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February 12, 2021

**VIA EMAIL ONLY**

Department of Insurance, Securities and Banking  
Of the District of Columbia  
1050 First Street, NE, Suite 801  
Washington, DC 20002  
Attention: Nathaniel Brown, Director, Financial Examinations

**Via email to: [nathaniel.brown@dc.gov](mailto:nathaniel.brown@dc.gov); [dana.sheppard@dc.gov](mailto:dana.sheppard@dc.gov); [philip.barlow@dc.gov](mailto:philip.barlow@dc.gov)**

Re: Amalgamated Casualty Insurance Company  
Application for Approval of Plan of Conversion (Demutualization)

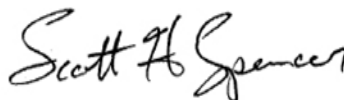
Dear Mr. Brown:

We are special counsel to Amalgamated Casualty Insurance Company (“Amalgamated”). On behalf of Amalgamated, we are hereby filing an Application for Approval of a Plan of Conversion (“Application”). This Application relates to a plan to convert Amalgamated from mutual to stock form. The Plan was adopted unanimously by the Amalgamated Board of Directors on February 3, 2021 (the “Plan”).

Based upon the information contained in the filing, Amalgamated respectfully requests that the Department approve this Application and the Plan. Questions about this filing may be directed to the undersigned at the phone number and email address listed in our letterhead.

Thank you for your consideration.

STEVENS & LEE



Scott H. Spencer

Enclosures

cc: (email only)  
Patrick J. Bracewell

Allentown • Bala Cynwyd • Cleveland • Fort Lauderdale • Harrisburg • Lancaster • New York • Philadelphia  
Princeton • Reading • Rochester • Scranton • Valley Forge • Wilkes-Barre • Wilmington  
A PROFESSIONAL CORPORATION

Application for Approval  
of a  
Plan of Conversion

**AMALGAMATED CASUALTY INSURANCE  
COMPANY**

Domiciled in the District of Columbia

Filed with the Department of Insurance, Securities and Banking  
of the District of Columbia

Dated: February 12, 2021

Names, Titles, Addresses and Telephone Numbers of Individuals to Whom  
Notices and Correspondence Concerning This Application Should Be Addressed:

<b><u>Company Officer</u></b>	<b><u>Special Conversion Counsel</u></b>
Patrick J. Bracewell Chairman and Chief Executive Officer Amalgamated Casualty Insurance Company 8401 Connecticut Ave., Suite 300 Chevy Chase, MD 20815 pbracewell@asginsurance.com (202) 945-6233	Scott H. Spencer, Esq. Stevens & Lee 17 North Second Street, 16 <sup>th</sup> Floor Harrisburg, PA 17101 shs@stevenslee.com (717) 399-6634

## **Background Statement**

This Application is submitted by Amalgamated Casualty Insurance Company (“Amalgamated” or the “Applicant”), whose statutory home office is 4400 MacArthur Boulevard, NW, Suite 301, Washington, DC 20007-2521 and main administrative office is located at 8401 Connecticut Ave., Suite 300, Chevy Chase, MD 20815. Amalgamated is a mutual insurance company domiciled in the District of Columbia.

Amalgamated proposes to reorganize itself pursuant to the provisions of Sections 31-901, et seq. of the District of Columbia Official Code (the “Demutualization Act”) by converting from mutual to stock form. This reorganization will consist of the following:

- (a) Amalgamated will convert from a mutual insurance company into a stock insurance company through an amendment to its Articles of Incorporation.
- (b) A new stock holding company named Amalgamated Specialty Group Holdings, Inc. (“HoldCo”) has been formed to serve as the parent corporation of Amalgamated after Amalgamated is converted to stock form.
- (c) HoldCo will be owned by shareholders and will engage in an offer of its common stock to Amalgamated’s policyholders and other investors as described below.

(All of the foregoing actions, as further described in this Application, constitute the “Demutualization” or “Conversion.”)

The Board of Trustees of Amalgamated believes the Demutualization is in the best interests of Amalgamated and that it is fair and equitable to Amalgamated’s members. At a meeting duly called and held on February 3, 2021 (the “Adoption Date”), the Board of Trustees of Amalgamated unanimously approved the Demutualization and adopted a Plan of Conversion (hereinafter, the “Plan”). The Plan provides for the conversion of Amalgamated and the offering of its common stock in accordance with the requirements of the Demutualization Act, and otherwise in accordance with the terms and subject to the conditions as provided in the Plan. A copy of the Plan is attached as Exhibit I.

## **Description of the Proposed Demutualization and Offering**

### **Conversion of Amalgamated to Stock Form**

Amalgamated will convert to stock form by means of an amendment to its Articles of Incorporation, to be filed at the closing of the Demutualization. The company’s name will remain Amalgamated Casualty Insurance Company.

### **Formation of the Holding Company**

Under the Plan, the Applicant has formed HoldCo to act as the new stock holding company for Amalgamated. HoldCo is a Pennsylvania business corporation. HoldCo will own 100% of the stock of Amalgamated. HoldCo will offer its common stock to the Amalgamated members and

other investors in the Offering, described below. A diagram showing the post-Conversion relationship among the companies is attached as Exhibit II.

### **Acquisition of American Risk Management, Inc.**

Amalgamated has a longstanding relationship with American Risk Management, Inc. (“ARM”) and its predecessor entities since Amalgamated’s formation in 1938. When MCW Holdings, Inc. acquired ARM in 2011, it agreed to report as the ultimate controlling person of Amalgamated and for ARM to be regarded as the controlling producer of Amalgamated.

In connection with the Demutualization of Amalgamated, HoldCo has entered into a stock purchase agreement with MCW Holdings, Inc. to acquire all of the outstanding capital stock of ARM concurrently with the completion of the Demutualization and the Offering. In the acquisition of ARM, HoldCo will issue to MCW Holdings, Inc. 550,000 shares of its Series A 8.5% cumulative convertible preferred stock, having a stated value of \$10 per share, or a total stated value of \$5,500,000 (“Series A Preferred Stock”). The result of this acquisition will be that Amalgamated and ARM will both be wholly owned by HoldCo and will operate as affiliates of a common holding company. This will align the ownership structure with the current regulatory holding company structure.

It should be noted that the Series A Preferred Stock is convertible into HoldCo common stock at a conversion price of \$12.00 per share. The Series A Preferred Stock would therefore convert into 458,333 shares of HoldCo common stock. It also should be noted that the Series A Preferred Stock has voting rights on all matters upon which the common stock has voting rights; and the number of votes of the Series A Preferred Stock is on an as-converted basis. Therefore, MCW Holdings, Inc. will have 458,333 votes in its capacity as the holder of the Series A Preferred Stock.

The acquisition by HoldCo of ARM was evaluated by a special committee of the board of directors of HoldCo consisting of three independent directors. The special committee requested and received a fairness opinion from Griffin Financial Group, Inc., an investment banking firm and FINRA-registered broker-dealer (“Griffin”). Subject to the qualifications and limitations in the opinion, Griffin concluded that the acquisition by HoldCo of ARM was fair to HoldCo from a financial point of view. A copy of the fairness opinion and the related presentation of Griffin to the special committee are included as Exhibit III and Exhibit IV.

### **The Conversion Offering**

According to the Plan, HoldCo will offer its common stock at the price of \$10 per share. Amalgamated has retained the services of Boenning & Scattergood, Inc. (“Boenning”) to provide a pro forma appraisal of the value of Amalgamated on an “as-converted” basis in accordance with the Demutualization Act. Boenning has delivered its Pro Forma Valuation Appraisal Report dated as of December 30, 2020, which determined the estimated pro forma market value of Amalgamated was \$26,600,000, with a range of \$22,600,000 to \$30,600,000 (being 15% below and 15% above the midpoint value). A complete copy of the appraisal report is attached as Exhibit V.



The gross amount of the Offering will be based upon that pro forma valuation.

The Offering will consist of a Subscription Offering and a Public Offering, described as follows. Griffin will assist in the conduct of the Offering and the placement of the stock.

***Subscription Offering:***

Pursuant to the Plan, Subscription Rights to purchase shares of the common stock of HoldCo will be granted in the following priorities:

(a) Eligible Members (First Priority). The members of Amalgamated as of February 3, 2021, the Adoption Date of the Plan (“Eligible Members”), shall receive, without payment, Subscription Rights to purchase the common stock of HoldCo up to the maximum of the Offering range. The members of Amalgamated are the policyholders of Amalgamated. Each Eligible Member will have the right to purchase up to 100,000 shares of stock in his or her capacity as a member.

(b) ESOP (Second Priority). Amalgamated is sponsoring the formation of an Employee Stock Ownership Plan (“ESOP”), which is a form of retirement plan that owns the stock of the employer. The ESOP shall receive, without payment, Subscription Rights to purchase a number of shares of Common Stock equal to nine and nine-tenths percent (9.9%) of the total number of shares of Common Stock to be issued in the Offering. The ESOP will purchase 9.9% of the total, even in the event of an oversubscription by Eligible Members.

(c) Trustees and Officers (Third Priority). Each Trustee, Officer and employee of Amalgamated shall receive, without payment, Subscription Rights to purchase up to 100,000 shares of common stock sold in the Offering. Those Subscription Rights may be exercised only to the extent that there are shares of common stock remaining after satisfying the subscriptions of the policyholders and the ESOP. A Trustee, Officer or employee who is also an Eligible Member of Amalgamated is deemed to purchase shares first in his or her capacity as a member.

***Public Offering and Purchase Commitments:***

In general, participants in the subscription rights portion of conversion offerings rarely purchase all of the offered stock. If all of the shares offered for sale are not subscribed for, any remaining shares will be offered to other investors in the “public offering” phase.

Griffin has been engaged to find buyers for unsubscribed shares in a small public offering. In addition, several significant purchasers have committed to purchase substantial blocks of stock.

MCW Holdings, Inc., together with its principals Joseph Bracewell and Patrick Bracewell, have stated their intention to purchase approximately 250,000 shares of the common stock (the “Bracewell Investment”). At the minimum of the offering range, this would represent 11.1% of HoldCo’s outstanding common stock. When combined with 458,333 votes held by MCW Holdings, Inc. in its capacity as the holder of the Series A Preferred Stock, MCW Holdings, Inc.

will possess 26.0% of the total voting power of the outstanding shares of HoldCo's capital stock (measured at the minimum of the offering range).

Roumell Opportunistic Value Fund ("RAMVX") has stated its intention to purchase approximately 269,214 shares of the common stock (the "RAM Investment"). RAMVX is a mutual fund managed by James Roumell, a trustee of Amalgamated and a director of HoldCo. 269,214 shares will possess 9.9% of the voting power of the outstanding shares of HoldCo's capital stock (measured at the minimum of the offering range).

Individual members of Amalgamated's board of trustees (not including Joseph Bracewell, Patrick Bracewell and James Roumell) and officers of Amalgamated have indicated an interest in purchasing a total of approximately 190,000 shares of HoldCo's common stock. No one of those individuals will purchase more than 5% of common stock to be sold in the Offering (measured at the minimum of the offering range).

The Bracewell Investment and the RAM Investment are subject to Department approval under Section 21-906(1) of the Demutualization Act because each involves more than 5% of the shares of common stock sold in the Offering. The Applicant hereby requests the Department to approve such purchases.

***Redeemable Subscription Rights:***

Amalgamated has determined to include a voluntary feature in the Plan that grants to each Eligible Member the right to require the Company to redeem all, but not less than all, of the member's subscription rights. Thus, each Eligible Member will have the option either to exercise their rights and invest in HoldCo, or to have their rights redeemed and receive a cash payment.

Although the District of Columbia's Demutualization Act does not require the redemption of unexercised subscription rights, mandatory redemption of unexercised subscription rights is included in one other state's mutual-to-stock conversion statute. In 2017, Nodak Mutual Insurance Company employed this feature in its conversion. The Amalgamated Trustees believe that it is appropriate for all policyholders to participate in the transaction either by purchasing stock or having their subscription rights redeemed for cash. Therefore, this feature is included in the Plan and closely follows the provisions of the North Dakota statute and the model used by Nodak Mutual Insurance Company.

The redemption will be for a cash price equal to the value of a subscription right determined by Boenning as the Independent Appraiser in accordance with rules established in the Plan. The Plan rules for determining such value are consistent with North Dakota's requirements for valuing subscription rights. The value must be determined using the Black Scholes option pricing model. The stock price volatility and other valuation inputs in such model shall be based upon the assumption that the attributes of HoldCo will be substantially similar to the attributes of the stock of the peer companies used to determine the estimated pro forma market value of Amalgamated. The term of each subscription right shall be assumed to be ninety (90) days for the sole purpose of determining the value.

Solely for purposes of determining the number of subscription rights each Eligible Member may redeem, each Eligible Member shall be deemed to have received a number of Subscription Rights equal to the total number of shares of Common Stock to be issued at the midpoint of the Valuation Range divided by the number of Eligible Members as of the Adoption Date.

The Company has determined there are 1,589 Eligible Members as of the Adoption Date. Therefore, each Eligible Member is deemed to have 1,674 rights subject to redemption. ( $2,660,000 \div 1,589 = 1,674$ ).

In Boenning's Pro Forma Valuation Appraisal Report, it determined that the value of one subscription right is \$0.89. Therefore, the value of the rights held by each Eligible Member is \$1,489.87. ( $1,674 \times \$0.89$ )

An Eligible Member that elects to have the Company redeem their rights shall not also have the right to exercise the rights. Redemption will occur automatically for any Eligible Member that does not exercise their rights, even if the member does not affirmatively elect redemption.

#### **Use of Proceeds**

As the issuer of the stock, HoldCo will receive the proceeds of the Offering. It will use the proceeds of the Offering as follows: The cost of the Demutualization is estimated at \$2,440,000, based upon an assumed offering of \$22.6 million. That cost will be paid from the proceeds of the Offering. After such expenses, HoldCo will retain the net proceeds for, among other things, contributions to Amalgamated to support its organic growth initiatives as needed, future acquisitions, and general corporate purposes. HoldCo also will utilize a portion of such net proceeds payment of dividends on the shares of Series A Preferred Stock. As of the date of this Application, the Applicant does not have any specific acquisition transactions planned.

#### **Corporate Governance**

Amalgamated Specialty Group Holdings, Inc. will conduct the Offering as a small public offering pursuant to Regulation A+ Tier 2 of the rules of the Securities and Exchange Commission ("SEC"). HoldCo intends to apply to have buy and sell offers for its shares of common stock reported on the OTC "Pink Sheets," and, as a result, HoldCo will be required to have at least two independent directors and a majority of the members of its audit committee must be independent.

HoldCo and Amalgamated also will be subject to certain director and committee requirements applicable to any DC-domiciled insurance company that is a member of an insurance holding company system. In particular, not less than one-third of Amalgamated's trustees and not less than one-third of the members of each committee of the board of trustees shall be "independent." For these purposes, "independent" means persons who are not officers or employees of Amalgamated or of any entity controlling, controlled by, or under common control with Amalgamated and who are not beneficial owners of a controlling interest in the voting stock of

Amalgamated or HoldCo. Further, at least one independent trustee and committee member must be included in any quorum for the transaction of business.

In addition, Amalgamated must establish one or more committees comprised solely of independent persons that shall have responsibilities of nominating candidates for trustee, evaluating the performance of Amalgamated's principal officers, and recommending to the board the selection and compensation of the principal officers.

Finally, in accordance with generally-accepted governance principles and its past practice, Amalgamated will establish an audit committee composed entirely of independent trustees. The proposed forms of the Articles of Incorporation and Bylaws of HoldCo and Amalgamated, as converted into stock form, accompany this Application, and are found at Exhibits VI and VII.

The Boards of Directors of the insurance company and of HoldCo will be composed of the same individuals. A listing of the individuals expected to serve on the Boards is found at Exhibit VIII.

A listing of the expected officers of each of the corporations involved in these transactions is also found at Exhibit VIII.

### **Policyholder Approval**

In accordance with Section 31-904(c) of the Demutualization Act, Amalgamated is required to obtain the approval of its Eligible Members. Under the Plan, an Eligible Member is any policyholder on the Adoption Date who is considered a member under Amalgamated's bylaws. Adoption of the Plan and Amalgamated's Amended and Restated Articles of Incorporation is subject to the approval of at least a majority of the votes cast by Eligible Members who are present in person or by proxy at a meeting of the policyholders.

Amalgamated intends to call a special meeting and to mail notice of the special meeting promptly after the Department has approved this Application. Advance written notice of at least thirty (30) days will be provided.

Amalgamated will send to the Eligible Members a Notice of the Special Meeting, together with a policyholder information statement regarding the Plan (a "Proxy Statement"), which contains a summary of the Plan, and a form of Special Proxy allowing the Eligible Members to vote for or against the Plan (the "Special Proxy"). The forms of the Notice of Special Meeting, Proxy Statement and Special Proxy are submitted for approval by the Department and are found at Exhibit IX.

Under the Bylaws of Amalgamated, a quorum at any regular or special meeting consists of a majority of the policyholders eligible to vote. Amalgamated notes that, while typical for a business corporation, this is an unusually high quorum requirement for a small mutual property and casualty insurance company. Typically, mutual insurers such as Amalgamated have quorum requirements set at a small absolute number of policyholders (e.g., ten or fifteen). This is because policyholders frequently and typically are not responsive to annual proxy solicitations.

To address this issue, Amalgamated has previously obtained proxies (the “General Proxies”) from approximately 1,318 policyholders, representing approximately 83% of total policyholders. This General Proxy grants to the proxyholder (American Risk Management, Inc.) the right to vote the proxy at any general or special meeting. ARM has voted the General Proxies in the matters presented at all of Amalgamated’s annual meetings, including for the election of trustees.

Amalgamated proposes to use the General Proxies, if necessary, to establish a quorum at the special meeting. If Eligible Members do not return a sufficient number of Special Proxies to constitute a quorum at the special meeting, the holder of the General Proxy will be present at the meeting and Amalgamated will count those policyholders as present. Any Special Proxy returned by an Eligible Member constitutes a specific instruction to vote and will supersede the General Proxy of such member. Only the General Proxies of those members who do not return a Special Proxy will be utilized to establish the quorum. No General Proxies will be voted at the special meeting – only the votes from the Special Proxies will be counted in determining whether the Plan and the Amended Articles have been approved by at least a majority of the votes cast by Eligible Members.

In addition to seeking approval of the forms of Notice of Special Meeting, Proxy Statement and Special Proxy, Amalgamated hereby requests approval to utilize the General Proxies in the manner described above.

#### **Acquisition of Control Statement**

At pages 4 and 5 above, under the caption “*Public Offering and Purchase Commitments,*” it is noted that MCW Holdings, Inc. will acquire more than ten percent of the voting stock of HoldCo. MCW and Joseph and Patrick Bracewell are currently considered to be in control of Amalgamated. They intend to amend the existing Form B on file with the Department to reflect the different mechanism for control that will result from the Demutualization.

#### **Effect of the Demutualization and Business Plan**

In general, the proposed Conversion, in and of itself, will cause no changes to the operations of Amalgamated. Only the corporate organization matters discussed in this Application will change. In particular, immediately following the Demutualization, Amalgamated will continue to write the same lines of business and in the same states as it currently conducts operations. However, the availability of the capital from the Offering proceeds is expected to strengthen Amalgamated’s financial position and to allow it to increase its scale and thus gain operating efficiencies.

#### **Submission of Required Documents**

In accordance with the provisions of the Demutualization Act, we are enclosing for filing the following documents:

**Exhibit I – Plan:** Contains a copy of the Plan as unanimously adopted by the Board of Trustees of the Applicant.

**Exhibit II – Organization Chart:** Exhibit II is a diagram depicting the holding company structure resulting from the Plan.

**Exhibit III – Fairness Opinion:** Contains the fairness opinion delivered by Griffin to HoldCo in connection with the ARM acquisition.

**Exhibit IV – Presentation:** Contains a copy of the presentation given by Griffin to the special committee of HoldCo’s board in support of the fairness opinion.

**Exhibit V - Valuation:** Contains the independent evaluation of pro forma market value of the converted insurance company required by the Demutualization Act, performed by Boenning.

**Exhibit VI – New Amalgamated Documents:** This Exhibit contains the proposed forms of Articles of Incorporation and Bylaws for Amalgamated, after Amalgamated converts to stock form.

**Exhibit VII – New Holding Company Documents:** This Exhibit contains the proposed form of Articles of Incorporation and Bylaws for Amalgamated Specialty Group Holdings, Inc.

**Exhibit VIII – Rosters of Trustees and Officers:** This Exhibit contains rosters of the persons initially expected to serve as the directors and principal officers of Amalgamated, HoldCo and ARM.

**Exhibit IX - Proxy Materials:** Contains the form of notice of the policyholders meeting of Amalgamated, the form of proxy statement, and the form of proxy to be solicited from eligible members of Amalgamated.

**Exhibit X – Notice to Post-Adoption Policyholders:** Contains the form of notice to persons becoming policyholders after the date of adoption. (See Section 31-910 of the Demutualization Act.)

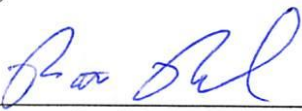
#### **SEC Form 1-A**


We will provide a copy of the SEC Form 1-A that is filed by HoldCo promptly after filing with the Securities and Exchange Commission.

*[Remainder of Page Intentionally Blank – Signature Follows]*

The Applicant, Amalgamated Casualty Insurance Company, has caused this Application to be duly signed on its behalf by its Chairman and Chief Executive Officer in Chevy Chase, Maryland on February 12, 2021.


(SEAL)

By:   
Name: Patrick J. Bracewell  
Title: Chairman and Chief Executive Officer

Attest:   
Name: Kamila K. Maciejewska  
Title: Operations and Agency Manager

#### CERTIFICATION

The undersigned deposes and says that he has duly executed the attached Application dated February 12, 2021, for and on behalf of Amalgamated Casualty Insurance Company and that he is the Chairman and Chief Executive Officer of such company, and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

By:   
Name: Patrick J. Bracewell  
Title: Chairman and Chief Executive Officer

Signature Page to Amalgamated Conversion Application

# **Amalgamated Casualty Insurance Company**

## **Demutualization Application With the Department of Insurance, Securities and Banking of the District of Columbia**

### **List of Exhibits:**

- Exhibit I - Plan of Demutualization**
- Exhibit II - Organization Chart**
- Exhibit III - Fairness Opinion (re ARM)**
- Exhibit IV - Presentation (re ARM)**
- Exhibit V - Appraisal of Amalgamated**
- Exhibit VI - New Amalgamated  
Documents**
- Exhibit VII - New Holding Company  
Documents**
- Exhibit VIII - Rosters of Directors and  
Officers**
- Exhibit IX - Proxy Materials**
- Exhibit X - Notice to Post-Adoption  
Policyholders**



# **Amalgamated Casualty Insurance Company Demutualization**

**Exhibit I  
To  
Demutualization Application Filed with the  
Department of Insurance, Securities and  
Banking:**

***Plan of Demutualization***

**See Attached**

**As Adopted**

**PLAN OF CONVERSION  
OF  
AMALGAMATED CASUALTY INSURANCE COMPANY**

**Under Chapter 9 of Title 31 of the  
District of Columbia Official Code (D.C. Code § 31-901 et seq.)**

**As Approved on February 3, 2021  
by the Board of Trustees**

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**PLAN OF CONVERSION**  
**OF**  
**AMALGAMATED CASUALTY INSURANCE COMPANY**

**Under Chapter 9 of Title 31 of the  
District of Columbia Official Code (D.C. Code §31-901 et seq.)**

This Plan of Conversion provides for the conversion of Amalgamated Casualty Insurance Company, a mutual insurance company organized under the laws of District of Columbia (such entity, both before and after the Conversion, being referred to as “ACIC”), from a mutual insurance company into a stock insurance company (the “Conversion”) and the issuance by ACIC of newly-issued shares of common stock of ACIC to Amalgamated Specialty Group Holdings, Inc., a Pennsylvania corporation (“HoldCo”), as authorized by Chapter 9 of Title 31 of the District of Columbia Official Code (D.C. Code §31-901 et seq.) (the “Demutualization Act”). In the Conversion, all Eligible Members will receive subscription rights to purchase shares of common stock of HoldCo, in exchange for the extinguishment of their Membership Interests in ACIC. As required by Section 902(a) of the Demutualization Act, this Plan of Conversion was originally approved and adopted by at least a majority of the members of the Board of Trustees (the “Board”) of ACIC, at a meeting duly called and held on February 3, 2021 (the “Adoption Date”). Capitalized terms used herein without definition have the meaning set forth in Article 2 hereof.

**ARTICLE 1**  
**REASONS FOR THE CONVERSION**

The principal purpose of the Conversion is to convert ACIC from a mutual insurance company into a stock insurance company in order to enhance its capital position and its strategic and financial flexibility and to provide the Eligible Members with the right to acquire an equity interest in HoldCo. The Board believes that the Conversion is in the best interest of ACIC because the additional capital resulting from the Conversion should: (i) sustain and enhance ACIC’s ability to write specialty transportation insurance currently written by ACIC; (ii) support organic growth and diversification initiatives; and (iii) enable HoldCo to attract institutional investors and engage in strategic transactions advantageous to HoldCo and its subsidiaries. The Board further believes that the transaction is fair and equitable, is consistent with the purpose and intent of the Demutualization Act and will not prejudice the interests of the Members.

In its present structure as a mutual insurance company, ACIC can increase its statutory capital only through earnings generated by the businesses of ACIC and its subsidiaries, or by the issuance of surplus notes by ACIC. Reliance on earnings to provide a long-term source of permanent capital, however, limits ACIC’s ability to develop new business, issue new insurance products, and provide greater stability and protection for its policyholders. Surplus notes do not provide permanent capital and must be repaid out of the company’s earnings.

## ARTICLE 2 DEFINITIONS

2.01 Certain Terms. As used in this Plan of Conversion, the following terms have the meanings set forth below:

“ACIC” has the meaning specified in the Preamble.

“ACIC Records” means the books, records and accounts of ACIC.

“ACIC Shares” means the duly authorized shares of common stock of ACIC to be issued to HoldCo on the Plan Effective Date in accordance with this Plan of Conversion.

“Adoption Date” has the meaning specified in the preamble.

“Affiliate” means a Person who, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with the Person specified or who is acting in concert with the Person specified.

“Amended and Restated Articles of Incorporation” has the meaning specified in Section 13.01(a).

“Amended and Restated Bylaws” has the meaning specified in Section 14.03(a).

“Application” has the meaning specified in Section 4.01.

“Appraised Value” means the estimated pro forma market value of ACIC, as determined by Boenning.

“Board” has the meaning specified in the preamble.

“Boenning” means Boenning and Scattergood, Inc., a registered broker dealer.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commissioner” means the Commissioner of the Department.

“Common Stock” means the common stock of HoldCo, par value \$0.01 per share.

“Conversion” has the meaning specified in the preamble.

“D.C Code” means the District of Columbia Official Code.

“Decision and Order” means the final and effective decision and order issued by the Commissioner and evidencing the Commissioner’s approval of the Application and of this Plan of Conversion.

“Department” means the District of Columbia Department of Insurance, Securities, and Banking.

“Effective Date Filing” has the meaning specified in Section 14.03.

“Effective Time” means 12:01 a.m., Eastern time, on the Plan Effective Date. This is the time that this Plan of Conversion is deemed to be effective.

“Eligible Member” means a Member on the Adoption Date; provided that a person insured under a group policy is not an Eligible Member unless all of the conditions in D.C. Code §31-901(3)(A) are satisfied.

“Eligible Policy” means any Policy that is In Force on the Adoption Date.

“Employee” means any natural person who is a full or part-time employee of ACIC.

“ESOP” means the Employee Stock Ownership Plan to be established by HoldCo prior to the commencement of the Offering.

“Gross Proceeds” means the product of (x) the Purchase Price and (y) the number of shares for which subscriptions and orders are received in the Offering and accepted by HoldCo.

“HoldCo” means Amalgamated Specialty Group Holdings, Inc., a Pennsylvania corporation that will become the sole stockholder of ACIC, and which will issue shares of Common Stock in the Offering.

“In Force” has the meaning specified in Section 15.03(a).

“Insider” means any Officer or Trustee of ACIC.

“Maximum of the Valuation of Range” has the meaning specified in Section 5.01.

“Member” means a person who, according to the ACIC Records and pursuant to its bylaws and in accordance with Article 15 hereof, is deemed to be a holder of a Membership Interest in ACIC.

“Membership Interests” means, with respect to ACIC, the interests of Members arising under the law of the District of Columbia and the articles of incorporation and bylaws of ACIC prior to the Conversion, including the right to vote and the right to participate in any distribution of surplus in the event that ACIC is liquidated.

“Minimum of the Valuation of Range” has the meaning specified in Section 5.01.

“MRP” means any executive stock incentive plan that may be established by HoldCo and under which stock options, shares of restricted stock, or restricted stock units may be granted to directors and employees of HoldCo or any of its subsidiaries.



“Notice of Special Meeting” has the meaning specified in Section 13.02(a).

“Offering” means the offering of shares of Common Stock pursuant to this Plan in the Subscription Offering and any Public Offering.

“Offering Circular” means the one or more documents to be used in offering the Common Stock in the Offering and for providing information to Persons in connection with the Offering.

“Offering Statement” means the offering statement filed or to be filed with the SEC by HoldCo under Regulation A of the SEC with respect to the offer and sale of shares of HoldCo common stock in the Offering.

“Officer” means the people elected to serve as an officer by the Board.

“Order Form” means the form provided on behalf of HoldCo by which Common Stock may be ordered in the Offering.

“Owner” means, with respect to any Policy, the Person or Persons specified or determined pursuant to the provisions of Section 15.02.

“Participant” means a Person to whom Common Stock is offered in the Subscription Offering.

“Person” means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, trust, government or governmental agency, state or political subdivision of a state, public or private corporation, board, association, estate, trustee, or fiduciary, or any similar entity.

“Plan Effective Date” has the meaning specified in Section 14.04(a).

“Plan of Conversion” means this Plan of Conversion, as it may be amended from time to time in accordance with Section 18.06 or corrected in accordance with Section 18.07. Any reference to the term “Plan of Conversion” shall be deemed to incorporate by reference all of the Exhibits thereto.

“Policy” or “Policies” has the meaning specified in Section 15.01(a).

“Public Offering” means a public offering through an underwriter of the shares not subscribed to in the Subscription Offering, as contemplated by Section 31-906(h) of the D.C. Code.

“Purchase Price” has the meaning specified in Section 5.02.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Special Meeting” has the meaning specified in Section 13.01.

“Significant Purchaser” has the meaning specified in Section 8.05.

“Stock Purchase Agreement” has the meaning specified in Section 8.05.

“Subscription Offering” means the offering of the Common Stock that is described in Section 7.01 hereof.

“Subscription Rights” means nontransferable rights to subscribe for Common Stock in the Subscription Offering granted to Participants as described in Section 7.01 hereof.

“Subscription Right Value” means the value of each Subscription Right as determined in accordance with Section 7.01(e) hereof.

“Trustee” means the members of the Board of Trustees of ACIC.

“Valuation Range” means the range of the estimated pro forma market value of ACIC as converted to a stock insurance holding company as determined by Boenning in accordance with Section 5.01 hereof.

2.02 Terms Generally. As used in this Plan of Conversion, except to the extent that the context otherwise requires:

(a) when a reference is made in this Plan of Conversion to an Article, Section or Exhibit, such reference is to an Article or Section of, or an Exhibit to, this Plan of Conversion unless otherwise indicated;

(b) the words “hereby”, “herein”, “hereof”, “hereunder” and words of similar import refer to this Plan of Conversion as a whole (including any Exhibits hereto) and not merely to the specific section, paragraph or clause in which such word appears;

(c) whenever the words “include,” “includes,” or “including” (or similar terms) are used in this Plan of Conversion, they are deemed to be followed by the words “without limitation”;

(d) the definitions contained in this Plan of Conversion are applicable to the singular as well as the plural forms of such terms; and

(e) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

### **ARTICLE 3** **ADOPTION BY THE BOARD OF TRUSTEES**

3.01 Adoption by the Board. This Plan of Conversion has been approved and adopted by at least a majority of the members of the Board at a meeting duly called and held on February 3, 2021. This Plan of Conversion provides for the conversion of ACIC into a stock insurance holding company in accordance with the requirements of D.C. Code § 31-901 et seq.

**ARTICLE 4**  
**APPROVAL BY THE COMMISSIONER**

4.01 Application for Approval. Following the adoption of this Plan of Conversion by the Board, ACIC shall file an application (the “Application”) with the Commissioner for approval of this Plan of Conversion in accordance with Section 31-903 of the D.C. Code. The Application shall include true and complete copies of the following documents:

(a) this Plan of Conversion, including the independent appraisal of market value of ACIC provided by Boenning in accordance with Section 5.01 and required by Section 31-906(i) of the D.C. Code;

(b) the form of notice of the Special Meeting, required by Section 31-904(b) of the D.C. Code;

(c) the form of information statement and proxy to be solicited from Eligible Members, required by Section 31-904(b) of the D.C. Code;

(d) the form of notice to persons whose Policies are issued after the Adoption Date but before the Plan Effective Date, required by Section 31-910(a) of the D.C. Code;

(e) the proposed amended and restated articles of incorporation and amended and restated bylaws of ACIC; and

(f) any other information or documentation as the Commissioner may request.

If the Commissioner requires modifications to this Plan of Conversion, the Board shall submit any amended Plan of Conversion to the Commissioner for her review and approval.

4.02 Commissioner Approval. This Plan of Conversion is subject to the approval of the Commissioner.

**ARTICLE 5**  
**TOTAL NUMBER OF SHARES AND PURCHASE PRICE OF COMMON STOCK.**

The number of shares of Common Stock required to be offered and sold by HoldCo in the Offering will be determined as follows:

5.01 Independent Appraiser. Boenning has been retained by ACIC to determine the Valuation Range. The Valuation Range will consist of a midpoint valuation, a valuation fifteen percent (15%) above the midpoint valuation (the “Maximum of the Valuation Range”) and a valuation fifteen percent (15%) below the midpoint valuation (the “Minimum of the Valuation Range”). The Valuation Range will be based upon the consolidated financial condition and results of operations of ACIC, the consolidated pro forma book value and earnings per share of ACIC as converted to a stock company, a comparison of ACIC with comparable publicly-held insurance companies and insurance holding companies, and such other factors as Boenning may deem to be relevant, including that value that Boenning estimates to be necessary to attract a full

subscription for the Common Stock. Boenning will submit to ACIC the Valuation Range and a related report that describes the data and methodology used to determine the Valuation Range.

5.02 Purchase Price. The Purchase Price for Common Stock in the Offering (the “Purchase Price”) will be \$10.00 per share and will be uniform as to all purchasers in the Offering.

5.03 Number of Shares of Common Stock to be Offered. The maximum number of shares of Common Stock to be offered in the Offering shall be equal to the Maximum of the Valuation Range divided by the Purchase Price, plus (ii) the number of shares required to enable the ESOP to purchase nine and nine-tenths percent (9.9%) of the total number of shares of Common Stock issued in the Offering.

5.04 Number of Shares of Common Stock to be Sold. Boenning will submit to ACIC the Appraised Value as of the end of the latest period for which audited financial statements of ACIC are available prior to the initial filing of a draft Offering Statement with the SEC. If the Gross Proceeds of the Offering do not equal or exceed the Minimum of the Valuation Range, then ACIC may cancel the Offering and terminate this Plan, establish a new Valuation Range and extend, reopen or hold a new Offering, or take such other action as it deems to be reasonably necessary.

5.05 Results of Offering.

(a) If the Gross Proceeds of the Offering equal or exceed the Minimum of the Valuation Range, the following steps will be taken:

(1) *Subscription Offering Exceeds Maximum*. If the number of shares to which Participants subscribe in the Subscription Offering multiplied by the Purchase Price is greater than the Maximum of the Valuation Range, then HoldCo on the Effective Date shall issue shares of Common Stock to the subscribing Participants; which shares shall be allocated among the subscribing Participants as provided in Section 7.01; *provided, however*, that the number of shares of Common Stock issued shall not exceed the number of shares of Common Stock offered in the Offering as provided in Section 5.03; and *provided further*, that no fractional shares of Common Stock shall be issued.

(2) *Subscription Offering Meets or Exceeds Minimum, but does not Exceed Maximum*. If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range, but less than or equal to the Maximum of the Valuation Range, then HoldCo on the Effective Date shall issue shares of Common Stock to the subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full. To the extent that shares of Common Stock remain unsold after the subscriptions of all Participants in the Subscription Offering have been satisfied in full, HoldCo shall have the right in its absolute discretion to accept, in whole or in part, orders received from purchasers in the Public Offering, including without limitation orders from any Significant Purchaser pursuant to a Stock Purchase Agreement; *provided, however*, that the number of shares of Common Stock

issued shall not exceed the Maximum of the Valuation Range; and, *provided further*, that no fractional shares of Common Stock shall be issued.

(3) *Subscription Offering Does Not Meet Minimum.* If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is less than the Minimum of the Valuation Range, then in such event HoldCo may accept orders received from purchasers in the Public Offering, including without limitation orders from Significant Purchasers. If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering together with the orders for shares accepted in the Public Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range, then on the Effective Date HoldCo shall: (A) issue shares of Common Stock to subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full, and (B) issue to purchasers in the Public Offering whose orders have been accepted such additional number of shares of Common Stock such that the aggregate number of shares of Common Stock to be issued to subscribing Participants and to purchasers in the Public Offering multiplied by the Purchase Price shall be at least equal to the Minimum of the Valuation Range and may be in any amount up to the Maximum of the Valuation Range, in ACIC's discretion. In no event shall fractional shares of Common Stock be issued.

(b) *Offering Does Not Meet Minimum.* If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering together with the orders for shares accepted in the Public Offering multiplied by the Purchase Price is less than the Minimum of the Valuation Range, then in such event HoldCo and ACIC may (w) cancel the Offering and terminate this Plan, (x) establish a new Valuation Range, (y) extend, reopen or hold a new Offering, or (z) take such other action as they deem reasonably necessary. If a new Valuation Range is established and the Offering is extended, reopened or continued as part of a new Offering, Persons who previously submitted subscriptions or orders will be required to confirm, revise or cancel their original subscriptions or orders. If original subscriptions or orders are canceled, any related payment will be refunded (without interest).

If, following a reduction in the Valuation Range, the aggregate number of shares of Common Stock for which subscriptions and orders have been accepted in the Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range (as such Valuation Range has been reduced), then HoldCo on the Effective Date shall: (i) issue shares of Common Stock to Participants in the Subscription Offering in an amount sufficient to satisfy the subscriptions of such subscribers in full, and (ii) issue to purchasers in the Public Offering whose orders have been accepted such additional number of shares of Common Stock such that the aggregate number of shares of Common Stock to be issued multiplied by the Purchase Price shall be at least equal to the Minimum of the Valuation Range (as such Valuation Range has been reduced).

(c) *Allocation of Shares.* In determining the allocation of shares of Common Stock to purchasers in the Offering: (i) only those orders and subscriptions accepted by ACIC and HoldCo shall be counted; (ii) any orders and subscriptions for shares in excess of the limitations on purchases set forth in Article 9 hereof shall be accepted only up to the applicable limitation on purchases set forth in Article 9 hereof; and (iii) any order or subscription for shares

of Common Stock shall only be accepted to the extent of the payment of the Purchase Price for such shares actually received prior to the termination of the Offering.

(d) *Participant Eligibility*. Notwithstanding anything to the contrary set forth in this Plan, ACIC and HoldCo shall have the right in their absolute discretion and without liability to any subscriber, purchaser, underwriter, broker-dealer, or any other Person to determine which proposed Persons and which subscriptions and orders in the Offering meet the criteria provided in this Plan for eligibility to purchase Common Stock and the number of shares eligible for purchase by any Person. The determination of these matters by HoldCo and ACIC shall be final and binding on all parties and all Persons. Except as provided to the contrary in a Stock Purchase Agreement, ACIC and HoldCo shall have absolute and sole discretion to accept or reject, in whole or in part, any offer to purchase that is made or received in the course of the Public Offering, irrespective of a Person's eligibility under this Plan to participate in the Public Offering.

## **ARTICLE 6**

### **GENERAL PROCEDURE FOR THE OFFERINGS.**

6.01 Commencement of Offerings. As soon as practicable after the Offering Statement is declared to be qualified by the SEC under Regulation A under the Securities Act, and after the receipt of all required regulatory approvals, the Common Stock shall be first offered for sale in the Subscription Offering. It is anticipated that any shares of Common Stock remaining unsold after the Subscription Offering will be sold through the Public Offering. The purchase price per share for the Common Stock shall be a uniform price determined in accordance with Section 5.02 hereof.

## **ARTICLE 7**

### **SUBSCRIPTION OFFERING.**

7.01 Allocation of Subscription Rights. Rights to purchase shares of Common Stock at the Purchase Price (the "Subscription Rights") will be distributed by HoldCo to the Participants in the following priorities:

(a) Eligible Members (First Priority). Each Eligible Member shall receive, without payment, nontransferable Subscription Rights to purchase up to 100,000 shares of Common Stock in the Subscription Offering; *provided, however*, that the maximum number of shares that may be purchased by Eligible Members in the aggregate shall be equal to the Maximum of the Valuation Range divided by the Purchase Price.

In the event of an oversubscription for shares of Common Stock pursuant to this Section 7.01(a), available shares shall be allocated among subscribing Eligible Members so as to permit each such Eligible Member, to the extent possible, to purchase a number of shares that will make his or her total allocation equal to the lesser of (i) the number of shares that he or she subscribed for or (ii) 1,000 shares. Any shares of Common Stock remaining after such initial allocation will be allocated among the subscribing Eligible Members whose subscriptions remain unsatisfied in the proportion in which (i) the aggregate number of shares as to which each such Eligible Member's subscription remains unsatisfied bears to (ii) the aggregate number of shares

as to which all such Eligible Members' subscriptions remain unsatisfied; *provided, however*, that no fractional shares of Common Stock shall be issued. If, because of the magnitude of the oversubscription, shares of Common Stock cannot be allocated among subscribing Eligible Members so as to permit each such Eligible Member to purchase the lesser of 1,000 shares or the number of shares subscribed for, then shares of Common Stock will be allocated among the subscribing Eligible Members in the proportion in which: (i) the aggregate number of shares subscribed for by each such Eligible Member bears to (ii) the aggregate number of shares subscribed for by all Eligible Members; *provided, however*, that no fractional shares of Common Stock shall be issued.

(b) ESOP (Second Priority). The ESOP shall receive, without payment, Subscription Rights to purchase at the Purchase Price a number of shares of Common Stock equal to nine and nine-tenths percent (9.9%) of the total number of shares of Common Stock to be issued in the Offering as set forth in Section 5.03. An oversubscription by Eligible Members shall not reduce the number of shares of Common Stock that may be purchased by the ESOP under this section.

(c) Trustees, Officers, and Employees of ACIC (Third Priority). Each Trustee, Officer, and Employee of ACIC shall receive, without payment, nontransferable Subscription Rights to purchase up to 100,000 shares of Common Stock in the Subscription Offering; *provided, however*, that such Subscription Rights shall be subordinated to the Subscription Rights of the Eligible Members and the ESOP; and *provided, further*, that such Subscription Rights may be exercised only to the extent that there are shares of Common Stock that could have been purchased by Eligible Members, but which remain unsold after satisfying the subscriptions of all Eligible Members. In the event of an oversubscription among the trustees, Officers, and Employees, the number of shares issued to any one Trustee, Officer, or Employee shall be equal to the product of (i) the number of shares available for issuance to all trustees, Officers, and Employees, and (ii) a fraction, expressed as a percentage, the numerator of which is the number of shares to which the subscribing Trustee, Officer, or Employee subscribed and the denominator of which is the total number of shares subscribed by all trustees, Officers, and Employee. The aggregate number of shares purchased by the Trustees, Officers, and Employees, whether purchased in the Subscription Offering in their capacity as Eligible Members, in the Public Offering, or otherwise, shall be limited as provided in Section 9.1 hereof.

A Trustee, Officer, or Employee who subscribes to purchase shares of Common Stock and who also is eligible to purchase shares of Common Stock as an Eligible Member will be deemed to purchase Common Stock first in his or her capacity as an Eligible Member, provided that any such person shall nevertheless only have subscription rights to purchase 100,000 shares of Common Stock in total (with any other purchases being made in the Public Offering).

(d) Limitations on Subscription Rights. Subscription rights granted under this Plan will be nontransferable, nonnegotiable personal rights to subscribe for and purchase shares of Common Stock at the Purchase Price. Subscription Rights under this Plan will be granted without payment, but subject to all the terms, conditions and limitations of this Plan. Any Person purchasing Common Stock hereunder will be deemed to represent and affirm to HoldCo and ACIC that such Person is purchasing for his or her own account and not on behalf of any other Person.

(e) Redemption of Subscription Rights.

(1) Each Eligible Member shall have the right to require the Company to redeem all, but not less than all, of the Subscription Rights granted to such Eligible Member for cash at a redemption price equal to the Subscription Right Value. Any Eligible Member that elects to have the Company redeem the Subscription Rights granted to such Eligible Member shall not have the right to exercise such Subscription Rights. Any Eligible Member that fails to exercise the Subscription Rights granted to such Eligible Member shall be deemed to have elected to have the Company redeem all of the Subscription Rights granted to such Eligible Member. Any Eligible Member that elects, or is deemed to have elected, to have such Eligible Member's Subscription Rights redeemed by the Company shall not be permitted to purchase shares of Common Stock in the Public Offering.

(2) The Subscription Right Value shall be determined by the Independent Appraiser as of the same date as the Appraised Value. The Subscription Right Value shall be determined using the Black-Scholes option pricing model. For determining the stock price volatility and other valuation inputs the Independent Appraiser shall assume that the attributes of the Stock Holding Company will be substantially similar to the attributes of the stock of the peer companies used to determine the estimated pro forma market value of the Company. The term of the Subscription Right shall be assumed to be ninety (90) days for the sole purpose of determining the Subscription Right Value.

(3) For purposes of determining the number of Subscription Rights each Eligible Member may redeem pursuant to this Section 7.01(e), each Eligible Member shall be deemed to have received a number of Subscription Rights equal to the total number of shares of Common Stock to be issued at the midpoint of the Valuation Range (as referenced in Section 5.01 and determined by the Independent Appraiser) *divided by* the number of Eligible Members as of the Adoption Date.

(4) The redemption price for each Subscription Right that an Eligible Member elects to have redeemed by the Company (or is deemed to have elected to have the Company redeem) will be paid to such Eligible Member by the Company or the Stock Holding Company within thirty (30) days after the Effective Date.

(5) For the avoidance of doubt, no recipient of a Subscription Right other than an Eligible Member shall have the right to require the Company to redeem any of its Subscription Rights.

**ARTICLE 8**  
**PUBLIC OFFERING.**

8.01 Public Offering. If less than the total number of shares of Common Stock offered by HoldCo in connection with the Conversion are sold in the Subscription Offering, it is anticipated that remaining shares of Common Stock shall, if practicable, be sold by HoldCo in the Public Offering.

8.02 Preference in Public Offering. In the Public Offering HoldCo shall accept orders in its discretion, subject, however, to any requirements contained in a Stock Purchase Agreement.



8.03 Delivery of Offering Materials. An Offering Circular and an Order Form shall be furnished to all offerees in the Public Offering. Except to the extent provided in a Stock Purchase Agreement, each order for Common Stock in the Public Offering shall be subject to the absolute right of HoldCo to accept or reject any such order in whole or in part either at the time of receipt of an order or as soon as practicable following completion of the Public Offering. In the event of an oversubscription, subject to the preferences described above, the terms of any Stock Purchase Agreement, and the right of HoldCo to accept or reject, in its sole discretion, any order received in the Public Offering, any available shares will be allocated so as to permit each purchaser whose order is accepted in the Public Offering to purchase, to the extent possible, the lesser of 1,000 shares and the number of shares subscribed for by such person. Thereafter, any shares remaining will be allocated among purchasers whose orders have been accepted but remain unsatisfied on a *pro rata* basis, provided no fractional shares shall be issued.

8.04 Commencement of Public Offering. HoldCo may commence the Public Offering concurrently with, at any time during, or as soon as practicable after the end of, the Subscription Offering, and the Public Offering must be completed within 45 days after the completion of the Subscription Offering, unless extended by HoldCo. The provisions of Section 9.01 hereof shall not be applicable to the sales to underwriters for purposes of the Public Offering, but shall be applicable to sales by the underwriters to persons other than any Significant Purchaser. The price to be paid by the underwriters in such an offering shall be equal to the Purchase Price less an underwriting discount to be negotiated among such underwriters and HoldCo, subject to any required regulatory approval or consent.

8.05 Significant Purchasers. Subject to Board approval, ACIC may enter into agreements with one or more Persons who will agree to purchase five percent (5%) or more of the total shares of Common Stock sold in the Offering (any such person, a "Significant Purchaser," and any such agreement, a "Stock Purchase Agreement"). Any Significant Purchaser may be granted priority over other Persons who submit Order Forms in the Public Offering. All references in this Plan to sales of Common Stock in the Public Offering shall be deemed to include sales made to any Significant Purchaser pursuant to a Stock Purchase Agreement.

## ARTICLE 9

### LIMITATIONS ON SUBSCRIPTIONS AND PURCHASES OF COMMON STOCK.

9.01 Maximum Number of Shares That May be Purchased. The following additional limitations and exceptions shall apply to all purchases of Common Stock in the Offering:

(a) To the extent that shares are available, no Person may purchase fewer than the lesser of (i) 50 shares of Common Stock or (ii) shares of Common Stock having an aggregate purchase price of \$500.00 in the Offering.

(b) In addition to the other restrictions and limitations set forth herein, except for (i) purchases by any Significant Purchaser, and (ii) the purchase by the ESOP, the maximum amount of Common Stock which any Person together with any Affiliate may, directly or indirectly, subscribe for or purchase in the Offering (including without limitation the Subscription Offering and/or Public Offering), shall not exceed five percent (5%) of the total

shares of Common Stock sold in the Offering, provided that any purchase of greater than five percent (5%) of the total shares of Common Stock sold in the Offering must be approved by the Commissioner as otherwise provided under the D.C. Code. The limit set forth in this section applies irrespective of the different capacities in which such person may have received Subscription Rights or other rights or options to place orders for shares of Common Stock under this Plan.

(c) For purposes of the foregoing limitations and the determination of Subscription Rights, (i) Trustees, Officers, and Employees shall not be deemed to be Affiliates or a group acting in concert solely as a result of their capacities as such, and (ii) shares of Common Stock purchased by any plan participant in any tax-qualified retirement account using personal funds or funds held in any tax-qualified retirement account pursuant to the exercise of Subscription Rights granted to such plan participant in his individual capacity as an Eligible Member or as a Trustee or Officer and/or purchases by such plan participant in the Public Offering in such plan participant's capacity as an employee, Trustee, Officer, or Employee shall not be deemed to be purchases by the tax-qualified retirement account for purposes of calculating the maximum amount of Common Stock that the tax-qualified retirement account may purchase, but shall count towards the individual limitations on purchases set forth in this Plan.

(d) Each Person who purchases Common Stock in the Offering shall be deemed to confirm that such purchase does not conflict with the purchase limitations under this Plan or otherwise imposed by law. ACIC shall have the right to take any action as it may, in its sole discretion, deem necessary, appropriate or advisable in order to monitor and enforce the terms, conditions, limitations and restrictions contained in this Section and elsewhere in this Plan and the terms, conditions and representations contained in the Order Form, including, but not limited to, the absolute right of ACIC and HoldCo to reject, limit or revoke acceptance of any order and to delay, terminate or refuse to consummate any sale of Common Stock that they believe might violate, or is designed to, or is any part of a plan to, evade or circumvent such terms, conditions, limitations, restrictions and representations. Any such action shall be final, conclusive and binding on all Persons, and HoldCo and ACIC shall be free from any liability to any Person on account of any such action.

**ARTICLE 10**  
TIMING OF THE OFFERINGS, MANNER OF  
PURCHASING COMMON STOCK AND ORDER FORMS.

10.01 Commencement of the Offering. The exact timing of the commencement of the Offering shall be determined by HoldCo in consultation with any financial advisory or investment banking firm retained by it in connection with the Offering. HoldCo may consider a number of factors in determining the exact timing of the commencement of the Offering, including, but not limited to, its pro forma current and projected future earnings, local and national economic conditions and the prevailing market for stocks in general and stocks of insurance companies in particular. HoldCo shall have the right to withdraw, terminate, suspend, delay, revoke or modify the Offering at any time and from time to time, as it in its sole discretion may determine, without liability to any Person, subject to any necessary regulatory approval or concurrence.

10.02 Right to Reject Orders. Subject to the terms of any Stock Purchase Agreement, ACIC and HoldCo shall have the absolute right, in their sole discretion and without liability to any Person, to reject any Order Form as to which there appears to be an irregularity, including, but not limited to, any Order Form that is (i) improperly completed or executed, (ii) not timely received, (iii) not accompanied by the proper payment, or (iv) submitted by a Person whose representations ACIC or HoldCo believes to be false or who it otherwise believes, either alone, or acting in concert with others, is violating, evading or circumventing, or intends to violate, evade or circumvent, the terms and conditions of this Plan. HoldCo and ACIC may, but will not be required to, waive any irregularity on any Order Form or may require the submission of corrected Order Forms or the remittance of full payment for shares of Common Stock by such date as ACIC and HoldCo may specify. The interpretation of ACIC and HoldCo of the terms and conditions of the Order Forms shall be final and conclusive. Once HoldCo receives an Order Form, the order shall be deemed placed and will be irrevocable; *provided, however*, that no Order Form shall be accepted until the Offering Circular has been filed with the SEC and mailed or otherwise made available to the Persons entitled to Subscription Rights in the Offering, and any Order Form received prior to that time shall be rejected and no sale of Common Stock shall be made in respect thereof.

10.03 Policyholders Outside the United States. HoldCo shall make reasonable efforts to comply with the securities laws of all jurisdictions in the United States in which Persons entitled to subscribe reside. However, HoldCo has no obligation to offer or sell shares to any Person under the Plan if such Person resides in a foreign country or in a jurisdiction of the United States with respect to which (i) there are few Persons otherwise eligible to subscribe for shares under this Plan who reside in such jurisdiction, (ii) the granting of Subscription Rights or the offer or sale of shares of Common Stock to such Persons would require HoldCo or its trustees, Officers or employees, under the laws of such jurisdiction, to register as a broker or dealer, salesman or selling agent or to register or otherwise qualify the Common Stock for sale in such jurisdiction, or HoldCo would be required to qualify as a foreign corporation or file a consent to service of process in such jurisdiction, or (iii) such registration or qualification in the judgment of HoldCo would be impracticable or unduly burdensome for reasons of cost or otherwise.

