. The notice also advised Eligible Members of their ability to provide comments on the Plan to the Commissioner and/or ARI.

70. As specified in the Plan, each policy in force on the Effective Date will continue in force as a policy of ARI with all policy and contract rights under such policies remaining as they existed on the Effective Date, except that the following rights, to the extent such rights existed in the policies, will be extinguished on the Effective Date:

a) any voting rights of the policyholders provided under the policies;

b) any right to share in the surplus of ARI; and

c) any assessment provisions provided for under the policies.

Subscription Rights

71. When analyzing an alternative plan of conversion providing for a subscription rights offering, the Department reviews the subscription rights offering to make certain that the plan's method of allocating subscription rights is fair and equitable.

72. As noted in Finding of Fact 42, above, the Department engaged Boenning & Scattergood to provide an opinion as to whether the allocation of subscription rights was fair and equitable under Section 804-A(a)(3)(ii) and (b) of the Conversion Act.

73. As noted in Findings of Fact 46 and 47, above, Boenning & Scattergood issued to the Department an opinion that the allocation of subscription rights was fair and equitable under Section 804-A(a)(3)(ii) and (b) of the Conversion Act.

74. Based on the information received and analyses conducted, the Commissioner finds that the Plan contains the provisions required by the Conversion Act, does not prejudice the interests of the members, is fair and equitable, and is not inconsistent with the purpose and intent of the Conversion Act.

Department's Approval of the Acquisition – Insurance Holding Companies Act

75. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.

76. An application for a change in control must be approved unless the Department finds any one of certain enumerated conditions to be present.

Licensing Requirements

77. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.

78. The lines of insurance for which an insurance company may be incorporated and become licensed are set out in Section 202 of the Insurance Company Law (40 P.S. §382).

79. The minimum paid up capital stock and paid in surplus of a stock insurer for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).

80. Upon Conversion, ARI will be required to maintain a minimum paid up capital stock of $2,350,000 and a minimum paid in surplus of $1,175,000 to write the lines of insurance

for which ARI is presently licensed.

81. As specified in the Application, ARI will be initially capitalized with $2,350,000 of paid up capital stock and $1,175,000 of paid in surplus.

82. On the Effective Date of the Conversion, ARI would have the statutory minimum capitalization to satisfy the requirements to write the lines of insurance for which it is presently licensed.

83. ARI has represented to the Department that on the Effective Date, ARI will have the capitalization to satisfy the minimum capitalization requirements of all states in which ARI is currently licensed.

Competitive Impact

84. The acquisition of control of a Pennsylvania domiciled insurer is subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control of ARI would be to substantially lessen competition in this Commonwealth or tend to create a monopoly therein.

85. The acquisition of control of ARI will not lessen competition or tend to create a monopoly in the Commonwealth because the market shares of those insurance company subsidiaries of AmTrust licensed to transact the business of insurance in Pennsylvania and the market share of ARI and its insurance company subsidiary, as stated in its Application, do not exceed the market share levels established in Section 1403 of the Insurance Holding Companies Act.

Financial Condition of Applicants

86. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring person(s).

87. The Department reviewed pro forma financial statements submitted for HoldCo.

88. The Department reviewed the financial statements submitted for AmTrust and the Ultimate Controlling Persons.

89. The financial condition of HoldCo, AmTrust and the Ultimate Controlling Persons would not pose any impediment to the change in control of ARI or jeopardize the financial condition of ARI.

Plans for the Acquired Insurer

90. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals

which the acquiring party has for the insurer.

91. In particular, the Department reviewed the plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, to determine whether it is:

a) Unfair or unreasonable;

b) Fails to confer a benefit upon policyholders; or

c) Not in the public interest.

92. As stated in the Application, with the exception noted in Findings of Fact 96 and 97 below, there are no plans or proposals to declare an extraordinary dividend, affect or cause the liquidation or merger of ARI, to sell its assets to or make or cause any other major change in ARI's business operations or corporate structure or management.

93. As stated in the Application, AmTrust has committed to maintain the headquarters office of ARI in Newtown, Pennsylvania for a period of not less than five (5) years after the Effective Date.

94. There is no basis in the record from which it may be concluded that the proposed transaction is unfair or unreasonable or fails to confer a benefit upon policyholders or is not in the public interest.

Management

95. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurer.

96. As stated in the Application, the key management of ARI will remain the same with the exception of the Vice President and Secretary.

97. As stated in the Application, upon conversion, six (6) of the seven (7) board members of ARI will be replaced by representatives of AmTrust.

98. As stated in the Application, the board of directors of HoldCo will consist entirely of representatives of AmTrust.

99. As stated in the Application, immediately prior to the Effective Date, HoldCo shall form an advisory board consisting of three (3) members of the board of directors of ARI. The advisory board shall have the right, power and authority to enforce certain covenants related to, for example, employment matters, contained in the Agreement. The advisory board shall have a term of five (5) years commencing on the Effective

Date.

100. Biographical affidavits for all proposed directors and executive officers of ARI were reviewed by the Department.

101. Biographical affidavits for all directors and executive officers of AmTrust and HoldCo were reviewed by the Department.