## **ARTICLE 11**

### **PAYMENT FOR COMMON STOCK.**

11.01 Purchase Price for Shares. Payment for shares of Common Stock ordered by Persons in the Offering shall be equal to the Purchase Price per share multiplied by the number of shares that are being ordered. Payment for shares subscribed for or ordered in the Subscription Offering or the Public Offering shall be made by bank draft, check, or money order at the time the Order Form is delivered to HoldCo, or in HoldCo's sole and absolute discretion by delivery of a wire transfer of immediately available funds. Payment for all shares of Common Stock subscribed for must be received in full and collected by HoldCo or by any subscription agent engaged by HoldCo. All subscription payments will be deposited by HoldCo in an escrow account at a bank designated by HoldCo and ACIC and any wire transfers will be delivered directly to such escrow account.

11.02 Payment for Shares by ESOP. Consistent with applicable laws and regulations, payment for shares of Common Stock ordered by the ESOP may be made with funds contributed

or loaned by HoldCo or ACIC and/or funds obtained pursuant to a loan from an unrelated financial institution pursuant to a loan commitment which is in force from the time that any such plan submits an Order Form until the closing of the transactions contemplated hereby.

11.03 Shares Nonassessable. Each share of Common Stock issued in the Offering shall be fully-paid and nonassessable upon payment in full of the Purchase Price.

## **ARTICLE 12**

### **CONDITIONS OF THE OFFERING**

12.01 Closing Conditions. Consummation of the Offering is subject to (i) the receipt of all required federal and state approvals for the issuance of Common Stock in the Offering, (ii) approval of the Plan by the members of ACIC as provided in Section 31-904(c) of the D.C. Code, and (iii) the sale in the Offering of such minimum number of shares of Common Stock within the Valuation Range as may be determined by the Board.

## **ARTICLE 13**

### **APPROVAL BY ELIGIBLE MEMBERS**

#### 13.01 Special Meeting.

(a) After the approval of the Application by the Commissioner, ACIC shall hold a special meeting of Eligible Members to vote on this Plan of Conversion (the “Special Meeting”). At the Special Meeting, each Eligible Member shall be entitled to vote on a single proposal (the “Proposal”) to (i) adopt and approve this Plan of Conversion and the other transactions contemplated by this Plan of Conversion, and (ii) amend and restate the articles of incorporation of ACIC to read in the form attached as Exhibit A (the “Amended and Restated Articles of Incorporation”). The number of votes that each Eligible Member is entitled to cast at the Special Meeting shall be governed by the Bylaws of ACIC.

(b) Adoption of this Plan of Conversion and the Amended and Restated Articles of Incorporation, pursuant to Section 31-904(c) of the D.C. Code, is subject to the approval of at least a majority of the votes cast by Eligible Members who are present in person or by proxy at the Special Meeting.

#### 13.02 Notice of the Special Meeting.

(a) ACIC shall mail notice of the Special Meeting in a form satisfactory to the Department (the “Notice of Special Meeting”). The Notice of Special Meeting shall be mailed within forty-five (45) days following the Commissioner’s approval of this Plan of Conversion. Such notice shall inform each Eligible Member of such Eligible Member’s right to vote upon the Proposal and the place, the day, and the hour of the Special Meeting. Such notice and other materials set forth in Section 13.02(b) shall be mailed by first class or priority mail or an equivalent of first class or priority mail, to the last-known address of each Eligible Member as it appears on the ACIC Records, at least thirty (30) days prior to the date of the Special Meeting, and shall be in a form satisfactory to the Commissioner.

Beginning on the date that the first Notice of Special Meeting is mailed pursuant to Section 13.02(a) and continuing until the Plan Effective Date, ACIC shall also make available at its statutory home office located at 8401 Connecticut Avenue #105, Chevy Chase, Maryland 20815, during regular business hours, copies of the Notice of Special Meeting, this Plan of Conversion and its Exhibits, each in its entirety, for inspection by Eligible Members.

(b) The Notice of the Special Meeting shall be accompanied by information relevant to the Special Meeting, including a copy or summary of this Plan of Conversion, a form of proxy allowing the Eligible Members to vote for or against the Plan of Conversion, a policyholder information statement regarding this Plan of Conversion, and such other explanatory information that the Commissioner approves or requires, all of which shall be in a form satisfactory to the Commissioner. With the prior approval of the Commissioner, ACIC may also send supplemental information relating to this Plan of Conversion to Eligible Members either before or after the date of the Special Meeting.

#### **ARTICLE 14** **THE CONVERSION**

14.01 Effect on ACIC. On the Plan Effective Date, ACIC shall be converted from a mutual insurance company into a stock insurance company in accordance with Section 31-911 of the D.C. Code and the closing of the Offering shall occur in accordance with this Plan of Conversion. Under the terms of this Plan of Conversion, HoldCo will acquire all of the ACIC Shares. HoldCo thereupon will become the sole shareholder of ACIC and will have all the rights, privileges, immunities and powers and will be subject to all of the duties and liabilities to the extent provided by law of a shareholder of a corporation organized under the laws of the District of Columbia.

14.02 Effect on Existing Policies. Any Policy In Force on the Plan Effective Date will remain In Force under the terms of such Policy, except that the following rights, to the extent they existed in ACIC, shall be extinguished on the Plan Effective Date:

(a) any voting rights of the policyholder provided under or as a result of the Policy;

(b) any right to share in the surplus of ACIC.

14.03 Filing of Plan of Conversion and Amended and Restated Articles. As soon as practicable following (i) the receipt of the Decision and Order, (ii) the Commissioner's determination that all conditions to such approval contained in the Decision and Order have been satisfied, except for those conditions required by the Decision and Order to be satisfied after the Plan Effective Date and with respect to which the Commissioner has received commitments, acceptable to the Commissioner, from ACIC and/or HoldCo to satisfy after the Plan Effective Date, (iii) the adoption of this Plan of Conversion and the Amended and Restated Articles of Incorporation by the Eligible Members as provided in this Plan of Conversion, and (iv) the satisfaction or waiver of all of the conditions contained in this Plan of Conversion, ACIC shall file with the Commissioner (A) the minutes of the Special Meeting, and (B) the Amended and

Restated Articles of Incorporation and the Amended and Restated Bylaws of ACIC (the filing described in clauses (A) and (B), the “Effective Date Filing”).

14.04 Effectiveness of Plan of Conversion.

(a) The “Plan Effective Date” of the Plan of Conversion shall be the date and time as of which all of the following steps have been completed: (i) the Plan of Conversion has been approved by the Commissioner, (ii) the Eligible Members have approved the Plan of Conversion by the requisite vote, (iii) the Amended and Restated Articles of Incorporation have been duly adopted, (iv) the Effective Date Filing shall have been made by ACIC, and (v) the Articles of Incorporation of HoldCo have been filed with the Pennsylvania Secretary of State. Subsequent to the Plan Effective Date, the bylaws of ACIC shall be substantially in the form attached hereto as Exhibit B (the “Amended and Restated Bylaws”). This Plan of Conversion shall be deemed to have become effective at the Effective Time.

(b) At the Effective Time:

(1) ACIC shall by operation of Section 31-911 of the D.C. Code become a stock insurance company;

(2) the Amended and Restated Articles of Incorporation and the Amended and Restated Bylaws shall without further action become effective; and

(3) all of the Membership Interests shall be extinguished.

(c) On the Plan Effective Date:

(1) ACIC shall issue all of the authorized ACIC Shares to HoldCo, representing all of the issued and outstanding common stock of ACIC; and

(2) HoldCo shall issue shares of Common Stock to Persons whose subscriptions and orders were accepted in the Offering.

14.05 Tax Considerations. This Plan of Conversion shall not become effective and the Conversion shall not occur unless, on or prior to the Plan Effective Date, ACIC shall have received a favorable opinion of Stevens & Lee, P.C., special counsel to ACIC, or other nationally-recognized independent tax counsel to ACIC, dated as of the Plan Effective Date, addressed to the Board and in form and substance satisfactory to ACIC, which, notwithstanding any qualifications expressed therein, is substantially to the effect that ACIC will not recognize any gain or loss for U.S. federal income tax purposes as a result of the Conversion.

14.06 Producer. This Plan of Conversion shall not become effective and the Conversion shall not occur unless, on or prior to the Plan Effective Date, HoldCo shall have acquired or shall simultaneously acquire all of the outstanding voting stock of American Risk Management, Inc., a District of Columbia corporation and the controlling producer of ACIC (“ARM”), such that ARM shall on the Plan Effective Date be a wholly-owned subsidiary of HoldCo.

**ARTICLE 15**  
**POLICIES**

15.01 Policies.

(a) For the purposes of this Plan of Conversion, the term “Policy” means each insurance policy that has been issued or will be issued or assumed through assumption reinsurance, if any, by ACIC.

(b) The following policies and contracts shall be deemed not to be Policies for purposes of this Plan of Conversion:

(1) any reinsurance assumed by ACIC as a reinsurer on an indemnity basis (but assumption certificates may constitute Policies if they otherwise fall within the definition of Policies as provided in Section 15.01(a));

(2) all administrative services agreements; and

(3) any policy or contract issued by ACIC and ceded to another insurance company through assumption reinsurance.

15.02 Determination of Ownership. Unless otherwise stated herein, the Owner of any Policy as of any date shall be determined on the basis of the ACIC Records as of such date in accordance with the following provisions:

(a) the Owner shall be the owner of the Policy as shown on the ACIC Records;

(b) an additional insured under a Policy shall not be an Owner of the Policy and shall not be a Member;

(c) except as otherwise set forth in this Section 15.02, the identity of the Owner of a Policy shall be determined without giving effect to any interest of any other Person in such Policy;

(d) in any situation not expressly covered by the foregoing provisions of this Section 15.02, the owner of the Policy, as reflected on the ACIC Records, and as determined in good faith by ACIC, shall conclusively be presumed to be the Owner of such Policy for purposes of this Section 15.02, and except for administrative errors, ACIC shall not be required to examine or consider any other facts or circumstances;

(e) the mailing address of an Owner as of any date for purposes of this Plan of Conversion shall be the Owner’s last known address as shown on the ACIC Records as of such date;

(f) in no event may there be more than one Owner of a Policy, although more than one Person may constitute a single Owner. If a Person owns a Policy with one or more other Persons, they will constitute a single Owner with respect to the Policy; and

(g) any dispute as to the identity of the Owner of a Policy or the right to vote shall be resolved in accordance with the foregoing and such other procedures as ACIC may determine. Any determinations made by ACIC shall be conclusive as between ACIC and any Owner of a Policy or any other Person with an interest therein but shall not preclude any actions among such Persons.

15.03 In Force.

(a) A Policy shall be deemed to be in force ("In Force") as of any date if, as shown in the ACIC Records:

(1) the Policy has been issued or coverage has been bound by ACIC or assumed by ACIC through assumption reinsurance as of such date; and

(2) such Policy has not expired, cancelled, non-renewed or otherwise terminated, provided that a Policy shall be deemed to be In Force after lapse for nonpayment of premiums until expiration of any applicable grace period (or similar period however designated in such Policy) during which the Policy is in full force for its basic benefits.

(b) The date of expiration, cancellation or termination of a Policy shall be as shown on the ACIC Records.

(c) A Policy shall not be deemed to be In Force as of a given date if the Policy is returned to ACIC and all premiums are refunded within thirty (30) days of such date.

(d) Any dispute as to whether a Policy is In Force shall be resolved in accordance with the foregoing.

**ARTICLE 16**  
**SUBSEQUENT POLICYHOLDERS**

16.01 Notice to Subsequent Policyholders. Upon the issuance of a Policy that becomes effective after the Adoption Date and before the Plan Effective Date (excluding renewals of Policies In Force on the Adoption Date), ACIC shall send to the Owner of such Policy (a "Subsequent Policyholder") a written notice regarding this Plan of Conversion in accordance with Section 31-910 of the D.C. Code. Such notice shall specify such Subsequent Policyholder's right to rescind such Policy as provided in Section 16.02 within thirty (30) days after the Plan Effective Date and shall be accompanied by a copy or summary of this Plan of Conversion. The form of such notice shall be filed with and approved by the Commissioner.

16.02 Option to Rescind. Each Subsequent Policyholder shall be entitled to rescind his Policy and receive a full refund of any amounts paid for the Policy within fifteen (15) days after the receipt by ACIC of the notice of rescission by such Subsequent Policyholder. No Subsequent Policyholder, the estate of such Subsequent Policyholder, or any beneficiary under such policy that has made or filed a claim under a Policy will be entitled to rescission or refund of any premiums paid for such policy. If a Subsequent Policyholder rescinds its Policy pursuant to the right described in this Section 16.02, such Subsequent Policyholder, the estate of such



Subsequent Policyholder, or any beneficiary under such policy will have no insurance coverage under such Policy and may not make or file a claim under such Policy.

## **ARTICLE 17** OFFICERS AND TRUSTEES

17.01 Trustees. Each of the members of ACIC's Board immediately prior to the Effective Time shall remain as a Trustee of ACIC as of the Effective Time, and thereafter, HoldCo, as the sole shareholder of ACIC, shall have the right to elect the Trustees of ACIC.

17.02 Officers. The Officers of ACIC immediately prior to the Effective Time shall serve as Officers of ACIC after the Effective Time until new Officers are duly elected pursuant to the Amended and Restated Articles of Incorporation and the Amended and Restated Bylaws.

## **ARTICLE 18** ADDITIONAL PROVISIONS

18.01 Continuation of Corporate Existence. Upon the conversion of ACIC to a stock insurance company in accordance with the terms of this Plan of Conversion and the provisions of Section 31-911 of the D.C. Code:

(a) the corporate existence of ACIC as a mutual insurance company shall be continued in ACIC's corporate existence as a stock insurance company;

(b) all the rights, franchises and interests of ACIC as a mutual insurance company in and to every type of property, real, personal and mixed, and things in action thereunto belonging, shall be deemed transferred to and vested in ACIC as a stock insurance company without any deed or transfer;

(c) ACIC (as converted to a stock insurance company) shall be deemed to have assumed all the obligations and liabilities of ACIC (as the former mutual insurance company);

(d) Except to the extent any surplus note or other convertible instrument is converted to shares of HoldCo common stock in accordance with its terms, all outstanding surplus notes, guaranty fund interests or other surplus debentures issued by ACIC prior to the Effective Time shall remain in full force and effect following the Conversion.

18.02 Conflict of Interest. No Trustee, Officer, agent or Employee of ACIC, or any of its subsidiaries or affiliates or any other person shall receive any fee, commission or other valuable consideration whatsoever, other than his or her usual regular salary and compensation, for in any manner aiding, promoting or assisting in the transactions contemplated by this Plan of Conversion; *provided*, that ACIC may pay reasonable fees and compensation to attorneys, accountants and actuaries for services performed in the independent practice of their professions, even if such attorney, accountant or actuary is also a Trustee or agent of ACIC or any of its subsidiaries.

18.03 Restrictions on Transfer of Common Stock.

(a) All shares of the Common Stock which are purchased in the Offering by Persons other than Trustees and Officers of ACIC or by a Significant Purchaser shall be transferable without restriction. Shares of Common Stock purchased by trustees and Officers of ACIC in the Offering shall be subject to the restriction that such shares shall not be sold for a period of one year following the date of purchase. Shares of Common Stock purchased by a Significant Purchaser shall be subject such restrictions as are set forth in the applicable Stock Purchase Agreement. The shares of Common Stock issued by HoldCo to Officers and trustees of ACIC shall bear the following legend giving appropriate notice of such one year restriction:

The shares represented by this Certificate may not be sold by the registered holder hereof for a period of one year from the date of the issuance printed hereon. This restrictive legend shall be deemed null and void after one year from the date of this Certificate.

In addition, HoldCo shall give appropriate instructions to the transfer agent for its Common Stock with respect to the applicable restrictions relating to the transfer of restricted stock. Any shares issued at a later date as a stock dividend, stock split or otherwise with respect to any such restricted stock shall be subject to the same holding period restrictions as may then be applicable to such restricted stock.

(b) The foregoing restriction on transfer shall be in addition to any restrictions on transfer that may be imposed by federal and state securities laws.

18.04 No Preemptive Rights. No Member or other Person shall have any preemptive right to acquire ACIC shares in connection with this Plan of Conversion.

18.05 Amendment or Withdrawal of Plan of Conversion.

(a) At any time prior to the Plan Effective Date, ACIC may, by resolution of not less than a majority of the Board, amend or withdraw this Plan of Conversion (including the Exhibits hereto). Any amendment shall require the written consent of the Commissioner. No amendment may change the Plan of Conversion after its approval by the Eligible Members in a manner that the Commissioner determines is material unless the Plan of Conversion, as amended, is submitted for reconsideration by the Eligible Members of ACIC pursuant to the provisions of Sections 13.01 and 13.02. No amendment may change the Adoption Date of the Plan of Conversion.

(b) After the Plan Effective Date, the Amended and Restated Articles of Incorporation adopted pursuant to this Plan of Conversion may be amended pursuant to the provisions of such articles of incorporation, the D.C. Code and the statutory provisions generally applicable to the amendment of the articles of incorporation of insurance companies, or such other statutory provisions as may be applicable at the time of the amendment.

18.06 Corrections. Prior to the Plan Effective Date, ACIC, with the prior consent of the Commissioner, may make such modifications as are appropriate to correct errors, cure

ambiguities, clarify existing items or make additions to correct manifest omissions in this Plan of Conversion or any exhibits hereto.

18.07 Notices. If ACIC complies substantially and in good faith with the notice requirements of the Demutualization Act with respect to the giving of any required notice to Members, the failure of ACIC to give any Member any required notice does not impair the validity of any action taken under the Demutualization Act.

18.08 Limitation of Actions. Any action or proceeding challenging the validity of or arising out of acts taken or proposed to be taken pursuant to the Demutualization Act shall be commenced within 30 days after the Plan Effective Date. No Person shall have any rights or claims against ACIC or its Board based upon the withdrawal or termination of this Plan of Conversion.

18.09 Costs and Expenses. All the costs and expenses related to the Plan of Conversion, including the costs of outside advisors and consultants of the regulatory agencies, shall be borne, directly or indirectly, by ACIC or HoldCo.

18.10 Headings. Article and Section headings contained in this Plan of Conversion are for convenience only and shall not be considered in construing or interpreting any of the provisions hereof.

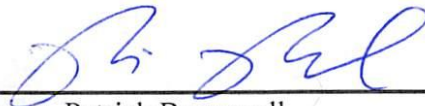
18.11 Governing Law. The Plan of Conversion shall be governed by and construed in accordance with the laws of the District of Columbia, without regard to such State's principles of conflicts of law.

18.12 Limitation on Acquisition of Shares of Common Stock. In accordance with Section 31-906(l) of the D.C. Code, no person or group of persons acting in concert may acquire more than 5% of the outstanding shares of Common Stock, through a public offering or subscription rights, for a period of five (5) years after the Effective Time without the prior approval of the Commissioner.

*[Remainder of this page intentionally left blank]*

IN WITNESS WHEREOF, ACIC by authority of its Board, has caused this Plan of Conversion to be duly executed as of the day and year first above written.

Amalgamated Casualty Insurance Company

By:   
Name: Patrick Bracewell  
Title: Chairman and Chief Executive Officer

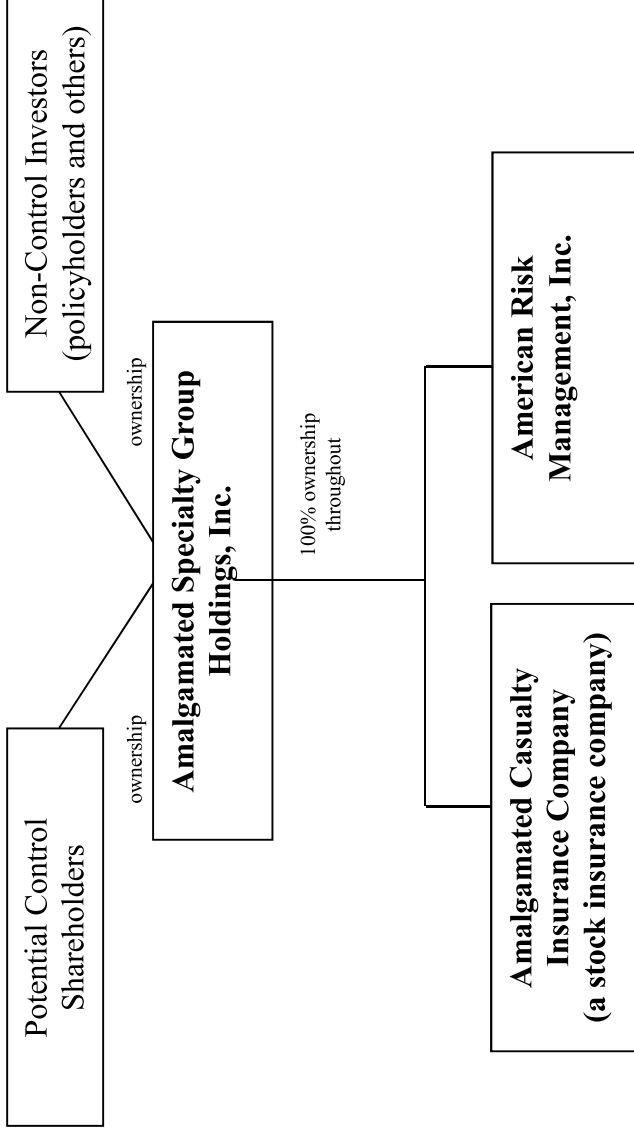
# **Amalgamated Casualty Insurance Company Demutualization**

**Exhibit II  
To  
Demutualization Application Filed with the  
Department of Insurance, Securities and  
Banking:**

***Organization Chart***

**See Attached**

**AMALGAMATED CASUALTY INSURANCE COMPANY  
POST-DEMUTUALIZATION ORGANIZATIONAL CHART**



**Amalgamated Casualty Insurance Company  
Demutualization**

**Exhibit III**

**To**

**Demutualization Application Filed with the  
Department of Insurance, Securities and  
Banking:**

***Fairness Opinion (Regarding the Acquisition  
of American Risk Management, Inc.)***

**See Attached**



620 Freedom Business Center  
Suite 210  
King of Prussia, PA 19406

PHONE (610) 205-6028  
EMAIL JPW@griffinfinancial.com

February \_\_, 2021

Special Committee of  
Amalgamated Specialty Group Holdings, Inc.  
8401 Connecticut Avenue  
Suite 105  
Chevy Chase, MD 20815  
Attention: Mr. Jason Wolfe, Chair

Members of the Special Committee:

You have requested our opinion as to the fairness, from a financial point of view, to Amalgamated Specialty Group Holdings, Inc. (“ASGH” or the “Company”) of the proposed consideration (as defined below) to be paid in the proposed acquisition of American Risk Management, Inc. (“ARM” or the “Seller”) by the Company.

The Company is a holding company newly formed for the purpose of offering stock to the policyholders of Amalgamated Casualty Insurance Company (“ACIC”) and other investors in connection with the mutual to stock conversion of ACIC. Simultaneously with such conversion, the Company will acquire from MCW Holdings, Inc. (“MCW”) all the capital stock of American Risk Management, Inc. (“ARM”) in exchange for preferred stock of ASGH and the assumption of MCW debt (the “Transaction”). ARM acts as an insurance producer for ACIC.

The consideration to be paid by the Company to MCW for the acquisition of ARM is \$6.9 million that consists of (i) the assumption by ASGH of MCW debt in the amount of \$1.4 million, and (ii) the issuance by ASGH to MCW of \$5.5 million of convertible preferred stock of ASGH (the “Consideration”). The terms and conditions of the Transaction are more fully described in the Agreement.

In arriving at our opinion, we: (i) reviewed a draft of the Stock Purchase Agreement between ASGH and MCW; (ii) reviewed and discussed with the Seller and the Company certain business and financial information concerning the Seller and the Company, including forward-looking projections for ARM and ACIC prepared by their respective managements and reviewed by the ACIC board of trustees, (iii) the economic and regulatory environments in which the Seller and the Company operate; (iv) reviewed and discussed with the Company and the Seller their respective financial information as of and for the nine month period ended September 30, 2020 and the 12 month periods ended December 31, 2019 and December 31, 2018; (v) discussed with the management of the Company and the Seller matters relating to their respective financial





The Special Committee  
Amalgamated Specialty Group Holdings, Inc.  
February \_\_, 2021  
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condition, liquidity, net income, capital adequacy and related matters as of such dates and for the periods then ended; (vi) compared the proposed financial terms of the Transaction with the publicly available financial terms of certain transactions involving insurance brokers during such time frames as we deemed relevant; (vii) compared the financial condition and the implied valuation of the Seller to the financial condition and valuation of certain institutions we deemed relevant; (viii) considered the unaffiliated third-party bid the Seller received; and (ix) performed such other financial studies and analyses and considered such other information as we deemed appropriate for the purpose of this opinion.

In addition, we have held discussions with certain members of the management of the Company and the Seller with respect to certain aspects of the Transaction, including past and current business operations, the impact of the COVID-19 pandemic, regulatory relations, financial condition, capital policies, market opportunities, and other matters that we deemed appropriate for the purpose of this opinion.

In providing our opinion, we have relied upon and assumed the accuracy and completeness of information that was publicly available to us or that was furnished to or discussed with us by the Company or the Seller or otherwise reviewed by or for us, and we have not independently verified (nor have we assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. We have not conducted or been provided with any valuation or appraisal of any assets or liabilities of the Company or the Seller, other than a draft of the appraisal prepared of ACIC in connection with its proposed mutual to stock conversion. In relying on financial analyses and projections provided to or discussed with us by the Company and the Seller or derived therefrom, we have assumed that such analyses and projections have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management and the ACIC board of trustees. We express no view as to any analyses, forecasts, estimates, or the assumptions on which they were based. Our review of the Company and its ability to complete the Transaction was limited to publicly available information, certain management information and a discussion with the management of the Company and the Seller regarding the past and current business operations, financial condition and future prospects of the Company and the Seller.

We have also assumed that the representations and warranties made by the Company and the Seller in the Agreement are and will be true and correct in all respects material to our analyses, that the covenants and conditions precedent to closing the Transaction contained therein, including approval by the parties' regulators and completion of the related conversion, will be performed in all respects material to our analyses in a manner that will not give the Company or the Seller the ability to terminate the Agreement or decline to close under the Agreement. We are not legal,



The Special Committee  
Amalgamated Specialty Group Holdings, Inc.  
February \_\_, 2021  
Page 3

regulatory or tax experts and have relied on the assessments made by advisors to the Company with respect to such issues. We have further assumed that all material governmental, regulatory and any other consents and approvals necessary for the completion of the Transaction will be obtained without any adverse effect to the Company or the Seller or to the contemplated benefits of the Transaction. Our opinion assumes, with your consent, that the Transaction will be completed substantially in accordance with the terms set forth in the draft of the Agreement we reviewed.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of January 23, 2021. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise, confirm or reaffirm this opinion. Our opinion is limited to the fairness, from a financial point of view, to the Company with regard to the Consideration paid by the Company in the Transaction and we express no opinion as to the fairness of the Transaction to other stakeholders of the Company or as to the underlying decision by the Company to engage in the Transaction, the relative merits of the Transaction compared to other Transactions available to the Company, or the relative merits of the Transaction compared to other strategic alternatives that may be available to the Company.

We have acted as the financial advisor to the Company with respect to the proposed Transaction and will receive a fee from the Company for the fairness opinion. We have also been engaged to act as financial advisor and placement agent to ACIC in connection with its mutual to stock conversion (“the Conversion”) and will receive a fee from ACIC upon completion of the conversion, a substantial portion of which will become payable only if the conversion is completed and the Company has agreed to indemnify us for certain liabilities that could arise as a result of our engagement. In addition, we were engaged by MCW and ARM to act as financial advisor in connection with the sale of ARM to the Company whereby, simultaneously with the acquisition of ARM, an unaffiliated third-party investor would become a majority investor in the conversion of ACIC. This engagement was terminated; however, we did receive an initial payment upon execution of the engagement letter.

On the basis of and subject to the foregoing, it is our opinion that, as of January 23, 2021, the Consideration paid by the Company for the acquisition of ARM is fair, from a financial point of view, to the Company.

The delivery of this opinion has been approved by the fairness opinion committee of Griffin Financial Group, LLC in conformity with our policies and procedures established under the requirement of Rule 5150 of the Financial Industry Regulatory Authority. This letter is provided



The Special Committee  
Amalgamated Specialty Group Holdings, Inc.  
February \_\_, 2021  
Page 4

to the Special Committee of the Company in connection with and for the purposes of its evaluation of the Transaction and may not be relied upon by any other person for any other reason. This opinion does not constitute a recommendation to any member of the Committee as to how such member should vote with respect to the Transaction or any other matter. This opinion speaks as of January 23, 2021 and we have no obligation to update, confirm, or revise it. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written approval. This opinion may, however, be (i) delivered to the District of Columbia Department of Insurance, Securities and Banking in connection with its review of the conversion application of ACIC, and (ii) reproduced in any offering circular mailed to policyholders of ACIC provided that such reproduction is legally required, the opinion is reproduced in such document in its entirety, and such document includes a summary of the opinion and related analyses in a form prepared or approved by us (such approval not to be unreasonably withheld), but may not otherwise be disclosed publicly in any manner without our prior written approval.

Very truly yours,

*Griffin Financial Group, LLC*

GRIFFIN FINANCIAL GROUP LLC

# **Amalgamated Casualty Insurance Company Demutualization**

**Exhibit IV**

**To**

**Demutualization Application Filed with the  
Department of Insurance, Securities and  
Banking:**

***Presentation (Regarding the Value of  
American Risk Management, Inc.)***

**See Attached**



## **Fairness Opinion Presentation**

# Preface

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## **I. Purpose of Presentation and Background**



# Purpose of Presentation

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- ◆ Amalgamated Specialty Holdings Group, Inc. (“ASGH”) is a newly formed Pennsylvania corporation that will become the holding company of Amalgamated Casualty Insurance Company (“ACIC”) upon the completion of the mutual to stock conversion of ACIC in accordance with the laws of the District of Columbia, its domiciliary
  - The conversion of ACIC is subject to the approval of the District of Columbia Department of Insurance, Securities and Banking (the “DISB”)
- ◆ Simultaneously with the completion of the conversion of ACIC, ASGH will acquire American Risk Management, Inc. (“ARM”), an agency controlled by the Chairman and CEO of ACIC and his family
  - Patrick J. Bracewell is the Chairman and CEO of ACIC and ASGH and the 73% owner of MCW Holdings, Inc. (“MCW”), the sole shareholder of ARM
  - Joseph S. Bracewell is the father of Patrick Bracewell, is on the board of ACIC and ASGH, and owns 21% of MCW
  - The balance of MCW is owned by siblings of Patrick Bracewell
- ◆ The special committee of Amalgamated Specialty Holdings Group, Inc., consisting of three independent directors, has requested a fairness opinion with respect to ASGH’s acquisition of ARM
- ◆ The need for and rationale for the fairness opinion request is as follows:
  - The transaction is a related party transaction
    - As described in more detail in this presentation, the transaction as originally conceived included an unaffiliated third party standby investor who negotiated the price of ARM and therefore provided price discovery. Therefore, no fairness opinion was contemplated as part of the original transaction
    - ACIC has elected not to further engage with the standby investor and therefore the arms length nature of the ARM acquisition has been eliminated and the transaction is now clearly a related party transaction
  - Although no shareholders of ASGH exist prior to completion of the conversion, the acquisition by ASGH of ARM will be disclosed in the offering circular, including the terms of the transaction, a description of the fairness opinion and pro forma financial information
  - The DISB application has not yet been filed and therefore the DISB has not requested a fairness opinion, but it is possible and perhaps even likely that it would do so

# Background

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- ◆ ACIC’s board had been engaged in discussions with Mutual Group Investors (“MGI”), led by Matt Popoli, CEO of Insurance Capital Group, and Jay Chadwick, CEO of Tuscarora Wayne Mutual Group, Inc., whereby MGI would sponsor the demutualization of ACIC by acting as the exclusive standby investor in the subscription rights conversion and initial public offering of Amalgamated Specialty Group Holdings, Inc. (“ASGH”), a Pennsylvania holding company newly formed for the purpose of offering stock to the policyholders of ACIC and other investors in connection with the mutual to stock conversion of ACIC
  
- ◆ Simultaneously with such conversion, ASGH would acquire from MCW Holdings, Inc. (“MCW”) all the capital stock of ARM, ACIC’s affiliated agency
  - A letter of intent between MGI and ACIC, ARM and MCW was executed in September 2020
  - Definitive agreements were drafted
  - In December 2020, ACIC had a change of heart and the transaction was abandoned; LOIs expired December 23, 2020
  
- ◆ In September 2020, Griffin was engaged by ACIC to act as financial advisor and placement agent for ACIC in connection with its mutual to stock conversion
  - Griffin fees are equal to (i) 2.0% of the aggregate dollar amount of ACIC stock offered and sold in the conversion to policyholders, or ACIC directors, officers and employees, and (ii) 6.25% of the aggregate dollar amount of ACIC stock offered and sold to the standby investor or any purchasers of ACIC stock other than policyholder, directors, officers and employees of ACIC
  
- ◆ In September 2020, Griffin was also engaged by MCW/ARM to act as financial advisor in connection with the sale by MCW of ARM to ASGH
  - Griffin’s fee for such services was \$50,000 with an initial payment made upon execution of the Engagement Letter and the balance due and payable upon execution of a definitive agreement with the standby investor, which has now been abandoned
    - This engagement letter has now been terminated

# Purpose of Presentation

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- ◆ On December 22, 2020, the ACIC board confirmed its intent to proceed with a modified conversion transaction with no majority standby investors. However, there could potentially be minority standby investors
- ◆ Because there is no unaffiliated third party to the ASGH acquisition of ARM, the ASGH Board of Directors delegated the evaluation of the ARM transaction to the Special Committee that consists of three independent directors:
  - Jason Wolfe, investment banker
  - James Roumell, asset manager
  - Shaza Andersen, bank president
- ◆ The Special Committee will decide whether or not to recommend the ARM acquisition to the full six member board
  - If recommended to the board, the full board will approve the acquisition with Patrick Bracewell and Joseph Bracewell abstaining
- ◆ On January 19, 2021, Griffin was engaged by the Special Committee (the “Committee”) of ASGH to act as financial advisor and provide to the Board of Directors of the Company a written opinion as to whether or not the consideration to be exchanged for ARM is fair, from a financial point of view, to ASGH
  - Griffin’s fee for performing such services is an amount equal to \$75,000 payable as follows: (i) \$25,000 upon execution of the engagement letter, and (ii) \$50,000 upon delivery of the Fairness Opinion



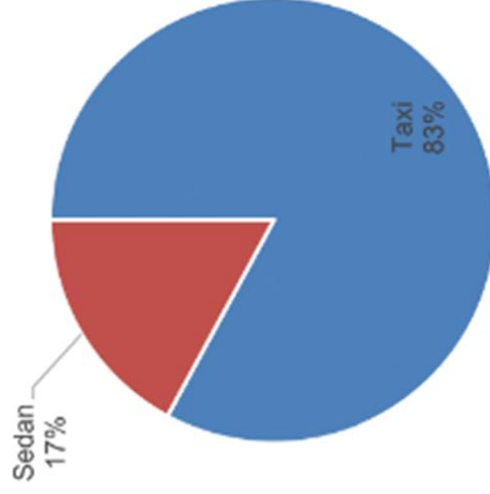
## **II. Overview of American Risk Management, Inc. and Amalgamated Casualty Insurance Company**

# Overview of Amalgamated Casualty Insurance Company

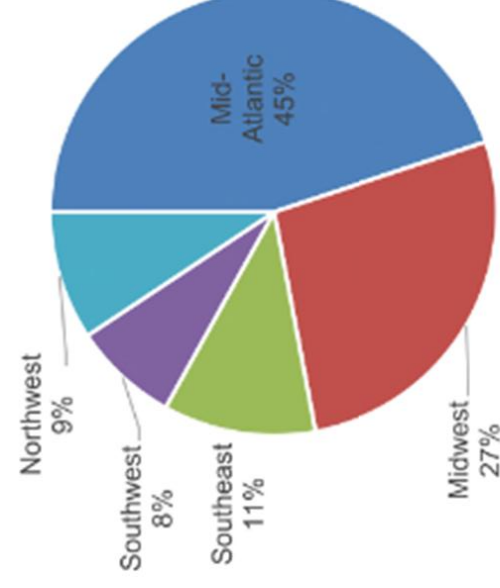


- ◆ Amalgamated Casualty Insurance Company, headquartered in the Washington, D.C. Metropolitan area, is a mutual insurance company focused on providing commercial auto liability and physical damage coverage to taxicabs, livery (black car) services and other vehicles for hire
  - ACIC was incorporated as a mutual insurance company on August 2, 1938 in the District of Columbia
  - ACIC has a long history of writing and managing commercial auto business and writes almost all of its premium through ARM – a relationship with roots back to 1938
  - ACIC is licensed to write business in 30 states, but is actively writing in 13 states
  - Rated “B++” by A.M. Best and “A” by Demotech

In-Force Business by Vehicle Type



In-Force Business by Region



(1) Based on state-wide historical loss ratios for commercial auto segment. See state segmentation (tiering) analysis in subsequent section.  
(2) States include: DC, MD, VA (Mid-Atlantic), IN, MN, MO, OH, WI (Midwest), SC, TN (Southeast), TX, OK (Southwest), OR (Northwest).





# ACIC Historic STAT Financial Highlights



	2016Y	2017Y	2018Y	2019Y	YTD 9/30/20
<b>Summary Balance Sheet</b>					
Total Cash and Investments	51,921	53,996	51,070	49,825	49,084
Total Assets	56,744	59,711	55,647	55,496	53,179
Loss Reserves	5,028	6,241	9,117	9,499	8,016
Loss Adjustment Expense Reserves	1,202	1,864	2,759	2,083	1,906
Total Loss and LAE Reserves	6,230	8,106	11,877	11,582	9,922
Unearned Premium Reserve	3,691	5,189	4,383	5,250	3,431
Total Liabilities	13,923	17,093	19,431	20,310	16,868
Capital and Surplus	42,821	42,618	36,216	35,186	36,312
<b>Summary Income Statement</b>					
Direct Premiums Written	12,144	14,022	12,190	13,128	4,524
Net Reinsurance Premiums	(688)	(617)	(521)	(533)	(172)
Net Premiums Written	11,456	13,404	11,669	12,595	4,352
Net Premiums Earned	9,511	11,906	12,476	11,728	6,171
Net Loss and LAE Incurred	6,735	11,428	14,250	8,829	2,721
Net Underwriting Expense Incurred	3,337	4,449	5,142	5,480	2,969
Policyholder Dividends (PHD)	0	0	0	0	0
Net Underwriting Gain (Loss)	(561)	(3,971)	(6,916)	(2,580)	481
Net Investment Income	970	841	1,371	1,516	1,093
Net Realized Capital Gains (Losses)	4	372	690	(214)	5
Income Tax	3	0	0	0	0
Net Income	450	(2,709)	(4,793)	(1,212)	1,512
Pre-tax Operating Income	449	(3,081)	(5,483)	(999)	1,507
<b>Operating Ratios (%)</b>					
Growth Rate - Direct Premiums Written	31.50	15.46	(13.06)	7.70	(55.56)
Growth Rate - Net Premiums Written	27.80	17.01	(12.94)	7.93	(55.41)
Loss and LAE Ratio	70.81	95.98	114.22	75.28	44.09
Expense Ratio	29.13	33.19	44.06	43.51	68.21
Combined Ratio	99.94	129.18	158.29	118.79	112.30
Operating Ratio	89.74	122.11	147.29	105.86	94.60
Net Yield on Invested Assets	1.90	1.61	2.61	3.01	2.97
Return on Average Equity (C&S)	1.06	(6.35)	(11.79)	(3.45)	5.75
<b>Capital, Leverage and Liquidity (%)</b>					
Net Premiums Written / Avg C&S	26.99	31.43	28.70	35.83	16.55

- ◆ ACIC has experienced a significant decline in in-force premium and the associated revenue stream due to the coronavirus pandemic stay-at-home orders and resulting reduction in travel
- ◆ In-force premium declined from approximately \$12.2 million at February 29, 2020 to approximately \$7.5 million at May 15, 2020, or a decline of ~39% in overall in-force premium
  - During this period, the number of insured vehicles declined approximately 31%
- ◆ Continuing operations totaled approximately \$7.8 million of in-force premium across five regions and 13 states as of October 28, 2020
- ◆ ACI experienced significant losses in 2017 – 2019 as a result of state expansion and expansion into non-emergency medical transportation vehicles
- ◆ In 2019, management retrenched, abandoning certain states and the non-emergency medical line as well as reducing staff
- ◆ ACIC has returned to profitability

Source: S&P Market Intelligence

# Overview of American Risk Management, Inc.



- ◆ American Risk Management, Inc. (“ARM”), headquartered in Chevy Chase, Maryland and dba Amalgamated Risk Services, is a licensed insurance producer focused on specialty commercial auto insurance and an affiliated agency of ACIC
  - ARM is not a Managing General Agent – it does not perform any underwriting or claims administration; these functions are performed by ACIC
  - ARM receives commissions in the amount of 18.3% of all premium collected related to ACIC’s commercial auto business
    - This commission rate is relatively high compared to commercial auto premiums generally
  - ARM pays sub-brokers approximately 9% commissions

## ARM Business Operations

<p><b>Retail Operations</b></p> <ul style="list-style-type: none"><li>• DC Metropolitan Area (DC, MD, VA)</li><li>• Business transacted in home office</li><li>• Legacy business</li></ul> <p><b><u>Principal Functions</u></b></p> <ul style="list-style-type: none"><li>• Solicit customers directly</li><li>• Review coverage options</li><li>• Submit applications to carriers (principally ACIC)</li></ul>
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<p><b>Brokerage (Wholesale) Operations</b></p> <ul style="list-style-type: none"><li>• Outside DC Metropolitan Area</li><li>• Business transacted in broker’s office</li><li>• Principal method of business solicitation in areas outside Metro DC</li></ul> <p><b><u>Principal Functions</u></b></p> <ul style="list-style-type: none"><li>• Identify brokers (sub-producers)</li><li>• Vet brokers (e.g. background checks, etc.)</li><li>• Negotiate and execute brokerage agreement</li><li>• Educate brokers as to ACIC products</li><li>• Train brokers on online submission portal</li><li>• Provide marketing materials as needed</li><li>• Assist with processing applications submissions</li><li>• Bill policyholders</li><li>• Collect premium from policyholders</li><li>• Pay commissions to brokers</li></ul>
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# ARM Historic Adjusted EBITDA



Period	2016	2017	2018	2019	2020E
<b>Revenue</b>					
Revenue	1,899,673	2,329,899	2,369,457	2,272,853	1,360,082
<b>Total Revenue</b>	<b>1,899,673</b>	<b>2,329,899</b>	<b>2,369,457</b>	<b>2,272,853</b>	<b>1,360,082</b>
<b>Operating Expenses</b>					
Advertising	413	1,787	180	240	-
Bank Charges	2,346	2,197	1,746	2,105	2,043
Charitable Contributions	700	-	500	-	-
Commissions Paid to Sub-Producers	476,779	828,553	916,411	999,100	604,740
Credit Card Fees (Payment Processing)	33,083	39,778	26,428	18,764	14,343
Dues and Subscriptions	-	-	351	57	777
Insurance	6,460	8,770	4,102	8,623	10,302
Licenses	8,473	16,902	9,387	8,187	5,236
Meals & Entertainment	470	1,186	246	225	-
Occupancy (Cost-Sharing with ACIC)	33,705	29,275	29,860	30,106	26,565
Office Expense	9,029	7,077	5,102	3,432	3,119
Officer Salaries	120,000	120,000	120,000	120,000	86,889
Payroll Fees	1,447	1,412	1,554	1,185	1,562
Payroll Taxes	25,372	24,732	21,555	17,010	11,843
Other Taxes	1,139	1,375	5,035	3,796	828
Professional Fees	41,367	47,214	62,415	62,299	74,357
Staff Salaries	234,730	184,937	142,500	90,375	61,694
Telecommunications	209	-	-	-	1,500
Travel	1,341	2,180	-	2,088	942
Website Expense	1,561	221	348	409	1,472
<b>Total Operating Expenses</b>	<b>998,624</b>	<b>1,317,596</b>	<b>1,347,720</b>	<b>1,368,001</b>	<b>908,212</b>
<b>EBITDA</b>	<b>901,049</b>	<b>1,012,303</b>	<b>1,021,737</b>	<b>904,852</b>	<b>451,870</b>
<b>Adjustments</b>					
Officer & Staff Salaries <sup>(1)</sup>	219,730	169,937	127,500	75,375	13,583
Option Expense <sup>(2)</sup>	93,198	-	-	-	-
Tax Liability Assistance Payment <sup>(3)</sup>	-	47,437	-	-	-
<b>Total</b>	<b>312,928</b>	<b>217,374</b>	<b>127,500</b>	<b>75,375</b>	<b>13,583</b>
<b>Adj. EBITDA</b>	<b>1,213,977</b>	<b>1,229,677</b>	<b>1,149,237</b>	<b>980,227</b>	<b>465,453</b>

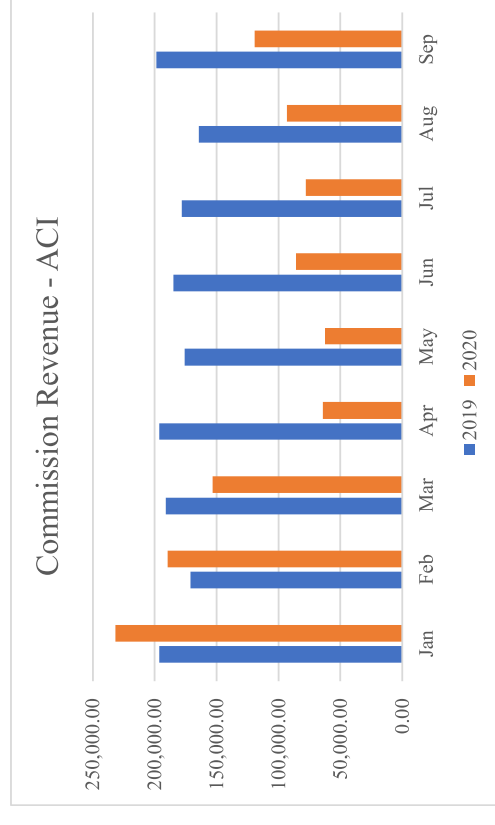
(1) Adjusted to reflect only current staffing (President, Patrick Bracewell, is sole employee); annual salary \$135,000

(2) Non-cash option expense of \$93,198 in 2016 from options granted to prior executive

(3) Tax liability assistance payment of \$47,437 in 2017 related to options exercised by prior executive

- ARM has experienced a significant decline in policies sold and the associated revenue stream as a result of the coronavirus pandemic

- ACIC's in-force premium declined from approximately \$12.2 million at February 29, 2020 to approximately \$7.5 million at May 15, 2020, or a decline of ~39%
- During this period, ACIC experienced a decline in the number of insured vehicles of ~31%
- Since May 2020, commission income has been slowing rebounding, but still below 2019 levels as illustrated in the chart below





# MCW Historic Balance Sheet



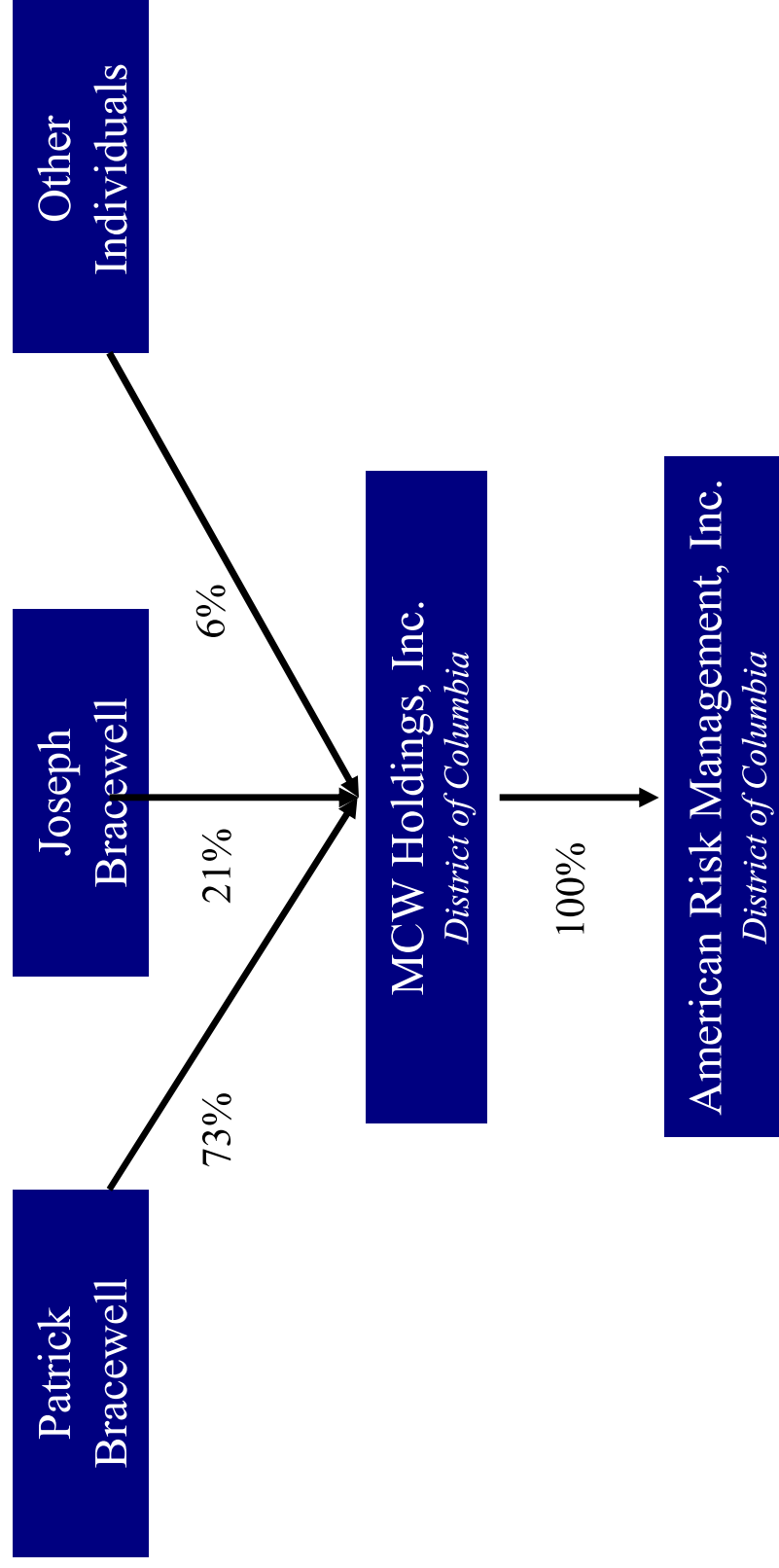
## MCW Holdings, Inc. and Subsidiary

	December 31		September 30	
	2018	2019	2018	2020
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 195,851	\$ 235,640	\$ 219,604	
Restricted cash	833,834	881,799	753,940	
Prepaid expenses	5,097	4,637	464	
Related party receivables	-	12	130,012	
Other receivables	6,339	48,826	44,398	
Total current assets	<u>1,041,121</u>	<u>1,170,914</u>	<u>1,148,418</u>	
<b>Other assets</b>				
Notes receivable	30,000	35,000	37,000	
Investments	(12,756)	(12,196)	18,332	
Goodwill	4,609,664	4,609,664	4,609,664	
Total other assets	<u>4,626,908</u>	<u>4,632,468</u>	<u>4,664,996</u>	
Total assets	<u>\$ 5,668,029</u>	<u>\$ 5,803,382</u>	<u>\$ 5,813,414</u>	
<b>Liabilities and stockholders' equity</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 65,313	\$ 82,577	\$ 58,454	
Accrued occupancy payable	29,860	30,106	20,224	
Accrued interest	5,332	4,810	4,261	
Due to stockholder	630	-	-	
Credit card payable	-	-	1,543	
Premiums collected and payable	833,834	881,799	753,940	
PPP loan payable	-	-	39,600	
Note payable, current portion	128,834	135,114	140,024	
Total current liabilities	<u>1,063,803</u>	<u>1,134,406</u>	<u>1,018,046</u>	
<b>Long-term liabilities</b>				
Note payable, net of current portion	1,180,850	1,047,787	943,882	
Note payable, stockholder	-	425,000	425,000	
Total long-term liabilities	<u>1,180,850</u>	<u>1,472,787</u>	<u>1,368,882</u>	
Total liabilities	<u>2,244,653</u>	<u>2,607,193</u>	<u>2,386,928</u>	
<b>Stockholders' equity</b>				
Stockholders' equity	3,423,376	3,196,189	3,426,486	
Total liabilities and stockholders' equity	<u>\$ 5,668,029</u>	<u>\$ 5,803,382</u>	<u>\$ 5,813,414</u>	

Source: Company documents

# ARM Ownership Structure

- ◆ MCW was formed for the sole purpose of acquiring ARM
  - MCW acquired ARM for \$4.5 million in 2011
- ◆ MCW owns 100% of the voting securities of ARM. MCW's voting securities are owned by the following: Patrick Bracewell (73%), Joseph Bracewell (21%), and other members of the Bracewell family (6%)



- ◆ Patrick Bracewell, majority owner of MCW, is Chairman and President of ACIC
- ◆ Joseph Bracewell, minority owner of MCW, is a member of the board of ACIC and father of Patrick Bracewell

# Holding Company System

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- ◆ The DISB has determined that ACIC and ARM are part of a holding company system. In addition, ACIC has been deemed to be a producer-controlled insurance company
- ◆ ARM is owned by MCW which serves as the ultimate controlling person in the holding company system and has filed holding company registration statements with the DISB since 2011
- ◆ Patrick Bracewell, majority owner of MCW, serves as Chairman and President of both ACIC and ARM
- ◆ A non-exclusive agency agreement between ACIC and ARM has been effective since October 1, 2011. Under the agreement, ARM is authorized to solicit business, issue policies and collect premiums for remittance to ACIC
- ◆ ARM and ACIC also have a cost-sharing agreement, effective since October 1, 2011, whereby ARM operates in the offices of ACIC and uses one of ACIC’s employees to assist in performing its agency function
  - ARM reimburses ACIC for 10% of the shared resources, office expenses, and shared personnel
- ◆ Stringent regulatory compliance and corporate governance requirements apply to an insurance company that is deemed to operate within a holding company system and that is deemed to be producer-controlled insurance company, including:
  - File annual holding company registration statement
  - At least one-third independent directors on board
  - Establish an investment committee
  - Establish an audit committee comprised solely of independent trustees
- ◆ The relationship between ACIC and ARM, is an arrangement that originated in the 1930s and has been “grandfathered”. It is unusual and would not likely be approved in the current regulatory environment



### **III. Transaction Overview**

# Proposed Transaction

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- ◆ The original price for ARM, negotiated with the standby investor, was \$6.6 million and comprised of the following:
  - \$1.5 million assumption of MCW debt;
  - \$2.5 million in cash;
  - 10% of ASGH shares outstanding (pro forma for conversion offering and ARM acquisition)
    - At the anticipated appraisal value of \$23.8 million <sup>(1)</sup> – stock portion equal to \$2.6 million
- ◆ Although this transaction was ultimately abandoned, the price negotiated with the standby investor provides third party price discovery
- ◆ The current proposed consideration for ARM is \$6.9 million, comprised of:
  - \$1.4 million assumption of MCW debt;
  - \$5.5 million of convertible preferred stock of ASGH
    - Terms of the preferred stock:
      - 8.50% cumulative, perpetual, voting, convertible preferred
      - Dividend payable quarterly
      - MCW will be the holder
      - Convertible upon 30 days notice at the option of the holder at \$12.00 per share (120% of IPO price), or 458,333 shares
      - Redeemable by the issuer at anytime on or after year 10; no put right on the part of the holder
      - Votes with the common share(s) on an as converted basis (458,333 common shares) on all matters
      - Liquidation preference equal to face value of \$5.5 million

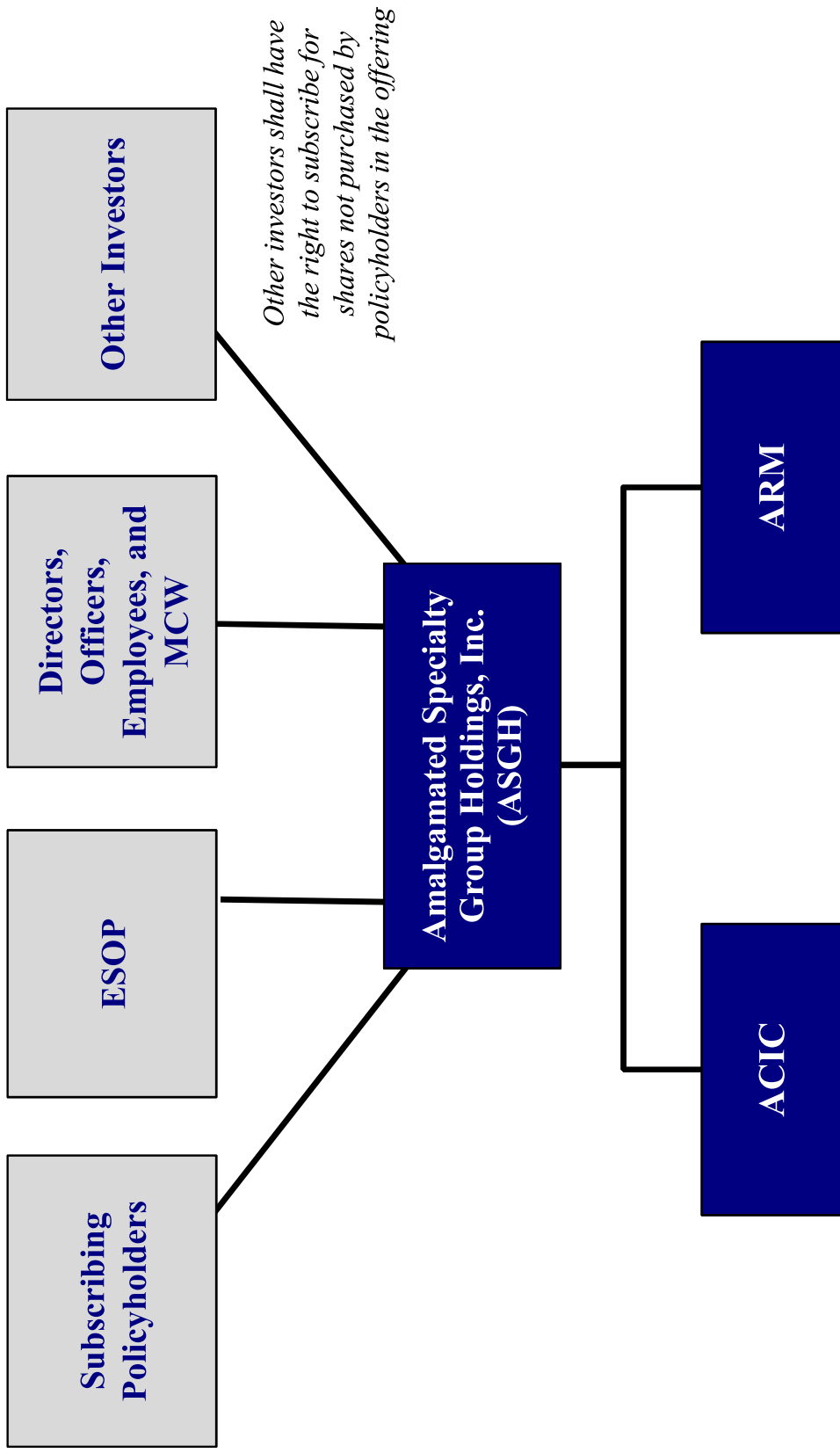
<sup>(1)</sup> Minimum appraisal value is taken from the draft appraisal report on ACIC prepared by Boenning & Scattergood. The appraisal has not been completed and will likely be lower because of the addition of conversion plan features, such as, an ESOP and valuation of rights, that the standby investor would likely not have accepted

# Strategic Rationale of Transaction

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- ◆ The strategic rationale for combining ACIC and ARM within a single corporate holding company includes:
  - Simplification of corporate structure and consolidates under common ownership two businesses that have been “sister companies” since 1938
  - Eliminates a disfavored structure from a regulatory perspective
  - Eliminates potential conflicts of interest – aligns interests among MCW, Mr. Bracewell’s personal interests and ASGH
  - ARM will be accretive to ASGH earnings and the long-term value of ASGH

# Post-Transaction Organizational Structure





### **III. Assessment of Consideration**



# Assessment of Consideration

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- ◆ **Stand alone valuation** - what is ARM worth as a going concern?
  - The comparable public company analysis approach provides a basis for determining estimates of going-concern valuations where a regular and active market exists for the stocks of the peer institutions. The comparable public company analysis approach was utilized in determining the estimated value of the Company because reliable market and financial data are readily available for comparable companies, and the comparable public company analysis method has been widely accepted as a valuation approach. The comparable public company analysis approach derives valuation benchmarks from the trading patterns of selected peer companies that due to certain factors such as financial performance and operating strategies help estimate the potential value of the Company
    - Size Discount – none of the publicly traded companies are true comparables to ARM due to, among other reasons, the captive relationship between ARM and ACIC, the public companies’ greater size and scale as measured by revenue and EBITDA, as well as performance differences, market areas and mix of products. Since there is no true comparable we must apply a size discount to make the comparable company metrics applicable to the Company. The size discount is derived from a Pepperdine University Survey regarding transaction multiples on deals in the past 12 months. Using this survey we came to a 55% size discount that we will apply to the comparable public company analysis metrics when valuing the Company
    - Control Premium – with a comparable transaction analysis, there is always an inherent premium over the current market price included in the deal value when a buyer is acquiring a controlling stake in a company. In our experience this averages 20%. We have applied this control premium of 20% to the comparable company analysis metrics when valuing the Company
  - The discounted cash flow analysis approach provides a basis for determining estimates of value using projections of financial results prepared by the Company and reviewed by ACIC’s board of trustees. This valuation approach does not use market data to arrive at the valuation estimate. It is an intrinsic valuation technique where the present value of future cash flows is calculated and used to arrive an estimated value of the Company
    - Our analysis assumes a discount rate of 12.04% for ARM reflects a normalized risk-free rate of 2.50%, a long term equity risk premium (ERP) of 5.5%, a size premium of 4.99% (all per Duff & Phelps guidance as of December 9, 2020) and a three-year beta of .82699 on SNL’s U.S. Insurance Broker index

- ◆ **Change of control valuation** – what would ARM be worth to a partner in a change of control?
  - The comparable transaction analysis approach provides a basis for determining estimates of going-concern valuations where a regular and active market exists for transactions involving peer institutions as the target of the transaction. The comparable transaction analysis approach was utilized in determining the estimated enterprise value of the Company because reliable market and financial data are readily available for comparable transactions, and the comparable transaction analysis has been widely accepted as a valuation approach. The comparable transaction analysis approach derives valuation from the deal valuation data of selected transactions that have peer institutions as the target of the transactions. This deal valuation data from the comparable transactions helps estimate the potential value of the Company; however, none of the target companies are true comparables to ARM due to, among other reasons, the captive relationship between ARM and ACIC, and the target companies’ greater size and scale as measured by revenue and EBITDA. In addition, very few transactions disclose pricing metrics
  - Because ARM’s financial results were negatively impacted in 2020 due to the coronavirus pandemic. Therefore, the comparable company and comparable transaction multiples have been applied to ARM’s revenue and EBITDA for multiple time periods, based upon the assumption that premium volume will return to the historical level and it would be inappropriate to value ARM solely on 2020 performance. The relevant time periods evaluated were:
    - estimated 2020,
    - last-twelve months as of September 30, 2020,
    - actual 2019, and
    - average of 2017 through 2019

# Comparable Company Analysis



Twelve Months Ended September 30, 2020

Institution Name	Ticker	Broker		Net Income (\$'000)	EBITDA (\$'000)	Commissions / Total Revenue (%)	Market Capitalization (\$M)	Market Cap/ Total Revenue (x)	Price/ Earnings (x)	Price/ EBITDA (x)	Avg Daily Volume (actual)
		Commissions (\$'000)	Total Revenue (\$'000)								
Arthur J. Gallagher & Co.	AJG	5,028,500	6,074,700	810,600	1,576,400	82.78%	22,311.3	3.7	14.5	32.2	1,030,855
Brown & Brown, Inc.	BRO	2,368,791	2,550,252	459,682	785,227	92.88%	12,995.7	5.1	15.4	24.3	1,286,792
BRP Group, Inc.	BRP	207,830	207,830	(37,698)	(16,283)	100.00%	1,155.7	5.6	NM	NM	274,083
eHealth, Inc.	EHTH	536,067	592,196	74,401	NA	90.52%	1,825.0	3.1	NA	NM	884,977
GoHealth, Inc.	GOCO	540,130	720,128	(202,599)	(73,930)	75.00%	4,759.9	6.6	NM	NM	1,663,499
Marsh & McLennan Companies, Inc.	MMC	10,201,000	17,037,000	2,063,000	4,015,000	59.88%	56,800.3	3.3	18.5	45.2	2,136,579
SelectQuote, Inc.	SLQT	476,606	531,515	81,147	139,917	89.67%	3,682.0	6.9	48.1	NM	1,272,333
<b>Min</b>		<b>207,830</b>	<b>207,830</b>	<b>(202,599)</b>	<b>(73,930)</b>	<b>59.88%</b>	<b>1,155.7</b>	<b>3.1</b>	<b>14.5</b>	<b>24.3</b>	<b>274,083</b>
<b>Mean</b>		<b>2,765,561</b>	<b>3,959,089</b>	<b>464,076</b>	<b>1,071,055</b>	<b>84.39%</b>	<b>14,790.0</b>	<b>4.9</b>	<b>24.1</b>	<b>33.9</b>	<b>1,221,303</b>
<b>Median</b>		<b>540,130</b>	<b>720,128</b>	<b>81,147</b>	<b>462,572</b>	<b>89.67%</b>	<b>4,759.9</b>	<b>5.1</b>	<b>17.0</b>	<b>32.2</b>	<b>1,272,333</b>
<b>Max</b>		<b>10,201,000</b>	<b>17,037,000</b>	<b>2,063,000</b>	<b>4,015,000</b>	<b>100.00%</b>	<b>56,800.3</b>	<b>6.9</b>	<b>48.1</b>	<b>45.2</b>	<b>2,136,579</b>

Size Discount <sup>(1)</sup>	55%
Control Premium <sup>(2)</sup>	20%

	Market Cap / Revenue		
	ARM Revenue	Low Median	High
<b>2020E</b>	<b>\$1,360</b>	<b>2,724</b>	<b>6,124</b>
<b>LTM9/30/20</b>	<b>\$1,666</b>	<b>3,338</b>	<b>7,504</b>
<b>2019A</b>	<b>\$2,273</b>	<b>4,553</b>	<b>10,234</b>
<b>Avg 2017-2019</b>	<b>\$2,324</b>	<b>4,655</b>	<b>10,465</b>
<b>Average</b>	<b>3,818</b>	<b>6,313</b>	<b>8,582</b>
<b>Median</b>	<b>3,945</b>	<b>6,524</b>	<b>8,869</b>

	Price / EBITDA		
	ARM EBITDA	Low Median	High
<b>2020E</b>	<b>\$465</b>	<b>4,398</b>	<b>14,564</b>
<b>LTM9/30/20</b>	<b>\$721</b>	<b>6,810</b>	<b>22,552</b>
<b>2019A</b>	<b>\$980</b>	<b>9,262</b>	<b>30,672</b>
<b>Avg 2017-2019</b>	<b>\$1,120</b>	<b>10,580</b>	<b>35,037</b>
<b>Average</b>	<b>7,762</b>	<b>9,054</b>	<b>25,706</b>
<b>Median</b>	<b>8,036</b>	<b>9,373</b>	<b>26,612</b>

Notes:

(1) Source: Pepperdine University's 2020 Private Capital Markets Report

(2) Control premium-- reasonably acceptable control premium for acquisition of controlling interest in the Company

Source: S&P Market Intelligence and Company data

# Comparable Transaction Analysis



Target Name	Buyer Name	Completion/ Termination Date (mm/dd/yyyy)	Target Financials			Deal Value Metrics at Announcement			
			Total Revenue (\$'000)	Net Income (\$'000)	EBITDA (\$'000)	Deal Value (\$M)	Deal Value/ Revenue (\$)	Deal Value/ EBITDA (\$)	Deal Value/ Earnings (\$)
Eck & Glass Inc.	Assurant, Inc.	12/17/2020	NA	NA	NA	43.00	NA	NA	NA
Penguin Insurance	TWFC Insurance Services, Inc.	12/1/2020	1,625	712	712	5.40	NA	3.3	7.6
People's United Insurance Agency, Inc.	Assured Partners, Inc.	11/2/2020	NA	NA	NA	120.00	NA	NA	NA
First Resource, Inc.	Brown & Brown, Inc.	7/1/2020	NA	NA	NA	16.95	5.80	NA	NA
CRES Insurance Services, LLC	Arthur J. Gallagher & Co.	6/1/2020	NA	NA	NA	36.95	7.30	NA	NA
Dealer Financial Services of NC, Inc.	Brown & Brown, Inc.	4/1/2020	NA	NA	NA	25.04	5.40	NA	NA
Assets of RLA Insurance Intermediaries, LLC	Brown & Brown, Inc.	3/16/2020	NA	NA	NA	65.10	22.50	NA	NA
Colonial Group, Inc	Brown & Brown, Inc.	3/12/2020	NA	NA	NA	39.20	10.15	NA	NA
Arbor Insurance Agency Inc.	University Bancorp, Inc.	3/2/2020	NA	NA	NA	0.69	NA	NA	NA
Texas All Risk	Brown & Brown, Inc.	1/17/2020	NA	NA	NA	11.80	1.15	NA	NA
Hanover Excess and Surplus, Inc.	Arthur J. Gallagher & Co.	1/1/2020	NA	NA	NA	39.40	9.30	NA	NA
Assets of Highland Risk Services LLC	BRP Group, Inc.	1/1/2020	11,000	NA	NA	12.44	2.50	1.1	NA
Lanier Upshaw Inc.	BRP Group, Inc.	1/1/2020	8,324	648	609	30.59	NA	3.7	50.2
Poole Professional Companies	Brown & Brown, Inc.	10/1/2019	NA	NA	NA	39.28	6.85	NA	NA
CKP Insurance, LLC	Brown & Brown, Inc.	8/15/2019	NA	NA	NA	189.60	76.50	NA	NA
WBR Insurance	Brown & Brown, Inc.	8/1/2019	NA	NA	NA	15.45	4.58	NA	NA
Twinbrook Insurance Brokerage Inc.	Brown & Brown, Inc.	6/1/2019	NA	NA	NA	31.72	5.07	NA	NA
Fortman Insurance Agency, LLC	Reliance Global Group, Inc.	5/1/2019	1,600	NA	NA	4.14	NA	2.6	NA
Ambridge Partners LLC	Brit Ltd.	4/18/2019	NA	NA	NA	46.60	NA	NA	NA
Millennial Specialty Insurance, LLC	Baldwin Risk Partners, LLC	4/1/2019	30,354	6,700	NA	153.00	61.50	5.0	22.8
Lykes Insurance, Inc.	Baldwin Risk Partners, LLC	3/13/2019	11,590	1,313	NA	37.04	NA	3.2	NA
Donald P. Pipino Company, LTD.	Brown & Brown, Inc.	2/1/2019	11,000	NA	NA	29.55	13.00	2.7	NA
E-Risk Services, LLC	Nationwide Mutual Group	1/1/2019	NA	NA	NA	220.00	NA	NA	NA
The Hays Group, Inc.,	Brown & Brown, Inc.	11/15/2018	200	NA	NA	730.00	25.00	3.7	NA
Putnam Insurance	William T. Burns, Inc. Insurance.	9/14/2018	332	73	73	0.90	NA	2.7	12.4
The Warranty Group	Assurant, Inc.	5/31/2018	1,000	63	NA	2.47	NA	2.5	39.2
Business of Marquis Professional Services	Acisure, LLC	3/30/2018	918	248	NA	1.75	NA	1.9	7.1
<b>Min</b>			<b>200</b>	<b>63</b>	<b>73</b>	<b>0.69</b>	<b>1.15</b>	<b>1.13</b>	<b>7.10</b>
<b>Mean</b>			<b>7,086</b>	<b>1,394</b>	<b>465</b>	<b>72.15</b>	<b>17.11</b>	<b>2.95</b>	<b>20.03</b>
<b>Median</b>			<b>1,625</b>	<b>648</b>	<b>609</b>	<b>31.72</b>	<b>7.30</b>	<b>2.71</b>	<b>12.40</b>
<b>Max</b>			<b>30,354</b>	<b>6,700</b>	<b>712</b>	<b>730.00</b>	<b>76.50</b>	<b>5.04</b>	<b>50.20</b>

Size Discount <sup>(1)</sup> 0%

No size discount was applied because ARM's EBITDA falls into the same size category as the targets' median EBITDA

Notes:

(1) Source: Pepperdine University's 2020 Private Capital Markets Report

Source: DealStats

	Deal Value / Revenue			Deal Value / EBITDA		
	ARM	Low	High	ARM	Low	High
<b>Revenue</b>	<b>1.1x</b>	<b>2.7x</b>	<b>5.0x</b>	<b>EBITDA</b>	<b>7.1x</b>	<b>50.2x</b>
<b>2020E</b>	<b>\$1,360</b>	<b>1,537</b>	<b>3,686</b>	<b>\$465</b>	<b>3,305</b>	<b>5,772</b>
<b>LTM9/30/20</b>	<b>\$1,666</b>	<b>1,883</b>	<b>4,516</b>	<b>\$721</b>	<b>5,117</b>	<b>8,937</b>
<b>2019A</b>	<b>\$2,273</b>	<b>2,568</b>	<b>6,159</b>	<b>\$980</b>	<b>6,960</b>	<b>12,155</b>
<b>Avg 2017-2019</b>	<b>\$2,324</b>	<b>2,626</b>	<b>6,298</b>	<b>\$1,120</b>	<b>7,950</b>	<b>13,884</b>
<b>Average</b>	<b>2,154</b>	<b>5,165</b>	<b>9,606</b>	<b>5,833</b>	<b>10,187</b>	<b>41,241</b>
<b>Median</b>	<b>2,226</b>	<b>5,338</b>	<b>9,927</b>	<b>6,038</b>	<b>10,546</b>	<b>42,694</b>

# Discounted Cash Flow Analysis – ARM



## ARM Standalone

For the Years Ending	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<b>Debt-Free Cash Flow</b>	\$ 390	\$ 535	\$ 679	\$ 949	\$ 1,337	\$ 1,823	\$ 2,391	\$ 3,021	\$ 3,695	\$ 4,397	\$ 5,114
Discount Period	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50
Present Value Factor (12.00% Discount Rate)	0.9449	0.8437	0.7533	0.6726	0.6005	0.5362	0.4787	0.4274	0.3816	0.3407	0.3042
<b>Present Value of Debt-Free Cash Flows</b>	368	451	512	638	803	977	1,144	1,291	1,410	1,498	1,556
Sum of the Present Value of Discrete Year Cash Flows	9,094										
Present Value of Terminal Cash Flow	25,369										
<b>Indicated Enterprise Value from Operations</b>	<b>\$ 34,464</b>										
					Long Term Growth Rate	5.00%					
					Terminal Debt-Free Cash Flow	5,837					
					Capitalization Rate	7.00%					
					Residual Value at Terminal Year	83,387					
					Present Value Factor	0.3042					
					Present Value of Terminal Cash Flow	25,369					



# Discounted Cash Flow Sensitivity Analysis – ARM



## Assumes ARM achieves 75% of projections

	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	
For the Years Ending												
<b>Debt-Free Cash Flow</b>	\$ 292	\$ 401	\$ 510	\$ 712	\$ 1,003	\$ 1,367	\$ 1,793	\$ 2,266	\$ 2,771	\$ 3,298	\$ 3,836	
	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	
	<i>% Base Case</i>											
Discount Period	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50	
Present Value Factor (12.00% Discount Rate)	0.9449	0.8437	0.7533	0.6726	0.6005	0.5362	0.4787	0.4274	0.3816	0.3407	0.3042	
<b>Present Value of Debt-Free Cash Flows</b>	276	338	384	479	602	733	858	968	1,058	1,124	1,167	
Sum of the Present Value of Discrete Year Cash Flows	6,821										4,378	
Present Value of Terminal Cash Flow	19,027										7,000%	
											62,540	
<b>Indicated Enterprise Value from Operations</b>	<b>\$ 25,848</b>											
											Present Value of Terminal Cash Flow	19,027

## Assumes ARM achieves 50% of projections

	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	
For the Years Ending												
<b>Debt-Free Cash Flow</b>	\$ 195	\$ 267	\$ 340	\$ 475	\$ 668	\$ 912	\$ 1,195	\$ 1,510	\$ 1,848	\$ 2,199	\$ 2,557	
	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	
	<i>% Base Case</i>											
Discount Period	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50	
Present Value Factor (12.00% Discount Rate)	0.9449	0.8437	0.7533	0.6726	0.6005	0.5362	0.4787	0.4274	0.3816	0.3407	0.3042	
<b>Present Value of Debt-Free Cash Flows</b>	184	226	256	319	401	489	572	646	705	749	778	
Sum of the Present Value of Discrete Year Cash Flows	4,547										2,919	
Present Value of Terminal Cash Flow	12,685										7,000%	
											41,693	
<b>Indicated Enterprise Value from Operations</b>	<b>\$ 17,232</b>											
											Present Value of Terminal Cash Flow	12,685

Source: Earnings projections provided by ARM management and reviewed by ACIC board of trustees

# Discounted Cash Flow Analysis – ACIC



## ACIC Stalalone

For the Years Ending	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<b>Free Cash Flow to Common Equity</b>	\$ (379)	\$ (638)	\$ (490)	\$ 80	\$ 248	\$ 882	\$ 1,404	\$ 2,401	\$ 3,264	\$ 4,428	\$ 5,464
Discount Period	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50
Present Value Factor (12.60% Discount Rate)	0.9424	0.8369	0.7433	0.6601	0.5862	0.5206	0.4624	0.4106	0.3647	0.3239	0.2876
<b>Present Value of Free Cash Flow to Common Equity</b>	<u>(357)</u>	<u>(534)</u>	<u>(365)</u>	<u>53</u>	<u>145</u>	<u>459</u>	<u>649</u>	<u>986</u>	<u>1,190</u>	<u>1,434</u>	<u>1,572</u>
Sum of the Present Value of Discrete Year Cash Flows	3,661										6,688
Present Value of Terminal Cash Flow	<u>25,313</u>										7,60%
<b>Indicated Enterprise Value from Operations</b>	<u>\$ 28,974</u>				5.00%						88,003
				Long Term Growth Rate							0.2876
											Present Value of Terminal Cash Flow
											25,313

## ACIC Pro Forma for Acquisition of ARM

For the Years Ending	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<b>Free Cash Flow to Common Equity</b>	\$ (379)	\$ 83	\$ 341	\$ 1,053	\$ 1,635	\$ 2,796	\$ 3,917	\$ 5,588	\$ 7,176	\$ 9,105	\$ 10,928
<i>Less Preferred Dividend</i>	-	(468)	(468)	(468)	(468)	(468)	(468)	(468)	(468)	(468)	(468)
<b>Free Cash Flow to Common Equity (After Pref. Dividend)</b>	\$ (379)	\$ (384)	\$ (127)	\$ 585	\$ 1,167	\$ 2,328	\$ 3,449	\$ 5,121	\$ 6,709	\$ 8,638	\$ 10,461
Discount Period	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50
Present Value Factor (12.60% Discount Rate)	0.9424	0.8369	0.7433	0.6601	0.5862	0.5206	0.4624	0.4106	0.3647	0.3239	0.2876
<b>Present Value of Free Cash Flow to Common Equity</b>	<u>(357)</u>	<u>(321)</u>	<u>(94)</u>	<u>386</u>	<u>684</u>	<u>1,212</u>	<u>1,595</u>	<u>2,103</u>	<u>2,447</u>	<u>2,798</u>	<u>3,009</u>
Sum of the Present Value of Discrete Year Cash Flows	10,452										12,490
Present Value of Terminal Cash Flow	<u>47,269</u>										7,60%
<b>Indicated Enterprise Value from Operations</b>	<u>\$57,722</u>				5.00%						164,336
				Long Term Growth Rate							0.2876
											Present Value of Terminal Cash Flow
											47,269

*Assumes a discount rate of 12.62% for ARM reflects a normalized risk-free rate of 2.50%, a long term equity risk premium (ERP) of 5.5%, a size premium of 4.99% (all per Duff & Phelps guidance as of December 9, 2020) and a three-year beta of .93344 on SNL's U.S. Insurance Carrier Index*

Source: Earnings projections provided by ACIC management and reviewed by ACIC board of trustees

# Discounted Cash Flow Sensitivity Analysis – ACIC Standalone



## Assumes ACIC Standalone achieves 75% of projections

For the Years Ending	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<b>Free Cash Flow to Common Equity</b>	\$ (284)	\$ (479)	\$ (368)	\$ 60	\$ 186	\$ 662	\$ 1,053	\$ 1,801	\$ 2,448	\$ 3,321	\$ 4,098
	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Discount Period	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50
Present Value Factor (12.60% Discount Rate)	0.9424	0.8369	0.7433	0.6601	0.5862	0.5206	0.4624	0.4106	0.3647	0.3239	0.2876
<b>Present Value of Free Cash Flow to Common Equity</b>	(268)	(400)	(273)	39	109	345	487	740	893	1,076	1,179
Sum of the Present Value of Discrete Year Cash Flows	2,746										5,016
Present Value of Terminal Cash Flow	18,985										7,600%
											66,003
											0.2876
<b>Indicated Enterprise Value from Operations</b>	<b>\$ 21,731</b>										18,985

## Assumes ACIC Standalone achieves 50% of projections

For the Years Ending	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<b>Free Cash Flow to Common Equity</b>	\$ (189)	\$ (319)	\$ (245)	\$ 40	\$ 124	\$ 441	\$ 702	\$ 1,201	\$ 1,632	\$ 2,214	\$ 2,732
	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Discount Period	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50
Present Value Factor (12.60% Discount Rate)	0.9424	0.8369	0.7433	0.6601	0.5862	0.5206	0.4624	0.4106	0.3647	0.3239	0.2876
<b>Present Value of Free Cash Flow to Common Equity</b>	(178)	(267)	(182)	26	73	230	325	493	595	717	786
Sum of the Present Value of Discrete Year Cash Flows	1,831										3,344
Present Value of Terminal Cash Flow	12,657										7,600%
											44,002
											0.2876
<b>Indicated Enterprise Value from Operations</b>	<b>\$ 14,487</b>										12,657

Source: Earnings projections provided by ARM management and reviewed by ACIC board of trustees



# Discounted Cash Flow Sensitivity Analysis – ACIC Pro Forma



## Assumes ACIC Pro Forma for acquisition of ARM achieves 75% of projections

For the Years Ending	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<b>Free Cash Flow to Common Equity</b>	\$ (284)	\$ 63	\$ 256	\$ 789	\$ 1,226	\$ 2,097	\$ 2,938	\$ 4,191	\$ 5,382	\$ 6,829	\$ 8,196
<i>% Base Case</i>	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
<i>Less Preferred Dividend</i>	-	(468)	(468)	(468)	(468)	(468)	(468)	(468)	(468)	(468)	(468)
<b>Free Cash Flow to Common Equity (After Pref. Dividend)</b>	\$ (284)	\$ (405)	\$ (212)	\$ 322	\$ 759	\$ 1,629	\$ 2,470	\$ 3,724	\$ 4,915	\$ 6,361	\$ 7,729
Discount Period	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50
Present Value Factor (12.60% Discount Rate)	0.9424	0.8369	0.7433	0.6601	0.5862	0.5206	0.4624	0.4106	0.3647	0.3239	0.2876
<b>Present Value of Free Cash Flow to Common Equity</b>	(268)	(339)	(157)	212	445	848	1,142	1,529	1,792	2,060	2,223
Sum of the Present Value of Discrete Year Cash Flows	7,266										
Present Value of Terminal Cash Flow	35,010										
<b>Indicated Enterprise Value from Operations</b>	<u>\$ 42,275</u>										
			Long Term Growth Rate		5.00%						
			Terminal Free Cash Flow to Common Equity (less Pre)		\$ 9,250						
			Capitalization Rate		7.60%						
			Residual Value at Terminal Year		121,714						
			Present Value Factor		0.2876						
			Present Value of Terminal Cash Flow		35,010						

## Assumes ACIC Pro Forma for acquisition of ARM achieves 50% of projections

For the Years Ending	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<b>Free Cash Flow to Common Equity</b>	\$ (189)	\$ 42	\$ 170	\$ 526	\$ 817	\$ 1,398	\$ 1,958	\$ 2,794	\$ 3,588	\$ 4,553	\$ 5,464
<i>% Base Case</i>	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
<i>Less Preferred Dividend</i>	-	(468)	(468)	(468)	(468)	(468)	(468)	(468)	(468)	(468)	(468)
<b>Free Cash Flow to Common Equity (After Pref. Dividend)</b>	\$ (189)	\$ (426)	\$ (297)	\$ 59	\$ 350	\$ 930	\$ 1,491	\$ 2,327	\$ 3,121	\$ 4,085	\$ 4,997
Discount Period	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50
Present Value Factor (12.60% Discount Rate)	0.9424	0.8369	0.7433	0.6601	0.5862	0.5206	0.4624	0.4106	0.3647	0.3239	0.2876
<b>Present Value of Free Cash Flow to Common Equity</b>	(178)	(356)	(221)	39	205	484	689	955	1,138	1,323	1,437
Sum of the Present Value of Discrete Year Cash Flows	4,079										
Present Value of Terminal Cash Flow	22,750										
<b>Indicated Enterprise Value from Operations</b>	<u>\$ 26,829</u>										
			Long Term Growth Rate		5.00%						
			Terminal Free Cash Flow to Common Equity (less Pre)		\$ 6,011						
			Capitalization Rate		7.60%						
			Residual Value at Terminal Year		79,092						
			Present Value Factor		0.2876						
			Present Value of Terminal Cash Flow		22,750						

Source: Earnings projections provided by ARM management and reviewed by ACIC board of trustees

# Terms of Preferred Stock

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- ◆ Terms of the \$5.5 million of convertible preferred stock of ASGH appear to be consistent with the preferred market
  - 8.50% dividend rate; payable quarterly
    - Per CapitalIQ, there were 345 preferred stock transactions completed across all industry sectors between January 1, 2011 and December 31, 2020 with an average dividend rate of 8.25%, median dividend rate of 8.00%; minimum dividend rate of 0%; and maximum dividend rate of 30.00%
    - Per CapitalIQ, there were 9 preferred stock transactions completed in 2020 across all industry sectors with an average dividend rate of 8.69%; median dividend rate of 7.00%; minimum dividend rate of 6.00%; and maximum dividend rate of 12.50%
  - Cumulative, perpetual, voting, convertible preferred at \$12.00 per share (120% of IPO price; a conversion rate of 0.8333)
    - Per S&P Global Market Intelligence, there are 2,675 active issues of preferred stock, excluding those issued under SBLF or TARP, of those 2,675 active issues:
      - 1,385 are perpetual preferred
      - 221 are convertible preferred
      - 1,129 are callable
      - 1,108 have cumulative dividends
      - 276 have voting rights
    - Of the 221 active issues that are convertible
      - 195 are perpetual preferred
      - 55 are callable
      - 169 have cumulative dividends
      - 67 have voting rights
    - 136 disclosed the conversion rate – the median conversion rate is 1.15 shares of common stock for each share of preferred stock. The ASGH conversion rate is 0.83

# Incremental Premium to Breakeven

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- ◆ In general, the transaction appears accretive to ASGH's consolidated earnings based upon management projections as well as scenarios where those projections are stressed
- ◆ The only meaningful incremental ongoing expense that ASGH will incur is the annual preferred dividend of \$467,500 that, on a consolidated basis, is offset by the elimination of the 18.3% commission
- ◆ The Special Committee has requested a breakeven analysis of the acquisition of ARM by ASGH
- ◆ In order for ASGH to break even on the ARM acquisition from an earnings perspective, ARM needs to sell incremental premium in an amount such that the savings on commissions it otherwise would have paid to an unconsolidated ARM equals its new preferred dividend obligation. This amount is \$2,555,000 (\$467,500 divided by ARM's commission rate of 18.3%)



## **IV. Summary**

# Implied Valuation Summary



	Peer Multiples			Discounted Peer Multiples			Implied Valuation (000s)			
	Low	Median	High	Low	Median	High	Low	Median	High	
Comparable Companies	Market Cap/Revenue	3.1x	5.1x	6.9x	2.0x	3.3x	4.5x	\$3,945	\$6,524	\$8,869
	Price/EBITDA	14.5x	17.0x	48.1x	9.4x	11.0x	31.3x	8,036	9,373	26,612
Comparable Transactions	Deal Value/Revenue	1.1x	2.7x	5.0x	1.1x	2.7x	5.0x	2,226	5,338	9,927
	Deal Value/EBITDA	7.1x	12.4x	50.2x	7.1x	12.4x	50.2x	6,038	10,546	42,694
Discounted Cash Flow Analysis	Discounted Cash Flow - ARM Standalone								34,464	
	Discounted Cash Flow - ACIC Standalone								28,974	
	Discounted Cash Flow - ACIC Pro Forma								57,722	
Discounted Cash Flow Analysis - 75% of Projections	Discounted Cash Flow - ARM Standalone								25,848	
	Discounted Cash Flow - ACIC Standalone								21,731	
	Discounted Cash Flow - ACIC Pro Forma								42,275	
Discounted Cash Flow Analysis - 50% of Projections	Discounted Cash Flow - ARM Standalone								17,232	
	Discounted Cash Flow - ACIC Standalone								14,487	
	Discounted Cash Flow - ACIC Pro Forma								26,829	

# **Amalgamated Casualty Insurance Company Demutualization**

**Exhibit V  
To  
Demutualization Application Filed with the  
Department of Insurance, Securities and  
Banking:**

***Appraisal of Amalagamated***

**See Attached**

**BOENNING & SCATTERGOOD**  
ESTABLISHED 1914

**PRO FORMA VALUATION APPRAISAL REPORT**  
**OF**  
**AMALGAMATED CASUALTY INSURANCE COMPANY**

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**AS OF DECEMBER 30, 2020**

December 30, 2020

Board of Trustees  
Amalgamated Casualty Insurance Company  
8401 Connecticut Avenue, Suite #105  
Chevy Chase, MD 20815

Members of the Board:

At your request, Boenning & Scattergood Inc. (“Boenning”) completed and hereby provides an independent appraisal (the “Appraisal”) as of December 30, 2020, of the estimated consolidated pro forma market value (“Appraised Value”) of Amalgamated Casualty Insurance Company (“Amalgamated”, “ACIC” or the “Company”), a mutual insurance company. This Appraisal is furnished pursuant to the Company’s draft of its plan of conversion included as Exhibit XV (the “Plan”), and the transaction described below (the “Offering”). The Plan is not the final version and is subject to change. Please note that all terms not defined explicitly in this document are defined in Article 2 of the Plan.

Because the Plan provides for the conversion of Amalgamated Casualty Insurance Company, a mutual insurance company organized under the laws of District of Columbia from a mutual insurance company into a stock insurance company (the “Conversion”), the Plan must be approved by the Commissioner and a majority of votes cast by Eligible Members pursuant to Sections 31–903 and 31–904, respectively within Chapter 9 of Title 31 of the District of Columbia Official Code (the “Demutualization Act”). Accordingly, and in order to ensure that this Plan is fair to Eligible Members of ACIC, the estimated consolidated Appraised Value of the Company shall be determined by an independent valuation expert and shall represent the aggregate price of Common Stock. Per the Demutualization Act, the Appraised Value may be the value or range of values that is estimated to be necessary to attract full subscription for shares in the Offering.

In addition, as you requested, Boenning completed and hereby provides its view as to the value of the individual Subscription Rights granted to policyholders as defined in the Plan in connection with potential repurchases of such individual Subscription Rights from the policyholders receiving such grants.



**The Plan of Conversion**

Under the Plan, the Company will convert from a mutual insurance company into a stock insurance company and issue new shares of common stock to the holding company, Amalgamated Specialty Group Holdings, Inc. (“ASGH”) which will become the sole shareholder of ACIC, as authorized by the Demutualization Act. ASGH will issue shares of Common Stock to Persons whose subscriptions and orders were accepted in the Offering including those of Eligible Members who will all receive Subscription Rights to purchase shares of Common Stock of ASGH in exchange for the extinguishment of their Membership Interests in ACIC. Subscription Rights in the Offering will be distributed by ASGH to the Participants based on the following priorities:

- Eligible Members: Any person who is the owner of an in-force policy of insurance issued by Amalgamated Casualty Insurance Company (“Member”) and who is a Member on the date of the adoption of the Plan (“Eligibility Record Date”) (“Eligible Member”). Each Eligible Member shall receive, without payment, nontransferable Subscription Rights to purchase up to 100,000 shares of Common Stock in the Subscription Offering; provided, however, that the maximum number of shares that may be purchased by Eligible Members in the aggregate shall be equal to the Maximum of the Valuation Range divided by the Purchase Price.
- Employee Stock Ownership Program (“ESOP”): The ESOP shall receive, without payment and without repurchase or redemption rights, nontransferable Subscription Rights to purchase at the Purchase Price a number of shares of Common Stock equal to nine and nine-tenths percent (9.9%) of the total number of shares of Common Stock to be issued in the Offering as set forth in Section 5.03 of the Plan. An oversubscription by Eligible Members shall not reduce the number of shares of Common Stock that may be purchased by the ESOP.
- Directors, Officers, and Employees of ACIC: Each director, Officer, and Employee of ACIC shall receive, without payment and without repurchase or redemption rights, nontransferable Subscription Rights to purchase up to 100,000 shares of Common Stock in the Offering.
- The plan also describes limitations on Subscriptions Rights and provisions for redemption of Subscription Rights as follows:
  - Limitations on Subscription Rights: Subscription rights granted under the Plan will be nontransferable, nonnegotiable personal rights to subscribe for and purchase shares of Common Stock at the Purchase Price. Subscription Rights under the Plan will be granted without payment, but subject to all the terms, conditions and limitations of the Plan. Any Person purchasing Common Stock in the Offering will be deemed to represent and affirm

to ASGH and ACIC that such Person is purchasing for his or her own account and not on behalf of any other Person.

- Redemption of Subscription Rights: Each Eligible Member shall have the right to require the Company to redeem all, but not less than all, of the Subscription Rights granted to them for cash at a redemption price equal to the Subscription Right Value. Any Eligible Member who elects to have the Company redeem the Subscription Rights shall not have exercised, and shall not have the right to exercise, such Subscription Rights. Any Eligible Member who fails to exercise the Subscription Rights granted to them shall be deemed to have elected to have the Company redeem all of the Subscription Rights granted to them. Any Eligible Member who elects or is deemed to have elected their Subscription Rights redeemed shall not be permitted to purchase shares of Common Stock in the Offering. The Subscription Right Value will be determined by the Independent Appraiser as of the same date as the Appraised Value (December 30, 2020), and will be determined using the Black-Scholes option pricing model. The term of the Subscription Right is assumed to be 90 days. The redemption price for each Subscription Right will be paid by the Company or ASGH within 30 days after the Effective Date. For the avoidance of doubt, no recipient of a Subscription Right other than an Eligible Member can require the Company to redeem any of its Subscription Rights.

If less than the total number of shares of Common Stock offered by ASGH in connection with the Conversion are sold in the Subscription Offering, it is anticipated that remaining shares of Common Stock shall, if practicable, be sold by ASGH in the Public Offering. However, in the Public Offering, subject to the terms of any Stock Purchase Agreements, ASGH may accept, in its sole and absolute discretion, orders received from any Significant Purchasers before accepting orders from the general public.

It is our understanding that, from time to time, the Company has examined and considered many strategic alternatives including maintenance of the status quo, mergers with other mutual companies, expansion or acquisition of other lines of business or companies and the various forms of demutualization. According to the Plan, after careful study and consideration, Amalgamated concluded that the Subscription Rights method of demutualization that includes involvement by Significant Purchasers to ensure its successful completion, best suits the Company's needs.

**Boenning & Scattergood, Inc.**

Boenning, as part of its investment banking business, is regularly engaged in the valuation of assets, securities and companies in connection with various types of asset and security transactions, including mergers, acquisitions, private placements, public offerings and valuations for various other purposes, and in the determination of adequate consideration in such transactions. The background of Boenning is presented in Exhibit III. We believe that, except for the fee we will receive for our appraisal, we are independent of the Company and the other parties engaged by the Company to assist in the Conversion.

**Valuation Methodology**

In preparing the Appraisal, we conducted an evaluation of the Company that included discussions with the Company's management and various forms of financial analysis. We reviewed ACIC's statutory financial statements audited by BSB LLC as of and for the years ended December 31, 2018 and December 31, 2019 and unaudited statutory financial statements for the nine months ended September 30, 2020, as well as unaudited, internally prepared GAAP financial statements for the year ended December 31, 2019 and for the nine months ended September 30, 2019 and September 30, 2020. Based on interactions with their external auditors, at the "as of" date of this Appraisal (December 30, 2020), management was highly confident that the GAAP financial statements provided for the year ended December 31, 2019 and nine months ended September 30, 2019 and September 30, 2020 would ultimately receive a clean audit opinion from Johnson Lambert LLP. Boenning assumed the audited financials would be the same as the internally prepared statements reviewed by Boenning and utilized in this Appraisal. Additionally, where appropriate, we considered information based on other available published sources that we believe are reliable. However, we cannot guarantee the accuracy and completeness of such information.

In preparing the Appraisal, we also reviewed and analyzed: (i) financial and operating information with respect to the business, operations, and prospects of the Company furnished to us by the Company; (ii) publicly available information concerning the Company that we believe to be relevant to our analysis; (iii) a comparison of the historical financial results and present financial condition of the Company with those of selected, publicly-traded insurance companies that we deemed relevant; and (iv) financial performance and market valuation data of certain publicly-traded insurance industry aggregates as provided by industry sources.

The Appraisal is based on the Company's representation that the information contained in the Plan and additional information furnished to us by the Company and its independent auditors (BSB LLC for statutory audits) are truthful, accurate, and complete. We did not independently verify any of the financial statements and other information provided by the Company and its independent auditors, nor did we independently value the assets or liabilities of the Company. The Appraisal considers the Company only as a going concern on a stand-alone basis and should not be considered an indication of the liquidation value of the Company.

We have investigated the competitive environment in which the Company operates and have assessed the Company's strengths and weaknesses relative to guideline insurance companies. We have monitored material regulatory and legislative actions affecting financial institutions generally and, to the extent that we were aware of such matters, analyzed the potential impact of such developments on the Company and the industry as a whole. We have analyzed the potential effects of the Offering on the Company's operating characteristics and financial performance as they relate to the Appraised Value of the Company. We have reviewed the economic characteristics of the industry in which the Company currently operates. We have compared the Company's financial performance and condition with publicly traded insurance institutions evaluated and selected in accordance with valuation guidelines noted later in this report. We have reviewed conditions in the securities markets in general and the markets for insurance companies, and insurance holding companies.

Our Appraised Value is predicated on a continuation of the current operating environment for ACIC, and for all insurance companies and their holding companies. Changes in the local and national economy, the federal and state legislative and regulatory environments for insurance companies, the stock market, interest rates, and other external forces (such as natural disasters or significant world events) may occur from time to time, often with great unpredictability, and may impact materially the value of insurance stocks as a whole or the Company's value alone. To the extent that such factors can be foreseen, they have been factored into our analysis.

As more fully described in Section VI, Boenning utilized the Black-Scholes option pricing model to determine its view of the value, in connection with potential repurchases thereof from policyholders, of the individual Subscription Rights granted to policyholders as defined in the Plan.

**Valuation Conclusion**

It is our opinion that, as of December 30, 2020 (“Valuation Date”), the Appraised Value of the aggregate common shares outstanding immediately following the Offering is \$26.6 million which is based on our evaluation of the Company’s operating characteristics and financial performance, our assessment of the how the Company compares to guideline companies, and other factors. The Appraised Value represents the midpoint of a range of \$22.6 million to \$30.6 million (“Valuation Range”). The Valuation Range was based upon a fifteen percent decrease from the midpoint to determine the minimum and a fifteen percent increase from the midpoint to determine the maximum. Exhibits XII and XIII show the assumptions and calculations utilized in determining the Valuation Range. Boenning’s use of a range is requested under the Plan, normal and customary in independent appraisals, and consistent with our experience in other similar and precedent transactions. Boenning utilized the valuation standard of freely traded minority interest.

In addition, it is Boenning’s view, as of the date of this report and in accordance with the factual and other assumptions and conditions set forth herein, that the value of the individual Subscription Rights granted to policyholders as defined in the Plan is \$0.89 per right.

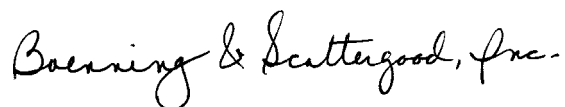
**Limiting Factors and Considerations**

Our Appraisal is not intended, and must not be construed to be, a recommendation of any kind as to the advisability of: (i) participating in the Offering, (ii) exercising or not exercising subscription rights, and/or (iii) electing to redeem such subscription rights for cash. Moreover, because the Appraisal is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, and estimates and projections may be affected by the impact of any epidemic, pandemic, hurricane or other significant weather event or natural occurrence, war (declared or otherwise), insurrection, terrorism, travel restriction, act of God or other circumstance, foreseen or unforeseen (“Force Majeure”), no assurance can be given that Persons who purchase shares of stock in the Offering will thereafter be able to sell such shares, at prices related to the foregoing Appraised Value or otherwise. The Appraisal reflects only the Valuation Range as of the Valuation Date for the Appraised Value of the Company immediately upon issuance of the stock and grant of subscription rights, and does not take into account any trading activity with respect to the purchase and sale of Common Stock in the secondary market on the date of issuance of such securities or at any time thereafter following the completion of the Offering, any change in conditions (including, without limitation, following the grant of

subscription rights), or any Force Majeure. Any report prepared by Boenning shall not be used as an offer or solicitation with respect to the purchase or sale of any securities or the exercise or redemption of subscription rights. Boenning has made no recommendation regarding the merits of the decision of whether to proceed with the Offering or to take any other actions in connection therewith. The results of our Appraisal are but one of the many factors the Company's Board of Trustees ("Board") should consider in making its decision. The Company has assured Boenning that it has relied on its own counsel, accountants and other experts for legal, accounting, tax and similar professional advice.

The Appraised Value and Valuation Range reported herein may be updated at the request of the Company or discretion of Boenning as appropriate. These updates may consider, among other factors, any developments or changes in the Company's operating performance, financial condition, or management policies, and current conditions in the securities markets for insurance company common stocks. Should any such new developments or changes be material, in our opinion, to the Appraised Value, occur in sufficient time for adjustments to be made given the overall timeline for the Offering, and if the Company engages Boenning to do so, appropriate adjustments (if any) will be made to the Valuation Range. Boenning is not otherwise obligated to provide any such adjustments and assumes no liability in connection with such adjustments, whether or not it is engaged to perform them.

Respectfully submitted,



BOENNING & SCATTERGOOD, INC.

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IV.	ACIC Historical Balance Sheet – Statutory Basis
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XIV.	Adjusted Closing Price of Guideline Companies
XV.	Draft Plan of Conversion



## **I. Introduction**

At the request of Amalgamated's Board of Trustees ("Board"), Boenning & Scattergood Inc. ("Boenning") completed and hereby provides an independent appraisal (the "Appraisal") as of December 30, 2020, of the estimated consolidated pro forma market value ("Appraised Value") of Amalgamated Casualty Insurance Company, a mutual insurance company ("Amalgamated", "ACIC" or the "Company"). This Appraisal is furnished pursuant to the Company's draft of its plan of conversion included as Exhibit XV (the "Plan"). Under the Plan, ACIC will convert from a mutual insurance company into a stock insurance company and become a wholly owned subsidiary of ASGH who will issue shares in the Offering. Because the Plan involves the Conversion of ACIC from mutual to stock form, the Plan must be approved by the Commissioner and a majority of votes cast by Eligible Members pursuant to Sections 31-903 and 31-904, respectively within Chapter 9 of Title 31 of the District of Columbia Official Code (the "Demutualization Act").

The estimated Appraised Value of the converted stock company shall be based upon an independent evaluation by a qualified person. Furthermore, Section Chapter 9 of Title 31 permits such Appraised Value to be the value that is estimated to be necessary to attract full subscription for the shares as indicated by the independent evaluation. The Plan addresses this requirement by requesting that the independent appraiser determine a Valuation Range to be based on the Appraised Value. For the purpose of this Appraisal, the use of "midpoint" shall have the same meaning as Appraised Value as it relates to the requirement under Chapter 9 of Title 31. Accordingly, and in order to ensure that this Plan is fair to Members of ACIC, the estimated consolidated Appraised Value of the Company shall be determined by an independent valuation expert and shall represent the aggregate price of Common Stock. Furthermore, per the Demutualization Act, the Appraised Value may be the value that is estimated to be necessary to attract full subscription for the shares of Common Stock offered for sale in the Offering.

Boenning, as part of its investment banking business, is engaged regularly in the valuation of assets, securities and companies in connection with various types of asset and security transactions, including mergers, acquisitions, private placements, public offerings and valuations for various other purposes, and in the determination of adequate consideration in such transactions. The background of Boenning is presented in Exhibit III. We believe that, except for the fee we will

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receive for our appraisal, we are independent of the Company and the other parties engaged by the Company to assist in the Conversion. In preparing the Appraisal, we conducted an evaluation of the Company that included discussions with the Company's management and various forms of financial analysis. We reviewed ACIC's statutory financial statements audited by BSB LLC as of and for the years ended December 31, 2018 and December 31, 2019 and unaudited statutory financial statements for the nine months ended September 30, 2020, as well as unaudited, internally prepared GAAP financial statements for the year ended December 31, 2019 and for the nine months ended September 30, 2019 and September 30, 2020. Based on interactions with their external auditors, at the "as of" date of this Appraisal (December 30, 2020), management was highly confident that the GAAP financial statements provided for the year ended December 31, 2019 and nine months ended September 30, 2019 and September 30, 2020 would ultimately receive a clean audit opinion from Johnson Lambert LLP. Boenning assumed the audited financials would be the same as the internally prepared statements reviewed by Boenning and utilized in this Appraisal. Additionally, where appropriate, we considered information based on other available published sources that we believe are reliable. However, we cannot guarantee the accuracy and completeness of such information.

In preparing the Appraisal, we also reviewed and analyzed: (i) financial and operating information with respect to the business, operations, and prospects of the Company furnished to us by the Company; (ii) publicly available information concerning the Company that we believe to be relevant to our analysis; (iii) a comparison of the historical financial results and present financial condition of the Company with those of selected, publicly-traded insurance companies that we deemed relevant; and (iv) financial performance and market valuation data of certain publicly-traded insurance industry aggregates as provided by industry sources.

The Appraisal is based on the Company's representation that the information contained in the Plan and additional information furnished to us by the Company and its independent auditor are truthful, accurate, and complete. We did not independently verify any of the financial statements and other information provided by the Company and its independent auditor, nor did we independently value the assets or liabilities of the Company. The Appraisal considers the Company only as a going concern on a stand-alone basis and should not be considered as an indication of the liquidation value of the Company.

In determining our estimate of the Appraised Value of the Company, we utilized the guideline market valuation approach. The guideline market valuation approach arrives at a market value by reviewing the relevant market pricing characteristics of the common stock of deemed guideline companies that are publicly traded. In utilizing this valuation approach, we selected a group of publicly traded insurance companies based on criteria discussed later in the Appraisal that we believe investors potentially would use to compare the Company to its peers. We also considered relative market value adjustments to derive the Appraised Value based on quantitative and qualitative comparisons of the Company with the selected group of publicly traded companies.

Our Appraisal is not intended, and must not be construed to be, a recommendation of any kind as to the advisability of: (i) participating in the Offering, (ii) exercising or not exercising subscription rights, and/or (iii) electing to redeem such subscription rights for cash. Moreover, because the Appraisal is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, and estimates and projections may be affected by the impact of any epidemic, pandemic, hurricane or other significant weather event or natural occurrence, war (declared or otherwise), insurrection, terrorism, travel restriction, act of God or other circumstance, foreseen or unforeseen (“Force Majeure”), no assurance can be given that Persons who purchase shares of stock in the Conversion will thereafter be able to sell such shares at prices related to the foregoing Appraised Value or otherwise. The Appraisal reflects only the Valuation Range as of the Valuation Date for the Appraised Value of the Company immediately upon issuance of the stock and grant of subscription rights, and does not take into account any trading activity with respect to the purchase and sale of Common Stock in the secondary market on the date of issuance of such securities or at any time thereafter following the completion of the Offering, any change in conditions (including, without limitation, following the grant of subscription rights), or any Force Majeure. Any report prepared by Boenning shall not be used as an offer or solicitation with respect to the purchase or sale of any securities or the exercise or redemption of subscription rights. Boenning has made no recommendation regarding the merits of the decision of whether to proceed with the Offering or to take any other actions in connection therewith. The results of our Appraisal are but one of the many factors the Company’s Board should consider in making its decision. The Company has assured Boenning that it has relied on its own counsel, accountants and other experts for legal, accounting, tax and similar professional advice.

Boenning has made no recommendation regarding the merits of the decision to proceed or not to proceed with the Offering. The results of our Appraisal are but one of the many factors the Company's Board should consider in making its decision. The Company has assured Boenning that it has relied on its own counsel, accountants and other experts for legal, accounting, tax and similar professional advice.