102. Biographical affidavits for the Ultimate Controlling Persons were reviewed by the Department.

103. The Department is satisfied that the persons who would control the operations of ARI have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.

Hazardous or Prejudicial to Insurance Buying Public

104. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department evaluates whether the merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public.

105. There is no indication that the projected future business of the applicants would impose a financial burden upon policyholders.

106. Likewise, there is no indication that the transaction would result in ARI being in impaired financial condition.

107. Nor is there a threat regarding the ability of policyholders to enforce their insurance contracts.

108. There is insufficient evidence in the record from which it may be concluded that the acquisition will likely be hazardous or prejudicial to the insurance buying public.

Compliance with the Pennsylvania Laws

109. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department reviews the transaction to determine whether the merger, consolidation or other acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A.

110. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.

111. 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. The Conversion Act provides the Commissioner jurisdiction to review and approve or disapprove ARI's Plan as described in the Conversion Application.

2. Section 803-A(e) of the Conversion Act provides that the Commissioner may conduct a hearing in review of a proposed plan of conversion but does not require that the commissioner conduct a hearing.

3. The Commissioner has the discretion to choose whether or not to conduct a hearing.

4. If a hearing is held, the Conversion Act does not require the hearing to be conducted under the Administrative Agency Law, 2 Pa. C.S. §§501-555, utilizing the General Rules of Administrative Practices and Procedure, 1 Pa. Code, Chapters 31, 33, and 35.

5. A public informational type of hearing is appropriate under the Conversion Act in the Commissioner's review of a proposed plan of conversion.

6. The public informational hearing held on October 7, 2015, was a proper exercise of the Commissioner's discretion under Section 803-A of the Conversion Act.

7. Section 803-A of the Conversion Act requires that the proposed Plan, and any amendments thereto, must be approved by not less than a two-thirds majority of the board of directors of the mutual company before it is filed with the Commissioner.

8. ARI's Plan was adopted by the requisite number of directors.

9. Section 803-A of the Conversion Act requires that a mutual insurance company proposing to convert to a stock form must file a proposed plan of conversion, and any amendments thereto, with the Commissioner for approval or disapproval.

10. ARI's filing of its Plan was in accordance with the requirements of the Conversion Act.

11. In accordance with Section 807-A of the Conversion Act, the Commissioner shall approve an alternative plan of conversion if the Commissioner finds each of the following:

    a) the plan does not prejudice the interests of the members;

    b) the plan is fair and equitable; and

    c) the plan is not inconsistent with the purpose and intent of the Conversion Act.

12. In accordance with Section 807-A of the Conversion Act, the Commissioner concludes that the Conversion would not prejudice the interests of the members.

13. In accordance with Section 807-A of the Conversion Act, the Commissioner concludes that the provisions of the Plan are fair and equitable.

14. In accordance with Section 807-A of the Conversion Act, the Commissioner concludes that the Application is not inconsistent with the purpose and intent of the Conversion Act.

15. The Insurance Holding Companies Act grants the Commissioner jurisdiction to review and approve the Acquisition.

16. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a change in control unless the Department has found that:

    a) The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which they are presently licensed;

    b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;

    c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;

    d) Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable and fail to confer benefit on policyholders of the insurer and not in the public interest;

    e) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders and the general public to permit the acquisition of control;

    f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or,

    g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.

17. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in

control of ARI.

18. The Commissioner concludes that the Application satisfies the requirements of the Conversion Act and the Insurance Holding Companies Act.

19. 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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ORDER

Upon consideration of the foregoing, Teresa D. Miller, Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner"), hereby makes the following Order:

1. The Application of ARI Mutual Insurance Company (before and after conversion "ARI") requesting approval of a series of transactions allowing for the conversion of ARI to a stock insurance company, the immediate acquisition of control of the converted company by ARI HoldCo ("HoldCo") and the acquisition of control of HoldCo by AmTrust Financial Services, Inc. is hereby approved, subject to this Order and the following conditions:

   a) ARI shall, within one hundred twenty (120) days of the date of this Order, send to each member whose policy was in force as of March 17, 2015 ("Eligible Member") the notice of the members' meeting ("Special Meeting") to vote on the Plan of Conversion ("Plan"); the notice shall be in the form contained in the conversion application and shall include the proxy statement/prospectus, any amendments or supplements thereto, and any other notice materials ("Notice Materials").

   b) ARI shall provide to the Insurance Department ("Department") for review and comment prior to mailing the Notice Materials ARI proposes to send to each Eligible Member advising of the Special Meeting.

   c) ARI shall include a full copy of the Plan, as approved by the Commissioner, the

full Decision and Order, and the notice of the Special Meeting sent to each Eligible Member, with the Notice Materials.

d) ARI shall not distribute the Notice Materials to any Eligible Members until the Department has notified ARI in writing that it has no further comments on said materials, including any changes or additions to the Notice Materials that are made after the date hereof.

e) ARI shall submit for the Department's prior written approval any changes or additions to the Plan or the exhibits thereto that are made subsequent to the date of this Order.