The Valuation Range reported herein, which is calculated as 15% above the midpoint and 15% below the midpoint, may be updated at the request of the Company or discretion of Boenning as appropriate. These updates may consider, among other factors, any developments or changes in the Company's operating performance, financial condition, or management policies, and current conditions in the securities markets for insurance company Common Stocks. Should any such new developments or changes be material, in our opinion, to the Appraised Value, occur in sufficient time for adjustments to be made given the overall timeline for the transaction, and if the Company engages Boenning to do so, appropriate adjustments (if any) will be made to the Valuation Range. Boenning is not otherwise obligated to provide any such adjustments and assumes no liability in connection with such adjustments, whether or not it is engaged to perform them.

## II. Business Overview of Amalgamated Casualty Insurance Company

### General Overview

ACIC has been focused on providing insurance coverage to specialty transportation businesses since its founding in 1938. The Company currently holds a financial strength rating (“FSR”) of B++ from AM Best (downgraded in December 2019 due to underwriting struggles). On a GAAP basis, ACIC had total assets of \$88.6 million and total equity of \$39.3 million for the quarter ended September 30, 2020 and \$7.2 million in net written premiums and \$2.0 million in net income for the last twelve months ended September 30, 2020. The Company’s product suite includes liability, physical damage, and related insurance coverages for the following:

- Livery Programs: Taxicabs and Sedans;
- Custom Programs: Golf Carts and School Vans; and
- Programs for Package Delivery and Courier (beginning to be implemented).

In recent years, the Company has expanded operations beyond the Washington DC metropolitan area and is now authorized to write business in more than 30 states. During 2019, the Company wrote premiums in the District of Columbia and 17 states, including Florida, Georgia, Indiana, Kentucky, Maryland, Minnesota, Mississippi, Missouri, Ohio, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Virginia, Washington, and Wisconsin.

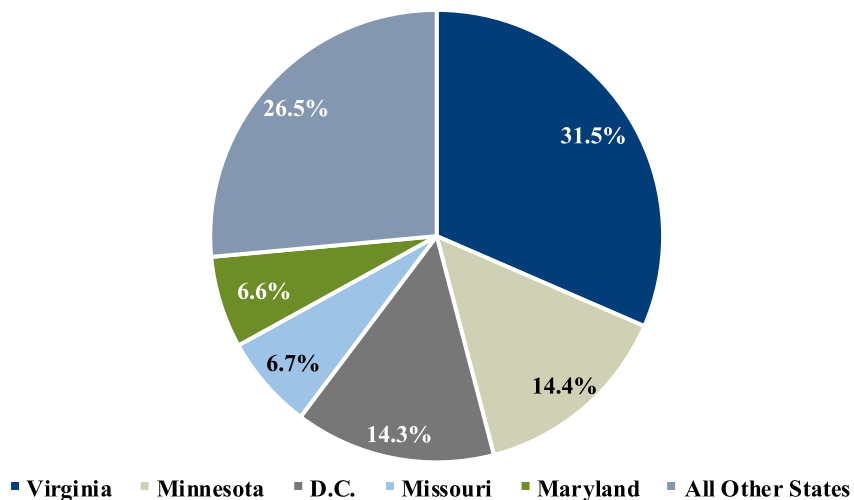
In addition to geographic expansion and as a result of the continued underwriting losses and subsequent strain on capital, the Company decided to put together an accelerated turnaround program. The Company exited unprofitable and non-core segments, including 1) Non-Emergency Medical Transportation, 2) all vehicle classes in underperforming states (FL, KY, GA, MS), and 3) higher limit policies in TX. ACIC is now focused on taxi and sedan business in states that have healthy claim environments, and where the Company has had demonstrated underwriting success in the past. In addition to de-risking and simplifying its book of business by putting unprofitable segments into run-off, ACIC also restructured its excess of loss (“XOL”) reinsurance program and reduced run-rate fixed costs by reducing utilization of outside claims services, reducing full-time employee headcount, and lowering salary and incentive compensation. The Company indicated that the changes noted above are improving financial results, with profits in each of the last four quarters on a statutory basis.

Over the past eighteen months, the Company has re-focused the business, improved analytics, enhanced data capturing, improved loss controls, and tightened underwriting standards. The taxi vehicle class, which accounts for roughly 80% of ACIC’s premium levels, has been under pressure for several years due to competition from ride sharing companies (Lyft, Uber), and COVID-19 has stressed this further, evidenced by in-force premiums declining approximately 33.3% to \$7.8 million from February to September on a statutory basis.

**Geographic Footprint**

The Company currently writes premiums in the District of Columbia and 17 other states, including Florida, Georgia, Indiana, Kentucky, Maryland, Minnesota, Mississippi, Missouri, Ohio, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Virginia, Washington, and Wisconsin. The Company is also in the process of obtaining approvals to write business in 11 additional states.

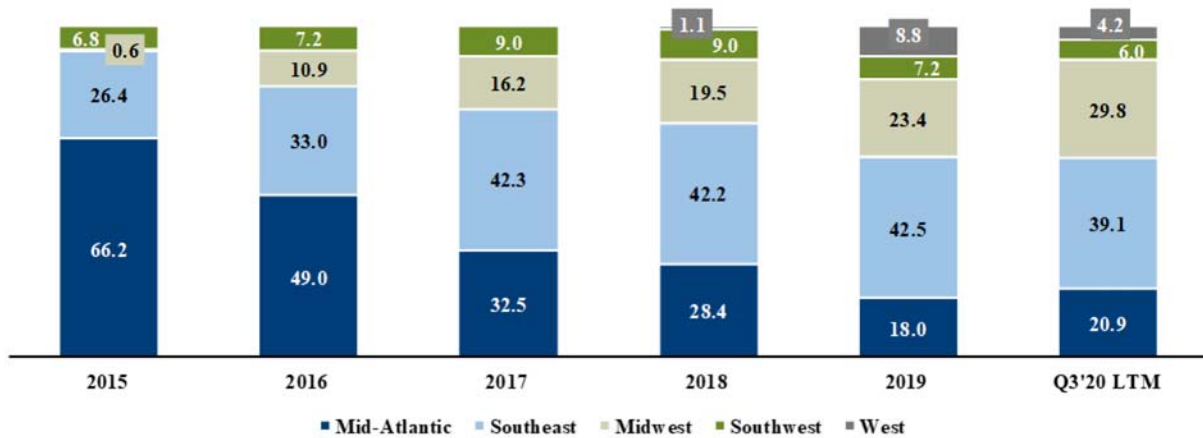
**LTM Q3'20  
Direct Premiums Written by State**



Figures reflect statutory data. Source: S&P Global Market Intelligence

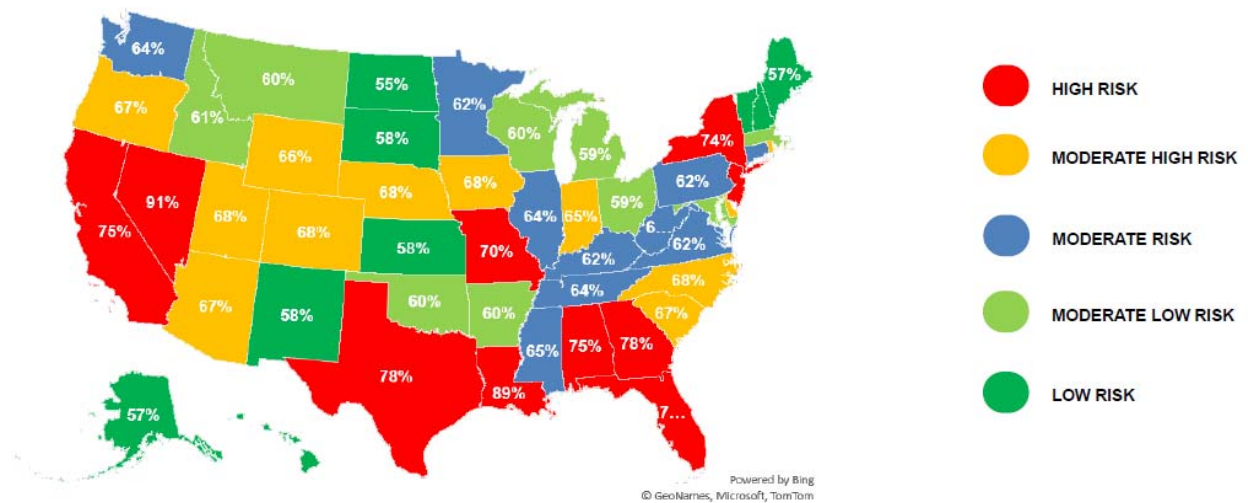
The Company has been steadily decreasing its reliance on the Mid-Atlantic to drive performance in recent years, evidenced by the Mid-Atlantic accounting for 66.2% of direct premiums written on a statutory basis in 2015 and 20.9% as of Q3'20 LTM. The Midwest accounted for 0.6% of total direct premiums written on a statutory basis in 2015 but grew to 29.8% by Q3'20 LTM. Additionally, the Company’s business in the West began in 2018 at 1.1% of direct premiums written on a statutory basis and has grown to 4.2% as of Q3'20 LTM.

DPW by Region (%)



Figures reflect statutory data for 9/30/2020. Source: S&P Global Market Intelligence

In six of the last ten years, Amalgamated has produced underwriting losses on a statutory basis. Due to the strain these underwriting losses have placed on the Company’s capital position, the Company is re-focusing its underwriting efforts in states that exhibit less risk. The Company has ranked the U.S. market into quintiles based on relative risk characteristics, primarily the historical loss ratio for the commercial auto line.



Figures reflect statutory data for the year-ended December 31, 2019. Source: S&P Global Market Intelligence.

The Company anticipates that it will migrate the profile of the business to focus its growth towards Tier 1 to Tier 3 States. The Company has classified the Tier levels as the following:

- **Tier 1:** AK, DC, HI, KS, ME, ND, NH, NM, SD, VT



- **Tier 2:** AR, ID, MA, MD, MI, MT, OH, OK, WI
- **Tier 3:** CT, IL, KY, MN, MS, PA, TN, VA, WA, WV
- **Tier 4:** AZ, CO, DE, IA, IN, NC, NE, OR, RI, SC, UT, WY
- **Tier 5:** AL, CA, FL, GA, LA, MO, NJ, NV, NY, TX

**ACIC Product Offerings**

Since 1938, ACIC has been focused on writing specialty property & casualty insurance lines for its policyholders. ACIC offers a full range of insurance products such as liability, physical damage, and related insurance coverages for taxicabs, sedans, golf carts, school vans and other commercial auto fleets. Additionally, the Company has started to offer insurance products for the package delivery and courier industry. The Company is currently developing product and underwriting plans for vehicle class expansion and has classified the commercial auto business into two segments: 1) Tools, where the vehicle is used as a tool in the overall business and 2) Business, where the vehicle is the primary business. ACIC’s current book of business is comprised entirely of vehicles that “are the business” such a taxicabs and sedans which have higher overall exposure, higher pricing per unit, higher premiums as a percentage of cost structure, greater sensitivity towards pricing, and lower bind to quote ratios. The Company will continue to write existing taxi and sedan business in its continuing operations where it can be profitable but does not anticipate that this segment will be a meaningful contributor towards future growth. ACIC’s business class segmentation is found below:

RISK GROUP <sup>(1)</sup>	BUSINESS SEGMENT
<b>HIGH RISK</b>	Local Passenger Transportation
	Specialized Freight Trucking, Long-Distance
<b>MODERATE HIGH RISK</b>	Taxicabs
	General Freight Trucking, Local
<b>MODERATE RISK</b>	Plumbing, Heating, Air-conditioning
	Masonry and Other Stonework
<b>MODERATE LOW RISK</b>	Carpentry Work
	Electrical Work
<b>LOW RISK</b>	Automotive Dealers
	Painting and Paper Hanging

- (1) Risk Group based on calculation of combined rating factor (using factors for multiple coverages) by unique business class. Derived based on analysis of rate and rule filings made by Progressive.

In LTM Q3'20, approximately 90.2% of ACIC's \$7.5 million in direct premiums written on a statutory basis were concentrated within the commercial auto line of business.

### **Marketing and Distribution**

The Company writes substantially all of its commercial auto business through its affiliated agency, American Risk Management ("ARM"), a licensed property and casualty insurance producer that serves as the Company's "controlling producer" and, in late 2020, began doing business as Amalgamated Risk Services ("ARS"). ARS and its predecessor entities have continuously operated since 1938 and have historically specialized in the niche commercial auto segment. ARS has two distinct but complimentary operating segments: (1) Retail Operations (where ARS solicits customers directly) and (2) Brokerage Operations (where ARS works with other retail distribution partners). ARS is owned by MCW Holdings, Inc. ("MCW"), the ultimate controlling person in Amalgamated's holding company system. Through a non-exclusive agency agreement, ARS is authorized to solicit business, issue policies, and collect premiums for remittance to ACIC. ARS receives commissions in the amount of 18.3% of premiums for performing these services. Additionally, ACIC and ARS have a cost-sharing agreement whereby ARS operates within the offices of the Company and uses one of the Company's employees to assist in performing its agency function. ARS reimburses the Company for rent and 10% of certain shared resources, office expenses, and personnel.

For Q3'20 LTM, ARS produced substantially all of the Company's total direct written premiums on a statutory basis. Of this, ARS produced approximately 21.2% of total direct written premiums on a statutory basis directly through its Retail Operations. The balance, or approximately 79.8% of total direct written premiums on a statutory basis, were produced through ARS's Brokerage Operations. Including ARS's Retail Operations, the ten highest producing agents all exceeded \$200 thousand in premiums and represented 79.2% of the Company's total premiums. The balance of the premiums was written by 26 agents in this period.

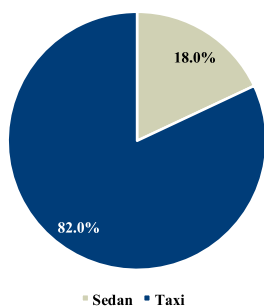


Top 10 Agents by Direct Written Premium - Q3'20 LTM	Direct Premiums Written (\$)	Direct Premiums Written (%)
American Risk Management, Inc.	1,492,027	20.0
Venture Specialty Ins.	1,152,871	15.4
United Insurance And Financial Services, Inc.	832,029	11.1
Twin City Group	760,890	10.2
Raza Insurance Agency, Inc. DBA Washington Insurance Group	372,064	5.0
Flyer Insurance Agency, Ltd.	287,228	3.8
American Agency, Inc.	280,638	3.8
Propel Insurance Agency, LLC DBA Propel Insurance	261,147	3.5
Robertson Ryan & Associates, Inc.	238,581	3.2
DeWitt Insurance, Inc.	215,257	2.9

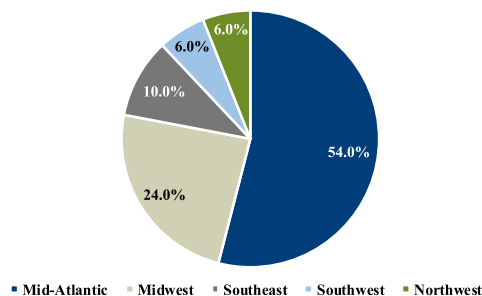
Figures reflect statutory data. Note: Financial information shown on a statutory basis

The Company’s continuing operations had \$7.8 million of in-force premium on a statutory basis as of October 28, 2020, representing a 33.3% decline from February 29, 2020, driven by the effect the Covid-19 pandemic had on the need for commercial auto insurance policies. Over the long-term, the Company’s core taxi and sedan policyholders face significant competition from ride-sharing services.

**In-Force Business by Vehicle Type<sup>1</sup>**



**In-Force Business by Geography<sup>1</sup>**



**Competitors**

The P&C insurance industry is a mature industry that has been in a consolidation and transition phase. In general, many of the Company’s principal competitors are larger and more established, with higher capital and surplus and higher financial strength ratings than those of Amalgamated. The company historically viewed the following firms as its principal competitors: Progressive Corporation, National Indemnity Company, Northland Insurance Company, Lancer Insurance

<sup>1</sup> Reflects statutory financial metrics as of October 28, 2020.

Company, and Atlas Financial Holdings, Inc. Brief descriptions of these companies are included below.

- **Progressive Insurance Corporation:** Progressive provides personal and commercial auto insurance, residential property insurance, and other specialty P&C insurance in the United States. Its Personal Lines segment writes insurance for auto, recreational, and other vehicles, while the company's Commercial Lines segment provides auto-related primary liability coverage and physical damage and business-related general liability and property coverage for autos, vans, and various types of trucks for business purposes.
- **Atlas Financial Holdings, Inc.:** Atlas engages in the generating, underwriting, and servicing of commercial automobile insurance throughout the United States. The company's automobile insurance products provide insurance coverage in three primary areas, including liability, accident benefits, and physical damage. It focuses on the light commercial automobile sector, including taxi cabs, non-emergency paratransit, limousine, livery, and business autos. The company distributes its insurance products through a network of independent retail agents.
- **National Indemnity Company:** National Indemnity primarily offers commercial auto insurance coverage for business auto, commercial trucks and truckers, passenger transport, and various other specialty operations. Additionally, it provides general liability insurance, which includes coverage for construction, manufacturing and distribution, transportation, miscellaneous, and stores and rental operations, as well as installation, service, and repair operations.
- **Northland Insurance Company:** Northland provides property and casualty insurance products and services to the transportation industry and related businesses in United States. The company offers public auto insurance products for commercial trucks, athlete and entertainment buses, day care/social services and church vehicles, vans, limousines, and airport shuttle operations, and various other specialty coverages that engage in transporting people or goods. It also offers insurance coverage services, including auto liability, collision, comprehensive or specified perils, cargo, general liability, rental reimbursement, medical payments, personal injury protection, uninsured/underinsured motorists, electronic equipment, roadside, and financed value coverage services.
- **Lancer Insurance Company:** Lancer offers insurance products and services for the auto rental, commercial auto and garage, commercial driving school, commercial explosive, commercial property and liability, limousine, long haul trucking, and vanpool/motorcoach, school bus, and transit bus sectors. The company also operates as an event transportation specialist that engages

in chartering deluxe motor coaches, school buses, mini-buses, mid-size coaches, and executive and sleeper coaches, as well as other specialty vehicles such as trolleys and party buses in North America.

### **AM Best Rating**

AM Best is a widely recognized rating agency dedicated to the insurance industry. AM Best provides ratings known as the Financial Strength Rating (“FSR”) and Long-Term Issuer Credit Rating (“ICR”) which rate the financial health of insurance companies. The FSR is defined as an independent opinion of an issuer’s financial strength and ability to meet its ongoing insurance policy and contract obligations. The ICR is defined as an independent opinion of an entity’s ability to meet its ongoing senior financial obligations. This rating is assigned to insurance companies and related holding companies and other legal entities authorized to issue financial obligations. The assigned ratings are derived from an in-depth evaluation and analysis of a company’s balance sheet strength, operating performance, and business profile. The FSR scale is comprised of 13 individual ratings grouped into 7 categories. The ICR scale for an insurance company is comprised of 21 individual ratings grouped into 9 categories.

AM Best currently assigns an FSR of B++ (Good) and an ICR of bbb (Good) to ACIC as of the latest revision date of December 17, 2019. The ratings reflect ACIC’s balance sheet strength, which AM Best categorizes as very strong, as well as its marginal operating performance, limited business profile, and marginal enterprise risk management (ERM). The ICR of bbb reflects a downgrade due to the deterioration in the Company’s underwriting performance after the increase in non-core businesses such as non-emergency medical transport and in states with mandatory higher limits. Regarding ACIC’s growth initiative, AM Best writes:

“The overall growth initiative has not been profitable, with underwriting losses reported in each of the most-recent four years and through the first nine months of 2019. The company has taken steps to improve results through nonrenewals, rate increases and reducing fixed expenses by approximately 30%. In addition, unprofitable classes of business have been placed into run-off with the company returning its focus to its core taxi and sedan book of business, which was historically profitable. Nevertheless, overall operating performance in recent years remains below management’s and AM Best’s expectations.”

The stable outlook for the Company's FSR and ICR ratings reflect AM Best's assessment that ACIC continues to maintain a strong balance sheet and that it expects an improvement in underwriting results in the intermediate term. AM Best's ratings may be an important factor affecting the Company's ability to attract new business and financing.

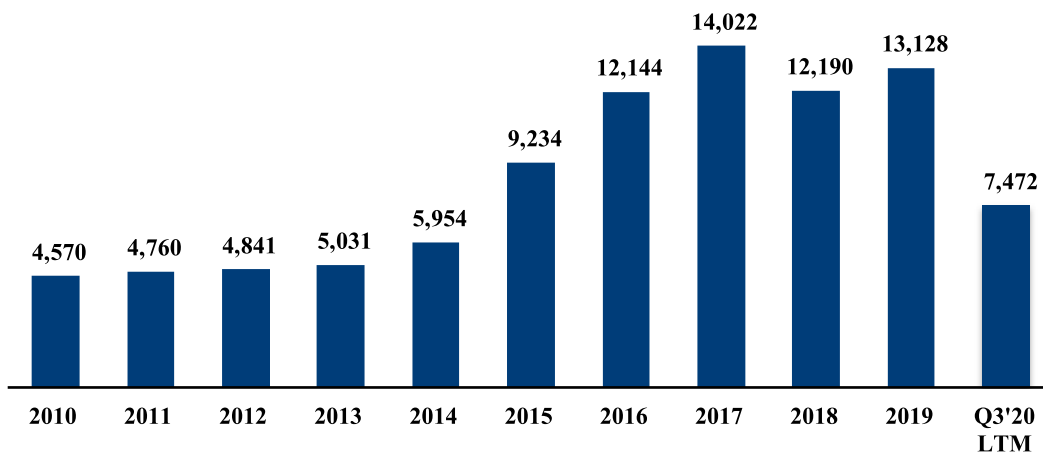
### **Operating Performance History**

Amalgamated's operating performance is influenced by factors affecting the general P&C insurance industry as well as specific issues related to the Company's business strategy. The performance of the P&C insurance industry is subject to significant variations due to fluctuations in the financial markets, interest rates, general economic conditions, and other factors.

Amalgamated's business has not been profitable in recent history, with statutory underwriting losses reported in each of the last five years, and net losses in three of the last five years (2017 through 2019), driven primarily by elevated frequency and severity levels. During this period, ACIC's loss ratio has increased meaningfully, resulting in combined ratios above 100% in four of the past five years on a statutory basis. The underwriting losses ultimately had a negative effect on the Company's capital position, with capital and surplus declining from \$42.8 million on a statutory basis in 2016 to \$35.2 million in 2019. While the Company improved its performance and produced both underwriting profit and net income in the twelve months ended September 30, 2020 on a GAAP and statutory basis, the period's significantly lower loss experience was driven primarily by the decline in driving resulting from the Covid-19 pandemic.

ACIC's direct premiums written grew between 2013 and 2017 to a peak of \$14.0 million on a statutory basis as it expanded its geographic presence outside of its core presence in Washington DC, Maryland, and Virginia and entered the Non-Emergency Medical Transport ("NEMT") business. Since that time, the Company's direct premiums written have declined by over 20% to \$7.5 million in Q3'20 LTM on a statutory basis, driven by its exit from non-core markets and insurance lines, and the Covid-19 pandemic. The pandemic has especially affected the taxi vehicle class, which accounts for approximately 80% of ACIC's premium volume on a statutory basis.

### Direct Premiums Written (\$000s)



Source: S&P Global Market Intelligence; ACIC Statutory Financials

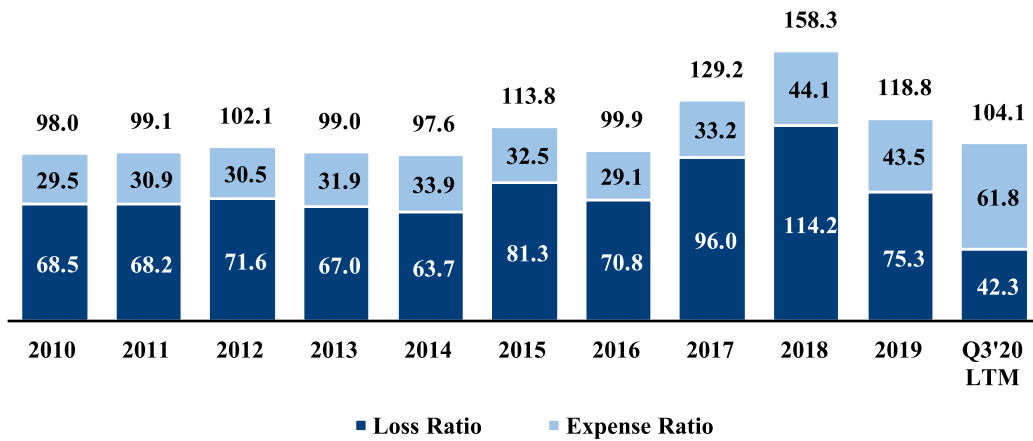
The Company's 5-year average statutory loss ratio from 2015 to 2019 of 87.5% has been driven by its entry into non-core markets and unprofitable insurance lines such as the NEMT segment as well as the soft pricing in the markets in which it competes dictated by larger players such as Atlas, Northland, National Indemnity Company, Lancer, and Progressive.

In addition to elevated loss levels, ACIC's expense ratio has also experienced a rise in recent years given the expense involved in its geographic expansion into new markets and insurance lines. The Company's statutory expense ratio from 2015 to 2019 averaged 36.5%. The Company's lack of scale also contributes to the higher expense ratio it achieves compared to the 5-year average for the aggregate of the commercial auto insurance industry of 28.7%. In 2019, ACIC's statutory expense ratio of 43.5% was 58% higher than that of the aggregate of the commercial auto insurance industry of 27.5%.

As a result of the aforementioned factors, the Company's statutory combined ratio has been above 100% in four of the past five years, with underwriting losses in each of the last five years. Amalgamated's Q3'20 LTM statutory combined ratio of 104.1% was down significantly from 153.1% in Q3'19 LTM as a result of lower loss experience. The Company's Q3'20 LTM statutory loss ratio of 42.3% represented a 28.5-point decrease from its next lowest loss ratio of 70.8% in 2016. Furthermore, the average statutory loss ratio from 2015–2019 measured 87.5%, indicating

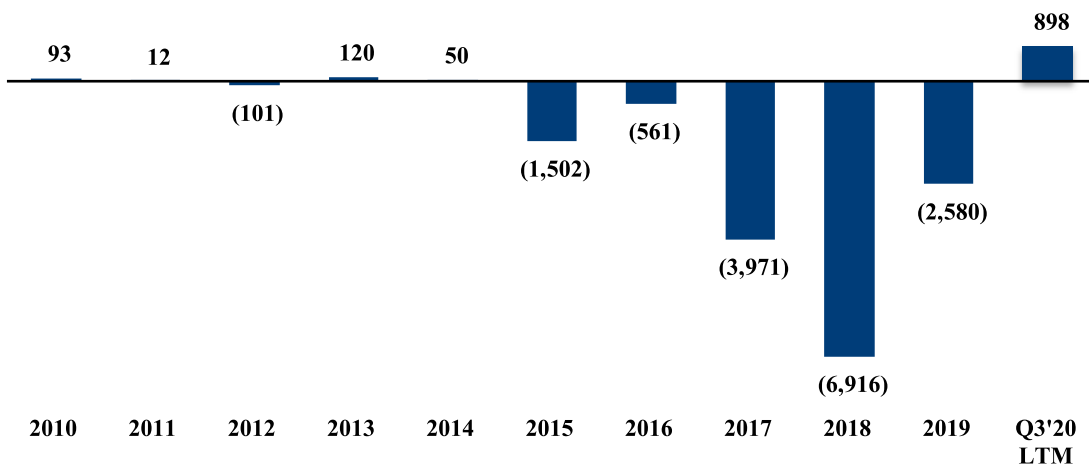
that if driving patterns return to normal, the loss ratio may again serve as a drag on underwriting profitability.

### ACIC Operating Ratios (%)



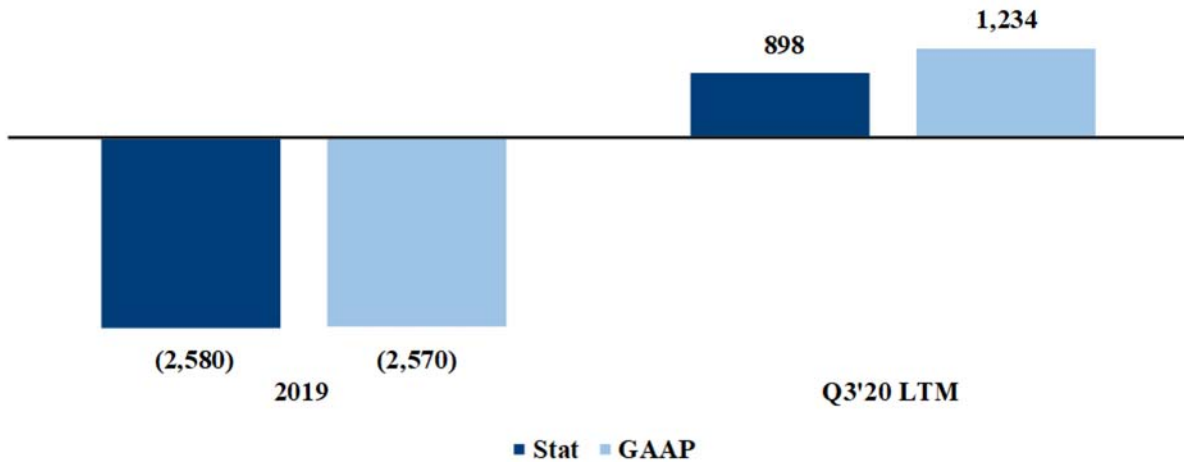
Source: S&P Global Market Intelligence; ACIC Statutory Financials

### Net Underwriting Gain (Loss) (\$000s)



Source: S&P Global Market Intelligence; ACIC Statutory Financials

### Comparison of Net Underwriting Gain (Loss) - Stat vs. GAAP (\$000s)



Source: S&P Global Market Intelligence; ACIC Statutory Financials and ACIC GAAP Financials

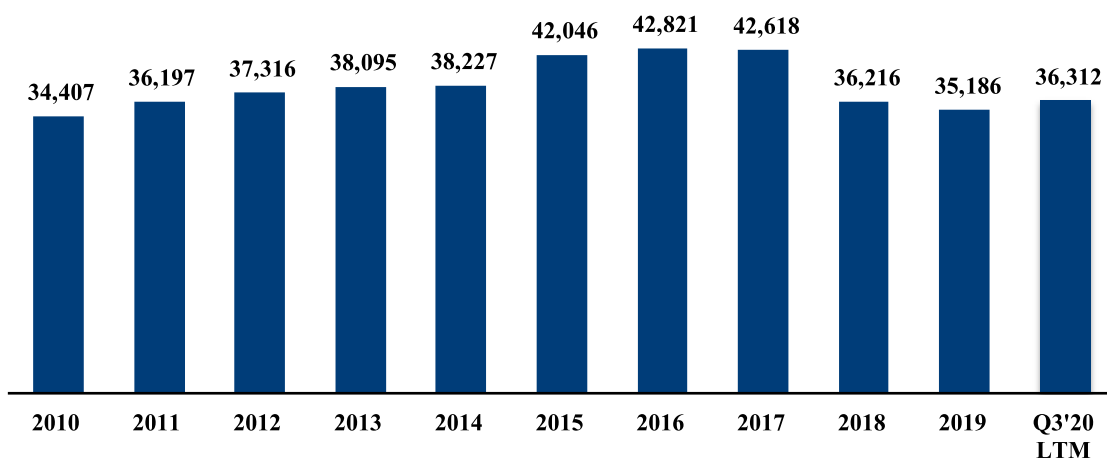
From 2010–2016, capital and surplus experienced yearly gains from favorable earnings, mostly driven by net investment income. Since 2016, ACIC’s elevated loss levels, shared with the rest of the commercial auto industry, have served as a drag on underwriting profitability and caused net losses from 2017–2019, ultimately affecting the Company’s capital levels. Q3’20 LTM earnings helped ACIC grow its surplus from previous year-end but was a result of abnormally low loss activity as a result of the Covid-19 pandemic.

In response to repeated historical losses, the Company has placed emphasis on focusing on the profitability of its current “light” public commercial auto insurance business and pursuing moderate growth in this line, adding other product lines which have exhibited meaningfully higher underwriting profits, and implementing the following initiatives to improve underwriting performance and enhance profitability:

- Reviewing segment profitability (by state, country, vehicle type, policy size, fleet affiliation, vehicle ownership, and other characteristics);
- Refining and articulating underwriting focus based on both internal and market data;
- The completion of the exit of the non-emergency medical transportation segment and the cessation of the writing of new or renewal business in certain markets where the Company has been unable to earn an acceptable return;

- Utilizing a data-driven indexing system, which will allow ACIC to track how the overall weighted-average composition of the book is improving; and
- The reduction of recurring expenses in 2019 and performing line item evaluations of the Company’s underwriting expense structure to take advantage of opportunities to save costs without impacting service to policyholders adversely.

**Total Capital and Surplus (\$000s)**



Source: S&P Global Market Intelligence; ACIC Statutory Financials

**Reinsurance**

ACIC has engaged in the following reinsurance agreements:

- 80% of commercial automobile liability losses including those in excess of policy limits and extra contractual obligations occurring on or after January 26, 2015 through March 31, 2017 between \$200,000 and \$1,000,000 per occurrence per policy.
- 80% of commercial automobile liability losses occurring on or after April 1, 2017 through May 31, 2019 between \$200,000 and \$1,000,000 per occurrence per policy.
- 95% of commercial automobile liability losses in excess of policy limits and extra contractual obligations occurring on or after January 1, 2017 through May 1, 2019 between \$1,000,000 and \$2,000,000 per occurrence per policy.



- Since April 1, 2017, when policy limits exceed \$1,000,000, the Company has been purchasing reinsurance coverage on a facultative basis to reinsure the commercial automobile liability losses in excess of \$1,000,000. The Company purchased coverage in line with the subject policy limits of up to \$4,000,000 in excess of \$1,000,000 per occurrence, per policy.
- Reinsurance treaties covering 100% of commercial automobile liability losses including those in excess of policy limits and extra contractual obligations occurring on or after June 1, 2019 between \$400,000 and \$1,600,000 per occurrence per policy. Aggregate limits under these treaties are \$6,000,000 for losses under \$1,000,000 and \$2,000,000 for losses in excess of \$1,000,000.
- Reinsurance treaties covering 100% of commercial automobile liability losses including those in excess of policy limits and extra contractual obligations occurring on or after June 1, 2020 between \$400,000 and \$1,600,000 per occurrence per policy. Aggregate limits under these treaties are \$6,000,000 for losses under \$1,000,000 and \$2,000,000 for losses in excess of \$1,000,000.

#### **Claims Reserving Methodology**

Individual claims are based on the information available at the time a claim is reported. That information, along with historical perspective to the type of claim and previous settlements are used to determine proper value. ACIC's claim review committee meets at least 3 times a year to review claims in excess of \$100,000 and any unique claims for reserve adequacy and settlement options. The Company has contracted outside counsel which has handled most of its sizeable liability claims since 1993. Incurred but not reported ("IBNR") has been determined through the use of historical loss ratios by line of business since 1995. This process is well accepted by ACIC's external actuaries and allows ACIC to book appropriate reserve levels. The Company's reserve levels as of September 30, 2020 were \$14.7 million on a GAAP basis, down 17.9% from year end 2019. The Company has made recent efforts to enhance its claims department, including hiring senior staff with numerous years of claims experience, as well as implementing various efficiency measures including 1) vendor management in subrogation, salvage, SIU, legal bill review, medical bill review and photo claims handling, and 2) the creation and implementation of the Quality Assurance Program for claims adjusters. In 2019, the Company transitioned 100% of claims handling activities to in-house adjusters with experience in multiple venues and product lines. Under the new leadership in the claims department, cycle times have improved, and claims

inventory has decreased. The claims department manages to a weekly “closure rate” of > 100% to ensure proactive handling and settling of claims with open claims down 57% since year-end 2018.

In addition to improving cycle times, the claims department has focused on reducing cost-leakage, process standardization and efficiency, and conservative case reporting. The Company believes that conservative case reserving should position itself for sustained favorable loss reserve development moving forward.

### **Investment Overview**

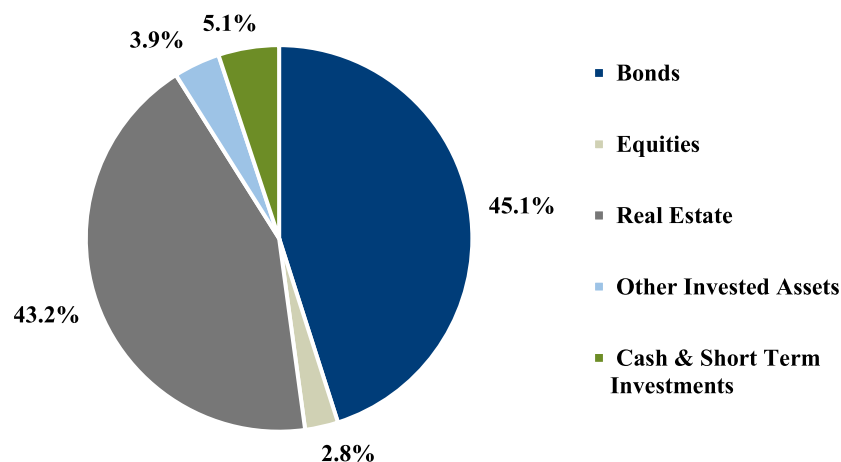
The Company’s investment committee oversees the investment operations and has established an asset allocation strategy based on two categories of investments as described below:

- **Group 1 Securities:** Cash and cash equivalents, money-market funds, and rated credit instruments that are considered investment grade. These securities are typically shorter in maturity and are designed to generate low-risk income.
- **Group 2 Securities:** These securities are generally below investment grade bonds, non-rated bonds, and equity interests and are purchased with the goal of generating higher than average income or for capital appreciation. These are underwritten for each specific instrument and the risk associated with it. The Group 2 securities are well-researched internally and include thematic and special situation investments that are generally multi-obligor and well-collateralized. Equity investments are managed by external managers with a well-articulated, value-oriented investment strategy based on a longer than average targeted investment horizon.

As of September 30, 2020, ACIC’s GAAP consolidated investment portfolio had a book value of approximately \$73.8 million and was comprised mainly of bonds at 43.3% of the portfolio and real-estate investments at 43.2% of the portfolio. The Company’s fixed-income portfolio totaled \$33.3 million on September 30, 2020 and consisted primarily of municipal bonds, corporates, US agency securities, and other fixed income instruments. Given the Company’s preference for municipal and agency fixed income investments, approximately 97% of the portfolio was considered investment grade and the remainder is below-investment grade (or not rated). As of September 30, 2020, the fixed income book had an average maturity of 3.4 years. 45.2% of the Company’s fixed-income securities mature in 1 to 5 years, 27.3% mature in 5 to 10 years, 27.3% mature after 20 years and 0.1% are loan back securities. Liabilities are relatively short tailed in

nature, and the Company has \$3.7 million in cash & equivalents to provide even more liquidity in the event it needs to pay obligations as they come due. The balance of the investment portfolio consists of Common Stock and other invested assets, largely investments in partnerships (which have helped replace internally managed stocks). In recent years, Amalgamated has invested more in limited partnerships which has allowed the Company to maintain an allocation to stocks but avoid general market exposure by investing with active managers who can focus on more attractive areas in the market.

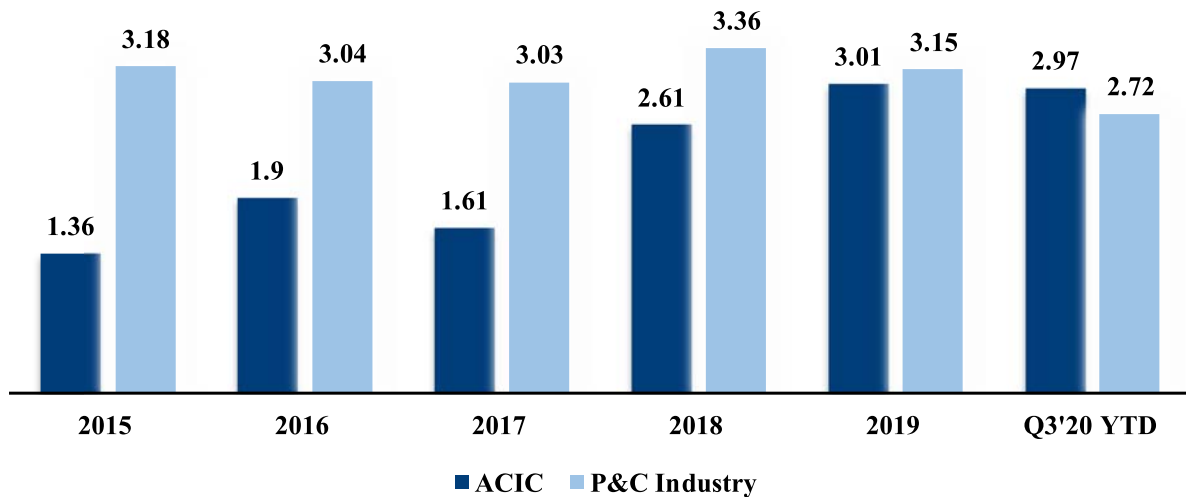
### Overview of Investment Portfolio - Q3'20 YTD



Figures reflect GAAP Financials.

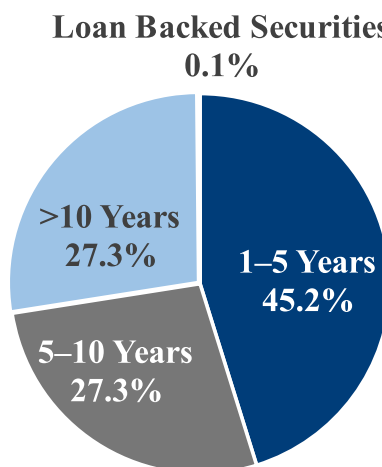
ACIC has meaningfully underperformed the P&C Industry in net yield on invested assets historically, largely due to the composition of the Company’s investment portfolio (which has a heavier weighting towards shorter maturity municipal bonds, agency securities, and lower weightings towards equities). Management has indicated that the Company is very conservative regarding investment choices and has put less weighting towards high yield bonds and equities. This low investment risk profile helps mitigate unforeseen drops in capital & surplus levels, but serves as a drag on earnings.

## Net Yield on Invested Assets (%)



Figures reflect statutory data. Source: S&P Global Market Intelligence

ACIC has a diversified bond portfolio with a blend of securities that favor shorter-term maturities, helping to mitigate overall risk. The Company's strategy is to populate the fixed-income portfolio largely with "plain vanilla" bonds that help generate high-quality income. These are typically high-grade municipal, corporate, or mortgage-backed securities that are used to manage maturity risk. ACIC does not make specific underwriting decisions for individual securities. In addition to the higher quality fixed-income securities, the Company holds below-investment grade bonds that aim to generate higher than average income or help appreciate capital. For these securities, ACIC typically will underwrite the specific securities and the corresponding credit risk of the issuer.

**Overview of Bond Maturities — 3Q'20**

Figures reflect statutory data. Source: S&P Global Market Intelligence

The Company owns an interest in three commercial real estate investments consisting of a women's shelter, restaurant, and a mixed-use building totaling \$31.9mm in book value as of September 30, 2020. These three non-traditional investments collectively comprise 43.2% of ACIC's cash and investment portfolio and produced net losses of \$254,121 in 2019 and \$267,926 during Q3'20 LTM.

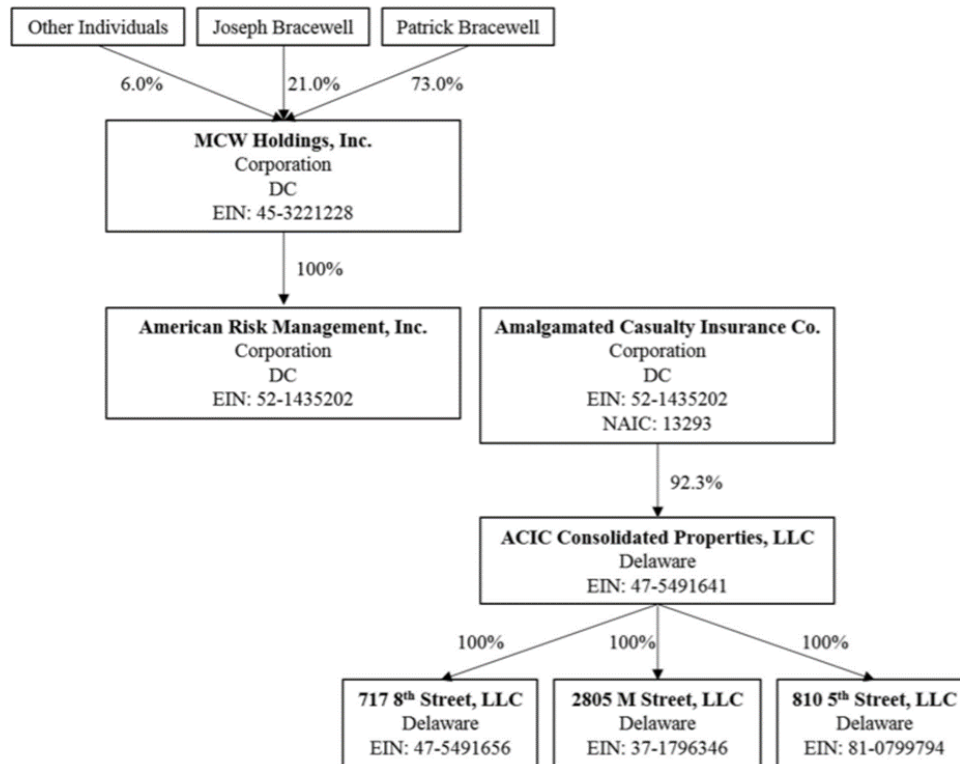
**Consolidated Financial Position**

The Company's balance sheet has not grown materially in the past five years as the primary source of potential growth, profitable core underwriting operations, has been largely missing. Total GAAP assets were \$88.6 million as of September 30, 2020, which represented a 2.5% decrease since year-end 2019. A majority of ACIC's balance sheet resides within its investment portfolio, which totaled \$73.8 million as of September 30, 2020 and was comprised largely of fixed income, real estate, and equity investments along with cash & equivalents. The Company's liability profile largely consists of policy reserves, which measured \$14.7 million as of September 30, 2020 and notes payable of \$28.5 million. The notes payable consist of a mortgage that matures in 2036 and various commercial lines of credit. The Company's GAAP equity of \$39.3 million as of Q3'20 was relatively flat compared to 2018 and 2019, as underwriting struggles have served as a drag on earnings.

As noted elsewhere in the Appraisal, the Company has struggled to underwrite profitably, with statutory underwriting losses in each year between 2015 and 2019. Furthermore, the Company's statutory expense ratio in 2018 and 2019 was elevated compared to historical years as it expanded its business both geographically and by line of business and implemented new initiatives. Earnings on a statutory basis have fluctuated over the past five years, with net income of \$1.7 million in 2015 and \$450 thousand in 2016 and net losses from 2017 through 2019.

### **Organizational Structure**

The Company was incorporated as a mutual insurance company on August 2, 1938 in the District of Columbia with the mandate to provide insurance, reinsurance, and financial services to all customer-types across the United States. The Company is currently focused on providing commercial auto liability and physical damage coverage to taxicabs, sedans, and other vehicles for hire and has a long history of writing and managing this business. The Company writes substantially all of its commercial auto business through its affiliated agency, American Risk Management ("ARM"), a licensed property and casualty insurance producer that serves as the Company's "controlling producer" and, in late 2020, began doing business as Amalgamated Risk Services ("ARS"). ARS and its predecessor entities have continuously operated since 1938 and have historically specialized in the niche commercial auto segment. ARS has two distinct but complimentary operating segments: (1) Retail Operations (where ARS solicits customers directly) and (2) Brokerage Operations (where ARS works with other retail distribution partners). ARS is owned by MCW Holdings, Inc. ("MCW"), which serves as the ultimate controlling person in the holding company system and has filed holding company registration statements (Form B) with the DISB since 2011. MCW is majority-owned by Patrick Bracewell, the Company's Chairman & President.



Source: Company Filings

Senior executives at ACIC include:

**Patrick Joseph Bracewell, Chairman & President**

Mr. Patrick Joseph Bracewell serves as Chairman and Chief Executive Officer of MCW Holdings, Inc. and Chairman & President of Amalgamated Casualty Insurance Company. Previously, Mr. Bracewell worked at Friedman, Billings, Ramsey & Co. Inc. in their insurance investment banking department in Washington, DC and London. At FBR, Mr. Bracewell provided advisory services to insurers, reinsurers, and insurance distribution businesses. In addition to advisory services, he helped those financial services companies with raising capital. FBR was consistently ranked as the top equity underwriter and M&A advisor for small-to-mid sized insurance companies during his tenure there. Mr. Bracewell received a Bachelor of Arts from Bowdoin College.

**Daniel Patrick McFadden, Vice President of Finance**

Mr. Daniel Patrick McFadden serves as Vice President of Amalgamated Casualty Insurance Company. Mr. McFadden joined the Company as Controller in October 2017. Prior to joining the Company, he was the Controller and Director of Finance at Maskin Management Corporation, a



subsidiary of AIG. Additionally, he served as Vice President of Accounting at Global Indemnity, Ltd., a specialty commercial property & casualty insurance group. Mr. McFadden is a licensed Certified Public Accountant (CPA) in the Commonwealth of Pennsylvania and a Certified Property Casualty Underwriter (CPCU).

**Brian Thomas Mancino, Vice President of Underwriting**

Mr. Brian Thomas Mancino serves as Vice President of Underwriting as well Secretary of Amalgamated Casualty Insurance Company. Since joining the Company in 2013, Mr. Mancino has held various roles within the organization, including Vice President of Corporate Development and Analytics. He is currently responsible for overseeing the Company's underwriting department, establishing underwriting guidelines, and managing the Company's investment-grade fixed-income portfolio. Prior to joining the Company, Mr. Mancino was an analyst at Ramsey Asset Management LLC.

**Michael McColley, Vice President of Claims**

Mr. McColley was appointed Vice President of Claims in 2019 and has 29 years of claims experience, through both claims management and quality assurance audits across multiple lines of business across 50 states. Prior to joining the Company, Mr. McColley served as Associate Director of Claims for Nationwide Mutual Insurance Company, where he managed the bodily injury and litigation claims of the Mid-Atlantic region.

**Reasons for the Offering**

The Board is unanimously in favor of moving forward with the Offering and believes that it will provide significant strategic and financial benefits to the Company. The principal purpose of the Conversion is to enhance ACIC's capital position and strategic and financial flexibility, with the Offering estimated to generate net proceeds that will put ACIC's capital & surplus level above \$50 million. The Board believes that the additional capital resulting from the Conversion should: (i) sustain and enhance ACIC's ability to write specialty transportation insurance currently written by ACIC, (ii) support organic growth and diversification initiatives, and (iii) enable ASGH to attract institutional investors and engage in strategic transactions advantageous to ASGH and its subsidiaries. In addition to the financial benefits, the Offering will allow ACIC to attract and retain talented personnel, as the Company will have the ability to provide equity-based incentives as a stock company. The Board further believes that the transaction is fair and equitable, is consistent



with the purpose and intent of the Demutualization Act and will not prejudice the interests of the Members.

### III. Industry Overview

#### Current State of Industry<sup>2</sup>

Following moderate underwriting gains in 2018, the US P&C industry reported \$8.4 billion in underwriting gains in 2019 and a combined ratio of 98.7% (down from 99.1% in 2018), driven largely by lower catastrophe losses, moderate premium growth, and continued favorable prior-year reserve development. As a result of the aforementioned factors, earnings grew almost 8% to \$62.1 billion at year-end 2019 and capital and surplus grew 14.3% to \$891.2 billion.

Through the first half of 2020, the P&C industry produced profits of \$27 billion, a 23% decline compared to the prior year period. Direct premiums written increased 2% over the prior year period and underwriting profits soared 38% to \$8.9 billion due to reduced business activity and lower accident losses driven by the COVID-19 shutdowns. Lower earnings were driven primarily by decreased investment income resulting from the impact the pandemic had on the economy and global financial markets. Additionally, the unrealized capital losses caused by the pandemic's effect on the economy drove a 3% decline to the industry's capital and surplus.

While the P&C insurance industry has generally experienced a "soft market" since 2007, the industry has begun to experience signs of hardening in most lines amidst record catastrophes in 2017 and above average catastrophe losses in 2018. The industry saw rate increases across all commercial lines from Q4 2017 through Q1 2020 except for the workers' compensation line. In Q2 2020, all commercial lines including workers' compensation experienced rate increases. Uncertainty over the underwriting impact from the coronavirus pandemic, along with what could potentially be a record-breaking year for catastrophe losses from elevated hurricanes and wildfires, could lead to further heightened underwriting discipline and hardening of the P&C market.

An important metric in the P&C insurance industry is the number of catastrophe events and the subsequent losses from them, which has a highly influential impact on how insurers perform. According to Munich Re, 820 global catastrophe events accounted for \$150 billion in losses in 2019, down from 850 events for \$186 billion in losses in the prior year. The lower loss figure was largely the result of a higher share of losses caused by floods which are often not insured. Due to

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<sup>2</sup> Data sourced via the National Association of Insurance Commissioners: U.S. Property & Casualty Insurance Industry Year End 2019 Review and First Half 2020 Review.

fewer major hurricanes affecting the U.S. in 2019, the United States' share of global natural catastrophes was lower than the annual average since 1980. Through 1H'20, the southeastern U.S. has experienced an active hurricane season, and the western U.S. has had an active wildfire season with the burning of nearly 6 million acres and destruction of over 7,000 structures.

Aside from underwriting performance, a key factor for earnings and surplus growth in P&C insurance companies is investment performance. In 2019, a 3.3% increase in investment income to \$55.1 billion and a 2.6% increase in realized gains to \$11.2 billion contributed to an increase in earnings for the industry. Bonds, stocks, and other invested assets contributed 53.5%, 24.3%, and 13.6%, respectively to investment income. In 1H'20, a 3.4% decrease in investment income from the prior YTD period to \$28.3 billion, and \$0.9 billion in realized losses contributed to a decrease in earnings for the industry. Investment yield in the first half of the year declined to 3.15% from 3.47% in the prior YTD period due to the low interest rates resulting from the market volatility related to the COVID-19 pandemic.

Despite the competitive market environment, insurers are finding ways to supplement their organic growth with M&A activity. Since 2008, the number of P&C filers has steadily decreased due to M&A activity as well the exit of some insurers from the market altogether. In 2008, there were 2,842 insurance filers and in 2019 there were 2,582, reflecting a gradual decrease in filers as M&A opportunities arise.

On top of business line difficulties, P&C insurers are facing several credit and market risks as a result of the coronavirus pandemic. Significant credit quality deterioration is possible as a result of the pandemic and could serve as a drag on investment performance through the remainder of the pandemic. Especially vulnerable are private and municipal bonds that are repaid from income derived from discretionary economic activity such as airports, hotels, convention centers, stadiums, restaurants, and other sectors are most at risk. Equities could have a significant impact if market conditions become volatile again.

### **Commercial Auto**<sup>3</sup>

According to S&P Global Market Intelligence, the commercial auto segment has typically underperformed other U.S. P&C lines in terms of combined ratio, producing a higher combined ratio than the broader P&C industry for the last five years. In 2019, the commercial auto combined ratio of 114.0% marked the ninth consecutive year that the combined ratio has exceeded the 100% threshold despite 34 quarters of rate increases, including a 10.5% rate increase in the fourth quarter of 2019. After experiencing heavy underwriting losses in recent years, commercial auto underwriter Atlas Financial Holdings, Inc. decided to transition to an asset-light managing general agency business model and agreed to place its subsidiaries, American Country and American Service, into liquidation as part of the sale of their stock, charters, and licenses to Buckle in August 2020.

According to AM Best, the outlook remains negative for the sector due to continued unprofitable underwriting performance driven by elevated loss levels. Price increases and underwriting actions are expected to continue through the rest of 2020, although the effects of the coronavirus may result in some pushback. Due to this, AM Best is expecting modest improvements in the sector despite expectations of continued unprofitable underwriting.

Commercial auto lines have experienced an unfavorable trend of increasing frequency and severity, which has been driven by rising costs associated with property damage and higher average claims seeking damages for bodily injury. Despite enhanced technology to help keep drivers alert and focused on driving safely, distracted drivers continue to serve as an industry-wide headwind, resulting in increased frequency across the industry. Furthermore, social inflation has caused an increase in the number of claims with attorney representation and higher jury award settlements, substantially adding to current AY loss trends. It is expected that the “stay at home” orders from the pandemic will result in a decrease in frequency, although as drivers return to their pre-pandemic lifestyles, frequency may begin to move towards pre-pandemic levels.

While accident frequency may decline due to the stay-at-home orders (especially in areas with high population density), some of this will be offset by lower premiums for policies with usage-sensitive premium bases, such as how many miles are driven. How impactful these factors will be

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<sup>3</sup> AM Best Market Segment Outlook: US Commercial Auto.

ultimately will be determined by how long citizens adhere to social distancing practices, as well as the length of the continued U.S. wide shutdowns.

Many commercial auto insurers have implemented consecutive double-digit rate hikes and have begun to take actions to look at improving the overall quality of their insured populations. These insurers continue to work with insureds to implement technology that helps monitor driving habits and provide information that can be useful in adjusting and ultimately settling claims. While these efforts have resulted in dividends in recent years for some insurers, in the near-term increased road congestion, distracted driving, vehicle utilization, and infrastructure deterioration, rising costs for health care and auto parts, greater numbers of drivers with less experience, and the persistent challenging legal environment suggest a significant chance that the segment will continue to serve as a drag on profitability for the broader P&C industry. Over the long-term, the headwinds of driverless automobiles and an increasing focus on risk mitigation in the form of forward collision warning systems, blind-spot assist, adaptive cruise control and other features have the potential to reduce the value of auto insurance policies. Additionally, if large technology companies such as Google and Facebook can use the data in their possession to select low-risk drivers or auto manufacturers such as General Motors and Ford begin to accumulate significant data through telematics, balance sheet-light players have the potential to disintermediate the market through cooperation with institutional investors whose investment in insurance-linked products have already contributed significantly to the competitive dynamics of the reinsurance industry.

#### IV. Valuation Methodologies

##### General Overview

Boenning considered several established valuation methodologies for this Appraisal, including the discounted cash flow approach, cost approach, and guideline market approach. The guideline market approach was chosen to determine the Appraised Value, because: (i) it has been widely accepted as a valuation approach by insurance industry analysts and applicable regulatory authorities; (ii) where possible, the generally employed valuation method in initial public offerings is the guideline market approach (which has also been relied upon to determine the Appraised Value of previous insurance company mutual-to-stock conversions using the Subscription Rights method); and (iii) reliable market and financial data are readily available for most guideline companies. Many publicly traded insurance companies are represented in the stock market, are widely followed by analysts and investors, and are traded actively. The trading characteristics of these public companies allow analysts and investors to gain and apply knowledge about the comparative fundamentals of these companies as they relate to financial performance and market valuations.

The discounted cash flow approach relies on either a single period or multiple periods considered to be representative of recurring benefits, which are capitalized by a capitalization rate chosen from guideline companies or from risk-adjusted rates of return required by investors in a particular line of business. When multiple periods are used, income is estimated for several future periods. This income is discounted to the present time period, with or without a terminal value, depending upon the circumstances of the particular company. Due to the Company's lack of consistent historical earnings, the speculative nature of forecasted results from a change in business model, the execution risk described by its management inherent in its income projections, and the losses forecasted through 2025, we did not utilize the discounted cash flow or another income approach.

Asset-based valuation approaches may be either on a going concern, orderly disposition, or forced liquidation basis. Going concern asset-based valuations are often used in the case of companies that hold readily marketable assets such as an investment company. The Company holds assets for the purpose of producing income to support its insurance operations. While a portion of Amalgamated's assets is readily marketable, its primary business is not investment in assets for resale. Financial service companies are rarely valued on the basis of their assets at liquidation value

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or the disposal of individual assets or groups of assets. While the stock market may use a concept of "book value" as a pricing benchmark, few investors recognize the overall value of a financial service company as being its net book value at any point in time because of the significant differences in composition of balance sheet assets and liabilities and risks associated with business, market, credit, and interest rate factors that the concept of simple "book value" does not fully recognize. For an insurance company such as Amalgamated, the asset-based approach could lead to valuation conclusions that do not fully take into account the enterprise as a whole and the accompanying risk factors or intangible benefits related to the business franchise. Therefore, we have elected not to utilize this approach and have concentrated on the guideline market approach.

The guideline market approach provides a basis for determining estimates of going-concern valuations where a regular and active market exists for the stocks of guideline companies. The guideline market approach measures the value of an asset through an analysis of recent M&A transactions with companies sharing valuation characteristics with the subject company. When applied to the valuation of equity interests, consideration is given to the financial condition and operating performance of the company being appraised relative to those of publicly traded companies. These companies are potentially subject to similar economic, environmental and political facts and considered to be reasonable investment alternatives. Publicly traded companies provide indications of value of a freely traded minority interest, i.e., non-control.

The guideline market approach derives valuation benchmarks from the trading patterns of selected guideline companies that, due to certain factors such as financial performance and operating strategies, enable the appraiser to estimate the potential value of the subject institution in a mutual-to-stock conversion offering. In this section, our valuation analysis focuses on the selection and comparison of the Company with a guideline group of publicly traded insurance companies "Guideline Group". Section V discusses market value adjustments, both discounts and premiums, to account for perceived differences between the Company and the Guideline Group discussed below.

### **Selection Criteria**

When applying the guideline market approach, the appraiser would ideally utilize companies identical to the subject company in terms of lines of business, growth, profitability, and composition of earnings. Since there are no publicly traded companies identical to the Company,



we selected a peer group of publicly traded P&C insurance companies that share potentially similar valuation characteristics with the Company. Selected financial data for P&C insurance companies listed on U.S. stock exchanges, including Over-the-Counter (“OTC”) markets, is shown in Table I as compiled from data obtained from S&P Global Market Intelligence (“Market Intelligence”), a leading provider of financial and market data focused on the financial services industry. Several criteria, discussed below, were used to select the individual members of the Guideline Group from the universe of publicly traded P&C insurers (“Public P&C Insurance Group”). In general, we considered the following in our selection process.

- Merger Target: We limited our Guideline Group to those companies that are not subject to an announced merger.
- Current Reporting: In the selection of our Guideline Group, we eliminated any company that is not current in its reporting, as those companies are typically in a distressed situation and therefore do not provide any insight towards potential valuation conclusions.
- Equity Size: Given Amalgamated’s size, we chose to limit the companies included in the Guideline Group to those that had equity less than \$2 billion, as those companies are more likely to share similar valuation characteristics.
- Business Mix: We chose to eliminate any company that operates primarily in a single state, and/or those that write any line of business that could require fundamentally different valuation characteristics or metrics than Amalgamated.

Specifically, in determining the Guideline Group, we began by gathering an initial list of publicly traded P&C companies in the United States (“Public P&C Insurance Group”). This screen produced 58 P&C insurance companies with equity ranging from (\$8.6) million–\$419 billion, as shown in Table I.



Table I

Company Name	Ticker	Total Assets (\$000s)	Total Policy Reserves (\$000s)	Total Equity (\$000s)	Cash and Investments (\$000s)	Cash and Investments / Assets (%)	Debt / Total Capitalization (%)	Policy Reserves / Total Equity (x)	Total Equity / Total Assets (%)	Tangible Equity / Tangible Assets (%)
Berkshire Hathaway Inc.	BRK.A	829,946,000	162,820,000	419,215,000	427,627,000	51.5	20.4	0.4	50.5	43.6
American International Group	AIG	577,230,000	311,543,000	64,607,000	359,797,000	62.3	37.2	4.8	11.2	10.4
Travelers Companies Inc.	TRV	116,384,000	74,328,000	27,849,000	84,144,000	72.3	21.0	2.7	23.9	21.0
Allstate Corp.	ALL	122,750,000	73,566,000	27,263,000	91,567,000	74.6	19.6	2.7	22.2	20.6
Loews Corp.	L	79,464,000	40,532,000	18,620,000	53,658,000	67.5	35.9	2.2	23.4	22.7
Progressive Corp.	PGR	62,890,800	33,788,500	18,087,200	45,855,400	72.9	23.5	1.9	28.8	28.0
Hartford Financial Services	HIG	72,319,000	45,428,000	17,802,000	55,048,000	76.1	19.6	2.6	24.6	21.5
CNA Financial Corp.	CNA	62,775,000	40,532,000	12,021,000	49,448,000	78.8	18.8	3.4	19.1	19.0
Market Corp.	MKL	40,170,019	21,267,135	11,907,758	23,588,198	58.7	22.7	1.8	29.6	20.9
Cincinnati Financial Corp.	CINF	26,370,000	12,671,000	9,745,000	21,213,000	80.4	9.0	1.3	37.0	37.0
Allegheny Corp.	Y	26,452,571	15,570,068	8,596,395	20,747,662	72.9	19.2	1.8	30.2	26.6
American Financial Group Inc.	AFG	73,110,000	56,310,000	6,340,000	58,087,000	79.5	26.5	8.9	8.7	8.4
American National Group Inc.	ANAT	29,448,744	20,557,809	6,152,814	25,459,597	86.5	2.6	3.3	20.9	20.9
Old Repub International Corp.	ORI	22,248,700	13,247,100	6,074,600	14,757,900	66.3	13.7	2.2	27.3	NA
W. R. Berkley Corp.	WRB	28,212,370	17,513,830	6,039,672	20,850,475	73.9	35.2	2.9	21.4	20.9
Assurant Inc.	AIZ	43,582,600	29,782,200	5,940,000	17,408,900	39.9	25.3	5.0	13.6	7.5
Kemper Corp.	KMPR	14,090,400	7,646,800	4,347,500	10,327,700	73.3	22.5	1.8	30.9	24.9
White Mountains Insurance	WTM	4,383,400	226,900	3,309,200	3,320,000	75.7	10.7	0.1	75.5	70.2
Hanover Insurance Group Inc.	THG	13,393,800	8,482,800	3,155,000	8,958,900	66.9	19.8	2.7	23.6	22.5
National General Holdings Corp	NGHC	10,224,256	5,234,934	3,085,565	5,594,142	54.7	18.0	1.7	30.2	26.4
Selective Insurance Group Inc.	SIGI	9,514,926	5,943,825	2,393,613	7,293,355	76.7	23.1	2.5	25.2	25.1
Mercury General Corp.	MCY	6,145,788	3,374,535	1,900,832	4,870,925	79.3	18.0	1.8	30.9	30.3
Horace Mann Educators Corp.	HMM	13,003,388	7,874,141	1,715,678	7,207,560	55.4	20.3	4.6	13.2	11.7
ProAssurance Corp.	PRA	4,692,497	2,822,672	1,329,893	3,598,929	76.7	18.7	2.1	28.3	26.5
Employers Holdings Inc.	EIG	3,985,100	2,467,000	1,167,400	2,954,200	74.1	4.6	2.1	29.3	27.6
RLI Corp.	RLI	3,792,501	2,257,630	1,099,340	2,874,482	75.8	13.4	2.1	29.0	28.0
State Auto Financial Corp.	STFC	3,068,500	1,822,300	944,100	2,782,200	90.7	11.4	1.9	30.8	30.8
Safety Insurance Group Inc.	SAFT	2,047,110	1,033,646	837,851	1,519,749	74.2	6.9	1.2	40.9	40.9
United Fire Group Inc.	UFCS	3,048,480	2,054,813	820,282	2,141,056	70.2	0.0	2.5	26.9	26.7
ProSight Global Inc.	PROS	3,016,220	2,032,690	607,872	2,417,373	80.1	27.3	3.3	20.2	19.4
Lemonade Inc.	LMND	631,500	155,000	569,000	597,400	71.8	0.0	0.3	68.4	68.4
Kinsale Capital Group Inc.	KNSL	1,468,589	850,275	534,131	1,219,596	83.0	7.0	1.6	36.4	36.2
Donegal Group Inc.	DGIC.A	2,144,207	1,500,161	504,069	1,294,530	60.4	15.1	3.0	23.5	23.3
AMERISAFE Inc.	AMSF	1,546,821	945,100	481,910	1,213,561	78.5	0.0	2.0	31.2	31.2
United Insurance Holdings	UIHC	3,064,787	1,854,085	475,398	1,477,827	48.2	25.2	3.9	15.5	12.8
Universal Insurance Holdings	UVE	2,050,184	991,857	474,763	1,336,801	65.2	1.8	2.1	23.6	23.1
Heritage Insurance Hldgs Inc	HRTG	2,148,390	1,215,624	443,140	988,887	46.0	22.8	2.7	20.6	11.7
Trean Insurance Group	TIG	1,364,389	608,892	401,753	565,646	41.5	10.5	1.5	29.4	16.4
Palomar Holdings Inc.	PLMR	699,759	305,664	361,895	450,044	64.3	0.0	0.8	51.7	51.7
Tiptree Inc.	TIPT	2,794,866	1,003,731	361,691	992,834	35.5	54.0	2.8	12.9	2.6
Protective Insurance Corp.	PTVC.B	1,644,823	1,118,010	344,664	1,020,438	62.0	5.5	3.2	21.0	21.0
NI Holdings Inc.	NODK	630,036	260,769	325,513	462,427	73.4	0.8	0.8	51.7	50.2
FedNat Holding Co.	FNHC	1,514,808	934,354	201,476	602,837	39.8	34.5	4.6	13.3	12.7
HCI Group Inc.	HCI	887,813	458,281	199,732	651,834	73.4	46.0	2.3	22.5	22.2
Hallmark Financial Services	HALL	1,497,507	1,107,185	176,179	645,329	43.1	40.8	6.3	11.8	11.7
Trupanion Inc.	TRUP	317,142	28,839	144,298	124,740	39.3	17.1	0.2	45.5	44.3
Atlantic American Corp.	AAME	384,952	201,064	128,015	283,597	73.7	23.3	1.6	33.3	32.8
GAINSCO INC.	GANS	439,068	204,048	112,410	300,306	68.4	33.6	1.8	25.6	25.2
First Acceptance Corp.	FACO	356,411	175,642	96,678	226,038	63.4	38.1	1.8	27.1	NA
Kingstone Companies Inc.	KINS	327,360	178,066	89,313	220,749	67.4	25.5	2.0	27.3	27.2
Positive Physicians Hldgs Inc	PPHI	154,115	75,809	74,324	122,761	79.7	0.0	1.0	48.2	48.2
ICC Holdings	ICCH	179,984	91,865	68,033	131,447	73.0	18.6	1.4	37.6	37.8
National Security Group Inc.	NSEC	155,556	85,806	47,062	120,036	77.2	23.1	1.8	30.3	30.3
Conifer Holdings Inc.	CNFR	259,893	158,773	42,586	187,802	72.3	49.0	3.7	16.4	16.1
Unico American Corp.	UNAM	132,780	92,966	37,090	89,931	67.7	0.0	2.5	27.9	27.9
1347 Property Insurance Hldg	FGF	36,956	0	36,394	33,620	91.0	0.0	0.0	98.5	98.5
Kingsway Financial Services	KFS	394,332	1,401	19,700	98,703	25.0	92.7	0.1	5.0	(64.7)
Atlas Financial Holdings Inc.	AFHIF	150,861	0	(8,461)	16,147	10.7	133.0	0.0	(5.6)	(7.5)
Minimum		36,956	0	(8,461)	16,147	10.7	0.0	0.0	(5.6)	(64.7)
25th Percentile		732,694	235,367	200,168	488,232	60.8	9.4	1.6	20.9	19.3
50th Percentile		3,032,350	1,661,231	714,077	1,830,403	72.3	19.6	2.1	27.2	25.0
75th Percentile		25,339,675	13,103,075	6,014,754	16,746,150	76.0	25.5	2.8	30.9	30.9
Maximum		829,946,000	311,543,000	419,215,000	427,627,000	91.0	133.0	8.9	98.5	98.5

Source: S&P Global Market Intelligence; financial information reflects GAAP data as of most recent LTM period

In order to form a sub-group with more similar characteristics to the Company, we then excluded companies that are the target of a merger, were not current in their financial reporting, and had equity under \$2 billion. From this sub-group we then began to examine the product offerings, geographical presence, and diversification of each remaining guideline company. We excluded companies that primarily operate in a single state, and/or those that write lines of business that may require fundamentally different valuation characteristics. We removed 22 companies from the Public P&C Insurance Group's under \$2 billion in equity subgroup due to business mix. As an example, ProAssurance Corporation, United Insurance Holdings Corp, and Kingsway Financial Services, Inc. were excluded from the Guideline Group due to product offerings and clientele which differ significantly from the that of Company. ProAssurance is undiversified in its business mix, writing almost entirely all MPL insurance. United Insurance Holdings writes most of its

business with a concentration in Florida and has a heavy dependence on the Homeowners Multiple Peril business. Kingsway writes almost all its business in the warranty insurance market. The above exercise resulted in a group of 12 companies ranging in equity size from \$37.1 million–\$1.9 billion, as presented below:

**Table II**

Company Name	Ticker	Total Assets (\$000s)	Total Policy Reserves (\$000s)	Total Equity (\$000s)	Cash and Investments (\$000s)	Cash and Investments / Assets (%)	Net Premiums Written (\$000s)	Debt / Total Capitalization (%)	NPW / Average Equity (%)	Policy Reserves / Total Equity (x)	Total Equity / Total Assets (%)	Tangible Equity / Tangible Assets (%)
Mercury General Corp.	MCY	6,145,788	3,374,535	1,900,832	4,870,925	79.3	3,612,155	18.0	203.7	1.8	30.9	30.3
Horace Mann Educators Corp.	HMN	13,003,388	7,874,141	1,715,678	7,207,560	55.4	1,373,021	20.3	86.7	4.6	13.2	11.7
State Auto Financial Corp.	STFC	3,068,500	1,822,300	944,100	2,782,200	90.7	1,430,800	11.4	154.6	1.9	30.8	30.8
Safety Insurance Group Inc.	SAFT	2,047,110	1,033,646	837,851	1,519,749	74.2	768,042	6.9	95.9	1.2	40.9	40.9
United Fire Group Inc.	UFCS	3,048,480	2,054,813	820,282	2,141,056	70.2	1,031,930	0.0	118.1	2.5	26.9	26.7
Protective Insurance Corp.	PTVC.B	1,644,823	1,118,010	344,664	1,020,438	62.0	431,658	5.5	127.0	3.2	21.0	21.0
Kingstone Companies Inc.	KINS	327,360	178,066	89,313	220,749	67.4	99,435	25.5	116.1	2.0	27.3	27.2
Positive Physicians Hldgs Inc	PPHI	154,115	75,809	74,324	122,761	79.7	20,717	0.0	28.5	1.0	48.2	48.2
ICC Holdings	ICCH	179,984	91,865	68,033	131,447	73.0	48,872	18.6	74.7	1.4	37.8	37.8
National Security Group Inc.	NSEC	155,556	85,806	47,062	120,036	77.2	61,184	23.1	121.5	1.8	30.3	30.3
Conifer Holdings Inc.	CNFR	259,893	158,773	42,586	187,802	72.3	91,321	49.0	219.3	3.7	16.4	16.1
Unico American Corp.	UNAM	132,780	92,966	37,090	89,931	67.7	28,070	0.0	53.2	2.5	27.9	27.9
Minimum		132,780	75,809	37,090	89,931	55.4	20,717	0.0	28.5	1.0	13.2	11.7
25th Percentile		173,877	92,691	62,790	129,276	67.7	56,106	4.1	83.7	1.7	25.4	25.3
50th Percentile		986,092	605,856	216,989	620,594	72.6	265,547	14.7	117.1	2.0	29.1	29.1
75th Percentile		3,053,485	1,880,428	864,413	2,301,342	77.7	1,117,203	21.0	133.9	2.7	32.6	32.5
Maximum		13,003,388	7,874,141	1,900,832	7,207,560	90.7	3,612,155	49.0	219.3	4.6	48.2	48.2
Amalgamated		68,555	14,685	39,258	73,807	83.3	7,188	42.1	18.9	0.4	44.3	44.3

Source: S&P Global Market Intelligence; financial information reflects GAAP data as of most recent LTM period unless otherwise noted  
 Note: Shading indicates where ACIC ranks compared with the Guideline Group

While none of the companies in the Guideline Group is identical to the Company and there does not appear to be a company that is a perfect guideline or peer company from a valuation standpoint, we believe that the Guideline Group generally provides a meaningful basis of financial comparison for valuation purposes and is a useful approximation for determining how an investor might value the Company.

**Summary Profiles of the Guideline Group<sup>4</sup>**

**Mercury General Corporation (NYSE: MCY)** – Mercury General Corporation and its subsidiaries are primarily engaged in writing personal automobile insurance through 14 insurance subsidiaries in 11 states, mainly California. The company also writes homeowners, commercial automobile, commercial property, mechanical protection, and umbrella insurance. The Company's insurance policies are mostly sold through independent agents who receive a commission for selling policies in Arizona, California, Florida, Georgia, Illinois, Nevada, New Jersey, New York, Oklahoma, Texas, and Virginia. The company was founded in 1961 and is headquartered in Los Angeles, California.

<sup>4</sup> Guideline Group’s business descriptions sourced from company 10-K filings and Capital IQ.

***Horace Mann Educators Corporation (NYSE: HMN)*** – Horace Mann Educators Corporation and its subsidiaries operate as a multiline insurance company in the United States and writes personal lines (mostly automobile and property coverages), supplemental insurance (primarily heart, cancer, accident and limited short-term supplemental disability coverages), retirement products, and life insurance. The company markets its products through its sales force of full-time exclusive distributors and independent agents to K-12 teachers, administrators, and other employees of public schools and their families. Horace Mann Educators Corporation was founded in 1945 and is headquartered in Springfield, Illinois.

***State Auto Financial Corporation (Nasdaq: STFC)*** – State Auto Financial is an Ohio domiciled property and casualty insurance holding company engaged in writing personal and commercial insurance. The company's Personal Insurance business provides personal automobile, homeowners insurance, and other personal insurance products while the Commercial business provides commercial automobile, commercial multi-peril, fire and allied, general liability, and workers' compensation insurance for small-to-medium sized businesses. Additionally, the company has an Investment Operations business that provides investment management services to affiliated insurance companies. The company markets its products primarily through independent agencies, including retail agencies and wholesale brokers. The company was founded in 1950 and is headquartered in Columbus, Ohio.

***United Fire Group, Inc. (Nasdaq: UFCS)*** – United Fire Group, Inc. and its subsidiaries provide property and casualty insurance for individuals and businesses in the United States. The company offers commercial and personal lines of property and casualty insurance, as well as assumed reinsurance products. Its commercial policies include fire and allied lines, other liability, automobile, workers' compensation, and surety coverage. Its personal policies include automobile and fire and allied lines coverage (including homeowners). The company sells its products through a network of independent agencies. United Fire Group, Inc. was founded in 1946 and is headquartered in Cedar Rapids, Iowa.

***Safety Insurance Group, Inc. (Nasdaq: SAFT)*** – Safety Insurance Group, Inc. is a leading provider of private passenger automobile, commercial automobile and homeowner's insurance in Massachusetts, New Hampshire, and Maine. In addition to these coverages, the company offers various other insurance products, including dwelling fire, umbrella and business owner policies. The company has strong relationships with independent insurance agents who sell the policies

throughout the company's core markets. The company has utilized its agency relationships and extensive knowledge of the Massachusetts market to become the third largest private passenger automobile carrier and the largest commercial automobile carrier in Massachusetts. Additionally, it is also the third largest homeowner's insurance carrier in Massachusetts. The company incorporated under the laws of Delaware in 2001, but through our predecessors, we have underwritten insurance in Massachusetts since 1979.

***Protective Insurance Corporation (Nasdaq: PTV.C.B)*** – Protective Insurance Corporation and its subsidiaries provide property and casualty insurance products. The company provides commercial automobile coverage for larger companies in the motor carrier industry, independent contractors utilized by trucking companies, medium-sized and small trucking companies on a first-dollar or deductible basis, and for public livery concerns (principally covering fleets of commercial busses). In most cases, commercial automobile policies are written on an "occurrence" basis. In addition to commercial automobile policies, the company also performs various other services for the insureds including risk surveys and analyses, safety program design and monitoring, government compliance assistance, loss control and cost studies and research, development, and consultation in connection with new insurance programs. Protective Insurance Corporation was founded in 1930 and is headquartered in Carmel, Indiana.

***Kingstone Companies, Inc. (Nasdaq: KINS)*** – Kingstone Companies, Inc. and its subsidiaries underwrite property and casualty insurance products in New York, offering personal lines insurance products including homeowners and dwelling fire multi-peril, cooperative/condominiums, renters, and personal umbrella policies. It also provides commercial liability policies, such as business owner's policies consisting primarily of small business retail, service, and office risks; artisan's liability policies for small independent contractors; multi-peril policies for larger and specialized risks, and business owner's risks; and commercial umbrella policies. It sells its products through retail and wholesale agents and brokers. Kingstone Companies, Inc. was founded in 1886 and is headquartered in Kingston, New York.

***Positive Physicians Holdings, Inc. (OTCPK: PPHI)*** – Positive Physicians Holdings, Inc. and its subsidiaries provide medical malpractice insurance. The company underwrites claims-made, claims-made plus, tail, and occurrence-based medical professional liability coverage for physicians, corporations, medical groups, clinics, and allied healthcare providers. It sells its medical professional liability insurance products through approximately numerous retail producers

in Pennsylvania, New Jersey, Ohio, Delaware, Maryland, South Carolina, and Michigan. The company was founded in 2002 and is based in Berwyn, Pennsylvania.

***ICC Holdings, Inc. (Nasdaq: ICCH)*** – ICC Holdings, Inc. and its subsidiaries provide property and casualty insurance products to the food and beverage industry in the United States. The company offers commercial multi-peril, liquor liability, workers' compensation, and umbrella liability insurance products. It markets products through a network of independent agents in Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Ohio, Pennsylvania, and Wisconsin. ICC Holdings, Inc. was founded in 1950 and is headquartered in Rock Island, Illinois.

***Unico American Corporation (Nasdaq: UNAM)*** – Unico American Corporation and its subsidiaries underwrite property and casualty insurance in Arizona, California, Nevada, Oregon, and Washington. It provides property, casualty, health, and life insurance products, as well as insurance premium financing and membership association services. The company's commercial property coverage insures against loss or damage to buildings, inventory, and equipment from natural disasters. It also provides commercial liability coverage that insures against third party liability from accidents occurring on the insured's premises or arising out of its operations. Additionally, the company offers group dental and vision insurance policies, as well as health and life insurance for individuals and groups. Unico American Corporation markets its insurance products primarily through a network of independent brokers and agents. The company was founded in 1969 and is headquartered in Calabasas, California.

***The National Security Group, Inc. (Nasdaq: NSEC)*** – The National Security Group, Inc. provides insurance products and services and operates via two segments, Property and Casualty Insurance, and Life Insurance. The Property and Casualty Insurance segment primarily underwrites home insurance coverage with lines consisting of dwelling fire and extended coverage, mobile homeowners, and other liability insurance services across the Southeast and Midwest regions. The Life Insurance segment offers ordinary life, accident and health, supplemental hospital, and cancer insurance products. The company distributes its products through independent agents, home service agents, and brokers. The National Security Group, Inc. was founded in 1947 and is based in Elba, Alabama.

*Conifer Holdings, Inc. (Nasdaq: CNFR)* – Conifer Holdings, Inc. offers insurance coverage in specialty commercial and personal product lines. The company underwrites various specialty insurance products, including property, general liability, commercial multi-peril, liquor liability, and automobile policies. It serves the commercial insurance needs of owner-operated businesses in the markets, such as hospitality, which includes restaurants, bars, taverns, and bowling centers, as well as small grocery and convenience stores. The company also offers specialty homeowners insurance products, such as dwelling insurance tailored for owners of lower valued homes in Illinois, Indiana, Louisiana, and Texas, as well as wind-exposed catastrophe coverage to under-served homeowners in Hawaii, Texas, and Florida. It markets and sells its insurance products through a network of approximately 7,000 independent agents in 50 states in the United States. Conifer Holdings, Inc. was founded in 2009 and is headquartered in Birmingham, Michigan.

#### **Recent Financial Comparisons**

Table II above summarizes certain key financial comparisons between the Company and the Guideline Group. The Public P&C Insurance Group includes all the companies presented in Table I.

Compared to the Guideline Group, the Company has a much smaller balance sheet, and has less scale and market presence compared to those in the Guideline Group. The Company's total GAAP equity of \$39.3 million as of September 30, 2020 was smaller compared to the Guideline Group's median equity of \$217.0 million, and relatively close to Unico American, the smallest company in the Guideline Group with \$37.1 million in equity. The Company's total equity to total assets measured 44.3%, above the Guideline Group median of 29.1%. Additionally, the Company's written premium to average equity of 18.7% was much lower when compared to the Guideline Group median of 117.1%, and the Company's reserves to equity totaled 0.4x, much lower than the Guideline Group's median of 2.0x.

Tables III and IV compare the Company with the Guideline Group on selected measures of operating performance and profitability.



Table III

Company Name	Ticker	Net Premiums Earned (\$000s)	Net Premiums Written (\$000s)	NPW / Avg Equity (%)	2019			Q3'20 YTD			2019			Q3'20 LTM			Net Income (000s)
					Loss Ratio (%)	Expense Ratio (%)	Combined Ratio (%)	Loss Ratio (%)	Expense Ratio (%)	Combined Ratio (%)	Core ROAA (%)	Core ROAE (%)	Core ROATCE (%)	Core ROAA (%)	Core ROAE (%)	Core ROATCE (%)	
Mercury General Corp.	MCY	3,559,160	3,612,155	203.7	75.2	24.2	99.4	67.0	25.9	93.0	5.67	18.5	19.1	4.10	13.6	14.0	239,552
Horace Mann Educators Corp.	HMN	937,441	1,373,021	86.7	68.6	26.9	96.5	67.7	25.8	93.5	0.86	6.9	7.5	1.03	8.1	9.4	118,525
State Auto Financial Corp.	STFC	1,347,400	1,430,800	154.6	67.4	35.3	102.7	74.4	34.9	109.3	2.87	9.3	3.2	(1.30)	(4.2)	(4.2)	(36,000)
Safety Insurance Group Inc.	SAFT	774,090	768,042	95.9	64.6	31.0	95.6	53.7	34.0	87.7	4.98	12.7	12.7	5.74	14.4	14.4	113,348
United Fire Group Inc.	UFCS	1,064,749	1,031,930	118.1	76.4	32.6	109.0	79.1	34.4	113.5	0.50	1.6	1.6	(3.84)	(13.2)	(13.5)	(126,978)
Protective Insurance Corp.	PTVC.B	436,599	431,658	127.0	77.9	28.9	106.8	72.2	29.7	101.9	0.47	2.0	2.0	(0.03)	(0.2)	(0.2)	(3,737)
Kingstone Companies Inc.	KINS	113,705	99,435	116.1	70.7	38.1	108.8	60.8	38.9	99.7	(3.26)	(10.9)	(11.0)	(0.00)	(0.0)	(0.0)	(609)
Positive Physicians Hldgs Inc	PPHI	20,300	20,717	28.5	65.7	45.7	111.4	68.0	36.4	104.4	(0.34)	(0.8)	(0.8)	(0.70)	(1.5)	(1.5)	(596)
ICC Holdings	ICCH	50,544	48,872	74.7	63.8	37.9	101.7	70.2	37.2	107.4	2.08	5.4	5.4	1.60	4.2	4.2	2,790
National Security Group Inc.	NSEC	60,382	61,184	121.5	62.2	37.9	100.1	90.9	35.5	126.4	1.47	4.4	4.4	(3.81)	(11.6)	(11.6)	(4,583)
Conifer Holdings Inc.	CNFR	89,280	91,321	219.3	66.8	44.0	110.8	61.5	46.2	107.7	(3.65)	(19.8)	(20.2)	(3.74)	(22.4)	(22.9)	(5,707)
Unico American Corp.	UNAM	27,782	28,070	53.2	84.0	19.0	103.0	135.0	17.0	152.0	(2.43)	(5.5)	(5.5)	(16.69)	(41.4)	(41.4)	(21,799)
Minimum		20,300	20,717	28.5	84.0	45.7	111.4	135.0	46.2	152.0	(3.65)	(19.8)	(20.2)	(16.69)	(41.4)	(41.4)	(126,978)
25th Percentile		57,923	58,106	83.7	75.5	37.9	108.9	75.6	36.6	110.4	(0.86)	(1.9)	(1.9)	(3.76)	(12.0)	(12.1)	(9,730)
50th Percentile		275,152	265,547	117.1	68.5	34.0	102.9	69.1	34.7	105.9	0.68	3.2	2.6	(0.37)	(0.8)	(0.8)	(2,173)
75th Percentile		969,268	1,117,203	133.9	65.4	28.4	99.9	65.6	28.8	98.2	2.27	7.5	5.9	1.17	5.2	5.5	30,430
Maximum		3,559,160	3,612,155	219.3	62.2	19.0	95.6	53.7	17.0	87.7	5.67	18.5	19.1	5.74	14.4	14.4	239,552
<b>Amalgamated</b>		<b>9,258</b>	<b>7,188</b>	<b>18.9</b>	<b>75.3<sup>1</sup></b>	<b>43.5<sup>1</sup></b>	<b>118.8<sup>1</sup></b>	<b>44.1<sup>1</sup></b>	<b>68.2<sup>1</sup></b>	<b>112.3<sup>1</sup></b>	<b>(1.24)<sup>2</sup></b>	<b>(2.9)<sup>2</sup></b>	<b>(3.0)<sup>2</sup></b>	<b>2.28<sup>2</sup></b>	<b>5.4<sup>2</sup></b>	<b>5.5<sup>2</sup></b>	<b>2,043</b>

Source: S&P Global Market Intelligence; financial information reflects GAAP data as of most recent LTM period unless otherwise noted  
Notes: Shading indicates where ACIC ranks compared with the Guideline Group  
1 Reflects statutory financial data  
2 Amalgamated figures reflect unadjusted ROAA, ROAE, and ROATCE

Table IV

Company Name	Ticker	2017–Q3'20 LTM Average				2017–Q3'20 LTM Average	
		Loss Ratio (%)	Expense Ratio (%)	Policyholder Dividend Ratio (%)	Combined Ratio (%)	ROAA (%)	ROAE (%)
Mercury General Corp.	MCY	75.6	25.0	0.0	100.6	3.04	9.4
Horace Mann Educators Corp.	HMN	74.0	26.7	0.0	100.7	3.30	8.8
State Auto Financial Corp.	STFC	69.1	35.2	0.0	104.3	0.60	2.1
Safety Insurance Group Inc.	SAFT	62.0	31.8	0.0	93.8	5.40	13.6
United Fire Group Inc.	UFCS	75.2	32.5	0.5	108.2	2.06	7.2
Protective Insurance Corp.	PTVC.B	76.5	28.5	0.0	104.9	2.31	5.7
Kingstone Companies Inc.	KINS	57.7	40.1	0.0	97.8	2.46	5.6
Positive Physicians Hldgs Inc	PPHI	61.5	45.4	0.0	106.9	1.16	3.4
ICC Holdings	ICCH	64.5	36.0	0.0	100.5	1.56	4.0
National Security Group Inc.	NSEC	71.2	35.6	0.0	106.8	(0.95)	(2.3)
Conifer Holdings Inc.	CNFR	71.3	44.3	0.0	115.5	(3.43)	(10.3)
Unico American Corp.	UNAM	96.8	31.0	0.0	127.8	(5.25)	(12.0)
Minimum		96.8	45.4	0.5	127.8	(5.25)	(12.0)
25th Percentile		75.3	37.0	0.0	107.2	0.22	1.0
50th Percentile		71.2	33.9	0.0	104.6	1.81	4.8
75th Percentile		63.9	30.4	0.0	100.6	2.60	7.6
Maximum		57.7	25.0	0.0	93.8	5.40	13.6
<b>Amalgamated</b>		<b>81.9</b>	<b>45.6</b>	<b>0.0</b>	<b>127.6</b>	<b>(2.83)</b>	<b>(3.9)</b>

Source: S&P Global Market Intelligence; financial information reflects statutory data  
Note: Shading indicates where ACIC ranks compared with the Guideline Group

Following similar trends mentioned above regarding size, the Company's net written premiums of \$7.2 million for LTM Q3'20 were far lower when compared to the Guideline Group's median net written premiums of \$265.5 million. Additionally, while ranking in the bottom percentile in terms of net written premiums, the Company's Q3'20 LTM premium levels represent a significant decrease from 2019 on a GAAP basis and reflect the lowest level since 2015 on a statutory basis,

reflecting the Company's retreat from non-core markets and insurance lines and the effect the pandemic has had on taxi and sedan policyholders.

While net written premiums help portray a company's ability to grow its business, the combined ratio reflects the strength of the business' operating performance. The primary driver of the Company's poor performance has been its loss ratio, which has increased in the last few years. ACIC's statutory loss ratio of 75.3% in 2019 meaningfully lagged the Guideline Group median of 68.5%, largely due to an increasingly unfavorable commercial auto insurance industry which has experienced increased frequency and severity levels. The commercial auto industry has not experienced a combined ratio below 100.0% since 2010, reflecting the difficulty in achieving profitability in the market. In addition to elevated loss levels, the Company's statutory expense ratio of 43.5% in 2019 reflected an unfavorable shift compared to the Guideline Group median of 34.0%. As a result of the aforementioned factors, the Company's statutory combined ratio in 2019 was well above the median value of 102.9%, reflecting continued underwriting difficulties for the Company. In 2019, ACIC produced less favorable operating metrics compared to the Guideline Group, with GAAP Core ROAA, ROAE, and ROATCE metrics of (1.24%), (2.9%), and (3.0%), respectively.

For Q3'20 YTD, the Company's statutory combined ratio of 112.3% was slightly above the median of 105.9%, driven by a statutory loss ratio that was 25.0 points better than the median of the Guideline Group. The loss experience was abnormally low compared to both 2019 and historical levels and was primarily driven by the effects of the pandemic. It is possible that when the effects of the pandemic pass and driving patterns return to normal, the loss ratio may again serve as a drag on underwriting profitability as it has historically. Due to the low loss levels in Q3'20 LTM, the Company produced more favorable GAAP operating metrics compared to the Guideline Group, with Core ROAA, ROAE, and ROATCE metrics of 2.28%, 5.4%, and 5.4%, respectively while the Guideline Group median values for Core ROAA, ROAE, and ROATCE were (0.35%), (0.7%), and (0.7%), respectively.



## V. Market Value Adjustments

### General Overview

In the foregoing sections of this Appraisal, the Company's relative operating performance is considered against the operating metrics of the Guideline Group. The Appraised Value reflects these considerations and certain additional market valuation adjustments relative to the Guideline Group. This section of the Appraisal identifies such categories of market value adjustments and how the adjustments impact the Company's Appraised Value. Relative to the Guideline Group, the valuation adjustments in this chapter are made from the viewpoints of potential investors, which could include Eligible Members with Subscription Rights and unrelated third parties, who could acquire the stock of the subject company. It is assumed that these potential investors are aware of all relevant and necessary facts as they would pertain to the value of the Company relative to other publicly traded insurance companies and relative to alternative investments.

The concluded Valuation Range is predicated on the assumption that the current operating environment will continue for the Company and the insurance industry in general. Changes in the Company's operating performance along with changes in the regional and national economies, the stock market, interest rates, the regulatory environment, and other external factors may occur from time to time, often with great unpredictability, which could materially impact the Appraised Value of the Company or the trading market values of insurance company stocks in general.

The market value adjustments, which are based on certain financial and other criteria, include among others:

- Size;
- Profitability and earnings prospects;
- Strength of management;
- Liquidity of the issue;
- Subscription interest;
- Stock market conditions;
- Dividend outlook; and
- New issue risks.

In prior subscription rights demutualization appraisals, market value adjustments encompassing many of the criteria noted above have ranged from 15% to 67%, with 40% at the midpoint.

### **Size**

Larger companies with greater resources frequently can be more competitive given their access to marketing and management talent, economies of scale, sophistication, and greater diversification in underwriting activities. Additionally, greater size may offer increased investor protection in the event of extraordinary events and catastrophic losses.

The Company's GAAP assets as of September 30, 2020 were \$88.6 million, meaningfully lower than the Guideline Group median of \$986.1 million, while LTM net written premiums of \$7.2 million on GAAP basis were significantly lower than the \$265.5 million median of the Guideline Group. Furthermore, ACIC's total policy reserves of \$14.7 million on a GAAP basis trailed the Guideline Group's median of \$605.9 million, and the Company's equity of \$39.3 million on a GAAP basis was below the Guideline Group's median of \$216.9 million.

As such, a downward adjustment is warranted as compared to the Guideline Group.

### **Profitability and Earnings Prospects**

An investor comparing the Company to the Guideline Group would consider both recent profit trends and future earnings prospects of the Company. Profitability and earnings prospects are reflective of, and dependent upon, a company's ability to grow revenue and control expenses. An investor's analysis would incorporate revenue growth prospects as well as profitability expectations, and the related risk of achieving the expected results.

As previously mentioned in Section II of the Appraisal, the Company has struggled to underwrite profitably. ACIC has experienced underwriting losses on a statutory basis in each year between 2015 and 2019, a result of a tough operating environment within the commercial auto business driven by increased loss severity and frequency. Furthermore, the Company's statutory expense ratio in recent years has been elevated compared to historical years as it expanded its business both geographically and by line of business and implemented new initiatives. Due to elevated losses and inconsistent expense controls, the Company's statutory combined ratio has been above 100% in four of the last five years. As a result of poor underwriting, earnings have fluctuated over the

past five years with net losses in three out of the last five years (net income of \$1.7 million in 2015 and \$450 thousand in 2016 and net losses from 2017 through 2019 on a statutory basis).

In the most recent calendar year, 2019, Amalgamated produced a GAAP net loss of \$1.1 million and meaningfully lagged the Guideline Group in most operating metrics. Amalgamated's 2019 statutory loss ratio of 75.3% reflected a 6.8 point increase compared to the Guideline Group, while its statutory combined ratio of 118.8% was a 15.9 point increase compared to the median of 102.9% for the group. The poor performance in 2019 marked the 5<sup>th</sup> straight year of underwriting losses and 3<sup>rd</sup> straight year of net losses for Amalgamated. The Company's underperformance relative to the Guideline Group can also be seen in its 2019 GAAP ROAA, ROAE, and ROATCE performance of (1.24%), (2.9%), (3.0%), respectively, driven by higher loss experience in the commercial auto business.

The Company's profitability, as measured by GAAP net income of \$2.0 million, while above that of the Guideline Group for Q3'20 LTM, is not consistent with longer term historical performance and was driven by abnormally low loss levels. Additionally, ACIC's Q3'20 LTM premium levels represent a significant decrease from 2019 on a GAAP basis and reflect the lowest level since 2015 on a statutory basis, signaling the Company's underwriting struggles in the commercial auto market. The Company's LTM statutory loss ratio of 42.3% represented a 28.5 point decrease from its next lowest loss ratio, which was 70.8% in 2016. Furthermore, the Company's average statutory loss ratio from 2015–2019 measured 87.5%, indicating that if the effects of the coronavirus pass and driving patterns return to normal, the loss ratio may again serve as a drag on profitability. Due to lower loss experience, in Q3'20 LTM the Company actually produced more favorable operating metrics compared to the Guideline Group, with GAAP Core ROAA, ROAE, and ROATCE metrics of 2.28%, 5.4%, and 5.4%, respectively while the Guideline Group median values for Core ROAA, ROAE, and ROATCE were (0.35%), (0.7%), and (0.7%), respectively. The effects of the coronavirus have resulted in abnormally depressed loss ratios which strongly affect underwriting profitability, and ultimately, net income on significantly reduced premium volume.

When comparing Amalgamated against the Guideline Group from 2017–Q3'20 LTM on a statutory basis, the Company significantly lags the median in every underwriting metric, with an average loss ratio from 2017–Q3'20 LTM of 81.9%, well above the Guideline Group's median of 71.2% and an average expense ratio of 45.6%, which was higher than that of any company in the

Guideline Group. As a result of the aforementioned factors, the Company's statutory combined ratio of 127.6% was 23 points higher compared to the Guideline Group median. These poor underwriting results led to average statutory ROAA and ROAE of (2.83%) and (3.9%), respectively, which were far worse compared to the median values of 1.81% and 4.8% each, respectively.

The companies that underperformed similarly to Amalgamated in terms of average statutory ROAE between 2017 and Q3'20 LTM, ranking between the minimum and 25<sup>th</sup> percentiles had a median price-to-book value of 60.4%, representing a 15.6% discount compared to the median of 71.6% for the Guideline Group. The performers ranking in the bottom half of this metric had a median price-to-book value of 63.6%, representing a 11.2% discount from the median. Additional detail is outlined in Table VIII.

The Conversion will result in additional capital invested in the Company, which may result in improvements to investment income and potentially aid in profitable business expansion, but it will also lead to an increase in equity, depressing ROAE if ACIC remains unprofitable. These dynamics could lead to potential investors' perception of "excess" or unproductive capital and could reduce their overall interest in the Offering.

In determining the Company's future earnings prospects and related risks, an investor would consider the Company's historical and estimated future performance as well as the likelihood of achieving such results. ACIC's management indicated optimism about growing revenue, managing expenses and ultimately increasing profitability by focusing on more profitable business lines. This plan and forecast are predicated on the Company's ability to grow capital, add management, and expand.

We do not believe investors would place significant weight on the Company's forecast and earnings prospects relative to the Guideline Group's prospects because of the execution risk associated with achieving the Company's forecast that management acknowledged in interviews with Boenning. Investors generally would have reservations regarding a company's strategy for growth and profitability when its recent growth strategy resulted in high underwriting losses and retrenchment. They would also place a heavy discount on the Company's core taxi and sedan business that management has said will not be the focus of growth, faces the significant headwinds

affecting the commercial auto insurance industry described previously, and writes policies to companies facing material competition.

As such, a downward adjustment is warranted as compared to the Guideline Group.

**Management**

A management team's primary charge is to articulate and implement a strategic plan, which includes creating value through revenue growth, profit, risk mitigation and the efficient utilization of resources. The financial characteristics of the Company suggest that senior management and the Board have professionally managed the enterprise, have handled tough market conditions and have implemented business plans to focus on less risky, more profitable business lines. We also believe investors will consider that the Company's management is comprised of a team of experienced insurance executives with numerous years of industry expertise. All of these considerations are important given that the Company is a smaller insurer, and smaller insurers are often at a competitive disadvantage in terms of economies of scale and the ability to attract a deep management team with appropriate succession in place.

Given these factors, no adjustment is warranted based on management relative to the Guideline Group.

**Liquidity of the Issue**

The development of a public market depends upon the presence in the marketplace of a sufficient number of willing buyers and sellers at any given time and the existence of market makers to facilitate stock trades. Therefore, stock liquidity is predicated upon the development of a broad, efficient marketplace for given security.

All of the twelve companies in the Guideline Group are listed and traded on major stock exchanges or over-the-counter bulletin boards. Two are listed on the New York Stock Exchange, nine are listed on the NASDAQ, and the remaining one is traded OTC. There is no assurance that an established and liquid market for the Common Stock would develop or that it would continually meet listing requirements. Further, the Company's small equity capitalization relative to that of the Guideline Group suggests that its stock would be followed less widely by investors, analysts,

brokers, and market makers after the Offering and be less liquid regardless of whether the Company trades on one of the OTC Markets, NYSE, or NASDAQ.

As such, we believe a downward adjustment is appropriate to address these factors.

### **Subscription Interest**

The subscription interest market value adjustment endeavors to take into consideration the level of investors' confidence that the Offering will be successful. To gain insight, an investor would look to similar, previous offerings and consider the attributes of the individual plans and the external environment. In the table below, data are not confirmed in some cases, but based on a review of available information.

### **Previous Demutualization Offerings**

<b>Table V Prior Demutualizations</b>		
<b>Company Name</b>	<b>Year Date</b>	<b>Discount Midpoint</b>
Old Guard Group, Inc.	1997	37.9%
Meemic Insurance Company	1999	67.0%
American Physicians Insurance Company (API)	2000	35.7%
NCRIC Group, Inc.	2003	14.9%
Mercer Insurance Group	2003	48.8%
Fremont Insurance Company	2004	57.7%
Eastern Insurance Holdings, Inc.	2006	39.1%
Penn Millers Holding Corporation	2009	20.0%
First Nonprofit Insurance Company	2012	34.6%
ARI Insurance Company	2016	44.7%
Standard Mutual Holding Company	2016	42.1%
Nodak Insurance Company	2017	39.8%
Illinois Casualty Company	2017	44.6%
Federal Life Insurance Company	2018	35.8%
Members Mutual Holding Company	2019	55.6%
Positive Physicians Holdings, Inc.	2019	33.0%
<b>Median</b>		<b>39.5%</b>

While mutual-to-stock conversions are commonplace in the savings institution industry (in prior years, IPOs of savings institution stocks have attracted a significant investor interest), such conversions and demutualizations are far less common in the insurance industry. Our understanding of previous P&C insurance demutualizations is that some were oversubscribed, although in some cases purchasers with Subscription Rights did not purchase enough stock to reach

the pro forma valuation range, and a community offering was required. In general, policyholder subscriptions were not sufficient to reach the valuation range.

Further, the commercial auto segment has underperformed other U.S. P&C lines in terms of combined ratio, producing a higher combined ratio than the broader P&C industry in each of the last five years. In 2019, the commercial auto combined ratio of 114.0% marked the ninth consecutive year that the combined ratio has exceeded the 100% threshold despite 34 quarters of rate increases. Frequency and severity have served as a drag on profitability and have made the sector less attractive to investors who seek commercial P&C insurance. As a result, these aforementioned factors could serve as a cause for concern and result in reduced levels of subscription interest.

Notwithstanding the macro-environment and the fact that the Company has not yet commenced or completed the subscription offering, precedent demutualization outcomes would typically provide a reasonable level of confidence to potential investors of the likelihood that the Offering can be successfully completed. Eligible Members may show little interest because they may not fully understand what they are purchasing due to the novel nature of the offering, or because Eligible Members may not have a strong affinity with their insurer. Many of ACIC's Eligible Members may not have an interest in investing for financial reasons because as small businesses that have been particularly affected by the economic effects of the pandemic, they may not have the resources to invest. Their participation is uncertain and could be extremely limited.

Given the numerous uncertainties associated with the Conversion, a discount in excess of a standard new issue discount must be applied to induce potential shareholders to purchase shares and attract a full subscription.

Based on these circumstances, we believe a downward adjustment is appropriate for subscription interest.

### **Stock Market Conditions**

Table VI summarizes the recent performance of various insurance stock indexes maintained by S&P Global Market Intelligence, particularly market indexes that are related to multiline or P&C insurance companies. The SNL U.S. Insurance Index of all publicly traded insurance companies returned 0.85% over the twelve-month period ended December 29, 2020, while the SNL U.S. Insurance P&C Index performed worse with a (1.14%) return over the same period. The insurance

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indexes (and financial sector in general) lagged the broader market indices, reflected by the performance of the Standard & Poor's 500 and Russell 3000, which returned 15.36% and 17.96%, respectively, over the last year.

**Table VI**  
**Selected Stock Market Index Performance**  
As of December 29, 2020

	Total Return (%)		
	Close	YTD	1 Year
<b>SNL Insurance Indexes</b>			
SNL U.S. Insurance	1,185.69	0.55	0.85
SNL U.S. Insurance Underwriter	1,139.64	(0.03)	0.24
SNL U.S. Insurance Broker	2,367.89	6.88	7.41
S&P Insurance	419.40	(5.63)	(4.89)
NASDAQ Insurance	9,966.71	(0.77)	(0.25)
S&P Multi-line Insurance	88.56	(23.37)	(22.84)
<b>SNL Sector Indexes</b>			
SNL U.S. Insurance Multiline	190.10	(16.38)	(16.05)
SNL U.S. Insurance P&C	1,015.80	(1.86)	(1.14)
S&P P&C	651.40	1.84	2.65
SNL U.S. Reinsurance	1,141.00	(19.06)	(18.62)
<b>Broad Market Indexes</b>			
S&P 500	3,727.04	14.40	15.36
S&P Mid-Cap	2,283.99	10.59	10.71
S&P Small-Cap	1,107.35	8.48	8.44
S&P Financials	482.11	(6.61)	(5.73)
SNL All Financial Institutions	1,028.86	(5.44)	(4.86)
MSCI US IMI Financials	1,738.35	(6.96)	(6.22)
Russell 1000	2,105.45	17.05	18.00
Russell 2000	1,959.36	17.55	17.43
Russell 3000	2,232.01	17.07	17.96

Source: S&P Global Market Intelligence.

Stock market performance is factored into the liquidity of issue discount and stock market volatility is factored into new issue discount. Therefore, we conclude that no adjustment is warranted for the Stock Market Conditions.

### **Dividend Outlook**

When reviewing a company from an investment perspective, investors will consider a company's capital base and its ability to pay future dividends. The payment of dividends on Common Stock will be subject to determination and declaration by a company's board of directors and generally depends upon its financial condition, operating results, future prospects, and regulatory constraints.



Eight of the twelve companies in the Guideline Group currently pay regular dividends and 67.2% of the Public P&C Insurance Group regularly pay dividends. Companies with new stock issues generally appear to defer dividends after the Offering and elect to choose alternative capital deployment strategies.

Although the Company may have the capacity to make dividend payments following a successful Offering, the Company's management currently has no intention to pay dividends to shareholders. ACIC's lack of plans to pay a dividend and the limits on dividend capacity caused by the need to retain capital for future growth and potential losses could serve as a reason for a downward valuation adjustment. Nevertheless, companies with new stock issues generally appear to defer dividend payments pending the post-offering determination of alternative deployment strategies and the development of seasoned trading patterns.

In conclusion, because the Company has not established a formal policy or committed to paying dividends at any point following the Offering, and because its capacity to do so is uncertain pending execution of management's business plan and the performance of the commercial auto market post-pandemic, we believe that investors will take note of the relatively low chances of being paid a dividend. Therefore, we have concluded that a downward adjustment is warranted at the present time for purposes of dividend outlook.