f) ARI shall mail the notice of Special Meeting by United States Post Office Priority Mail or first class mail, or the equivalent thereof, postage prepaid, to the last known address of each Eligible Member, at least thirty (30) days before the date of the Special Meeting.

g) Within two (2) business days after the first mailing of the notice of Special Meeting, ARI shall file a full copy of the Notice Materials, exactly as mailed to the Eligible Members, with the Department.

h) In order to effectuate the conversion, the Plan of ARI must be approved by the affirmative vote of two-thirds (2/3) of the Eligible Members who cast votes in person or by proxy at the Special Meeting, as required by Section 803-A of the Insurance Company Mutual-to-Stock Conversion Act ("Conversion Act").

i) Within two (2) business days after the conclusion of the Special Meeting, ARI shall provide written notice to the Department of the results of the votes cast at the Special Meeting.

j) Within thirty (30) days of the Special Meeting, ARI shall file with the Department the minutes of the Special Meeting and the amended and restated articles of incorporation and bylaws which were adopted by the Eligible Members of ARI.

k) In order to effectuate the conversion, the Eligible Members must have approved the Plan and adopted the amended and restated articles of incorporation, and ARI must have filed the amended and restated articles of incorporation as adopted with the Secretary of the Commonwealth, as required by Section 808-A of the Conversion Act.

l) ARI shall file a copy of the amended and restated articles of incorporation, as filed with and stamped as received by the Secretary of the Commonwealth, with the Insurance Department within ten (10) days of receipt from the Secretary of the Commonwealth.

m) Following approval by the Eligible Members in accordance with the Conversion Act, ARI shall effectuate the conversion as contemplated in the Plan no later than one hundred eighty (180) days following the date of this Order.

n) No policy of ARI in force at the time of conversion shall be terminated by reason of the conversion. Additionally, the conversion shall not change, reduce or impair in any way the insurance obligations of ARI under any insurance policy issued or contract entered into by ARI.

o) Within five (5) days of the effective date of the conversion, ARI shall provide to the Department a copy of all final executed documents relative to the conversion.

p) ARI shall, within sixty (60) days of the effective date of conversion, send a notice to its producers, in a form acceptable to the Department, giving notice of the conversion.

q) ARI and AmTrust shall provide a list of closing documents within five (5) days after consummation of the subject transactions and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.

r) For three (3) years following the effective date of the conversion, ARI shall be prohibited from declaring or paying any dividends, returns of capital or any other types of distributions to HoldCo, without the prior approval of the Commissioner, unless said distribution has been approved by the Department as a transaction between affiliates filed under 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.

s) For three (3) years following the effective date of the conversion, HoldCo shall be prohibited from declaring or paying any dividends, returns of capital or any other types of distributions to AmTrust, without the prior approval of the Commissioner.

t) For a period of six (6) months after the effective date of the conversion, ARI shall not take affirmative action to reduce the number of employees of ARI principally located in Pennsylvania, without application to and the prior written approval of the Department.

u) For a period of two (2) years after the effective date of conversion, ARI shall provide written notice to the Department of any planned or proposed reductions in staff that would affect more than ten percent (10%) of the employees of ARI principally located in Pennsylvania as of, or within six (6) months prior to, the effective date of the conversion. For purposes of this condition, as of any date, the ten percent (10%) threshold shall be determined based upon a rolling twelve

(12) month period. Such notice, which shall specify the reasons for the reduction in force and include information regarding planned or proposed severance pay and relocation opportunity arrangements, shall be filed with the Department as least ninety (90) days prior to any such planned or proposed reductions.

v) For a period of five (5) years after the effective date of the conversion, ARI shall not close or cease actively doing business from:

i) The corporate office of ARI, located in Newtown, Pennsylvania; or

ii) Any other office located in Pennsylvania,

in each case without application to and the prior written approval of the Department.

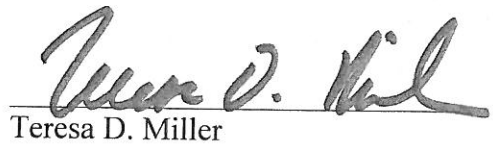
w) For three (3) years following the effective date of the conversion, ARI shall not voluntarily withdraw its certificate of authority to engage in the business of insurance in the Commonwealth of Pennsylvania.

x) For three (3) years following the effective date of the conversion, ARI shall not attempt to or actually redomesticate to another jurisdiction.

y) ARI, HoldCo and AmTrust shall notify the Department within two (2) business days after the receipt of any written notice of any legal or administrative proceeding challenging or in any way relating to the conversion.

2. The request from ARI to change its name upon conversion from the mutual to stock form to "ARI Insurance Company" is hereby approved, subject to any requirements of other regulatory authorities, appropriate notice being given promptly to all relevant policyholders, certificateholders, producers and other interested persons, and the filing of the amended and restated articles of incorporation with the Secretary of the Commonwealth.

This Order is effective immediately.



Teresa D. Miller
Insurance Commissioner
Commonwealth of Pennsylvania