#### **New Issue Discount**

A "new issue" discount that reflects investor concerns and investment risks inherent in all IPOs is a factor to be considered for purposes of valuing companies converting from mutual-to-stock form. The necessity to build a new issue discount into the stock price of a converting insurance company relates to uncertainty among investors. In this regard, investors are concerned about the lack of a seasoned trading history for the converting company, its operation in an intensely competitive industry, underlying concerns regarding interest rate and economic recovery trends, recent volatility in the stock market, and the ever-changing landscape of competitors.

We therefore believe that a downward adjustment is warranted for new issue in the pricing of the Appraised Value.

*Summary of Adjustments*

Based on the market value adjustments discussed above, the Appraised Value should reflect the following valuation adjustments relative to the Guideline Group:

**Table VII**

Summary of Adjustments	
Discount Factor	Adjustment
Size	Downward
Earnings Prospects	Downward
Management	No Adjustment
Liquidity of Issue	Downward
Subscription Interest	Downward
Stock Market Conditions	No Adjustment
Dividend Outlook	Downward
New Issue	Downward

Individual discounts and premiums are not necessarily additive and may, to some extent, offset or overlay each other. On the whole, we conclude that the Company's pro forma valuation should be discounted relative to the Guideline Group. We have concluded that a discount of approximately 40% at the midpoint based on the price-to-book valuation metric is reasonable and appropriate for determining the Appraised Value relative to the Guideline Group's trading ratios.

**Valuation Approach**

In determining the Appraised Value of the Company, we have employed the guideline market valuation approach and considered the following pricing ratios: price-to-book value per share ("P/B"), price-to-earnings per share ("P/E"), price-to-assets ("P/A") and price-to-tangible book value per share ("P/TB"). We believe price-to-book value is the primary determinant of an investor's interest in a Subscription Rights conversion of an insurance company. The other multiples mentioned above (P/E, P/A, and P/TB) are of secondary value in determining interest in, and the value of, a Subscription Rights conversion. Table VIII displays the trading market price valuation ratios of the Guideline Group as of close of trading on December 29, 2020, the last trading day prior to the date of the Appraisal. Table VIII also includes volatility data utilized in connection with Boenning's estimate of the value of the individual Subscription Rights granted to policyholders as defined in the Plan and included in Section VI of this Appraisal. Table XIII

displays the pro forma assumptions and calculations utilized in analyzing the Company’s valuation ratios. In reaching our conclusions, we evaluated the relationship of the Company’s pro forma valuation ratios relative to the Guideline Group’s market valuation data.

**Table VIII**

Company Name	Ticker	12/29/20		Market Capitalization (\$000s)	Price /					Dividend Yield (%)	Volatility				
		Stock Price (\$)	52-Week Range (\$)		LTM EPS (x)	BVPS (%)	TBVPs (%)	Assets (%)	LTM Revenue (%)		2018 (%)	2019 (%)	1-Year (%)	6-Month (%)	90-Day (%)
Mercury General Corp.	MCY	51.44	34.15 – 53.70	2,847,600	11.8	149.8	154.1	46.3	76.9	4.9	31.5	24.4	42.8	24.3	23.9
Horace Mann Educators Corp.	HMN	41.42	31.30 – 45.66	1,715,322	13.8	100.0	114.3	13.2	132.9	2.9	24.1	21.9	50.3	31.7	33.2
State Auto Financial Corp.	STFC	17.64	12.18 – 31.73	773,298	NM	81.9	81.9	25.2	54.9	2.3	25.0	18.8	73.4	46.9	49.3
Safety Insurance Group Inc.	SAFT	77.65	67.16 – 95.74	1,156,496	10.3	138.0	138.0	56.5	138.5	4.6	19.5	18.9	41.9	26.0	27.1
United Fire Group Inc.	UFCS	24.69	19.12 – 46.73	618,021	NM	75.3	76.0	20.3	58.8	2.4	26.3	27.2	66.5	49.9	52.4
Protective Insurance Corp.	PTVC.B	13.68	10.23 – 16.56	195,157	29.8	56.6	56.6	11.9	42.7	2.9	22.9	28.9	63.9	43.4	42.8
Kingstone Companies Inc.	KINS	6.62	4.03 – 8.29	70,670	NM	79.1	79.6	21.6	52.7	2.4	37.8	41.1	61.1	39.4	34.5
Positive Physicians Hldgs Inc	PPHI	9.50	6.00 – 14.00	34,347	NM	46.2	46.2	22.3	156.0	0.0	NA	44.4	105.7	145.0	170.8
ICC Holdings	ICCH	14.02	9.60 – 14.45	46,172	15.3	67.9	67.9	25.7	84.4	0.0	23.9	28.6	39.5	21.6	19.3
National Security Group Inc.	NSEC	11.24	10.14 – 16.95	28,448	NM	60.4	60.4	18.3	42.7	2.1	38.0	67.3	70.7	61.2	58.2
Conifer Holdings Inc.	CNFR	2.65	2.18 – 4.09	25,648	NM	60.2	61.7	9.9	26.0	0.0	64.8	58.0	82.3	80.6	64.5
Unico American Corp.	UNAM	4.66	4.00 – 7.70	24,722	NM	66.7	66.7	18.6	76.3	0.0	42.1	44.3	87.5	76.8	64.8
Minimum				24,722	10.3	46.2	46.2	9.9	26.0	0.0	19.5	18.8	39.5	21.6	19.3
25th Percentile				32,872	11.8	60.4	61.4	17.0	50.2	0.0	24.0	23.8	48.4	30.2	31.7
Mean				627,992	16.2	81.9	83.6	24.1	78.6	2.1	32.4	35.3	65.5	53.9	53.4
50th Percentile				132,913	13.8	71.6	71.9	20.9	67.5	2.3	26.3	28.8	65.2	45.2	46.0
75th Percentile				869,098	15.3	86.4	90.0	25.3	96.5	2.9	37.9	44.4	75.6	65.1	59.8
Maximum				2,847,600	29.8	149.8	154.1	56.5	156.0	4.9	64.8	67.3	105.7	145.0	170.8

Source: S&P Global Market Intelligence as of December 29, 2020

As of December 29, 2020, the median P/B ratio for the Guideline Group was 71.6%. In consideration of the foregoing analysis along with the additional adjustments discussed in this chapter and the assumptions summarized in Exhibit XII, we have determined a pro forma midpoint value of \$26.6 million for the Company on a fully-converted basis, which implies an aggregate midpoint pro forma P/B ratio of 46.5%. Applying a range of value of 15% above and below the midpoint, the resulting minimum of \$22.6 million implies a P/B ratio of 41.7% and the resulting maximum of \$30.6 million implies a P/B ratio of 50.8%. The Company’s P/B valuation ratios reflect a discount to the Guideline Group’s median ratio of 71.6%, measuring 29.1% at the valuation maximum, 35.1% at the valuation midpoint, and 41.8% at the valuation minimum. The Company’s pro forma P/B valuation ratios reflect discounts to the Guideline Group’s mean ratio of 81.9%, measuring 38.0% at the valuation maximum, 43.2% at the valuation midpoint, and 49.1% at the valuation minimum.

Based on the P/TB measure, the Company’s pro forma midpoint valuation of \$26.6 million reflects a P/TB ratio of 46.5%, ranging from 41.7% at the minimum to 50.8% at the maximum. The Company’s pro forma P/TB valuation ratios reflect discounts to the Guideline Group’s median ratio of 71.9%, measuring 29.4% at the valuation maximum, 35.4% at the valuation midpoint, and 42.0% at the valuation minimum. The Company’s P/TB valuation reflects discounts to the

Guideline Group's mean ratio of 83.6%, measuring 39.3% at the valuation maximum, 44.4% at the valuation midpoint, and 50.1% at the valuation minimum.

Based on the P/A measure, the Company's pro forma midpoint valuation of \$26.6 million reflects a P/A ratio of 24.8%, ranging from 21.7% at the minimum to 27.7% at the maximum. The Company's pro forma P/A valuation ratios reflect a premium to the Guideline Group's median ratio of 20.9%, measuring a premium of 32.5% at the valuation maximum, a premium of 18.5% at the valuation midpoint, and a premium of 3.6% at the valuation minimum. The Company's P/A valuation ratios reflect a premium/discount to the Guideline Group's mean ratio of 24.1%, measuring a premium of 14.9% at the valuation maximum, a premium of 2.7% at the valuation midpoint, and a discount of 10.2% at the valuation minimum.

Boenning believes the P/E metric is not a useful tool for comparison in this Appraisal due to the majority of the companies in the Guideline Group reporting negative LTM earnings. While Amalgamated reported positive LTM earnings, it was driven by an abnormally low loss ratio as a result of the substantial decrease in loss frequency and severity in the commercial auto industry driven by the Covid-19 pandemic. Furthermore, as previously stated, the price to book value is the primary determinant of value for an insurance company. Due to this, a P/E comparative analysis would not be meaningful. Boenning notes that the implied pro forma P/E ratio at the midpoint, 12.2x, falls within the range of P/E multiples established by the Guideline Group.

In our opinion, the levels of discounts described above are appropriate to reflect the previously discussed adjustments for size, earnings prospects, liquidity of the issue, lack of subscription interest, dividend outlook and the new issue discount. The Company's ability to deploy the excess capital profitably and to generate growth and improved returns on equity constitutes a significant operating challenge in the highly competitive P&C insurance marketplace in which the Company strives to overcome its relative lack of scale, critical mass, and diversification in its fundamental business model.

#### *Valuation Conclusion*

It is our opinion that, as of December 30, 2020, the Appraised Value of the shares to be issued immediately following the Offering was within the Valuation Range of \$22.6 million to \$30.6 million, with a midpoint of \$26.6 million. The Valuation Range was based upon a 15% decrease

from the midpoint to determine the minimum and a 15% increase from the midpoint to establish the maximum. Exhibits XII and XIII shows the assumptions and calculations utilized in determining the Company's Valuation Range.

## VI. Subscription Rights Valuation

As you requested, Boenning completed and hereby provides its view as to the value, in connection with potential repurchases thereof from policyholders, of the individual Subscription Rights granted to policyholders as defined in the Plan (subject to the assumptions and conditions set forth herein, the “Subscription Rights Value”). To estimate the Subscription Right Value issued to Eligible Members in the Offering on that basis, Boenning used the Black-Scholes option pricing model because (i) it is mandated as the valuation tool by the Plan and (ii) it is a widely utilized and accepted means of valuing options, as well as financial instruments and investments that have similar economic characteristics as those of options. This methodology was also utilized in the one previous subscription rights demutualization that Boenning was able to identify that utilized a similar repurchase of subscription rights granted to policyholders (Nodak Mutual Insurance Company, “Nodak”). The Black-Scholes model is represented by the formula below:

$$C = SN(d_1) - Ke^{-rt}N(d_2)$$

Where:

$$d_1 = \frac{\ln\left(\frac{S}{K}\right) + \left(r + \frac{\sigma^2}{2}\right)t}{\sigma\sqrt{t}}$$

$$d_2 = d_1 - \sigma\sqrt{t}$$

*C = Current value of the call option*

*S = Current value of the underlying asset*

*K = Strike price of the option*

*t = Life to expiration of the option*

*r = Riskless interest rate corresponding to the life of the option*

*$\sigma^2$  = Variance in the  $\ln(\text{value})$  of the underlying asset*

The five inputs utilized in the Black-Scholes Model valuing the Subscription Rights of the Offering were based on the following assumptions and methods:

1. Current Stock Price: \$10.00 per share—As stated in the Plan, the Purchase Price for Common Stock in the Offering will be \$10.00 per share and will be uniform for all purchasers in the Offering. Therefore, for purposes of the Black-Scholes model, the price of the underlying stock is \$10 per share and the exercise price is also equal to \$10 per share.
  2. Strike Price: \$10.00 per share—As stated in the Plan, the Purchase Price for Common Stock in the Offering will be \$10.00 per share and will be uniform for all purchasers in the Offering. Therefore, for purposes of the Black-Scholes model, the price of the underlying stock is \$10 per share and the exercise price is also equal to \$10 per share.
  3. Time to Maturity: 90 days—As stated in the Plan, the term of the Subscription Rights shall be assumed to be 90 days for the sole purpose of determining their value. Therefore, Boenning utilized 90 days for the time to maturity. Boenning notes that the Nodak transaction referenced above also utilized 90 days.
  4. Risk Free Rate: 0.10%—Boenning used the yield of the 3-month treasury bill as of December 29, 2020 to match the 90-day term mandated by the Plan.
  5. Annualized Volatility: 45.2%—Boenning determined the annualized volatility in the following manner:
    - a. Guideline Companies—Boenning used the median volatility of the Guideline Companies shown in Table VIII to estimate the volatility input of the Black-Scholes model under the assumption that the volatility of such companies would be an appropriate approximation of the volatility for Amalgamated (as a non-public entity, Amalgamated does not have trading volatility).
    - b. Historical vs. Implied Volatility—Boenning used historical volatility to determine the volatility input of the Black-Scholes model due to the lack of reliable, liquid call options from which one can obtain the implied volatility for the Guideline Companies (6 of the 12 Guideline Companies do not have call options, and the remaining companies' call options exhibit very limited liquidity).
    - c. Daily Returns—The daily returns were calculated using the natural logarithm of the ratio of the closing price adjusted for dividends to the closing price adjusted for dividends of the prior day. Table XIV shows the pricing data used to calculate daily returns.
    - d. Term—The median historical volatility of the Guideline Companies was analyzed for a number of periods to determine an appropriate term for estimating the volatility of Amalgamated. An estimate could utilize several possible time periods for volatility. As
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shown in Table VIII, the median volatility of the Guideline Companies was at the relatively low levels of 26.3% and 28.8% for 2018 and 2019, respectively. This volatility increased significantly to 65.2% in the year ending on December 29, 2020 due to the high uncertainty precipitated by the pandemic in early 2020. Uncertainty in the market declined in the latter half of the year as the economy recovered from its initial response to the pandemic and progress was made on Covid-19 vaccines, resulting in a median volatility for the Guideline Companies for the 6 months and 90 days ended December 29, 2020 of 45.2% and 46.0%, respectively. While it would not be appropriate to assume that an atypical period of volatility as seen during the onset of the pandemic should comprise a large portion of the data used to calculate the volatility of Amalgamated, it would not be reasonable to assume that the current volatility of the Guideline Companies is in line with the low volatility seen prior to the pandemic in 2018 and 2019. Using a period of trading history that excluded the initial uncertainty over the pandemic's effects on the economy but included time when the economy was significantly affected by the pandemic could be expected to capture the current uncertainty over the effect of the pandemic on trading and business activity and performance. As a result, Boenning decided to use the median volatility of the 6 months ended December 29, 2020 for the volatility input of the Black-Scholes model.

- e. Annualization—The daily standard deviation was annualized by the square root of 252—the number of trading days in a year.

Based on the factors considered in this report and the results of the Black-Scholes option pricing model incorporating the above assumptions, the Subscription Right Value in the Offering is estimated at \$0.89 as of the date of this report.



**EXHIBIT I**

**STATEMENT OF GENERAL ASSUMPTIONS AND LIMITING CONDITIONS**

This Appraisal and Subscription Rights Value are subject to the following general assumptions and limiting conditions.

1. No investigation has been made of, and no responsibility is assumed for, the legal description of the property being valued or legal matters, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is assumed to be free and clear of any liens, easements or encumbrances unless otherwise stated.
  2. Information furnished by others, upon which all or portions of this analysis is based, is believed to be reliable, but has not been verified except as set forth in this document. No warranty is given as to the accuracy of such information.
  3. This Appraisal and Subscription Rights Value have been made only for the purpose stated and shall not be used for any other purpose.
  4. Except as specified in our engagement letter, neither Boenning nor any individual signing or associated with this report shall be required by reason of this Appraisal and/or Subscription Rights Value to give further consultation, provide testimony, or appear in court or other legal proceeding.
  5. No responsibility is taken for changes in market conditions, or the impact of epidemic, pandemic, hurricane or any other significant weather event or natural occurrence, war (declared or otherwise), insurrection, terrorism, travel restriction, act of God or other circumstance, foreseen or unforeseen, and no obligation is assumed to revise this Appraisal and Subscription Rights Value to reflect changes, events or conditions which occur subsequent to the date hereof.
  6. The date to which the analysis expressed in this Appraisal and Subscription Rights Value apply is set forth in the letter of transmittal. Our Appraisal and Subscription Rights Value are based on the purchasing power of the United States dollar as of that date.
  7. It is assumed that all required certificates of authority and other licenses, permits, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can readily be obtained or renewed.
  8. Full compliance with all applicable federal, state and local zoning, use, environmental and similar laws and regulations is assumed, unless otherwise stated.
  9. Competent management is assumed.
  10. The Appraisal and Subscription Rights Value are predicated on the financial structure prevailing as of the date of this report.
  11. This Appraisal and Subscription Rights Value are provided solely to and for the sole benefit of the Board of Trustees of the Company and shall not form the basis for any derivative or other suit in the name of the Company or otherwise.
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12. This Appraisal and Subscription Rights Value are based on unaudited GAAP financial data provided by the Company. On the other hand, insurance companies prepare statutory financial statements in accordance with accounting practices and procedures prescribed or permitted by state insurance departments (“SAP”). GAAP operating results and financial data will not match any SAP disclosures that are available, and we have not attempted to reconcile GAAP and SAP disclosures. This Appraisal and Subscription Rights Value assume audited GAAP financial data will be identical to the unaudited financial data utilized herein.
13. This Appraisal and Subscription Rights Value assume that the final version of the Plan will not be materially different from the draft version of the Plan included in Exhibit XV.

**EXHIBIT II**  
**CERTIFICATION**

We certify that, to the best of our knowledge and belief:

- The facts and data reported by the reviewer and used in the review process are true and correct;
- The analyses, opinions, and conclusions in this Appraisal and Subscription Rights Value are limited only by the assumptions and limiting conditions stated in this document, and are our personal, impartial and unbiased professional analyses, opinions and conclusions;
- We have no present or prospective interest in the property that is the subject of this Appraisal and Subscription Rights Value, and we have no personal interest or bias with respect to the parties involved;
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results; and
- Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.



Anthony A. Latini, Jr.



James W. Adducci



Raffi Pounardjian



Tom Haldeman

December 30, 2020

### **Exhibit III**

#### **Overview of Boenning**

Founded in 1914, Pennsylvania based Boenning & Scattergood, Inc. is one of the oldest independent securities, asset management and investment banking firms in the region, providing individual, institutional, corporate and municipal clients a full complement of financial services including equity research, investment banking, public finance, asset management as well as equity and fixed income sales and trading.

#### **Background of Appraisers**

##### ***Anthony A. Latini, Jr., CFA – Managing Director***

Tony leads the firm's insurance practice and has over 30 years of experience with the property/casualty and life segments. His merger & acquisition transaction experience includes in excess of \$2 billion in transaction value and he has assisted in raising over \$1 billion in debt and junior capital. Prior to joining Boenning & Scattergood, Mr. Latini was Managing Director of Curtis Financial Group's financial services industry group. He has also held positions at Berwind Financial L.P., Evans & Company, Inc. and CoreStates Financial Corp. Tony received his Bachelor of Science degree in Economics with a concentration in Finance from the Wharton School of the University of Pennsylvania. He holds the Chartered Financial Analyst designation and the FINRA Series 7, 24, 63, and 79 licenses. Tony has experience working on over fifteen demutualizations.

##### ***James W. Adducci – Managing Director***

James has 20 years of investment banking experience working with public and private companies executing exclusive sale assignments, buy-side transactions, financings and various other strategic advisory assignments. James has completed transactions totaling more than \$2 billion in value. James has been involved with multiple deals involving companies in the insurance sector. Prior to joining Boenning in 2004, James worked in the diversified industrials group at Dresdner Kleinwort in New York where he focused on cross-border M&A transactions. James received his BA in Economics from Carleton College. He is registered with FINRA and holds the Series 7 and 63 licenses. James has experience working on ten demutualizations.

***Raffi Pounardjian – Vice President***

Raffi joined Boenning & Scattergood in 2018 as an Associate. Raffi supports senior-level team members by preparing offering documents, financial models, marketing materials and market research. Prior to joining Boenning, Raffi was an Associate Director in UBS Investment Bank's Financial Institutions Group with a focus on banks, insurance, specialty finance and Latin America coverage. He previously worked as a Financial Analyst for PNC Financial Services Group and National City Corporation before its acquisition by PNC. Raffi earned a BS and an MS in Finance from Case Western Reserve University and an MBA with a specialization in Banking and Business Law from the Stern School of Business at New York University. He is registered with FINRA and holds the Series 79 and 63 licenses. Raffi has worked on two previous demutualization transactions.

***Tom Haldeman – Analyst***

Tom joined Boenning & Scattergood in 2019 after working as an Analyst in Wells Fargo's Corporate & Investment Banking Group, where he worked on raising capital for clients in the insurance and asset management industries. As part of the Investment Banking Group, Tom has primarily worked on transactions including merger & acquisition advisory and capital raises. Tom received his BS degree from Villanova University with a concentration in Finance, as well as a minor in Management Information Systems. He is registered with FINRA, holds the Series 79 and 63 licenses, and this engagement represents his second demutualization transaction.

**Exhibit IV**  
**Amalgamated Casualty Insurance Company**  
**Statutory Balance Sheet — (\$000s)**

	2015	2016	2017	2018	2019	Q3'20 YTD
<b>Assets</b>						
<b>Investments:</b>						
Bonds	31,624	36,794	36,481	34,959	31,832	30,641
Preferred Stocks	700	605	973	2,037	2,026	2,104
Common Stocks	4,565	5,056	3,915	997	989	1,202
Real Estate	9,892	-	-	-	-	-
Cash & Short Term Investments	3,580	1,020	2,235	1,041	3,169	3,308
Other Investments	8	8,446	10,392	12,036	11,809	11,829
<b>Total Cash &amp; Investments</b>	<b>50,369</b>	<b>51,921</b>	<b>53,996</b>	<b>51,070</b>	<b>49,825</b>	<b>49,084</b>
Other Assets	2,839	4,824	5,715	4,577	5,671	4,095
<b>Total Assets</b>	<b>53,208</b>	<b>56,744</b>	<b>59,711</b>	<b>55,647</b>	<b>55,496</b>	<b>53,179</b>
<b>Liabilities</b>						
Loss Reserves	4,735	5,028	6,241	9,117	9,499	8,016
Loss Adjustment Expense Reserves	1,093	1,202	1,864	2,759	2,083	1,906
<b>Total Loss &amp; LAE Reserves</b>	<b>5,828</b>	<b>6,230</b>	<b>8,106</b>	<b>11,877</b>	<b>11,582</b>	<b>9,922</b>
Unearned Premium Reserve	1,666	3,691	5,189	4,383	5,250	3,431
Other Liabilities	3,668	4,001	3,798	3,172	3,479	3,514
<b>Total Liabilities</b>	<b>11,162</b>	<b>13,923</b>	<b>17,093</b>	<b>19,431</b>	<b>20,310</b>	<b>16,868</b>
<b>Capital and Surplus</b>						
Unassigned Surplus	41,971	42,821	42,618	36,216	35,186	36,312
Other Including Gross Contributed	75	-	-	-	-	-
<b>Total Capital and Surplus</b>	<b>42,046</b>	<b>42,821</b>	<b>42,618</b>	<b>36,216</b>	<b>35,186</b>	<b>36,312</b>
<b>Total Liabilities &amp; Capital and Surplus</b>	<b>53,208</b>	<b>56,744</b>	<b>59,711</b>	<b>55,647</b>	<b>55,496</b>	<b>53,179</b>

**Exhibit V**  
**Amalgamated Casualty Insurance Company**  
**Statutory Statements of Income — (\$000s)**

	2015	2016	2017	2018	2019	Q3'20 LTM
<b>Underwriting Revenue</b>						
Personal P&C Direct Premiums	1,132	1,504	1,654	1,402	1,380	731
Commercial P&C Direct Premiums	8,102	10,640	12,367	10,787	11,748	6,740
<b>Direct Premiums Written</b>	<b>9,234</b>	<b>12,144</b>	<b>14,022</b>	<b>12,190</b>	<b>13,128</b>	<b>7,472</b>
Net Reinsurance Premiums	270	688	617	521	533	284
<b>Net Premiums Written</b>	<b>8,964</b>	<b>11,456</b>	<b>13,404</b>	<b>11,669</b>	<b>12,595</b>	<b>7,188</b>
Change in U/E Premiums Reserve	1,403	1,945	1,498	(806)	867	(2,070)
<b>Net Premiums Earned</b>	<b>7,562</b>	<b>9,511</b>	<b>11,906</b>	<b>12,476</b>	<b>11,728</b>	<b>9,258</b>
Losses and LAE Incurred	6,150	6,735	11,428	14,250	8,829	3,916
Other Underwriting Expense Incurred	2,914	3,337	4,449	5,142	5,480	4,444
<b>Net Underwriting Gain (Loss)</b>	<b>(1,502)</b>	<b>(561)</b>	<b>(3,971)</b>	<b>(6,916)</b>	<b>(2,580)</b>	<b>898</b>
Net Investment Income	629	970	841	1,371	1,516	1,474
Net Realized Capital Gains (Losses)	2,571	4	372	690	(214)	(240)
Finance Service Charges	11	39	47	61	93	88
All Other Income	0	1	2	1	(27)	(160)
<b>Net Income after capital gains (loss) before tax</b>	<b>1,708</b>	<b>453</b>	<b>(2,709)</b>	<b>(4,793)</b>	<b>(1,212)</b>	<b>2,060</b>
Federal Income Tax	-	3	-	-	-	-
<b>Net Income</b>	<b>1,708</b>	<b>450</b>	<b>(2,709)</b>	<b>(4,793)</b>	<b>(1,212)</b>	<b>2,060</b>
Loss Ratio (%)	81.3	70.8	96.0	114.2	75.3	42.3
Expense Ratio (%)	32.5	29.1	33.2	44.1	43.5	61.8
Combined Ratio (%)	113.8	99.9	129.2	158.3	118.8	104.1

**Exhibit VI**  
**Amalgamated Casualty Insurance Company**  
**Statutory Balance Sheet — Common Size (%)**

	2015	2016	2017	2018	2019	Q3'20 YTD
<b>ASSETS</b>						
<b>Investments:</b>						
Bonds	59.44	64.84	61.10	62.82	57.36	57.62
Preferred Stocks	1.32	1.07	1.63	3.66	3.65	3.96
Common Stocks	8.58	8.91	6.56	1.79	1.78	2.26
Real Estate	18.59	-	-	-	-	-
Cash & Short Term Investments	6.73	1.80	3.74	1.87	5.71	6.22
Other Investments	0.02	14.88	17.40	21.63	21.28	22.24
<b>Total Cash &amp; Investments</b>	<b>94.66</b>	<b>91.50</b>	<b>90.43</b>	<b>91.77</b>	<b>89.78</b>	<b>92.30</b>
Other Assets	5.34	8.50	9.57	8.23	10.22	7.70
<b>Total Assets</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>LIABILITIES</b>						
Loss Reserves	8.90	8.86	10.45	16.38	17.12	15.07
Loss Adjustment Expense Reserves	2.05	2.12	3.12	4.96	3.75	3.58
<b>Total Loss &amp; LAE Reserves</b>	<b>10.95</b>	<b>10.98</b>	<b>13.57</b>	<b>21.34</b>	<b>20.87</b>	<b>18.66</b>
Unearned Premium Reserve	3.13	6.50	8.69	7.88	9.46	6.45
Other Liabilities	6.89	7.05	6.36	5.70	6.27	6.61
<b>Total Liabilities</b>	<b>20.98</b>	<b>24.54</b>	<b>28.63</b>	<b>34.92</b>	<b>36.60</b>	<b>31.72</b>
<b>CAPITAL AND SURPLUS</b>						
Unassigned Surplus	78.88	75.46	71.37	65.08	63.40	68.28
Other Including Gross Contributed	0.14	-	-	-	-	-
<b>Total Capital and Surplus</b>	<b>79.02</b>	<b>75.46</b>	<b>71.37</b>	<b>65.08</b>	<b>63.40</b>	<b>68.28</b>
<b>TOTAL LIABILITIES AND CAPITAL AND SURPLUS</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

**Exhibit VII**  
**Amalgamated Casualty Insurance Company**  
**Statutory Statements of Income — Common Size (%)**

	2015	2016	2017	2018	2019	Q3'20 LTM
<b>Underwriting Revenue</b>						
Personal P&C Direct Premiums	14.97	15.81	13.90	11.24	11.77	7.89
Commercial P&C Direct Premiums	107.15	111.87	103.87	86.47	100.17	72.81
<b>Direct Premiums Written</b>	<b>122.12</b>	<b>127.68</b>	<b>117.76</b>	<b>97.71</b>	<b>111.94</b>	<b>80.71</b>
Net Reinsurance Premiums	3.58	7.23	5.18	4.17	4.55	3.07
<b>Net Premiums Written</b>	<b>118.55</b>	<b>120.45</b>	<b>112.58</b>	<b>93.54</b>	<b>107.39</b>	<b>77.64</b>
Change in U/E Premiums Reserve	18.55	20.45	12.58	(6.46)	7.39	(22.36)
<b>Net Premiums Earned</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Losses and LAE Incurred	81.33	70.81	95.98	114.22	75.28	42.31
Other Underwriting Expense Incurred	38.53	35.08	37.37	41.22	46.72	48.00
<b>Net Underwriting Gain (Loss)</b>	<b>(19.87)</b>	<b>(5.90)</b>	<b>(33.35)</b>	<b>(55.44)</b>	<b>(22.00)</b>	<b>9.69</b>
Net Investment Income	8.31	10.20	7.06	10.99	12.93	15.92
Net Realized Capital Gains (Losses)	34.00	0.04	3.12	5.53	(1.82)	(2.59)
Finance Service Charges	0.14	0.41	0.40	0.49	0.79	0.95
All Other Income	0.00	0.01	0.02	0.01	(0.23)	(1.73)
<b>Net Income after capital gains (loss) before tax</b>	<b>22.59</b>	<b>4.76</b>	<b>(22.75)</b>	<b>(38.42)</b>	<b>(10.34)</b>	<b>22.25</b>
Federal Income Tax	-	0.03	-	-	-	-
<b>Net Income</b>	<b>22.59</b>	<b>4.73</b>	<b>(22.75)</b>	<b>(38.42)</b>	<b>(10.34)</b>	<b>22.25</b>

**Exhibit VIII**  
**Amalgamated Casualty Insurance Company**  
**Statutory Balance Sheet — Growth Analysis (%)**

	2016	2017	2018	2019	Q3'20 YTD	'15-'19 CAGR
<b>ASSETS</b>						
<b>Investments:</b>						
Bonds	16.35	(0.85)	(4.17)	(8.94)	(7.35)	0.16
Preferred Stocks	(13.57)	60.87	109.33	(0.55)	7.84	30.43
Common Stocks	10.77	(22.56)	(74.53)	(0.84)	47.69	(31.78)
Real Estate	(100.00)	-	-	-	-	(100.00)
Cash & Short Term Investments	(71.51)	119.11	(53.42)	204.38	9.00	(3.00)
Other Investments	NM	23.04	15.82	(1.88)	0.34	513.94
<b>Total Cash &amp; Investments</b>	<b>3.08</b>	<b>4.00</b>	<b>(5.42)</b>	<b>(2.44)</b>	<b>(2.95)</b>	<b>(0.27)</b>
Other Assets	69.90	18.47	(19.91)	23.91	(47.86)	18.89
<b>Total Assets</b>	<b>6.65</b>	<b>5.23</b>	<b>(6.81)</b>	<b>(0.27)</b>	<b>(8.18)</b>	<b>1.06</b>
<b>LIABILITIES</b>						
Loss Reserves	6.18	24.13	46.09	4.19	(28.78)	19.01
Loss Adjustment Expense Reserves	10.02	55.06	47.98	(24.52)	(16.27)	17.49
<b>Total Loss &amp; LAE Reserves</b>	<b>6.90</b>	<b>30.10</b>	<b>46.52</b>	<b>(2.48)</b>	<b>(26.61)</b>	<b>18.73</b>
Unearned Premium Reserve	121.60	40.58	(15.53)	19.78	(57.28)	33.24
Other Liabilities	9.08	(5.08)	(16.49)	9.69	2.05	(1.32)
<b>Total Liabilities</b>	<b>24.73</b>	<b>22.77</b>	<b>13.68</b>	<b>4.53</b>	<b>(31.03)</b>	<b>16.14</b>
<b>CAPITAL AND SURPLUS</b>						
Unassigned Surplus	2.03	(0.47)	(15.02)	(2.84)	6.50	(4.31)
Other Including Gross Contributed	(100.00)	-	-	-	-	(100.00)
<b>Total Capital and Surplus</b>	<b>1.84</b>	<b>(0.47)</b>	<b>(15.02)</b>	<b>(2.84)</b>	<b>6.50</b>	<b>(4.36)</b>
<b>TOTAL LIABILITIES AND CAPITAL AND SURPLUS</b>	<b>6.65</b>	<b>5.23</b>	<b>(6.81)</b>	<b>(0.27)</b>	<b>(8.18)</b>	<b>1.06</b>

**Exhibit IX**  
**Amalgamated Casualty Insurance Company**  
**Statutory Statements of Income — Growth Analysis (%)**

	2016	2017	2018	2019	Q3'20 LTM	'15-'19 CAGR
<b>Underwriting Revenue</b>						
Personal P&C Direct Premiums	32.80	10.02	(15.23)	(1.57)	(71.97)	5.08
Commercial P&C Direct Premiums	31.32	16.23	(12.77)	8.90	(67.08)	9.73
<b>Direct Premiums Written</b>	<b>31.50</b>	<b>15.46</b>	<b>(13.06)</b>	<b>7.70</b>	<b>(67.61)</b>	<b>9.19</b>
Net Reinsurance Premiums	154.33	(10.25)	(15.62)	2.38	(71.62)	18.50
<b>Net Premiums Written</b>	<b>27.80</b>	<b>17.01</b>	<b>(12.94)</b>	<b>7.93</b>	<b>(67.43)</b>	<b>8.87</b>
Change in U/E Premiums Reserve	38.68	(22.99)	NM	NM	NM	(11.33)
<b>Net Premiums Earned</b>	<b>25.78</b>	<b>25.19</b>	<b>4.78</b>	<b>(5.99)</b>	<b>(37.69)</b>	<b>11.60</b>
Losses and LAE Incurred	9.51	69.69	24.69	(38.04)	(80.32)	9.46
Other Underwriting Expense Incurred	14.53	33.34	15.57	6.57	(34.25)	17.11
<b>Net Underwriting Gain (Loss)</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>
Net Investment Income	54.33	(13.32)	63.07	10.55	(5.49)	24.62
Net Realized Capital Gains (Losses)	(99.86)	NM	85.49	NM	NM	NM
Finance Service Charges	267.27	21.06	27.86	53.72	(11.46)	71.94
All Other Income	447.20	183.63	(30.57)	NM	NM	NM
<b>Net Income after capital gains (loss) before tax</b>	<b>(73.49)</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>
Federal Income Tax	-	(100.00)	-	-	-	-
<b>Net Income</b>	<b>(73.66)</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>



## Exhibit X

**Amalgamated Casualty Insurance Company**  
**Consolidated Balance Sheet — GAAP Basis**  
**(in thousands of dollars)**

	2019	Q3'20 YTD
<b>Assets</b>		
<b>Investments:</b>		
Bonds	34,095	33,269
Equities	1,630	2,045
Real Estate	32,451	31,877
Other Invested Assets	2,671	2,867
Cash & Short Term Investments	3,937	3,749
<b>Total Cash &amp; Investments</b>	<b>74,784</b>	<b>73,807</b>
Premiums and Other Receivables	5,188	3,758
Reinsurance Recoverable	885	1,202
Deferred Acquisition Costs	218	143
Deferred Rent and Leases in Place	5,308	5,245
Right of Use Asset	3,317	3,121
Other Assets	1,143	1,278
<b>Total Assets</b>	<b>90,843</b>	<b>88,555</b>
<b>Liabilities</b>		
Losses and Loss Adjustment Expenses	12,415	11,119
Unearned and Advance Premiums	5,461	3,566
Notes Payable	28,353	28,487
Accrued Expenses	1,555	1,116
Other liabilities	5,504	5,009
<b>Total Liabilities</b>	<b>53,289</b>	<b>49,296</b>
<b>Equity</b>		
AOCI	(945)	(618)
Retained Earnings	37,715	39,113
Minority Interest	784	763
<b>Total Equity</b>	<b>37,554</b>	<b>39,258</b>
<b>Total Liabilities and Equity</b>	<b>90,843</b>	<b>88,555</b>

**Exhibit XI**  
**Amalgamated Casualty Insurance Company**  
**Consolidated Statements of Operations — GAAP Basis**  
**(in thousands of dollars)**

	2019	3Q'20 LTM
<b>Revenues</b>		
Direct Premiums Written	13,128	7,472
Net Premiums Written	12,595	7,188
Net Premiums Earned	11,728	9,258
Net Investment Income	1,259	880
Net Realized Investment Gains (Losses)	(214)	(240)
Net Unrealized Gains (Losses) on Equity Securities	185	185
Service Fee Income	93	88
Other Income (Losses)	(25)	(159)
<b>Total Revenues</b>	<b>13,027</b>	<b>10,012</b>
<b>Expenses</b>		
Losses and Loss Adjustment Expenses	8,829	3,916
Policy Acquisition Costs and Other Operating Expenses	5,629	4,205
Other Expenses	0	0
<b>Total Expenses</b>	<b>14,458</b>	<b>8,122</b>
<b>Income (Loss) Before Income Taxes</b>	<b>(1,430)</b>	<b>1,890</b>
Income Tax Expense (Benefit)	(305)	(124)
Net Income (Loss) Attributable to Minority Interest	(23)	(29)
<b>Net Income (Loss)</b>	<b>(1,102)</b>	<b>2,043</b>
Other Comprehensive (Loss) Income	1,148	465
<b>Comprehensive (Loss) Income</b>	<b>46</b>	<b>2,508</b>
<b>Performance Ratios:</b>		
Losses and loss adjustment expenses ratio (%) (1)	75.3	42.3
Expense ratio (%) (2)	44.7	58.5
Combined ratio (%) (3)	120.0	100.8
Return on average equity (%)	(2.9)	5.3
<b>Statutory Data:</b>		
Statutory net income (loss)	(1,212)	2,060
Statutory surplus	35,186	36,312
Ratio of net premiums written to statutory surplus	0.4x	0.2x

- (1) Calculated by dividing losses and loss adjustment expenses by net premiums earned.  
(2) Calculated by dividing amortization of deferred policy acquisition costs and net underwriting and administrative expenses by net premiums written.  
(3) The sum of the losses and loss adjustment expenses ratio and the underwriting expense ratio. A combined ratio of less than 100% means a company is making an underwriting profit.

**Exhibit XII**  
**Amalgamated Casualty Insurance Company**  
**Pro Forma Assumptions for Conversion Valuation**

- A-1 The initial offering price is \$10.00 per share and the number of shares offered is calculated by dividing the Appraised Value by the offering price.
- A-2 Conversion and offering expenses were estimated by Company management.
- A-3 It is assumed that 9.9% of the shares offered for sale will be acquired by an ESOP. Pro forma adjustments have been made to earnings and equity to reflect the impact of the ESOP. The aggregate purchase price of shares of Common Stock to be purchased by the ESOP in the Offering represents unearned compensation and is reflected as a reduction in capital. It is further assumed that the ESOP purchase is funded through cash in the form of an intercompany loan. No reinvestment is assumed on proceeds used to fund the ESOP. The amount of cash used to purchase Common Stock has been reflected as a reduction from gross proceeds to determine the estimated net funds available for reinvestment. The ESOP expense reflects recognition of expense based upon shares committed to be allocated under the ESOP over a 10-year period. For purposes of this calculation, the average market value was assumed to be equal to the initial offering price of \$10.00.
- A-4 It is assumed that 98% of the Subscription Rights issued to Eligible Members are repurchased in the offering for \$0.89 per Subscription Right Value.
- A-5 The net investable proceeds are fully invested at the beginning of the applicable period. The net investable proceeds are invested to yield a return of 0.94%, which represents the yield on the 10-year U.S. Treasury bond at market close on December 29, 2020. The effective income tax rate was assumed to be 21.0%, resulting in an after-tax yield of 0.74%.
- A-6 No effect has been given in the pro forma equity calculation for the assumed earnings initially on the net proceeds.
- A-7 For the earnings per share (“EPS”) calculations, pro forma per share amounts have been computed by dividing pro forma amounts by the total outstanding number of shares of stock.
- A-8 For the book value calculations, pro forma per share amounts have been computed by dividing pro forma amounts by the total outstanding number of shares of stock.

Exhibit XIII Pro Forma Conversion Valuation Range - Full Conversion Basis (Dollars in Thousands, except per share data)			
	Minimum	Midpoint	Maximum
Total implied shares outstanding	2,261,000	2,660,000	3,059,000
Offering price	\$10.00	\$10.00	\$10.00
<b>Implied Gross Proceeds:</b>	<b>\$22,610</b>	<b>\$26,600</b>	<b>\$30,590</b>
Less: estimated expenses	(2,660)	(2,899)	(3,138)
Implied net offering proceeds	19,950	23,701	27,452
Less: Subscription Rights Repurchase	(1,981)	(2,331)	(2,681)
Less: ESOP Plan Purchase	(2,238)	(2,633)	(3,028)
Net investable proceeds	\$15,731	\$18,737	\$21,742
<b>Net Income:</b>			
LTM ended 9/30/2020	2,043	2,043	2,043
Pro forma income on net investable proceeds	117	139	161
Pro forma ESOP expense amortization adjustment	(177)	(208)	(239)
Pro forma net income	1,983	1,974	1,965
Pro forma earnings per share	0.97	0.82	0.71
<b>Total Revenue:</b>			
LTM ended 9/30/2020	10,012	10,012	10,012
Pro forma revenue on net proceeds, pre-tax	148	176	204
Pro forma total revenue	10,160	10,188	10,217
Pro forma total revenue per share	4.49	3.83	3.34
<b>Common Equity:</b>			
Common equity at 9/30/2020	38,495	38,495	38,495
Net offering proceeds	19,950	23,701	27,452
Less: Subscription Rights Repurchase	(1,981)	(2,331)	(2,681)
Less: ESOP plan purchase	(2,238)	(2,633)	(3,028)
Pro forma common equity	54,226	57,232	60,237
Pro forma book value per share	23.98	21.52	19.69
<b>Total Equity:</b>			
Total equity at 9/30/2020	39,258	39,258	39,258
Net offering proceeds	19,950	23,701	27,452
Less: Subscription Rights Repurchase	(1,981)	(2,331)	(2,681)
Less: ESOP plan purchase	(2,238)	(2,633)	(3,028)
Pro forma total equity	54,989	57,995	61,001
<b>Tangible Common Equity:</b>			
Tangible common equity at 9/30/2020	38,495	38,495	38,495
Net offering proceeds	19,950	23,701	27,452
Less: Subscription Rights Repurchase	(1,981)	(2,331)	(2,681)
Less: ESOP plan purchase	(2,238)	(2,633)	(3,028)
Pro forma tangible common equity	54,226	57,232	60,237
Pro forma tangible book value per share	23.98	21.52	19.69
<b>Total Assets:</b>			
Total assets at 9/30/2020	88,555	88,555	88,555
Net offering proceeds	19,950	23,701	27,452
Less: Subscription Rights Repurchase	(1,981)	(2,331)	(2,681)
Less: ESOP plan purchase	(2,238)	(2,633)	(3,028)
Pro forma total assets	104,285	107,291	110,297
Pro forma total assets per share	46.12	40.33	36.06
<b>Pro Forma Ratios (%):</b>			
Price / LTM EPS (x)	10.3	12.2	14.1
Price / LTM Revenue	222.5	261.1	299.4
Price / Book Value	41.7	46.5	50.8
Price / Tangible Book Value	41.7	46.5	50.8
Price / Total Assets	21.7	24.8	27.7
Total Equity / Assets	52.7	54.1	55.3
Tangible Equity / Assets	52.7	54.1	55.3

Exhibit XIV Adjusted Closing Price of Guideline Companies (\$)												
	MCY	HMN	STFC	SAFT	UFCS	PTVC.B	KINS	PPHI	ICCH	NSEC	CNFR	UNAM
12/29/2020	51.44	41.42	17.64	77.65	24.69	13.68	6.62	9.50	14.02	11.24	2.65	4.66
12/28/2020	51.76	41.89	18.19	78.59	25.02	13.64	6.55	9.50	14.30	11.24	2.51	4.52
12/24/2020	51.79	41.74	18.26	77.78	24.53	13.68	6.52	9.50	14.00	11.02	2.58	4.42
12/23/2020	51.38	41.30	18.24	78.27	24.48	13.71	6.65	9.50	14.00	11.02	2.50	4.38
12/22/2020	51.42	40.75	17.71	76.94	23.78	13.90	6.53	9.50	14.00	11.02	2.27	4.45
12/21/2020	51.62	41.35	17.83	78.80	23.87	14.32	6.38	9.50	14.00	11.02	2.23	4.38
12/18/2020	51.10	42.44	18.09	82.73	25.21	14.20	6.33	9.50	14.00	11.02	2.33	4.53
12/17/2020	51.23	43.48	17.72	81.98	24.96	14.68	6.34	9.50	14.45	10.29	2.30	4.71
12/16/2020	51.61	43.63	17.90	82.82	25.63	14.51	6.26	9.50	14.00	10.14	2.30	4.76
12/15/2020	51.36	43.59	18.13	82.30	25.82	14.79	6.29	9.50	14.00	11.00	2.36	4.78
12/14/2020	49.83	42.69	17.57	79.40	25.18	14.54	6.22	9.50	13.93	10.91	2.33	5.40
12/11/2020	46.18	42.37	17.02	77.59	24.02	14.30	6.18	9.50	13.93	11.94	2.44	4.81
12/10/2020	45.95	42.42	16.96	77.38	24.11	14.49	5.84	9.50	13.93	11.94	2.35	4.80
12/9/2020	45.41	41.82	16.83	76.87	23.70	14.26	5.98	9.50	13.93	11.50	2.29	4.81
12/8/2020	44.66	41.16	16.47	76.09	23.83	14.36	6.02	9.50	13.87	11.15	2.32	4.85
12/7/2020	44.35	40.47	16.32	75.49	23.71	14.16	6.22	9.50	14.00	11.15	2.36	4.98
12/4/2020	45.03	40.69	16.67	75.52	24.26	14.64	6.40	9.50	14.00	11.15	2.37	4.89
12/3/2020	44.56	39.56	15.64	73.77	22.86	14.15	6.37	9.50	14.00	12.24	2.44	5.00
12/2/2020	44.36	39.84	15.62	72.35	22.85	14.15	6.40	8.00	14.00	12.00	2.49	4.89
12/1/2020	44.45	40.11	15.61	72.11	22.69	14.07	6.41	8.00	13.20	12.00	2.40	4.96
11/30/2020	43.91	39.64	14.94	71.25	21.73	14.29	6.60	8.00	13.18	12.00	2.39	4.96
11/27/2020	45.43	40.70	15.35	73.89	23.03	14.93	6.82	8.00	13.00	12.32	2.18	5.00
11/25/2020	45.64	41.44	15.72	74.34	23.75	14.96	6.61	8.00	13.00	12.32	2.25	5.00
11/24/2020	46.08	42.44	16.32	74.13	24.17	14.83	6.53	9.00	13.00	11.54	2.35	5.01
11/23/2020	44.86	41.96	15.77	73.31	23.19	14.60	6.57	10.00	13.00	11.04	2.31	5.00
11/20/2020	44.72	41.32	15.58	73.41	23.18	14.37	6.32	9.00	13.00	11.04	2.39	5.00
11/19/2020	44.61	40.42	15.51	73.07	23.34	14.59	6.62	6.00	13.00	11.04	2.56	5.00
11/18/2020	44.47	40.13	15.64	74.14	23.25	14.15	6.41	6.00	13.00	11.04	2.59	5.00
11/17/2020	44.92	39.69	15.65	74.73	23.78	14.79	6.23	12.90	12.65	12.25	2.63	5.12
11/16/2020	45.81	39.91	16.08	74.71	24.12	14.42	6.13	12.90	12.65	11.18	2.70	5.25
11/13/2020	44.39	39.07	15.16	73.62	23.00	14.07	6.10	12.90	12.20	12.49	2.70	5.27
11/12/2020	43.46	38.16	14.33	72.46	22.39	13.63	6.09	12.90	12.20	12.49	2.75	5.27
11/11/2020	43.12	38.29	14.47	74.29	22.96	13.90	6.05	12.90	12.20	12.49	2.68	5.27
11/10/2020	43.25	39.42	14.60	76.88	23.20	13.90	6.27	12.90	12.20	12.49	2.70	5.27
11/9/2020	42.15	38.15	14.00	72.65	21.54	13.63	6.03	12.90	12.20	12.49	2.66	5.27
11/6/2020	41.19	34.90	12.11	69.30	19.04	13.40	5.91	12.90	12.57	12.49	2.68	5.24
11/5/2020	40.90	35.01	12.36	70.15	19.75	13.40	6.03	12.90	12.57	10.89	2.73	5.24
11/4/2020	40.56	34.47	12.80	69.17	19.00	13.40	5.93	12.90	12.57	11.35	2.73	5.24
11/3/2020	40.67	36.37	13.73	70.81	21.39	13.40	6.06	12.90	12.57	11.35	2.73	5.24
11/2/2020	40.68	34.43	12.66	69.82	20.69	13.39	5.92	13.00	12.57	11.35	2.50	5.24
10/30/2020	40.20	33.67	12.27	69.16	20.41	13.06	5.78	10.00	12.57	11.35	2.51	5.24
10/29/2020	39.75	34.08	12.42	69.16	21.89	13.74	5.97	10.00	12.57	11.35	2.58	5.24
10/28/2020	39.65	34.03	12.50	69.35	21.47	13.21	5.74	10.00	12.57	11.35	2.59	5.24
10/27/2020	39.65	34.43	12.94	68.17	21.70	13.75	5.92	10.00	12.57	11.80	2.68	5.24
10/26/2020	40.53	35.17	13.27	68.81	22.41	13.81	5.92	10.00	12.57	11.80	2.57	5.37
10/23/2020	41.12	35.53	13.64	69.74	22.97	14.01	5.97	10.15	12.57	11.80	2.57	5.49
10/22/2020	41.06	35.36	13.68	68.93	22.76	14.16	5.99	10.15	12.57	11.80	2.52	5.60
10/21/2020	40.31	34.51	13.73	68.25	22.44	14.08	6.01	10.15	12.50	11.80	2.60	5.18
10/20/2020	39.92	34.86	13.66	67.34	21.67	14.29	5.96	10.15	12.50	11.80	2.56	5.18
10/19/2020	39.86	34.89	13.52	66.87	21.33	14.07	5.96	11.00	12.50	11.80	2.61	5.18
10/16/2020	40.84	35.45	13.68	67.85	21.69	14.49	5.95	13.00	12.50	11.80	2.61	5.18
10/15/2020	40.65	34.80	13.30	67.46	21.35	14.39	5.97	14.00	12.50	11.80	2.60	5.46
10/14/2020	40.24	34.17	13.24	66.70	20.97	14.15	5.97	13.95	12.50	11.80	2.60	5.50
10/13/2020	40.39	34.71	13.29	67.39	21.35	14.15	5.99	13.95	12.50	11.80	2.65	5.50
10/12/2020	41.09	35.59	13.74	69.01	22.21	14.70	6.08	13.95	12.50	11.80	2.78	5.50
10/9/2020	40.29	34.00	13.64	67.51	21.12	14.51	5.98	14.00	12.50	11.80	2.79	5.50
10/8/2020	40.29	34.20	13.47	67.18	21.27	14.05	5.98	10.15	12.50	10.84	2.65	5.63
10/7/2020	40.31	34.05	13.51	66.97	20.65	13.80	6.20	10.15	12.03	10.84	2.63	5.63
10/6/2020	40.66	33.92	13.55	66.47	20.39	13.28	6.16	10.15	12.03	10.84	2.79	5.40
10/5/2020	41.09	34.40	13.72	67.58	20.63	13.38	5.98	10.15	11.74	10.84	2.79	5.40
10/2/2020	40.80	33.51	13.35	67.06	20.19	13.01	5.96	10.15	11.75	10.94	2.88	5.40
10/1/2020	40.71	33.23	13.58	66.87	20.12	12.92	5.84	10.15	11.75	11.80	2.88	5.91
9/30/2020	40.85	33.17	13.68	68.26	20.19	13.04	5.85	10.15	11.70	11.69	2.88	6.00
9/29/2020	40.85	33.27	13.78	69.22	20.23	13.20	5.80	10.15	11.70	11.69	2.87	6.00

Exhibit XIV Adjusted Closing Price of Guideline Companies (\$)												
	MCY	HMN	STFC	SAFT	UFCS	PTVC.B	KINS	PPHI	ICCH	NSEC	CNFR	UNAM
9/28/2020	41.36	33.47	13.83	68.94	20.55	13.49	5.74	10.15	11.74	11.69	3.03	6.00
9/25/2020	40.68	32.76	13.48	66.88	19.64	13.26	5.99	10.15	11.70	11.80	3.03	5.96
9/24/2020	40.66	32.53	13.65	67.34	19.64	13.33	5.78	10.15	11.75	11.80	2.99	5.38
9/23/2020	40.70	32.86	13.29	66.35	19.34	13.24	5.81	10.15	11.75	11.80	2.96	5.48
9/22/2020	41.92	33.14	13.62	67.59	20.30	13.75	6.01	10.15	11.75	11.80	2.76	5.56
9/21/2020	42.19	33.43	13.70	68.40	20.34	13.82	5.93	10.15	11.75	11.80	2.95	5.02
9/18/2020	42.95	33.92	14.28	69.91	21.10	15.49	6.03	10.50	11.65	11.80	2.62	5.08
9/17/2020	43.07	34.70	13.98	69.14	21.47	14.01	6.01	10.50	11.75	11.80	2.51	5.97
9/16/2020	42.54	33.81	14.23	69.04	21.12	13.81	6.00	10.50	11.75	12.73	2.54	5.98
9/15/2020	41.98	33.81	14.12	69.64	21.29	13.80	5.90	10.50	11.82	12.73	2.68	5.51
9/14/2020	43.02	35.15	14.59	70.12	22.15	14.07	5.92	10.15	11.82	12.73	2.69	5.34
9/11/2020	42.86	34.98	14.49	68.94	22.45	13.90	5.77	10.15	11.82	12.40	2.70	5.34
9/10/2020	42.94	35.38	14.69	68.60	23.17	14.24	5.87	10.15	11.65	12.40	2.80	4.81
9/9/2020	43.55	36.77	14.98	69.46	23.64	14.18	5.82	10.15	11.65	12.40	2.80	5.21
9/8/2020	43.12	36.86	15.06	69.43	23.26	13.97	5.66	10.15	11.45	12.40	2.76	5.34
9/4/2020	43.77	38.03	15.72	71.34	23.73	14.62	5.92	10.15	11.45	12.40	2.89	5.00
9/3/2020	43.69	37.75	15.53	71.24	23.64	14.18	6.03	10.15	11.45	12.40	2.89	5.00
9/2/2020	44.41	38.34	16.04	71.88	24.14	14.53	6.07	10.15	11.60	12.40	2.80	5.00
9/1/2020	43.75	38.23	15.73	70.55	24.22	14.40	6.19	10.15	11.37	12.32	2.97	5.28
8/31/2020	43.54	38.46	15.24	71.53	24.68	14.26	5.93	10.15	11.37	12.32	2.87	5.28
8/28/2020	43.79	38.50	16.04	72.29	25.41	14.56	5.96	10.15	11.45	12.32	2.81	4.77
8/27/2020	44.07	38.48	15.91	72.99	25.68	14.15	5.95	10.15	11.37	12.32	2.93	4.77
8/26/2020	43.82	37.63	15.40	72.98	24.56	14.17	5.83	10.15	11.37	11.51	3.12	4.77
8/25/2020	44.08	38.09	16.16	73.25	25.54	14.84	5.70	10.15	11.63	11.51	2.69	4.77
8/24/2020	43.94	38.19	16.30	74.60	25.54	15.32	5.67	10.15	11.63	12.22	2.96	4.77
8/21/2020	43.36	37.28	15.80	73.93	24.95	15.30	5.65	10.15	11.63	12.22	3.08	4.77
8/20/2020	43.54	37.75	16.33	73.73	25.46	15.47	5.55	10.15	11.64	12.22	3.09	4.77
8/19/2020	44.14	37.98	16.57	74.33	25.99	15.23	5.62	10.80	11.64	12.22	3.01	4.90
8/18/2020	44.01	38.26	16.69	74.86	26.22	14.70	5.70	10.80	11.64	11.62	3.08	5.32
8/17/2020	43.62	38.60	16.75	75.55	26.25	14.31	5.68	10.80	11.64	12.40	3.00	5.14
8/14/2020	44.30	39.07	17.10	75.96	26.73	14.65	5.60	10.80	11.37	12.40	3.21	5.21
8/13/2020	44.28	39.25	16.99	76.38	26.88	14.75	5.71	10.80	11.37	12.40	3.40	5.23
8/12/2020	44.35	39.57	17.32	77.99	27.43	14.88	5.74	10.80	11.37	12.56	2.47	5.23
8/11/2020	44.30	39.92	17.48	78.77	27.62	14.59	5.82	11.00	11.15	12.56	2.40	4.44
8/10/2020	44.95	40.36	17.21	78.33	27.54	15.03	5.81	11.00	11.15	11.96	2.38	4.17
8/7/2020	44.37	39.80	17.29	75.27	26.80	15.02	5.46	11.00	11.05	12.09	2.29	4.17
8/6/2020	43.26	38.33	16.79	74.33	25.65	13.88	5.58	11.00	11.05	15.06	2.34	4.42
8/5/2020	43.07	38.18	15.90	74.19	26.02	13.98	5.52	11.00	11.05	15.06	2.34	4.42
8/4/2020	41.79	36.84	15.04	73.25	24.56	13.59	5.58	11.00	11.00	15.06	2.38	4.43
8/3/2020	41.98	37.06	15.26	73.19	24.25	13.56	5.45	11.00	11.00	15.06	2.38	4.43
7/31/2020	41.77	37.00	15.31	73.85	24.87	12.62	5.33	11.00	11.00	15.06	2.38	5.00
7/30/2020	40.69	36.98	15.70	73.14	25.17	13.14	5.37	11.00	11.00	15.06	2.31	5.00
7/29/2020	41.21	37.70	15.74	73.80	25.83	13.78	5.19	11.00	11.37	15.06	2.45	5.00
7/28/2020	40.45	36.91	15.69	73.21	25.85	13.73	5.33	11.00	11.37	15.06	2.45	5.00
7/27/2020	40.27	36.89	15.64	73.37	25.41	14.02	5.23	11.00	11.37	15.06	2.35	5.00
7/24/2020	40.56	37.36	16.20	74.29	26.44	13.98	5.20	10.24	11.25	15.06	2.35	5.00
7/23/2020	40.56	37.97	16.26	74.84	26.88	14.08	5.18	10.24	11.44	15.06	2.35	5.00
7/22/2020	40.25	37.72	16.72	74.94	27.18	14.40	5.35	10.24	11.44	15.06	2.35	4.42
7/21/2020	39.98	38.01	16.83	76.57	27.65	14.79	5.31	10.24	11.44	15.06	2.35	4.42
7/20/2020	39.40	37.37	16.78	74.77	26.68	14.55	5.21	11.43	11.54	15.06	2.43	4.42
7/17/2020	39.86	37.95	17.30	76.48	27.50	14.55	5.07	11.43	11.54	15.06	2.43	5.00
7/16/2020	39.92	38.75	17.56	77.02	27.64	14.51	5.14	11.43	12.07	15.06	2.46	4.24
7/15/2020	39.51	37.96	18.05	77.43	28.16	14.47	5.30	11.43	12.07	14.47	2.35	4.24
7/14/2020	39.19	37.04	17.48	76.32	26.29	14.72	5.11	11.43	12.07	14.47	2.35	4.24
7/13/2020	38.78	36.17	17.13	74.62	25.39	14.23	5.05	11.43	12.00	14.47	2.21	4.24
7/10/2020	39.07	36.24	17.09	74.43	25.46	14.09	5.07	11.43	11.14	14.47	2.63	4.99
7/9/2020	38.00	34.83	16.08	71.49	24.17	13.67	4.94	11.43	11.14	14.47	2.46	5.01
7/8/2020	39.25	35.08	16.12	72.11	25.07	13.52	5.19	11.43	11.14	14.47	2.46	5.06
7/7/2020	38.49	35.00	15.78	72.46	25.11	13.81	4.97	11.43	11.14	14.47	2.46	5.20
7/6/2020	39.90	35.96	16.83	73.29	26.10	14.43	4.35	11.43	11.14	14.47	2.42	5.20
7/2/2020	38.82	35.40	16.91	73.13	26.05	14.22	4.30	11.43	11.14	13.23	2.59	5.20
7/1/2020	38.88	35.18	17.06	73.41	26.26	14.27	4.34	11.43	11.14	13.23	2.59	5.56
6/30/2020	39.66	36.17	17.62	74.43	27.16	14.86	4.36	11.43	11.14	13.23	2.73	5.56

**Exhibit XV**  
**Amalgamated Casualty Insurance Company Plan of Conversion**

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**S&L Draft 1/27/2021**

**PLAN OF CONVERSION  
OF  
AMALGAMATED CASUALTY INSURANCE COMPANY**

**Under Chapter 9 of Title 31 of the  
District of Columbia Official Code (D.C. Code § 31-901 et seq.)**

**As Approved on [February 3], 2021  
by the Board of Trustees**



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**PLAN OF CONVERSION**  
**OF**  
**AMALGAMATED CASUALTY INSURANCE COMPANY**

**Under Chapter 9 of Title 31 of the  
District of Columbia Official Code (D.C. Code §31-901 et seq.)**

This Plan of Conversion provides for the conversion of Amalgamated Casualty Insurance Company, a mutual insurance company organized under the laws of District of Columbia (such entity, both before and after the Conversion, being referred to as “ACIC”), from a mutual insurance company into a stock insurance company (the “Conversion”) and the issuance by ACIC of newly-issued shares of common stock of ACIC to Amalgamated Specialty Group Holdings, Inc., a Pennsylvania corporation (“HoldCo”), as authorized by Chapter 9 of Title 31 of the District of Columbia Official Code (D.C. Code §31-901 et seq.) (the “Demutualization Act”). In the Conversion, all Eligible Members will receive subscription rights to purchase shares of common stock of HoldCo, in exchange for the extinguishment of their Membership Interests in ACIC. As required by Section 902(a) of the Demutualization Act, this Plan of Conversion was originally approved and adopted by at least a majority of the members of the Board of Trustees (the “Board”) of ACIC, at a meeting duly called and held on [February 3], 2021 (the “Adoption Date”). Capitalized terms used herein without definition have the meaning set forth in Article 2 hereof.

**ARTICLE 1**  
**REASONS FOR THE CONVERSION**

The principal purpose of the Conversion is to convert ACIC from a mutual insurance company into a stock insurance company in order to enhance its capital position and its strategic and financial flexibility and to provide the Eligible Members with the right to acquire an equity interest in HoldCo. The Board believes that the Conversion is in the best interest of ACIC because the additional capital resulting from the Conversion should: (i) sustain and enhance ACIC’s ability to write specialty transportation insurance currently written by ACIC; (ii) support organic growth and diversification initiatives; and (iii) enable HoldCo to attract institutional investors and engage in strategic transactions advantageous to HoldCo and its subsidiaries. The Board further believes that the transaction is fair and equitable, is consistent with the purpose and intent of the Demutualization Act and will not prejudice the interests of the Members.

In its present structure as a mutual insurance company, ACIC can increase its statutory capital only through earnings generated by the businesses of ACIC and its subsidiaries, or by the issuance of surplus notes by ACIC. Reliance on earnings to provide a long-term source of permanent capital, however, limits ACIC’s ability to develop new business, issue new insurance products, and provide greater stability and protection for its policyholders. Surplus notes do not provide permanent capital and must be repaid out of the company’s earnings.

## **ARTICLE 2**

### **DEFINITIONS**

2.01 Certain Terms. As used in this Plan of Conversion, the following terms have the meanings set forth below:

“ACIC” has the meaning specified in the Preamble.

“ACIC Records” means the books, records and accounts of ACIC.

“ACIC Shares” means the duly authorized shares of common stock of ACIC to be issued to HoldCo on the Plan Effective Date in accordance with this Plan of Conversion.

“Adoption Date” has the meaning specified in the preamble.

“Affiliate” means a Person who, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with the Person specified or who is acting in concert with the Person specified.

“Amended and Restated Articles of Incorporation” has the meaning specified in Section 13.01(a).

“Amended and Restated Bylaws” has the meaning specified in Section 14.03(a).

“Application” has the meaning specified in Section 4.01.

“Appraised Value” means the estimated pro forma market value of ACIC, as determined by Boenning.

“Board” has the meaning specified in the preamble.

“Boenning” means Boenning and Scattergood, Inc., a registered broker dealer.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commissioner” means the Commissioner of the Department.

“Common Stock” means the common stock of HoldCo, par value \$0.01 per share.

“Conversion” has the meaning specified in the preamble.

“D.C Code” means the District of Columbia Official Code.

“Decision and Order” means the final and effective decision and order issued by the Commissioner and evidencing the Commissioner’s approval of the Application and of this Plan of Conversion.

“Department” means the District of Columbia Department of Insurance, Securities, and Banking.

“Effective Date Filing” has the meaning specified in Section 14.03.

“Effective Time” means 12:01 a.m., Eastern time, on the Plan Effective Date. This is the time that this Plan of Conversion is deemed to be effective.

“Eligible Member” means a Member on the Adoption Date; provided that a person insured under a group policy is not an Eligible Member unless all of the conditions in D.C. Code §31-901(3)(A) are satisfied.

“Eligible Policy” means any Policy that is In Force on the Adoption Date.

“Employee” means any natural person who is a full or part-time employee of ACIC.

“ESOP” means the Employee Stock Ownership Plan to be established by HoldCo prior to the commencement of the Offering.

“Gross Proceeds” means the product of (x) the Purchase Price and (y) the number of shares for which subscriptions and orders are received in the Offering and accepted by HoldCo.

“HoldCo” means Amalgamated Specialty Group Holdings, Inc., a Pennsylvania corporation that will become the sole stockholder of ACIC, and which will issue shares of Common Stock in the Offering.

“In Force” has the meaning specified in Section 15.03(a).

“Insider” means any Officer or Trustee of ACIC.

“Maximum of the Valuation of Range” has the meaning specified in Section 5.01.

“Member” means a person who, according to the ACIC Records and pursuant to its bylaws and in accordance with Article 15 hereof, is deemed to be a holder of a Membership Interest in ACIC.

“Membership Interests” means, with respect to ACIC, the interests of Members arising under the law of the District of Columbia and the articles of incorporation and bylaws of ACIC prior to the Conversion, including the right to vote and the right to participate in any distribution of surplus in the event that ACIC is liquidated.

“Minimum of the Valuation of Range” has the meaning specified in Section 5.01.

“MRP” means any executive stock incentive plan that may be established by HoldCo and under which stock options, shares of restricted stock, or restricted stock units may be granted to directors and employees of HoldCo or any of its subsidiaries.

“Notice of Special Meeting” has the meaning specified in Section 13.02(a).

“Offering” means the offering of shares of Common Stock pursuant to this Plan in the Subscription Offering and any Public Offering.

“Offering Circular” means the one or more documents to be used in offering the Common Stock in the Offering and for providing information to Persons in connection with the Offering.

“Offering Statement” means the offering statement filed or to be filed with the SEC by HoldCo under Regulation A of the SEC with respect to the offer and sale of shares of HoldCo common stock in the Offering.

“Officer” means the people elected to serve as an officer by the Board.

“Order Form” means the form provided on behalf of HoldCo by which Common Stock may be ordered in the Offering.

“Owner” means, with respect to any Policy, the Person or Persons specified or determined pursuant to the provisions of Section 15.02.

“Participant” means a Person to whom Common Stock is offered in the Subscription Offering.

“Person” means an individual, partnership, firm, association, corporation, joint-stock company, limited liability company, trust, government or governmental agency, state or political subdivision of a state, public or private corporation, board, association, estate, trustee, or fiduciary, or any similar entity.

“Plan Effective Date” has the meaning specified in Section 14.04(a).

“Plan of Conversion” means this Plan of Conversion, as it may be amended from time to time in accordance with Section 18.06 or corrected in accordance with Section 18.07. Any reference to the term “Plan of Conversion” shall be deemed to incorporate by reference all of the Exhibits thereto.

“Policy” or “Policies” has the meaning specified in Section 15.01(a).

“Public Offering” means a public offering through an underwriter of the shares not subscribed to in the Subscription Offering, as contemplated by Section 31-906(h) of the D.C. Code.

“Purchase Price” has the meaning specified in Section 5.02.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Special Meeting” has the meaning specified in Section 13.01.

“Significant Purchaser” has the meaning specified in Section 8.05.

“Stock Purchase Agreement” has the meaning specified in Section 8.05.

“Subscription Offering” means the offering of the Common Stock that is described in Section 7.01 hereof.

“Subscription Rights” means nontransferable rights to subscribe for Common Stock in the Subscription Offering granted to Participants as described in Section 7.01 hereof.

“Subscription Right Value” means the value of each Subscription Right as determined in accordance with Section 7.01(e) hereof.

“Trustee” means the members of the Board of Trustees of ACIC.

“Valuation Range” means the range of the estimated pro forma market value of ACIC as converted to a stock insurance holding company as determined by Boenning in accordance with Section 5.01 hereof.

2.02 Terms Generally. As used in this Plan of Conversion, except to the extent that the context otherwise requires:

(a) when a reference is made in this Plan of Conversion to an Article, Section or Exhibit, such reference is to an Article or Section of, or an Exhibit to, this Plan of Conversion unless otherwise indicated;

(b) the words “hereby”, “herein”, “hereof”, “hereunder” and words of similar import refer to this Plan of Conversion as a whole (including any Exhibits hereto) and not merely to the specific section, paragraph or clause in which such word appears;

(c) whenever the words “include,” “includes,” or “including” (or similar terms) are used in this Plan of Conversion, they are deemed to be followed by the words “without limitation”;

(d) the definitions contained in this Plan of Conversion are applicable to the singular as well as the plural forms of such terms; and

(e) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

### **ARTICLE 3** **ADOPTION BY THE BOARD OF TRUSTEES**

3.01 Adoption by the Board. This Plan of Conversion has been approved and adopted by at least a majority of the members of the Board at a meeting duly called and held on [February 3], 2021. This Plan of Conversion provides for the conversion of ACIC into a stock insurance holding company in accordance with the requirements of D.C. Code § 31-901 et seq.



**ARTICLE 4**  
**APPROVAL BY THE COMMISSIONER**

4.01 Application for Approval. Following the adoption of this Plan of Conversion by the Board, ACIC shall file an application (the "Application") with the Commissioner for approval of this Plan of Conversion in accordance with Section 31-903 of the D.C. Code. The Application shall include true and complete copies of the following documents:

(a) this Plan of Conversion, including the independent appraisal of market value of ACIC provided by Boenning in accordance with Section 5.01 and required by Section 31-906(i) of the D.C. Code;

(b) the form of notice of the Special Meeting, required by Section 31-904(b) of the D.C. Code;

(c) the form of information statement and proxy to be solicited from Eligible Members, required by Section 31-904(b) of the D.C. Code;

(d) the form of notice to persons whose Policies are issued after the Adoption Date but before the Plan Effective Date, required by Section 31-910(a) of the D.C. Code;

(e) the proposed amended and restated articles of incorporation and amended and restated bylaws of ACIC; and

(f) any other information or documentation as the Commissioner may request.

If the Commissioner requires modifications to this Plan of Conversion, the Board shall submit any amended Plan of Conversion to the Commissioner for her review and approval.

4.02 Commissioner Approval. This Plan of Conversion is subject to the approval of the Commissioner.

**ARTICLE 5**  
**TOTAL NUMBER OF SHARES AND PURCHASE PRICE OF COMMON STOCK.**

The number of shares of Common Stock required to be offered and sold by HoldCo in the Offering will be determined as follows:

5.01 Independent Appraiser. Boenning has been retained by ACIC to determine the Valuation Range. The Valuation Range will consist of a midpoint valuation, a valuation fifteen percent (15%) above the midpoint valuation (the "Maximum of the Valuation Range") and a valuation fifteen percent (15%) below the midpoint valuation (the "Minimum of the Valuation Range"). The Valuation Range will be based upon the consolidated financial condition and results of operations of ACIC, the consolidated pro forma book value and earnings per share of ACIC as converted to a stock company, a comparison of ACIC with comparable publicly-held insurance companies and insurance holding companies, and such other factors as Boenning may deem to be relevant, including that value that Boenning estimates to be necessary to attract a full

subscription for the Common Stock. Boenning will submit to ACIC the Valuation Range and a related report that describes the data and methodology used to determine the Valuation Range.

5.02 Purchase Price. The Purchase Price for Common Stock in the Offering (the “Purchase Price”) will be \$10.00 per share and will be uniform as to all purchasers in the Offering.

5.03 Number of Shares of Common Stock to be Offered. The maximum number of shares of Common Stock to be offered in the Offering shall be equal to the Maximum of the Valuation Range divided by the Purchase Price, plus (ii) the number of shares required to enable the ESOP to purchase nine and nine-tenths percent (9.9%) of the total number of shares of Common Stock issued in the Offering.

5.04 Number of Shares of Common Stock to be Sold. Boenning will submit to ACIC the Appraised Value as of the end of the latest period for which audited financial statements of ACIC are available prior to the initial filing of a draft Offering Statement with the SEC. If the Gross Proceeds of the Offering do not equal or exceed the Minimum of the Valuation Range, then ACIC may cancel the Offering and terminate this Plan, establish a new Valuation Range and extend, reopen or hold a new Offering, or take such other action as it deems to be reasonably necessary.

5.05 Results of Offering.

(a) If the Gross Proceeds of the Offering equal or exceed the Minimum of the Valuation Range, the following steps will be taken:

(1) *Subscription Offering Exceeds Maximum*. If the number of shares to which Participants subscribe in the Subscription Offering multiplied by the Purchase Price is greater than the Maximum of the Valuation Range, then HoldCo on the Effective Date shall issue shares of Common Stock to the subscribing Participants; which shares shall be allocated among the subscribing Participants as provided in Section 7.01; *provided, however*, that the number of shares of Common Stock issued shall not exceed the number of shares of Common Stock offered in the Offering as provided in Section 5.03; and *provided further*, that no fractional shares of Common Stock shall be issued.

(2) *Subscription Offering Meets or Exceeds Minimum, but does not Exceed Maximum*. If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range, but less than or equal to the Maximum of the Valuation Range, then HoldCo on the Effective Date shall issue shares of Common Stock to the subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full. To the extent that shares of Common Stock remain unsold after the subscriptions of all Participants in the Subscription Offering have been satisfied in full, HoldCo shall have the right in its absolute discretion to accept, in whole or in part, orders received from purchasers in the Public Offering, including without limitation orders from any Significant Purchaser pursuant to a Stock Purchase Agreement; *provided, however*, that the number of shares of Common Stock

issued shall not exceed the Maximum of the Valuation Range; and, *provided further*, that no fractional shares of Common Stock shall be issued.

(3) *Subscription Offering Does Not Meet Minimum.* If the number of shares of Common Stock subscribed for by Participants in the Subscription Offering multiplied by the Purchase Price is less than the Minimum of the Valuation Range, then in such event HoldCo may accept orders received from purchasers in the Public Offering, including without limitation orders from Significant Purchasers. If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering together with the orders for shares accepted in the Public Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range, then on the Effective Date HoldCo shall: (A) issue shares of Common Stock to subscribing Participants in an amount sufficient to satisfy the subscriptions of such Participants in full, and (B) issue to purchasers in the Public Offering whose orders have been accepted such additional number of shares of Common Stock such that the aggregate number of shares of Common Stock to be issued to subscribing Participants and to purchasers in the Public Offering multiplied by the Purchase Price shall be at least equal to the Minimum of the Valuation Range and may be in any amount up to the Maximum of the Valuation Range, in ACIC's discretion. In no event shall fractional shares of Common Stock be issued.

(b) *Offering Does Not Meet Minimum.* If the aggregate number of shares of Common Stock subscribed for in the Subscription Offering together with the orders for shares accepted in the Public Offering multiplied by the Purchase Price is less than the Minimum of the Valuation Range, then in such event HoldCo and ACIC may (w) cancel the Offering and terminate this Plan, (x) establish a new Valuation Range, (y) extend, reopen or hold a new Offering, or (z) take such other action as they deem reasonably necessary. If a new Valuation Range is established and the Offering is extended, reopened or continued as part of a new Offering, Persons who previously submitted subscriptions or orders will be required to confirm, revise or cancel their original subscriptions or orders. If original subscriptions or orders are canceled, any related payment will be refunded (without interest).

If, following a reduction in the Valuation Range, the aggregate number of shares of Common Stock for which subscriptions and orders have been accepted in the Offering multiplied by the Purchase Price is equal to or greater than the Minimum of the Valuation Range (as such Valuation Range has been reduced), then HoldCo on the Effective Date shall: (i) issue shares of Common Stock to Participants in the Subscription Offering in an amount sufficient to satisfy the subscriptions of such subscribers in full, and (ii) issue to purchasers in the Public Offering whose orders have been accepted such additional number of shares of Common Stock such that the aggregate number of shares of Common Stock to be issued multiplied by the Purchase Price shall be at least equal to the Minimum of the Valuation Range (as such Valuation Range has been reduced).

(c) *Allocation of Shares.* In determining the allocation of shares of Common Stock to purchasers in the Offering: (i) only those orders and subscriptions accepted by ACIC and HoldCo shall be counted; (ii) any orders and subscriptions for shares in excess of the limitations on purchases set forth in Article 9 hereof shall be accepted only up to the applicable limitation on purchases set forth in Article 9 hereof; and (iii) any order or subscription for shares

of Common Stock shall only be accepted to the extent of the payment of the Purchase Price for such shares actually received prior to the termination of the Offering.

(d) *Participant Eligibility*. Notwithstanding anything to the contrary set forth in this Plan, ACIC and HoldCo shall have the right in their absolute discretion and without liability to any subscriber, purchaser, underwriter, broker-dealer, or any other Person to determine which proposed Persons and which subscriptions and orders in the Offering meet the criteria provided in this Plan for eligibility to purchase Common Stock and the number of shares eligible for purchase by any Person. The determination of these matters by HoldCo and ACIC shall be final and binding on all parties and all Persons. Except as provided to the contrary in a Stock Purchase Agreement, ACIC and HoldCo shall have absolute and sole discretion to accept or reject, in whole or in part, any offer to purchase that is made or received in the course of the Public Offering, irrespective of a Person's eligibility under this Plan to participate in the Public Offering.

## **ARTICLE 6**

### **GENERAL PROCEDURE FOR THE OFFERINGS.**

6.01 Commencement of Offerings. As soon as practicable after the Offering Statement is declared to be qualified by the SEC under Regulation A under the Securities Act, and after the receipt of all required regulatory approvals, the Common Stock shall be first offered for sale in the Subscription Offering. It is anticipated that any shares of Common Stock remaining unsold after the Subscription Offering will be sold through the Public Offering. The purchase price per share for the Common Stock shall be a uniform price determined in accordance with Section 5.02 hereof.

## **ARTICLE 7**

### **SUBSCRIPTION OFFERING.**

7.01 Allocation of Subscription Rights. Rights to purchase shares of Common Stock at the Purchase Price (the "Subscription Rights") will be distributed by HoldCo to the Participants in the following priorities:

(a) Eligible Members (First Priority). Each Eligible Member shall receive, without payment, nontransferable Subscription Rights to purchase up to [100,000] shares of Common Stock in the Subscription Offering; *provided, however*, that the maximum number of shares that may be purchased by Eligible Members in the aggregate shall be equal to the Maximum of the Valuation Range divided by the Purchase Price.

In the event of an oversubscription for shares of Common Stock pursuant to this Section 7.01(a), available shares shall be allocated among subscribing Eligible Members so as to permit each such Eligible Member, to the extent possible, to purchase a number of shares that will make his or her total allocation equal to the lesser of (i) the number of shares that he or she subscribed for or (ii) 1,000 shares. Any shares of Common Stock remaining after such initial allocation will be allocated among the subscribing Eligible Members whose subscriptions remain unsatisfied in the proportion in which (i) the aggregate number of shares as to which each such Eligible Member's subscription remains unsatisfied bears to (ii) the aggregate number of shares

as to which all such Eligible Members' subscriptions remain unsatisfied; *provided, however*, that no fractional shares of Common Stock shall be issued. If, because of the magnitude of the oversubscription, shares of Common Stock cannot be allocated among subscribing Eligible Members so as to permit each such Eligible Member to purchase the lesser of 1,000 shares or the number of shares subscribed for, then shares of Common Stock will be allocated among the subscribing Eligible Members in the proportion in which: (i) the aggregate number of shares subscribed for by each such Eligible Member bears to (ii) the aggregate number of shares subscribed for by all Eligible Members; *provided, however*, that no fractional shares of Common Stock shall be issued.

(b) ESOP (Second Priority). The ESOP shall receive, without payment, Subscription Rights to purchase at the Purchase Price a number of shares of Common Stock equal to nine and nine-tenths percent (9.9%) of the total number of shares of Common Stock to be issued in the Offering as set forth in Section 5.03. An oversubscription by Eligible Members shall not reduce the number of shares of Common Stock that may be purchased by the ESOP under this section.

(c) Trustees, Officers, and Employees of ACIC (Third Priority). Each Trustee, Officer, and Employee of ACIC shall receive, without payment, nontransferable Subscription Rights to purchase up to 100,000 shares of Common Stock in the Subscription Offering; *provided, however*, that such Subscription Rights shall be subordinated to the Subscription Rights of the Eligible Members and the ESOP; and *provided, further*, that such Subscription Rights may be exercised only to the extent that there are shares of Common Stock that could have been purchased by Eligible Members, but which remain unsold after satisfying the subscriptions of all Eligible Members. In the event of an oversubscription among the trustees, Officers, and Employees, the number of shares issued to any one Trustee, Officer, or Employee shall be equal to the product of (i) the number of shares available for issuance to all trustees, Officers, and Employees, and (ii) a fraction, expressed as a percentage, the numerator of which is the number of shares to which the subscribing Trustee, Officer, or Employee subscribed and the denominator of which is the total number of shares subscribed by all trustees, Officers, and Employee. The aggregate number of shares purchased by the Trustees, Officers, and Employees, whether purchased in the Subscription Offering in their capacity as Eligible Members, in the Public Offering, or otherwise, shall be limited as provided in Section 9.1 hereof.

A Trustee, Officer, or Employee who subscribes to purchase shares of Common Stock and who also is eligible to purchase shares of Common Stock as an Eligible Member will be deemed to purchase Common Stock first in his or her capacity as an Eligible Member, provided that any such person shall nevertheless be limited to purchase 100,000 shares of Common Stock in total.

(d) Limitations on Subscription Rights. Subscription rights granted under this Plan will be nontransferable, nonnegotiable personal rights to subscribe for and purchase shares of Common Stock at the Purchase Price. Subscription Rights under this Plan will be granted without payment, but subject to all the terms, conditions and limitations of this Plan. Any Person purchasing Common Stock hereunder will be deemed to represent and affirm to HoldCo and ACIC that such Person is purchasing for his or her own account and not on behalf of any other Person.

(e) Redemption of Subscription Rights.

(1) Each Eligible Member shall have the right to require the Company to redeem all, but not less than all, of the Subscription Rights granted to such Eligible Member for cash at a redemption price equal to the Subscription Right Value. Any Eligible Member that elects to have the Company redeem the Subscription Rights granted to such Eligible Member shall not have the right to exercise such Subscription Rights. Any Eligible Member that fails to exercise the Subscription Rights granted to such Eligible Member shall be deemed to have elected to have the Company redeem all of the Subscription Rights granted to such Eligible Member. Any Eligible Member that elects, or is deemed to have elected, to have such Eligible Member's Subscription Rights redeemed by the Company shall not be permitted to purchase shares of Common Stock in the Public Offering.

(2) The Subscription Right Value shall be determined by the Independent Appraiser as of the same date as the Appraised Value. The Subscription Right Value shall be determined using the Black-Scholes option pricing model. For determining the stock price volatility and other valuation inputs the Independent Appraiser shall assume that the attributes of the Stock Holding Company will be substantially similar to the attributes of the stock of the peer companies used to determine the estimated pro forma market value of the Company. The term of the Subscription Right shall be assumed to be ninety (90) days for the sole purpose of determining the Subscription Right Value.

(3) For purposes of determining the number of Subscription Rights each Eligible Member may redeem pursuant to this Section 7.01(e), each Eligible Member shall be deemed to have received a number of Subscription Rights equal to the total number of shares of Common Stock to be issued at the midpoint of the Valuation Range (as referenced in Section 5.01 and determined by the Independent Appraiser) *divided by* the number of Eligible Members as of the same date as the Appraised Value.

(4) The redemption price for each Subscription Right that an Eligible Member elects to have redeemed by the Company (or is deemed to have elected to have the Company redeem) will be paid to such Eligible Member by the Company or the Stock Holding Company within thirty (30) days after the Effective Date.

(5) For the avoidance of doubt, no recipient of a Subscription Right other than an Eligible Member shall have the right to require the Company to redeem any of its Subscription Rights.

**ARTICLE 8**  
**PUBLIC OFFERING.**

8.01 Public Offering. If less than the total number of shares of Common Stock offered by HoldCo in connection with the Conversion are sold in the Subscription Offering, it is anticipated that remaining shares of Common Stock shall, if practicable, be sold by HoldCo in the Public Offering.

8.02 Preference in Public Offering. In the Public Offering HoldCo shall accept orders in its discretion, subject, however, to any requirements contained in a Stock Purchase Agreement.

8.03 Delivery of Offering Materials. An Offering Circular and an Order Form shall be furnished to all offerees in the Public Offering. Except to the extent provided in a Stock Purchase Agreement, each order for Common Stock in the Public Offering shall be subject to the absolute right of HoldCo to accept or reject any such order in whole or in part either at the time of receipt of an order or as soon as practicable following completion of the Public Offering. In the event of an oversubscription, subject to the preferences described above, the terms of any Stock Purchase Agreement, and the right of HoldCo to accept or reject, in its sole discretion, any order received in the Public Offering, any available shares will be allocated so as to permit each purchaser whose order is accepted in the Public Offering to purchase, to the extent possible, the lesser of 1,000 shares and the number of shares subscribed for by such person. Thereafter, any shares remaining will be allocated among purchasers whose orders have been accepted but remain unsatisfied on a *pro rata* basis, provided no fractional shares shall be issued.

8.04 Commencement of Public Offering. HoldCo may commence the Public Offering concurrently with, at any time during, or as soon as practicable after the end of, the Subscription Offering, and the Public Offering must be completed within 45 days after the completion of the Subscription Offering, unless extended by HoldCo. The provisions of Section 9.01 hereof shall not be applicable to the sales to underwriters for purposes of the Public Offering, but shall be applicable to sales by the underwriters to persons other than any Significant Purchaser. The price to be paid by the underwriters in such an offering shall be equal to the Purchase Price less an underwriting discount to be negotiated among such underwriters and HoldCo, subject to any required regulatory approval or consent.

8.05 Significant Purchasers. Subject to Board approval, ACIC may enter into agreements with one or more Persons who will agree to purchase five percent (5%) or more of the total shares of Common Stock sold in the Offering (any such person, a "Significant Purchaser," and any such agreement, a "Stock Purchase Agreement"). Any Significant Purchaser may be granted priority over other Persons who submit Order Forms in the Public Offering. All references in this Plan to sales of Common Stock in the Public Offering shall be deemed to include sales made to any Significant Purchaser pursuant to a Stock Purchase Agreement.

## ARTICLE 9

### LIMITATIONS ON SUBSCRIPTIONS AND PURCHASES OF COMMON STOCK.

9.01 Maximum Number of Shares That May be Purchased. The following additional limitations and exceptions shall apply to all purchases of Common Stock in the Offering:

(a) To the extent that shares are available, no Person may purchase fewer than the lesser of (i) 50 shares of Common Stock or (ii) shares of Common Stock having an aggregate purchase price of \$500.00 in the Offering.

(b) In addition to the other restrictions and limitations set forth herein, except for (i) purchases by any Significant Purchaser, and (ii) the purchase by the ESOP, the maximum amount of Common Stock which any Person together with any Affiliate may, directly or indirectly, subscribe for or purchase in the Offering (including without limitation the Subscription Offering and/or Public Offering), shall not exceed five percent (5%) of the total

shares of Common Stock sold in the Offering, provided that any purchase of greater than five percent (5%) of the total shares of Common Stock sold in the Offering must be approved by the Commissioner as otherwise provided under the D.C. Code. The limit set forth in this section applies irrespective of the different capacities in which such person may have received Subscription Rights or other rights or options to place orders for shares of Common Stock under this Plan.

(c) For purposes of the foregoing limitations and the determination of Subscription Rights, (i) Trustees, Officers, and Employees shall not be deemed to be Affiliates or a group acting in concert solely as a result of their capacities as such, and (ii) shares of Common Stock purchased by any plan participant in any tax-qualified retirement account using personal funds or funds held in any tax-qualified retirement account pursuant to the exercise of Subscription Rights granted to such plan participant in his individual capacity as an Eligible Member or as a Trustee or Officer and/or purchases by such plan participant in the Public Offering in such plan participant's capacity as an employee, Trustee, Officer, or Employee shall not be deemed to be purchases by the tax-qualified retirement account for purposes of calculating the maximum amount of Common Stock that the tax-qualified retirement account may purchase, but shall count towards the individual limitations on purchases set forth in this Plan.

(d) Each Person who purchases Common Stock in the Offering shall be deemed to confirm that such purchase does not conflict with the purchase limitations under this Plan or otherwise imposed by law. ACIC shall have the right to take any action as it may, in its sole discretion, deem necessary, appropriate or advisable in order to monitor and enforce the terms, conditions, limitations and restrictions contained in this Section and elsewhere in this Plan and the terms, conditions and representations contained in the Order Form, including, but not limited to, the absolute right of ACIC and HoldCo to reject, limit or revoke acceptance of any order and to delay, terminate or refuse to consummate any sale of Common Stock that they believe might violate, or is designed to, or is any part of a plan to, evade or circumvent such terms, conditions, limitations, restrictions and representations. Any such action shall be final, conclusive and binding on all Persons, and HoldCo and ACIC shall be free from any liability to any Person on account of any such action.

**ARTICLE 10**  
TIMING OF THE OFFERINGS, MANNER OF  
PURCHASING COMMON STOCK AND ORDER FORMS.

10.01 Commencement of the Offering. The exact timing of the commencement of the Offering shall be determined by HoldCo in consultation with any financial advisory or investment banking firm retained by it in connection with the Offering. HoldCo may consider a number of factors in determining the exact timing of the commencement of the Offering, including, but not limited to, its pro forma current and projected future earnings, local and national economic conditions and the prevailing market for stocks in general and stocks of insurance companies in particular. HoldCo shall have the right to withdraw, terminate, suspend, delay, revoke or modify the Offering at any time and from time to time, as it in its sole discretion may determine, without liability to any Person, subject to any necessary regulatory approval or concurrence.



10.02 Right to Reject Orders. Subject to the terms of any Stock Purchase Agreement, ACIC and HoldCo shall have the absolute right, in their sole discretion and without liability to any Person, to reject any Order Form as to which there appears to be an irregularity, including, but not limited to, any Order Form that is (i) improperly completed or executed, (ii) not timely received, (iii) not accompanied by the proper payment, or (iv) submitted by a Person whose representations ACIC or HoldCo believes to be false or who it otherwise believes, either alone, or acting in concert with others, is violating, evading or circumventing, or intends to violate, evade or circumvent, the terms and conditions of this Plan. HoldCo and ACIC may, but will not be required to, waive any irregularity on any Order Form or may require the submission of corrected Order Forms or the remittance of full payment for shares of Common Stock by such date as ACIC and HoldCo may specify. The interpretation of ACIC and HoldCo of the terms and conditions of the Order Forms shall be final and conclusive. Once HoldCo receives an Order Form, the order shall be deemed placed and will be irrevocable; *provided, however*, that no Order Form shall be accepted until the Offering Circular has been filed with the SEC and mailed or otherwise made available to the Persons entitled to Subscription Rights in the Offering, and any Order Form received prior to that time shall be rejected and no sale of Common Stock shall be made in respect thereof.

10.03 Policyholders Outside the United States. HoldCo shall make reasonable efforts to comply with the securities laws of all jurisdictions in the United States in which Persons entitled to subscribe reside. However, HoldCo has no obligation to offer or sell shares to any Person under the Plan if such Person resides in a foreign country or in a jurisdiction of the United States with respect to which (i) there are few Persons otherwise eligible to subscribe for shares under this Plan who reside in such jurisdiction, (ii) the granting of Subscription Rights or the offer or sale of shares of Common Stock to such Persons would require HoldCo or its trustees, Officers or employees, under the laws of such jurisdiction, to register as a broker or dealer, salesman or selling agent or to register or otherwise qualify the Common Stock for sale in such jurisdiction, or HoldCo would be required to qualify as a foreign corporation or file a consent to service of process in such jurisdiction, or (iii) such registration or qualification in the judgment of HoldCo would be impracticable or unduly burdensome for reasons of cost or otherwise.

## **ARTICLE 11**

### **PAYMENT FOR COMMON STOCK.**

11.01 Purchase Price for Shares. Payment for shares of Common Stock ordered by Persons in the Offering shall be equal to the Purchase Price per share multiplied by the number of shares that are being ordered. Payment for shares subscribed for or ordered in the Subscription Offering or the Public Offering shall be made by bank draft, check, or money order at the time the Order Form is delivered to HoldCo, or in HoldCo's sole and absolute discretion by delivery of a wire transfer of immediately available funds. Payment for all shares of Common Stock subscribed for must be received in full and collected by HoldCo or by any subscription agent engaged by HoldCo. All subscription payments will be deposited by HoldCo in an escrow account at a bank designated by HoldCo and ACIC and any wire transfers will be delivered directly to such escrow account.

11.02 Payment for Shares by ESOP. Consistent with applicable laws and regulations, payment for shares of Common Stock ordered by the ESOP may be made with funds contributed

or loaned by HoldCo or ACIC and/or funds obtained pursuant to a loan from an unrelated financial institution pursuant to a loan commitment which is in force from the time that any such plan submits an Order Form until the closing of the transactions contemplated hereby.

11.03 Shares Nonassessable. Each share of Common Stock issued in the Offering shall be fully-paid and nonassessable upon payment in full of the Purchase Price.

## **ARTICLE 12**

### **CONDITIONS OF THE OFFERING**

12.01 Closing Conditions. Consummation of the Offering is subject to (i) the receipt of all required federal and state approvals for the issuance of Common Stock in the Offering, (ii) approval of the Plan by the members of ACIC as provided in Section 31-904(c) of the D.C. Code, and (iii) the sale in the Offering of such minimum number of shares of Common Stock within the Valuation Range as may be determined by the Board.

## **ARTICLE 13**

### **APPROVAL BY ELIGIBLE MEMBERS**

#### 13.01 Special Meeting.

(a) After the approval of the Application by the Commissioner, ACIC shall hold a special meeting of Eligible Members to vote on this Plan of Conversion (the “Special Meeting”). At the Special Meeting, each Eligible Member shall be entitled to vote on a single proposal (the “Proposal”) to (i) adopt and approve this Plan of Conversion and the other transactions contemplated by this Plan of Conversion, and (ii) amend and restate the articles of incorporation of ACIC to read in the form attached as Exhibit A (the “Amended and Restated Articles of Incorporation”). The number of votes that each Eligible Member is entitled to cast at the Special Meeting shall be governed by the Bylaws of ACIC.

(b) Adoption of this Plan of Conversion and the Amended and Restated Articles of Incorporation, pursuant to Section 31-904(c) of the D.C. Code, is subject to the approval of at least a majority of the votes cast by Eligible Members who are present in person or by proxy at the Special Meeting.

#### 13.02 Notice of the Special Meeting.

(a) ACIC shall mail notice of the Special Meeting in a form satisfactory to the Department (the “Notice of Special Meeting”). The Notice of Special Meeting shall be mailed within forty-five (45) days following the Commissioner’s approval of this Plan of Conversion. Such notice shall inform each Eligible Member of such Eligible Member’s right to vote upon the Proposal and the place, the day, and the hour of the Special Meeting. Such notice and other materials set forth in Section 13.02(b) shall be mailed by first class or priority mail or an equivalent of first class or priority mail, to the last-known address of each Eligible Member as it appears on the ACIC Records, at least thirty (30) days prior to the date of the Special Meeting, and shall be in a form satisfactory to the Commissioner.

Beginning on the date that the first Notice of Special Meeting is mailed pursuant to Section 13.02(a) and continuing until the Plan Effective Date, ACIC shall also make available at its statutory home office located at 8401 Connecticut Avenue #105, Chevy Chase, Maryland 20815, during regular business hours, copies of the Notice of Special Meeting, this Plan of Conversion and its Exhibits, each in its entirety, for inspection by Eligible Members.

(b) The Notice of the Special Meeting shall be accompanied by information relevant to the Special Meeting, including a copy or summary of this Plan of Conversion, a form of proxy allowing the Eligible Members to vote for or against the Plan of Conversion, a policyholder information statement regarding this Plan of Conversion, and such other explanatory information that the Commissioner approves or requires, all of which shall be in a form satisfactory to the Commissioner. With the prior approval of the Commissioner, ACIC may also send supplemental information relating to this Plan of Conversion to Eligible Members either before or after the date of the Special Meeting.

#### **ARTICLE 14 THE CONVERSION**

14.01 Effect on ACIC. On the Plan Effective Date, ACIC shall be converted from a mutual insurance company into a stock insurance company in accordance with Section 31-911 of the D.C. Code and the closing of the Offering shall occur in accordance with this Plan of Conversion. Under the terms of this Plan of Conversion, HoldCo will acquire all of the ACIC Shares. HoldCo thereupon will become the sole shareholder of ACIC and will have all the rights, privileges, immunities and powers and will be subject to all of the duties and liabilities to the extent provided by law of a shareholder of a corporation organized under the laws of the District of Columbia.

14.02 Effect on Existing Policies. Any Policy In Force on the Plan Effective Date will remain In Force under the terms of such Policy, except that the following rights, to the extent they existed in ACIC, shall be extinguished on the Plan Effective Date:

(a) any voting rights of the policyholder provided under or as a result of the Policy;

(b) any right to share in the surplus of ACIC.

14.03 Filing of Plan of Conversion and Amended and Restated Articles. As soon as practicable following (i) the receipt of the Decision and Order, (ii) the Commissioner's determination that all conditions to such approval contained in the Decision and Order have been satisfied, except for those conditions required by the Decision and Order to be satisfied after the Plan Effective Date and with respect to which the Commissioner has received commitments, acceptable to the Commissioner, from ACIC and/or HoldCo to satisfy after the Plan Effective Date, (iii) the adoption of this Plan of Conversion and the Amended and Restated Articles of Incorporation by the Eligible Members as provided in this Plan of Conversion, and (iv) the satisfaction or waiver of all of the conditions contained in this Plan of Conversion, ACIC shall file with the Commissioner (A) the minutes of the Special Meeting, and (B) the Amended and

Restated Articles of Incorporation and the Amended and Restated Bylaws of ACIC (the filing described in clauses (A) and (B), the “Effective Date Filing”).

14.04 Effectiveness of Plan of Conversion.

(a) The “Plan Effective Date” of the Plan of Conversion shall be the date and time as of which all of the following steps have been completed: (i) the Plan of Conversion has been approved by the Commissioner, (ii) the Eligible Members have approved the Plan of Conversion by the requisite vote, (iii) the Amended and Restated Articles of Incorporation have been duly adopted, (iv) the Effective Date Filing shall have been made by ACIC, and (v) the Articles of Incorporation of HoldCo have been filed with the Pennsylvania Secretary of State. Subsequent to the Plan Effective Date, the bylaws of ACIC shall be substantially in the form attached hereto as Exhibit B (the “Amended and Restated Bylaws”). This Plan of Conversion shall be deemed to have become effective at the Effective Time.

(b) At the Effective Time:

(1) ACIC shall by operation of Section 31-911 of the D.C. Code become a stock insurance company;

(2) the Amended and Restated Articles of Incorporation and the Amended and Restated Bylaws shall without further action become effective; and

(3) all of the Membership Interests shall be extinguished.

(c) On the Plan Effective Date:

(1) ACIC shall issue all of the authorized ACIC Shares to HoldCo, representing all of the issued and outstanding common stock of ACIC; and

(2) HoldCo shall issue shares of Common Stock to Persons whose subscriptions and orders were accepted in the Offering.

14.05 Tax Considerations. This Plan of Conversion shall not become effective and the Conversion shall not occur unless, on or prior to the Plan Effective Date, ACIC shall have received a favorable opinion of Stevens & Lee, P.C., special counsel to ACIC, or other nationally-recognized independent tax counsel to ACIC, dated as of the Plan Effective Date, addressed to the Board and in form and substance satisfactory to ACIC, which, notwithstanding any qualifications expressed therein, is substantially to the effect that ACIC will not recognize any gain or loss for U.S. federal income tax purposes as a result of the Conversion.

14.06 Producer. This Plan of Conversion shall not become effective and the Conversion shall not occur unless, on or prior to the Plan Effective Date, HoldCo shall have acquired or shall simultaneously acquire all of the outstanding voting stock of American Risk Management, Inc., a District of Columbia corporation and the controlling producer of ACIC (“ARM”), such that ARM shall on the Plan Effective Date be a wholly-owned subsidiary of HoldCo.

**ARTICLE 15**  
**POLICIES**

15.01 Policies.

(a) For the purposes of this Plan of Conversion, the term “Policy” means each insurance policy that has been issued or will be issued or assumed through assumption reinsurance, if any, by ACIC.

(b) The following policies and contracts shall be deemed not to be Policies for purposes of this Plan of Conversion:

(1) any reinsurance assumed by ACIC as a reinsurer on an indemnity basis (but assumption certificates may constitute Policies if they otherwise fall within the definition of Policies as provided in Section 15.01(a));

(2) all administrative services agreements; and

(3) any policy or contract issued by ACIC and ceded to another insurance company through assumption reinsurance.

15.02 Determination of Ownership. Unless otherwise stated herein, the Owner of any Policy as of any date shall be determined on the basis of the ACIC Records as of such date in accordance with the following provisions:

(a) the Owner shall be the owner of the Policy as shown on the ACIC Records;

(b) an additional insured under a Policy shall not be an Owner of the Policy and shall not be a Member;

(c) except as otherwise set forth in this Section 15.02, the identity of the Owner of a Policy shall be determined without giving effect to any interest of any other Person in such Policy;

(d) in any situation not expressly covered by the foregoing provisions of this Section 15.02, the owner of the Policy, as reflected on the ACIC Records, and as determined in good faith by ACIC, shall conclusively be presumed to be the Owner of such Policy for purposes of this Section 15.02, and except for administrative errors, ACIC shall not be required to examine or consider any other facts or circumstances;

(e) the mailing address of an Owner as of any date for purposes of this Plan of Conversion shall be the Owner’s last known address as shown on the ACIC Records as of such date;

(f) in no event may there be more than one Owner of a Policy, although more than one Person may constitute a single Owner. If a Person owns a Policy with one or more other Persons, they will constitute a single Owner with respect to the Policy; and

(g) any dispute as to the identity of the Owner of a Policy or the right to vote shall be resolved in accordance with the foregoing and such other procedures as ACIC may determine. Any determinations made by ACIC shall be conclusive as between ACIC and any Owner of a Policy or any other Person with an interest therein but shall not preclude any actions among such Persons.

15.03 In Force.

(a) A Policy shall be deemed to be in force ("In Force") as of any date if, as shown in the ACIC Records:

(1) the Policy has been issued or coverage has been bound by ACIC or assumed by ACIC through assumption reinsurance as of such date; and

(2) such Policy has not expired, cancelled, non-renewed or otherwise terminated, provided that a Policy shall be deemed to be In Force after lapse for nonpayment of premiums until expiration of any applicable grace period (or similar period however designated in such Policy) during which the Policy is in full force for its basic benefits.

(b) The date of expiration, cancellation or termination of a Policy shall be as shown on the ACIC Records.

(c) A Policy shall not be deemed to be In Force as of a given date if the Policy is returned to ACIC and all premiums are refunded within thirty (30) days of such date.

(d) Any dispute as to whether a Policy is In Force shall be resolved in accordance with the foregoing.

**ARTICLE 16**  
**SUBSEQUENT POLICYHOLDERS**

16.01 Notice to Subsequent Policyholders. Upon the issuance of a Policy that becomes effective after the Adoption Date and before the Plan Effective Date (excluding renewals of Policies In Force on the Adoption Date), ACIC shall send to the Owner of such Policy (a "Subsequent Policyholder") a written notice regarding this Plan of Conversion in accordance with Section 31-910 of the D.C. Code. Such notice shall specify such Subsequent Policyholder's right to rescind such Policy as provided in Section 16.02 within thirty (30) days after the Plan Effective Date and shall be accompanied by a copy or summary of this Plan of Conversion. The form of such notice shall be filed with and approved by the Commissioner.

16.02 Option to Rescind. Each Subsequent Policyholder shall be entitled to rescind his Policy and receive a full refund of any amounts paid for the Policy within fifteen (15) days after the receipt by ACIC of the notice of rescission by such Subsequent Policyholder. No Subsequent Policyholder, the estate of such Subsequent Policyholder, or any beneficiary under such policy that has made or filed a claim under a Policy will be entitled to rescission or refund of any premiums paid for such policy. If a Subsequent Policyholder rescinds its Policy pursuant to the right described in this Section 16.02, such Subsequent Policyholder, the estate of such

Subsequent Policyholder, or any beneficiary under such policy will have no insurance coverage under such Policy and may not make or file a claim under such Policy.

## **ARTICLE 17** OFFICERS AND TRUSTEES

17.01 Trustees. Each of the members of ACIC's Board immediately prior to the Effective Time shall remain as a Trustee of ACIC as of the Effective Time, and thereafter, HoldCo, as the sole shareholder of ACIC, shall have the right to elect the Trustees of ACIC.

17.02 Officers. The Officers of ACIC immediately prior to the Effective Time shall serve as Officers of ACIC after the Effective Time until new Officers are duly elected pursuant to the Amended and Restated Articles of Incorporation and the Amended and Restated Bylaws.

## **ARTICLE 18** ADDITIONAL PROVISIONS

18.01 Continuation of Corporate Existence. Upon the conversion of ACIC to a stock insurance company in accordance with the terms of this Plan of Conversion and the provisions of Section 31-911 of the D.C. Code:

(a) the corporate existence of ACIC as a mutual insurance company shall be continued in ACIC's corporate existence as a stock insurance company;

(b) all the rights, franchises and interests of ACIC as a mutual insurance company in and to every type of property, real, personal and mixed, and things in action thereunto belonging, shall be deemed transferred to and vested in ACIC as a stock insurance company without any deed or transfer;

(c) ACIC (as converted to a stock insurance company) shall be deemed to have assumed all the obligations and liabilities of ACIC (as the former mutual insurance company);

(d) Except to the extent any surplus note or other convertible instrument is converted to shares of HoldCo common stock in accordance with its terms, all outstanding surplus notes, guaranty fund interests or other surplus debentures issued by ACIC prior to the Effective Time shall remain in full force and effect following the Conversion.

18.02 Conflict of Interest. No Trustee, Officer, agent or Employee of ACIC, or any of its subsidiaries or affiliates or any other person shall receive any fee, commission or other valuable consideration whatsoever, other than his or her usual regular salary and compensation, for in any manner aiding, promoting or assisting in the transactions contemplated by this Plan of Conversion; *provided*, that ACIC may pay reasonable fees and compensation to attorneys, accountants and actuaries for services performed in the independent practice of their professions, even if such attorney, accountant or actuary is also a Trustee or agent of ACIC or any of its subsidiaries.

18.03 Restrictions on Transfer of Common Stock.

(a) All shares of the Common Stock which are purchased in the Offering by Persons other than Trustees and Officers of ACIC or by a Significant Purchaser shall be transferable without restriction. Shares of Common Stock purchased by trustees and Officers of ACIC in the Offering shall be subject to the restriction that such shares shall not be sold for a period of one year following the date of purchase. Shares of Common Stock purchased by a Significant Purchaser shall be subject such restrictions as are set forth in the applicable Stock Purchase Agreement. The shares of Common Stock issued by HoldCo to Officers and trustees of ACIC shall bear the following legend giving appropriate notice of such one year restriction:

The shares represented by this Certificate may not be sold by the registered holder hereof for a period of one year from the date of the issuance printed hereon. This restrictive legend shall be deemed null and void after one year from the date of this Certificate.

In addition, HoldCo shall give appropriate instructions to the transfer agent for its Common Stock with respect to the applicable restrictions relating to the transfer of restricted stock. Any shares issued at a later date as a stock dividend, stock split or otherwise with respect to any such restricted stock shall be subject to the same holding period restrictions as may then be applicable to such restricted stock.

(b) The foregoing restriction on transfer shall be in addition to any restrictions on transfer that may be imposed by federal and state securities laws.

18.04 No Preemptive Rights. No Member or other Person shall have any preemptive right to acquire ACIC shares in connection with this Plan of Conversion.

18.05 Amendment or Withdrawal of Plan of Conversion.

(a) At any time prior to the Plan Effective Date, ACIC may, by resolution of not less than a majority of the Board, amend or withdraw this Plan of Conversion (including the Exhibits hereto). Any amendment shall require the written consent of the Commissioner. No amendment may change the Plan of Conversion after its approval by the Eligible Members in a manner that the Commissioner determines is material unless the Plan of Conversion, as amended, is submitted for reconsideration by the Eligible Members of ACIC pursuant to the provisions of Sections 13.01 and 13.02. No amendment may change the Adoption Date of the Plan of Conversion.

(b) After the Plan Effective Date, the Amended and Restated Articles of Incorporation adopted pursuant to this Plan of Conversion may be amended pursuant to the provisions of such articles of incorporation, the D.C. Code and the statutory provisions generally applicable to the amendment of the articles of incorporation of insurance companies, or such other statutory provisions as may be applicable at the time of the amendment.

18.06 Corrections. Prior to the Plan Effective Date, ACIC, with the prior consent of the Commissioner, may make such modifications as are appropriate to correct errors, cure



ambiguities, clarify existing items or make additions to correct manifest omissions in this Plan of Conversion or any exhibits hereto.

18.07 Notices. If ACIC complies substantially and in good faith with the notice requirements of the Demutualization Act with respect to the giving of any required notice to Members, the failure of ACIC to give any Member any required notice does not impair the validity of any action taken under the Demutualization Act.

18.08 Limitation of Actions. Any action or proceeding challenging the validity of or arising out of acts taken or proposed to be taken pursuant to the Demutualization Act shall be commenced within 30 days after the Plan Effective Date. No Person shall have any rights or claims against ACIC or its Board based upon the withdrawal or termination of this Plan of Conversion.

18.09 Costs and Expenses. All the costs and expenses related to the Plan of Conversion, including the costs of outside advisors and consultants of the regulatory agencies, shall be borne, directly or indirectly, by ACIC or HoldCo.

18.10 Headings. Article and Section headings contained in this Plan of Conversion are for convenience only and shall not be considered in construing or interpreting any of the provisions hereof.

18.11 Governing Law. The Plan of Conversion shall be governed by and construed in accordance with the laws of the District of Columbia, without regard to such State's principles of conflicts of law.

18.12 Limitation on Acquisition of Shares of Common Stock. In accordance with Section 31-906(1) of the D.C. Code, no person or group of persons acting in concert may acquire more than 5% of the outstanding shares of Common Stock, through a public offering or subscription rights, for a period of five (5) years after the Effective Time without the prior approval of the Commissioner.

*[Remainder of this page intentionally left blank]*

IN WITNESS WHEREOF, ACIC by authority of its Board, has caused this Plan of Conversion to be duly executed as of the day and year first above written.

Amalgamated Casualty Insurance Company

By: /s/ Patrick Bracewell  
Name: Patrick Bracewell  
Title: Chairman and Chief Executive Officer

# **Amalgamated Casualty Insurance Company Demutualization**

**Exhibit VI**

**To**

**Demutualization Application Filed with the  
Department of Insurance, Securities and  
Banking:**

***New Amalgamated Documents (Articles of  
Incorporation and Bylaws)***

**See Attached**

**DISTRICT OF COLUMBIA GOVERNMENT  
CORPORATIONS DIVISION**

**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
AMALGAMATED CASUALTY INSURANCE COMPANY**

FIRST. The name of the Corporation is Amalgamated Casualty Insurance Company.

SECOND. The location and post office address of the registered office of the Corporation in the District of Columbia is 4400 MacArthur Boulevard, NW, Suite 301, Washington, DC 20007.

THIRD. The Corporation is incorporated under the provisions of Title 31 of the Official Code of the District of Columbia (DC Official Code, Title 31) and the District of Columbia Business Corporation Act (DC Official Code, 2001 edition, Title 29, Chapter 1, as amended). The principal purpose of the Corporation is to engage in business as a property and casualty insurance company, conducting all activities necessary or incidental to the foregoing, and engaging in any other lawful business or activity.

FOURTH. The term of the Corporation's existence is perpetual.

FIFTH. The aggregate number of shares of capital stock which the company shall have authority to issue is 1,000,000 shares of common stock, with a par value of \$1.00 per share.

SIXTH. Each holder of record of Common Stock shall have the right to one vote for each share of Common Stock standing in such holder's name on the books of the Corporation. No shareholder shall be entitled to cumulate any votes for the election of directors.

SEVENTH. No holder of any class of capital stock of the Corporation shall have preemptive rights, and the Corporation shall have the right to issue and to sell to any person or persons any shares of its capital stock or any option, warrant or right to acquire capital stock, or any securities having conversion or option rights, without first offering such shares, rights or securities to any holder of any class of capital stock of the Corporation.

EIGHTH. The management, control and government of the Corporation shall be vested in a board of directors consisting of not less than three (3) and not more than eleven (11) members in number, as fixed by the board of directors of the Corporation from time to time.

NINTH. The Corporation reserves the right to amend, alter, change or repeal any provision contained in its Articles of Incorporation in the manner now or hereafter prescribed by statute and all rights conferred upon shareholders and directors herein are hereby granted subject to this reservation.

**IN TESTIMONY WHEREOF**, the undersigned has signed these Amended and Restated Articles of Incorporation on \_\_\_\_\_, 2021.

\_\_\_\_\_  
Patrick J. Bracewell, President and Chief Executive Officer



AMENDED AND RESTATED  
BYLAWS  
OF  
AMALGAMATED CASUALTY INSURANCE COMPANY

ARTICLE I  
ARTICLES OF INCORPORATION

The name, location of the registered office, and the purposes of the Corporation shall be as set forth in the Articles of Incorporation. The purposes and powers of the Corporation and of its Directors and shareholders, and all matters concerning the conduct and regulation of the business of the Corporation shall be subject to such provisions in regard thereto, if any, as are set forth in the Articles of Incorporation.

All references in these Bylaws to the Articles of Incorporation shall be construed to mean the Articles of Incorporation of the Corporation as from time to time amended.

ARTICLE II  
PURPOSE

**Section 1.** The purpose of the Corporation is to engage in the business of insuring and reinsuring various types of risks as a property and casualty insurance company, conducting all activities necessary or incidental to the foregoing, and engaging in any other lawful business or activity.

ARTICLE III  
SHAREHOLDERS AND SHARES

**Section 1. Shareholders.** Only those persons shall be deemed shareholders who appear as such on the books of the Corporation.

**Section 2. Share Certificates.** Share certificates, in such form as the directors may adopt from time to time in accordance with the form prescribed by law, shall be issued by the Corporation to the holders of shares of the Corporation.

**Section 3. Transfers of Shares.** Transfer of shares shall be made only on the books of the Corporation and then only upon surrender of the certificates therefor properly endorsed or accompanied by a properly executed instrument of transfer.

**Section 4. Ownership.** The Corporation shall be entitled to treat the person in whose name shares are issued and listed on the books of the Corporation as the absolute owner thereof and as a shareholder of the Corporation. The Corporation shall not be bound to recognize any equitable or other claim to, or interest in, such ownership interest on the part of any other person, whether or not the Corporation has express or other notice of any such claim.

**ARTICLE IV**  
**MEETINGS OF SHAREHOLDERS**

**Section 1. Annual Meeting.** The Annual Meeting of Shareholders of the Corporation shall be on such date as may be set by the Board of Directors, for the election of Directors and the transaction of any business that may properly come before such meeting. The Annual Meeting of Shareholders may be held inside or outside the District of Columbia.

**Section 2. Notice of Annual Meeting of Shareholders.** Notice of the time and place of such Annual Meeting shall be given by the Chairperson, President or Secretary by a notice mailed or delivered in person not less than ten (10) days prior to the date of the Meeting.

**Section 3. Special Meeting of Shareholders.** Special meetings of the shareholders may be called and held in accordance with the laws of the District of Columbia, provided that the notice of special meeting shall be given at least ten (10) days prior to such meeting, and such notice shall state the time and place of the meeting and the purpose for which it is called and be signed by the Chairperson, President or Secretary. Special meetings may be held inside or outside the District of Columbia.

**Section 4. Waiver of Notice.** A written Waiver of Notice of an Annual Meeting or a special meeting, signed before or after such meeting by the person or persons entitled to notice, shall be deemed equivalent to notice, provided that such Waiver of Notice is inserted in the Corporation's records. Such a writing need not state the purpose of the meeting for which it waives notice. A shareholder's attendance at a meeting waives objection to lack of notice or defective notice of the meeting unless such shareholder makes a timely objection to holding the meeting or transacting business at the meeting.



**Section 5. Quorum.** For purposes of any Annual Meeting or any special meeting, the presence in person or by proxy of shareholders entitled to cast at least one-third (1/3) of the votes that all shareholders are entitled to cast at the meeting shall constitute a quorum. The shareholders present at a duly organized meeting can continue to do business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

**Section 6. Mode of Determining Questions.** Except as otherwise provided in these Bylaws, all matters proposed for consideration by the shareholders at any Annual Meeting or any special meeting shall be determined by a majority of the eligible votes cast at the meeting.

**Section 7. Conduct of Meetings.** At every meeting of the shareholders, the Chairman of the Board of Directors or, in his absence, the person chosen by the Board of Directors, shall act as Chairman of the meeting. The Chairman of the meeting shall have any and all powers and authority necessary in the Chairman's sole discretion to conduct an orderly meeting and preserve order and to determine any and all procedural matters, including imposing reasonable limits on the amount of time at the meeting taken up in remarks by any one shareholder or group of shareholders. In addition, until the business to be completed at a meeting of the shareholders is completed, the Chairman of a meeting of the shareholders is expressly authorized to temporarily adjourn and postpone the meeting from time to time. The Secretary of the Corporation or in his or her absence, an Assistant Secretary, shall act as Secretary of all meetings of the shareholders. In the absence at such meeting of the Secretary or Assistant Secretary, the Chairman of the meeting may appoint another person to act as Secretary of the meeting.

**Section 8. Record Date.** The Board of Directors may fix a time prior to the date of any meeting of shareholders as a record date for the determination of the shareholders entitled to notice of and to vote at the meeting, which date, except in the case of an adjourned meeting, shall be not more than 50 days prior to the date of the meeting of shareholders. Only shareholders of record on the date fixed shall be so entitled notwithstanding any transfer of shares on the books of the Corporation after any record date fixed as provided in this section. The Board of Directors may similarly fix a record date for the determination of shareholders of record for any other purpose. When a determination of shareholders of record has been made as provided in this section for purposes of a meeting, the determination shall apply to any adjournment thereof unless the Board fixes a new record date for the adjourned meeting.

**Section 9. Voting of Shareholders.** Each shareholder of the Corporation shall be entitled to one (1) vote for each share of stock of the Corporation held of record by such shareholder.

**Section 10. Proxy Voting.** Shareholders shall have the right to vote by proxy at any meeting of shareholders. Unless a time of expiration is otherwise specified in the form of proxy, proxies shall not be valid for more than eleven (11) months from the date of their signing by the shareholder. A proxy purporting to be executed by or on behalf of a shareholder shall be deemed valid unless challenged at or prior to its exercise.

## ARTICLE V

### **BOARD OF DIRECTORS AND DIRECTORS' MEETINGS**

**Section 1. General.** Unless otherwise provided by statute, all powers vested by law in the Corporation shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, the Board of Directors of the Corporation.

**Section 2. Number and Term of Office.** The Board of Directors of the Corporation shall consist of not less than three (3) and not more than eleven (11) Directors. The number of Directors shall be as fixed by the Board of Directors from time to time. The Directors of the Corporation shall be divided into three classes: Class I, Class II and Class III. Each Class shall be as nearly equal in number as possible. If the number of Class I, Class II or Class III Directors is fixed for any term of office, it shall not be increased during that term, except by a majority vote of the board of directors. The term of office of the initial Class I Directors shall expire at the annual election of Directors by the shareholders of the Corporation in 2022; the term of office of the initial Class II Directors shall expire at the annual election of Directors by the shareholders of the Corporation in 2023; and the term of office of the initial Class III Directors shall expire at the annual election of Directors by the shareholders of the Corporation in 2024. After the initial term of each Class, the term of office of each Class shall be three (3) years, so that the term of office of one class of Directors shall expire each year when their respective successors have been duly elected by the shareholders and qualified. At each annual election by the shareholders of the Corporation, the Directors chosen to succeed those whose terms then expire shall be identified as being of the same class as the Directors they succeed. If, for any reason, a vacancy occurs on the Board of Directors of the Corporation, a majority of the remaining Directors shall have the exclusive power to fill the vacancy by electing a director to hold office for the unexpired term in respect of which the vacancy occurred. A decrease in the number of Directors shall not have the effect of shortening the term of any incumbent Director.

**Section 3. Nominations for Directors.** Nominations for the election of Directors shall be made by the Nominating Committee of the Board of Directors. Nominations may also be made by

shareholders entitled to vote for the election of Directors and possessing at least ten percent (10%) of the outstanding votes, and in such case shall be made by notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Corporation not less than ninety (90) days prior to any meeting of the shareholders called for the election of Directors; *provided, however*, that if less than twenty-one (21) days' notice of the meeting is given to shareholders, such written notice shall be delivered or mailed, as prescribed, to the Secretary of the Corporation not later than the close of the seventh day following the day on which notice of the meeting was published or mailed to shareholders. Each notice of nominations made by shareholders as aforesaid shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice, and (ii) the principal occupation or employment of each such nominee. Upon receiving a notice of nomination made by a shareholder, the Board of Directors shall be entitled to request any other information relating to such nominee deemed relevant by the Board. The Chairman of the meeting may, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

**Section 4. Election.** Except as otherwise provided in these Bylaws, Directors of the Corporation shall be elected by the shareholders. In elections for Directors, voting need not be by ballot unless required by vote of the shareholders before the voting for election of Directors begins. The candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be elected.

**Section 5. Vacancies.** Vacancies in the Board of Directors shall exist in the case of the happening of any of the following events: (i) the death or resignation of any Director; (ii) if at any annual or special meeting of the shareholders at which Directors are to be elected, the shareholders fail to elect the full authorized number of Directors to be voted for at that meeting; (iii) an increase in the number of Directors by amendment of these Bylaws; (iv) the removal of a Director by the affirmative vote of shareholders of the Corporation in accordance with the Articles of Incorporation or these Bylaws; or (v) the removal of a Director by the Board of Directors or a court of competent jurisdiction in accordance with these Bylaws or otherwise in accordance with law.

Vacancies in the Board of Directors, including vacancies resulting from an increase in the number of Directors, may be filled by election at an annual meeting or at a special meeting of shareholders entitled to vote called for that purpose. Any vacancy occurring in the Board of Directors for any cause other than by reason of an increase in the number of Directors may be filled by a majority vote of the

remaining members of the Board, or by a sole remaining Director, and each person so selected shall be a Director to serve for the balance of the unexpired term and until his or her successor has been selected and qualified or until his or her earlier death, resignation or removal.

**Section 6. Removal and Resignation.**

(a) Removal by Shareholders. Any director may be removed at any time, with or without cause, by a majority of the votes cast at the meeting of the shareholders.

(b) Removal by Action of the Directors. The Board of Directors may remove a Director if that Director: (i) has been judicially declared of unsound mind; (ii) has been convicted of or pled guilty to an offense punishable by imprisonment for a term of more than one year; or (iii) within sixty (60) days after notice of his or her election, does not accept such office either in writing or by attending a meeting of the Board of Directors and fulfilling such other requirements of qualification as these Bylaws or the Articles of Incorporation may provide.

(c) Resignation. Any Director may resign at any time from his or her position as a Director upon written notice to the Corporation. The resignation shall be effective upon its receipt by the Corporation or at such later time as may be specified in the notice of resignation.

**Section 7. Regular Meetings.** The Board of Directors of the Corporation shall hold an annual meeting for the election of officers and the consideration of other proper business either (a) as soon as practical after, and at the same place as, the annual meeting of shareholders of the Corporation, or (b) at such other day, hour and place as may be fixed by the Board. The Board of Directors also shall hold regular meetings on a periodic schedule to be determined by the Board of Directors from time to time. At least one meeting of the Board of Directors shall be held each year in the District of Columbia.

**Section 8. Special Meetings.** Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors or the President of the Corporation or a majority of the Directors then in office. The person or persons calling the special meeting may fix the day, hour, and place of the meeting.

**Section 9. Notice of Meetings.** No notice of any annual or regular meeting of the Board of Directors of the Corporation need be given. Written notice of each special meeting of the Board of Directors, specifying the place, day, and hour of the meeting shall be given to each Director at least 24

hours before the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any annual, regular, or special meeting of the Board need be specified in the notice of the meeting.

**Section 10. Quorum.** A majority of the Directors in office shall be necessary to constitute a quorum for the transaction of business. The acts of a majority of Directors present and voting at a meeting at which a quorum is present shall be the acts of the Board of Directors, except where a different vote is required by law, the Articles of Incorporation or these Bylaws. Every Director shall be entitled to one vote.

**Section 11. Committees.** The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, including an executive committee, from among the members of the whole Board, provided that any such committee shall consist of two or more Directors. Any such committee, to the extent provided in the resolution of the Board which establishes it and to the extent permitted by District of Columbia law, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to any papers which may require it, except that a committee shall not have any power or authority regarding: (i) the submission to shareholders of any action requiring the approval of shareholders, (ii) the creation or filling of vacancies in the Board of Directors, (iii) the adoption, amendment, or repeal of these Bylaws, (iv) the amendment, adoption, or repeal of any resolution of the Board of Directors, or (v) any action on matters committed by the Bylaws or resolution of the Board of Directors to another committee of the Board. Any Director may be a member of more than one committee.

**Section 12. Directors' Meetings.**

(a) Telecommunication Meetings. Directors and members of any committee of the Board of Directors may participate in a meeting of such Board or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting in such manner shall constitute presence in person at such meeting.

(b) Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors or any committee thereof at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors.

**ARTICLE VI**  
**OFFICERS**

(a) Officers. The officers of the Corporation shall consist of a President, a Treasurer, and a Secretary and such other officers, including a Chairman of the Board, a Chief Executive Officer, and one or more Vice Presidents, Assistant Secretaries, or Assistant Treasurers, as the Board of Directors may elect or appoint. The officers shall be elected by the Directors at their Annual Meeting following the Annual Meeting of the shareholders or at any other meeting. Other officers may be chosen by the Directors at such meeting or at any other time. Each officer shall serve until his or her successor is elected and qualified. Any officer may resign at any time upon delivering his or her resignation in writing to the President or other officer responsible for recording the minutes of the meetings of shareholders and Directors. Such resignation shall be effective upon receipt unless otherwise specified. Any officer may be removed at any time for cause or without cause by majority vote of the whole Board of Directors taken at a meeting duly called and held. Neither notice nor a hearing need be given to any officer proposed to be so removed. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors at any time, at a meeting duly called and held, and an officer so chosen shall hold office until the next regular election for that office, or until earlier death, resignation, or removal. The salaries of all officers shall be fixed from time to time by the Board of Directors. A single person may hold one or multiple offices.

(b) Chairman of the Board. It shall be the duty of the Chairman of the Board to preside at all meetings of the shareholders and all meetings of the Board of Directors. If no Chairman is elected or appointed, the Chief Executive Officer shall undertake such duties.

(c) Chief Executive Officer. The Chief Executive Officer shall have general authority over the business of the Corporation and shall, in the absence of the Chairman of the Board, preside at all meetings of the shareholders and all meetings of the Board of Directors. If no Chief Executive Officer is elected or appointed, the President shall undertake such duties.

(d) President. The President shall be the Corporation's chief operations officer and shall have general authority over the day-to-day business of the Corporation.

(e) Vice President. The Vice President, or Vice Presidents, shall have such powers and duties as shall be assigned to them by the Board of Directors or the President.

(f) Treasurer and Assistant Treasurers. The Treasurer shall, subject to the direction and under the supervision of the Directors, have general charge of the financial concerns of the Corporation; care and custody of the funds and valuable papers of the Corporation; authority to endorse for deposit or collection all notes, checks, drafts, and other obligations for the payment of money payable to the Corporation or its orders, and to accept drafts on behalf of the Corporation; and shall keep, or cause to be kept, accurate books of account, which shall be the property of the Corporation.

(g) The Assistant Treasurer, if any, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board of Directors and the Treasurer may from time to time prescribe and shall be responsible to and shall report to the Treasurer.

(h) Secretary. The Secretary shall, in addition to any duties imposed upon him or her by virtue of such office pursuant to District of Columbia law, the Articles of Incorporation or these Bylaws, keep a copy of the Articles of Incorporation and amendments thereto, and of these Bylaws with a reference in the margin of said Bylaws to all amendments thereof, all of which documents and books shall be kept at the registered office of the Corporation or at the office of the Secretary. The Secretary shall keep or cause to be kept, at the registered office of the Corporation or at his or her office, a listing of the names of all shareholders and their record addresses. The Secretary shall also keep or cause to be kept a record of the meetings of the Directors. The Secretary shall give or cause to be given such notices as may be required of all meetings of shareholders and all meetings of the Board of Directors, and shall keep the seal of the Corporation in safe custody and affix it to any instrument when such action is incident to his or her office or is authorized by the Board of Directors. The Assistant Secretary, or if there are more than one, the Assistant Secretaries, in the order determined by the Secretary, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors and the Secretary may from time to time prescribe.

(i) Other Powers and Duties. Subject to these Bylaws, each officer shall have, in addition to the duties and powers specifically set forth in these Bylaws, such duties and powers as the Directors or the President may from time to time delegate to him or her.

**ARTICLE VII**

**OFFICERS' SALARIES AND DIRECTORS' COMPENSATION**

**Section 1. Officers' Salaries.** The Board of Directors shall fix the salaries or other compensation of all officers.

**Section 2. Directors' Compensation.** The Board of Directors shall have the authority to fix the compensation of Directors. The Directors, any officers, staff members, or other persons directed to render services to the Board of Directors or the Corporation may also be paid for travel, hotel, and other expenses properly incurred by them in connection with the business of the Corporation.

**ARTICLE VIII**

**NOTES, CHECKS, DRAFTS AND CONTRACTS**

**Section 1. Notes, Checks and Drafts.** The notes, checks and drafts of the Corporation shall be signed by such person or persons as the Board of Directors may from time to time designate and, in the absence of such designation, by the Treasurer. Manual signature or signatures shall be required on all notes and drafts of the Corporation. In the case of checks of the Corporation, either manual or facsimile signature or signatures may be used.

**Section 2. Contracts.** Contracts of the Corporation shall be executed by such person or persons as may be generally designated by the Board of Directors and, in the absence of such designation, by the President or the Chief Executive Officer.

**ARTICLE IX**

**INDEMNIFICATION AND INSURANCE**

**Section 1. Definitions.** For purposes of this Article the following definitions shall apply:

(a) "expenses" include counsel fees, expert witness fees, and costs of investigation, litigation, and appeal, as well as any amounts expended in asserting a claim for indemnification;

(b) "liability" means the obligation to pay a judgment, settlement, penalty, fine, or other such obligation, including, without limitation, any excise tax assessed with respect to an employee benefit plan;



(c) "legal entity" means a corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise;

(d) "predecessor entity" means a legal entity the existence of which ceased upon its acquisition by the Corporation in a merger or otherwise; and

(e) "proceeding" means any threatened, pending, or completed action, suit, proceeding, or appeal whether civil, criminal, administrative, or investigative and whether formal or informal.

**Section 2. Limit on Liability.** In every instance in which the applicable law as it exists on the date hereof or may hereafter be amended, permits the limitation or elimination of liability of directors or officers of the Corporation to the Corporation, the directors and officers of the Corporation shall not be liable to the Corporation.

**Section 3. Indemnification of Directors and Officers.** The Corporation shall indemnify any individual who is, was, or is threatened to be made a party to a proceeding (including a proceeding by or in the right of the Corporation) because such individual is or was a director or officer of the Corporation, or because such individual is or was serving the Corporation or any other legal entity in any capacity at the request of the Corporation while a director or officer of the Corporation, against all liabilities and reasonable expenses incurred in the proceeding except such liabilities and expenses as are incurred because of such individual's willful misconduct or knowing violation of the criminal law. Service as a director or officer of a legal entity controlled by the Corporation shall be deemed service at the request of the Corporation. The determination that indemnification under this Article IX, Section 3 is permissible and the evaluation as to the reasonableness of expenses in a specific case shall be made, in the case of a director, as provided by law, and in the case of an officer, as provided in Section 4 of this Article; *provided, however*, that if a majority of the directors of the Corporation has changed after the date of the alleged conduct giving rise to a claim for indemnification, such determination and evaluation shall, at the option of the person claiming indemnification, be made by special legal counsel agreed upon by the Board of Directors and such person. Unless a determination has been made that indemnification is not permissible, the Corporation shall make advances and reimbursements for expenses incurred by a director or officer in a proceeding upon receipt of an undertaking from such director or officer to repay the same if it is ultimately determined that such director or officer is not entitled to indemnification. Such undertaking shall be an unlimited, unsecured general obligation of the director or officer and shall be accepted without reference to such director's or officer's ability to make repayment. The termination of a

proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent shall not of itself create a presumption that a director or officer acted in such a manner as to make such director or officer ineligible for indemnification. The Corporation is authorized to contract in advance to indemnify and make advances and reimbursements for expenses to any of its directors or officers to the same extent provided in this Article IX, Section 3.

**Section 4. Indemnification of Others.** The Corporation may, to a lesser extent or to the same extent that it is required to provide indemnification and make advances and reimbursements for expenses to its directors and officers pursuant to Article IX, Section 3, provide indemnification and make advances and reimbursements for expenses to its employees and agents, the directors, officers, employees, and agents of its subsidiaries and predecessor entities, and any person serving any other legal entity in any capacity at the request of the Corporation, and may contract in advance to do so. The determination that indemnification under this Article IX, Section 4 is permissible, the authorization of such indemnification, and the evaluation as to the reasonableness of expenses in a specific case shall be made as authorized from time to time by general or specific action of the Board of Directors, which action may be taken before or after a claim for indemnification is made, or as otherwise provided by law. No person's rights under Section 3 of this Article IX shall be limited by the provisions of this Article IX, Section 4.

**Section 5. Miscellaneous.**

(a) The rights of each person entitled to indemnification under this Article shall inure to the benefit of such person's heirs, executors, and administrators.

(b) Special legal counsel selected to make determinations under this Article may be counsel for the Corporation.

(c) Indemnification pursuant to this Article shall not be exclusive of any other right of indemnification to which any person may be entitled, including indemnification pursuant to a valid contract, indemnification by legal entities other than the Corporation, and indemnification under policies of insurance purchased and maintained by the Corporation or others. However, no person shall be entitled to indemnification by the Corporation to the extent he or she is indemnified by another, including an insurer.

(d) The Corporation is authorized to purchase and maintain insurance against any liability it may have under this Article or to protect any of the persons named above against any liability

arising from their service to the Corporation or any other legal entity at the request of the Corporation regardless of the Corporation's power to indemnify against such liability.

(e) The provisions of this Article shall not be deemed to preclude the Corporation from entering into contracts otherwise permitted by law with any individuals or legal entities, including those named above.

(f) If any provision of this Article or its application to any person or circumstance is held invalid by a court of competent jurisdiction, the invalidity shall not affect other provisions or applications of this Article, and to this end the provisions of this Article are severable.

## ARTICLE X MISCELLANEOUS PROVISIONS

**Section 1. Fiscal Year.** Except as from time to time determined by the Directors, the fiscal year of the Corporation shall end on December 31 of each year.

**Section 2. Seal.** The seal of the Corporation, if any, shall, subject to alteration by the Board of Directors, consist of a flathead, circular die with such words and figures cut or engraved thereon as the Board of Directors may adopt. The fixture of the Corporation's seal to any agreement or document shall not be necessary for such agreement or document to be valid, binding or enforceable with respect to the Corporation.

**Section 3. Registered Office and Registered Agent.** The address of the registered agent shall be as set forth in the Articles of Incorporation.

**Section 4. Principal Place of Business.** The principal place of business shall be at such address as established from time to time by the Board of Directors.

**Section 5. Amendments.** These Bylaws may be altered, amended, or repealed by the board of directors or by the shareholders as provided by applicable law.

# **Amalgamated Casualty Insurance Company Demutualization**

**Exhibit VII  
To  
Demutualization Application Filed with the  
Department of Insurance, Securities and  
Banking:**

***New Holding Company Documents (Articles  
of Incorporation and Bylaws)***

**See Attached**

**AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
AMALGAMATED SPECIALTY GROUP HOLDINGS, INC.**

**A Business-Stock Domestic Corporation**

The Articles of Incorporation of Amalgamated Specialty Group Holdings, Inc., a Pennsylvania corporation, are hereby amended and restated to read as follows:

FIRST: The name of the corporation is: Amalgamated Specialty Group Holdings, Inc. (the "Corporation").

SECOND: The location and address of the Corporation's registered office in this Commonwealth of Pennsylvania and the county of venue is: c/o: Corporation Service Company, 2595 Interstate Drive, Suite 103, Harrisburg, Pennsylvania 17110, Dauphin County.

THIRD: The purpose of the Corporation is to have unlimited power to engage in, and do any lawful act concerning, any or all lawful business for which corporations may be incorporated under the provisions of the Pennsylvania Business Corporation Law of 1988, as amended (15 Pa. C.S. §§ 1101, et seq.) (the "Business Corporation Law"), specifically to act as an insurance holding company.

FOURTH: The term for which the Corporation is to exist is perpetual.

FIFTH: The aggregate number of shares of capital stock that the Corporation shall have authority to issue is ten million (10,000,000) shares, divided into two classes consisting of nine million (9,000,000) shares of common stock, par value \$0.01 per share ("Common Stock") and one million (1,000,000) shares of preferred stock, without par value ("Preferred Stock"). Any or all classes of shares of the Corporation, or any part thereof, may be represented by uncertificated shares to the extent determined by the Board of Directors, except that shares represented by a certificate that is issued and outstanding shall be represented thereby until the certificate is surrendered to the Corporation. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner of such shares a written notice required by Section 1528(f) of the Business Corporation Law. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated shares of the same class and series shall be identical.

SIXTH: The Preferred Stock may be issued from time to time as a class without series or, if so determined by the board of directors of the Corporation, either in whole or in part, in one or more series. There is hereby expressly granted to and vested in the board of directors of the Corporation authority to fix and determine (except as fixed and determined herein), by resolution, the par value, voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, if any, and the qualifications, limitations or restrictions thereof, if any, including specifically, but not limited to, the dividend rights, conversion rights, redemption rights and liquidation preferences, if any, of any wholly unissued series of Preferred Stock (or the entire class of Preferred Stock if none of such shares have been issued), the number of shares constituting any such series and the terms and conditions of the issue thereof. Prior to the issuance of any shares of Preferred Stock, a statement setting forth a copy of each such resolution or resolutions and the number of shares of Preferred Stock of each such class or series shall be executed and filed in accordance with the Business Corporation Law. Unless otherwise provided in any such resolution or resolutions, the number of shares of capital stock of any such class or series so set forth in such resolution or resolutions may thereafter be

increased or decreased (but not below the number of shares then outstanding), by a statement likewise executed and filed setting forth a statement that a specified increase or decrease therein had been authorized and directed by a resolution or resolutions likewise adopted by the board of directors of the Corporation. In case the number of such shares shall be decreased, the number of shares so specified in the statement shall resume the status they had prior to the adoption of the first resolution or resolutions.

SEVENTH: The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

EIGHTH: No holder of any class of capital stock of the Corporation shall have preemptive rights, and the Corporation shall have the right to issue and to sell to any person or persons any shares of its capital stock or any option, warrant or right to acquire capital stock, or any securities having conversion or option rights, without first offering such shares, rights or securities to any holder of any class of capital stock of the Corporation.

NINTH: Each holder of Common Stock shall have one vote for each share held by such holder on all matters voted upon by the shareholders of the Corporation. The shareholders of the Corporation shall not be entitled to cumulate their votes for the election of directors.

TENTH: The management, control and government of the Corporation shall be vested in a board of directors consisting of not less than three (3) nor more than fifteen (15) members in number, as fixed by the board of directors of the Corporation from time to time. The directors of the Corporation shall be divided into three classes: Class I, Class II and Class III. Each Class shall be as nearly equal in number as possible. If the number of Class I, Class II or Class III directors is fixed for any term of office, it shall not be increased during that term, except by a majority vote of the board of directors. The term of office of the initial Class I directors shall expire at the annual election of directors by the shareholders of the Corporation in 2022; the term of office of the initial Class II directors shall expire at the annual election of directors by the shareholders of the Corporation in 2023; and the term of office of the initial Class III directors shall expire at the annual election of directors by the shareholders of the Corporation in 2024. After the initial term of each Class, the term of office of each Class shall be three (3) years, so that the term of office of one class of directors shall expire each year when their respective successors have been duly elected by the shareholders and qualified. At each annual election by the shareholders of the Corporation, the directors chosen to succeed those whose terms then expire shall be identified as being of the same class as the directors they succeed. If, for any reason, a vacancy occurs on the board of directors of the Corporation, a majority of the remaining directors shall have the exclusive power to fill the vacancy by electing a director to hold office for the unexpired term in respect of which the vacancy occurred. No director of the Corporation shall be removed from office, as a director, by the vote of shareholders, unless the votes of shareholders cast in favor of the resolution for the removal of such director constitute at least a majority of the votes which all shareholders would be entitled to cast at an annual election of directors.

ELEVENTH: No action required to be taken or which may be taken at any annual or special meeting of shareholders of the Corporation may be taken without a meeting, and the power of the shareholders of the Corporation to consent in writing to action without a meeting is specifically denied. The presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast shall constitute a quorum of shareholders at any annual or special meeting of shareholders of the Corporation.

TWELFTH: Except as set forth below, the affirmative vote of shareholders entitled to cast at least eighty percent (80%) of the votes which all shareholders of the Corporation are entitled to cast, and if any class of shares is entitled to vote as a separate class, the affirmative vote of shareholders entitled to cast at least a majority of the votes entitled to be cast by the outstanding shares of such class (or such greater amount as required by the provisions of these Articles of Incorporation establishing such class) shall be required to approve any of the following:

- A. any merger or consolidation of the Corporation with or into any other corporation;
- B. any share exchange in which a corporation, person or entity acquires the issued or outstanding shares of capital stock of the Corporation pursuant to a vote of shareholders;
- C. any sale, lease, exchange or other transfer of all, or substantially all, of the assets of the Corporation to any other corporation, person or entity; or
- D. any transaction similar to, or having similar effect as, any of the foregoing transactions.

An affirmative vote as provided in the foregoing provisions shall be, to the extent permitted by law, in lieu of the vote of the shareholders otherwise required by law.

The board of directors of the Corporation shall have the power and duty to determine, for purposes of this Article TWELFTH, on the basis of information known to the board, if any transaction is similar to, or has an effect similar to, any of the transactions identified above in this Article TWELFTH. Any such determination shall be conclusive and binding for all purposes of this Article TWELFTH.

The Corporation may voluntarily completely liquidate and/or dissolve only in accordance with all applicable laws and only if the proposed liquidation and/or dissolution is approved by the affirmative vote of shareholders entitled to cast at least eighty percent (80%) of the votes which all shareholders are entitled to cast.

The provisions of this Article TWELFTH shall not apply to any transaction that is approved in advance by at least two-thirds of the members of the board of directors of the Corporation, at a meeting duly called and held.

**THIRTEENTH:**

Subsection 1. No Person or Group Acting in Concert shall Acquire Voting Control of the Corporation, at any time, except in accordance with the provisions of this Article THIRTEENTH. The terms "Acquire," "Voting Control," "Group Acting in Concert," and "Person" as used in this Article THIRTEENTH are defined in Subsection 4 hereof.

Subsection 2. If Voting Control of the Corporation is acquired in violation of this Article THIRTEENTH, all shares with respect to which any Person or Group Acting in Concert has acquired Voting Control in excess of the number of shares the beneficial ownership of which is deemed under Subsection 4 hereof to confer Voting Control of the Corporation (as determined without regard to this Subsection 2) shall be considered from and after the date of acquisition by such Person or Group Acting in Concert to be "excess shares" for purposes of this Article THIRTEENTH. All shares deemed to be excess shares shall thereafter no longer be entitled to vote on any matter or to take other shareholder action. If, after giving effect to the first two sentences of this Subsection 2, any Person or Group Acting in Concert still shall be deemed to be in Voting Control of the Corporation based on the number of votes

then entitled to be cast (rather than the number of issued and outstanding shares of common stock of the Corporation), then shares held in excess of the number of shares deemed to confer Voting Control upon such Person or Group Acting in Concert also shall not be entitled to vote on any matter or take any other shareholder action, but this subsequent reduction in voting rights shall be effected only once. The provisions of this Subsection 2 deeming shares to be excess shares shall only apply for so long as such shares shall be beneficially owned by such Person or Group Acting in Concert who has acquired Voting Control. Notwithstanding the foregoing, shares held in excess of the number of shares the beneficial ownership of which would otherwise be deemed under Subsection 4 to confer Voting Control of the Corporation shall not be deemed to be excess shares if such shares are held by a Qualified Stock Plan.

Subsection 3. The provisions of this Article THIRTEENTH shall be of no further force and effect after the consummation of a transaction in which another Person Acquires shares of capital stock of the Corporation entitled to cast eighty percent (80%) or more of the votes which all shareholders are entitled to cast (as determined without regard to the application of this Article THIRTEENTH) and such transaction was approved in advance by two-thirds of the members of the board of directors of the Corporation.

Subsection 4. For purposes of this Article THIRTEENTH:

The term “Acquire” includes every type of acquisition, whether effected by purchase, exchange, operation of law or otherwise.

“Voting Control” means the sole or shared power to vote or to direct the voting of, or to dispose or to direct the disposition of, more than ten percent (10%) of the issued and outstanding shares of common stock of the Corporation; provided that (i) the solicitation, holding and voting of proxies obtained by the board of directors of the Corporation pursuant to a solicitation of proxies shall not constitute Voting Control, (ii) a Qualified Stock Plan that holds more than ten percent (10%) of the voting shares of the Corporation shall not be deemed to have Voting Control of the Corporation, and (iii) any trustee, member of any administrative committee or employee beneficiary of a Qualified Stock Plan shall not be deemed to have Voting Control of the Corporation either (A) as a result of their control of a Qualified Stock Plan, and/or their beneficial interest in voting shares held by a Qualified Stock Plan, or (B) as a result of the aggregation of both their beneficial interest in voting shares held by a Qualified Stock Plan and voting shares held by such trustee, administrative committee member or employee beneficiary independent of a Qualified Stock Plan.

“Group Acting in Concert” includes Persons (i) knowingly participating in a joint activity or interdependent conscious parallel action toward a common goal whether or not pursuant to an express agreement; or (ii) seeking to combine or pool their voting or other interests in the voting shares for a common purpose, pursuant to any contract, understanding, relationship, agreement or other arrangement, whether written or otherwise, provided, that a “Group Acting in Concert” shall not include (w) the members of the board of directors of the Corporation solely as a result of their board membership, (x) the members of the board of directors of the Corporation as a result of their solicitation, holding and voting of proxies obtained by them pursuant to a solicitation of proxies, (y) any member or all the members of the board of directors of the Corporation, or (z) any Qualified Stock Plan and the trustees, administrative committee members and employee beneficiaries thereof.

The term “Person” includes an individual, a Group Acting in Concert, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, an unincorporated organization, or any similar entity, syndicate or any other group formed for the purpose of acquiring, holding or disposing of the equity securities of the Corporation.



The term “Qualified Stock Plan” means any defined benefit plan or defined contribution plan of the Corporation, such as an employee stock ownership plan, stock bonus plan, profit sharing plan or other plan that, with its related trust, meets the requirements to be “qualified” under Section 401 of the Internal Revenue Code of 1986, as amended.

Subsection 5. This Article THIRTEENTH shall not apply to the purchase of securities of the Corporation by underwriters in connection with a public offering of such securities by the Corporation or by a holder of shares of capital stock of the Corporation with written consent of at least two-thirds of the members of the board of directors of the Corporation; provided, however, that purchasers of securities of the Corporation from any underwriter shall be subject to the provisions of this Article THIRTEENTH.

Subsection 6. The board of directors of the Corporation shall have the power and duty to determine, for purposes of this Article THIRTEENTH, on the basis of information known to the Board, if and when a Person has acquired Voting Control of the Corporation, and/or if any transaction is similar to, or has a similar effect as, any of the transactions identified in this Article THIRTEENTH. Any such determination shall be conclusive and binding for all purposes of this Article THIRTEENTH.

FOURTEENTH: Except as required by applicable law, the authority to make, amend, alter, change or repeal the Bylaws of the Corporation is hereby expressly and solely granted to and vested in the board of directors of the Corporation, subject always to the power of the shareholders to change such action by the affirmative vote of shareholders of the Corporation entitled to cast at least sixty-six and two-thirds percent (66  $\frac{2}{3}$ %) of the votes which all shareholders are entitled to cast, except that provisions of the Bylaws of the Corporation relating to limitations on directors’ liabilities and indemnification of directors, officers and others may not be amended to increase the exposure to liability for directors or to decrease the indemnification of directors, officers and others except by the affirmative vote of at least sixty-six and two-thirds percent (66  $\frac{2}{3}$ %) of the entire board of directors or by the affirmative vote of shareholders of the Corporation entitled to cast at least eighty percent (80%) of the votes which all shareholders are entitled to cast.

FIFTEENTH: The board of directors of the Corporation, when evaluating any offer of another party to (a) make a tender or exchange offer for any equity security of the Corporation, (b) merge or consolidate the Corporation with another corporation, (c) purchase or otherwise acquire all or substantially all of the properties and assets of the Corporation, or (d) engage in any transaction similar to, or having similar effects as, any of the foregoing transactions, may, in connection with the exercise of its judgment in determining what is in the best interests of the Corporation and its shareholders, give due consideration to all relevant factors, including without limitation (i) the social and economic effects of the proposed transaction on the policyholders, employees, suppliers and other constituents of the Corporation and its subsidiaries and on the communities in which the Corporation and its subsidiaries operate or are located, (ii) the business reputation of the other party, and (iii) the board of directors’ evaluation of the then value of the Corporation in a freely negotiated sale and of the future prospects of the Corporation as an independent entity.

SIXTEENTH: If any corporation, person, entity, or group becomes the beneficial owner, directly or indirectly, of shares of capital stock of the Corporation having the right to cast in the aggregate thirty-five percent (35%) or more of all votes entitled to be cast by all issued and outstanding shares of capital stock of the Corporation entitled to vote, such corporation, person, entity or group shall within thirty (30) days thereafter offer to purchase all shares of capital stock of the Corporation issued, outstanding and entitled to vote. Such offer to purchase shall be at a price per share equal to the highest price paid for shares of the respective class or series of capital stock of the Corporation purchased by such corporation, person, entity or group within the preceding twelve (12) months. If such corporation, person, entity or

group did not purchase any shares of a particular class or series of capital stock of the Corporation within the preceding twelve (12) months, such offer to purchase shall be at a price per share equal to the fair market value of such class or series of capital stock on the date on which such corporation, person, entity or group becomes the beneficial owner, directly or indirectly, of shares of capital stock of the Corporation having the right to cast in the aggregate twenty-five percent (25%) or more of all votes entitled to be cast by all issued and outstanding shares of capital stock of the Corporation. Such offer shall provide that the purchase price for such shares shall be payable in cash.

The provisions of this Article SIXTEENTH shall not apply to any corporation, person, entity, or group if at least two-thirds of the members of the board of directors of the Corporation approve in advance the acquisition of beneficial ownership by such corporation, person, entity or group, of shares of capital stock of the Corporation having the right to cast in the aggregate thirty-five percent (35%) or more of all votes entitled to be cast by all issued and outstanding shares of capital stock of the Corporation.

SEVENTEENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in its Articles of Incorporation in the manner now or hereafter prescribed by statute and all rights conferred upon shareholders and directors herein are hereby granted subject to this reservation; provided, however, that the provisions set forth in Articles EIGHTH through SEVENTEENTH, inclusive, of these Articles of Incorporation may not be repealed, altered or amended, in any respect whatsoever, unless such repeal, alteration or amendment is approved by either (a) the affirmative vote of shareholders of the Corporation entitled to cast at least eighty percent (80%) of the votes which all shareholders of the Corporation are then entitled to cast, or (b) the affirmative vote of at least two-thirds of the members of the board of directors of the Corporation and the affirmative vote of shareholders of the Corporation entitled to cast at least a majority of the votes which all shareholders of the Corporation are then entitled to cast.

EIGHTEENTH: The Corporation expressly elects not to be governed by the provisions contained in Subchapters E (Control Transactions), F (Business Combinations), G (Control-Share Acquisitions), H (Disgorgement by Certain Controlling Shareholders Following Attempts to Acquire Control), I (Severance Compensation for Employees Terminated Following Certain Control-Share Acquisitions) and J (Business Combination Transactions – Labor Contracts) of Chapter 25 of the Business Corporation Law.

NINETEENTH: To the fullest extent permitted by Pennsylvania law, a director of the Corporation shall not be personally liable for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements)) for any action taken, or any failure to take any action, unless the director has breached or failed to perform the duties of his or her office and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

TWENTIETH: The Corporation shall indemnify any officer or director of the Corporation against any and all expenses, judgments, fines, amounts paid in settlement, and any other liabilities to the fullest extent permitted by the Business Corporation Law and may, at the discretion of the Board, purchase and maintain insurance, at the Corporation's expense, to protect itself, the directors and officers of the Corporation, and any other persons against any such expense, judgment, fine, amount paid in settlement, or other liability, whether or not the Corporation would have the power to so indemnify such person under the Business Corporation Law.

TWENTY-FIRST: A special meeting of the shareholders of the Corporation may be called only by: (i) the Chief Executive Officer, (ii) the Executive Committee of the Board of Directors, or (iii) two-thirds of the members of the board of directors of the Corporation.

TWENTY-SECOND: The Board of Directors of the Corporation may take any action that could be taken at a meeting of the Board of Directors by written consent, provided that such consent is executed by the number of directors required to approve such action at a meeting of the Board of Directors.

TWENTY-THIRD: The fiscal year of the Corporation shall begin on January 1 and shall end on December 31 of each year.

TWENTY-FOURTH: The name and post office address of the incorporator of the Corporation is: Melissa M. Zeiders, 17 North Second Street, 16<sup>th</sup> Floor, Harrisburg, PA 17101.

IN WITNESS WHEREOF, Amalgamated Specialty Group Holdings, Inc. has caused these Amended and Restated Articles of Incorporation to be executed in its name by its duly authorized officer this \_\_\_\_\_, 2021.

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Melissa M. Zeiders, Incorporator



**BYLAWS  
OF  
AMALGAMATED SPECIALTY GROUP HOLDINGS, INC.**

**ARTICLE 1  
OFFICES**

Section 1.1. Registered Office. The registered office of Amalgamated Specialty Group Holdings, Inc. (the “Corporation”) in the Commonwealth of Pennsylvania shall be as specified in the Amended and Restated Articles of Incorporation of the Corporation, as they may be amended from time to time (the “Articles”), or at such other place as the Board of Directors of the Corporation (the “Board”) may specify in a statement of change of registered office filed with the Department of State of the Commonwealth of Pennsylvania.

Section 1.2. Other Offices. The Corporation may also have an office or offices at such other place or places either within or without the Commonwealth of Pennsylvania as the Board may from time to time determine or as the business of the Corporation requires.

**ARTICLE 2**

**MEETINGS OF THE SHAREHOLDERS**

Section 2.1. Place. All meetings of the shareholders shall be held at such places, within or without the Commonwealth of Pennsylvania, as the Board may from time to time determine. If, as permitted by the Board pursuant to Section 2.15 hereof, a meeting of the shareholders is held by means of the Internet or other electronic communications technology in a fashion pursuant to which the shareholders have the opportunity to read or hear the proceedings substantially concurrently with their occurrence, vote on matters submitted to the shareholders and pose questions to the directors, the meeting need not be held at a particular geographic location.

Section 2.2. Annual Meetings.

(1) A meeting of the shareholders for the election of directors and the transaction of such other business as may properly be brought before the meeting shall be held once each calendar year on such date and at such time as may be fixed by the Board.

(2) Nominations of persons for election to the Board and the proposal of business to be considered by the shareholders at an annual meeting of shareholders may be made (A) pursuant to the Corporation’s notice of meeting, (B) by or at the direction of the Board or (C) by any shareholder of the Corporation who was a shareholder of record at the time of giving of notice provided for in this Article 2, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Article 2.

(3) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (C) of paragraph (2) of this Section 2.2, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation (the “Secretary”) and such other business must otherwise be a proper matter for shareholder action. To be timely, a shareholder’s notice must be received by the Secretary at the principal executive offices of the Corporation not later than the 60th day nor earlier than the 90th day prior to the first anniversary of the preceding year’s annual meeting; *provided, however*, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder must be so received not earlier than the 90th day prior to the annual meeting and not later than the later of the 60th day prior to the annual meeting or the 15th day following the day on which public announcement of the date of the meeting is first made by the Corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period for the giving of a shareholder’s notice as described above. Notwithstanding the foregoing, if the Corporation is required

under Rule 14a-8 under the Securities Exchange Act of 1934 (the “Exchange Act”) to include a shareholder’s proposal in its proxy statement, such shareholder shall be deemed to have given timely notice for purposes of this paragraph (3) of Section 2.2 with respect to such proposal. A shareholder’s notice shall set forth (A) as to each person whom the shareholder proposes to nominate for election or reelection as a director: (i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest or is otherwise required pursuant to Regulation 14A under the Exchange Act, if applicable, (ii) a description of any arrangements or understandings among the shareholder and each such person and any other person with respect to such nomination, and (iii) the consent of each such person to being named in the proxy statement as a nominee and to serving as a director of the Corporation if so elected; (B) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such shareholder, as they appear on the Corporation’s books, and of such beneficial owner; (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such shareholder and such beneficial owner; and (iii) a representation that such shareholder and beneficial owner intend to appear in person or by proxy at the meeting. At the request of the Corporation, any person nominated by a shareholder for election as a director must furnish to the Secretary such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder’s understanding of the independence, or lack thereof, of such nominee; in the absence of the furnishing of such information if requested, such shareholder’s nomination shall not be considered in proper form pursuant to this Section 2.2.

(4) Notwithstanding anything in paragraph (3) of this Section 2.2 to the contrary, in the event that the number of directors to be elected to the Board at the annual meeting is increased pursuant to an act of the Board and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board on or before the date which is 15 days before the latest date by which a shareholder may timely notify the Corporation of nominations or other business to be brought by a shareholder in accordance with paragraph (3) of this Section 2.2, a shareholder’s notice required by this Section 2.2 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the Secretary at the principal executive offices of the Corporation not later than the 15th day following the day on which such public announcement is first made by the Corporation.

(5) In addition to the requirements of this Section 2.2 and Section 2.3, a shareholder must also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.2 and Section 2.3; *provided, however*, that any references in this Section 2.2 to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit the requirements applicable to proposals as to any other business to be considered pursuant to this Section 2.2 or Section 2.3.

Section 2.3. Special Meetings of Shareholders. A special meeting of the shareholders for any purpose or purposes shall be called only by the Chief Executive Officer, the Executive Committee of the Board, or two-thirds of the members of the Board. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Corporation’s notice of meeting. Nominations of persons for election to the Board may be made at a special meeting of shareholders at which directors are to be elected pursuant to the Corporation’s notice of meeting (1) by or at the direction of the Board or (2) provided that the Board has determined that directors shall be elected at such meeting, by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Section 2.3, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.3. In the event the Corporation calls a special meeting of shareholders for the purpose of electing one or more directors to the Board, any such shareholder may nominate a person or persons (as the case may be), for election

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to such position(s) as specified in the Corporation's notice of meeting, if the shareholder's notice required by paragraph (3) of Section 2.2 shall be received by the Secretary at the principal executive offices of the Corporation not earlier than the 90th day prior to such special meeting and not later than the later of the 60th day prior to such special meeting or the 15th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period for the giving of a shareholder's notice as described above.

Section 2.4. Written Ballot. Unless required by vote of the shareholders before the voting begins, elections of directors need not be by written ballot.

Section 2.5. Conduct of Shareholders Meeting. There shall be a presiding officer at every meeting of the shareholders. The presiding officer shall be appointed in the manner provided by the Board. If the Board fails to designate a presiding officer, the Chairman of the Board or in his absence by the Chief Executive Officer, or in their absence by the President, or in his absence by a Vice President, shall be the presiding officer. The Secretary of the Corporation shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting. The presiding officer shall determine the order of business and shall have the authority to establish rules for the conduct of the meeting of the shareholders. Any action by the presiding officer in adopting rules for, and in conducting, a meeting of the shareholders shall be fair to the shareholders. The presiding officer shall announce at the meeting when the polls close for each matter voted upon. If no announcement is made, the polls shall be deemed to have closed upon the final adjournment of the meeting. After the polls close, no ballots, proxies or votes, nor any revocations or changes thereto, may be accepted.

Section 2.6. General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Article 2 and Section 3.5 shall be eligible to serve as directors to the Board and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Article 2. Except as otherwise provided by law, the Articles or the Bylaws of the Corporation (the "Bylaws"), the presiding officer at the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Article 2 and, if any proposed nomination or business is not in compliance with this Article 2, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Article 2, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

(3) Nothing in this Article 2 shall be deemed to affect any rights of the holders of any series of Preferred Stock to elect directors.

Section 2.7. Notice of Meetings. Written notice of every meeting of the shareholders, stating the place, the date and hour thereof and, in the case of a special meeting of the shareholders, the general nature of the business to be transacted thereat, shall be given in a manner consistent with the provisions of Section 11.4 of these Bylaws at the direction of the Secretary or, in the absence of the Secretary, any Assistant Secretary, at least ten (10) days prior to the day named for a meeting called to consider a fundamental change under Chapter 19 of the Pennsylvania Business Corporation Law of 1988, as it may from time to time be amended (the "1988 BCL"), or five (5) days prior to the day named for the meeting in any other case, to each shareholder entitled to vote thereat on the date fixed as a record date in accordance with Section 7.1 of these Bylaws or, if no record date be fixed,

then of record at the close of business on the tenth (10th) day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day immediately preceding the day of the meeting, at such address (or facsimile, electronic mail address or telephone number), as appears on the transfer books of the Corporation. Any notice of any meeting of shareholders may state that, for purposes of any meeting that has been previously adjourned for one or more periods aggregating at least fifteen (15) days because of an absence of a quorum, the shareholders entitled to vote who attend such a meeting, although less than a quorum pursuant to Section 2.8 of these Bylaws, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the original notice of the meeting that was so adjourned.

Section 2.8. Quorum.

(1) The shareholders present in person or by proxy, entitled to cast at least a majority of the votes that all shareholders are entitled to cast on any particular matter to be acted upon at the meeting, shall constitute a quorum for the purposes of consideration of, and action on, such matter. Treasury shares shall not be counted in determining the total number of outstanding shares for voting purposes at any given time. The shareholders present in person or by proxy at a duly organized meeting can continue to do business until the adjournment thereof notwithstanding the withdrawal of enough shareholders to leave less than a quorum. If a meeting cannot be organized because a quorum has not been achieved, the shareholders present in person or by proxy may, except as otherwise provided by the 1988 BCL and subject to the provisions of Section 2.9 of these Bylaws, adjourn the meeting to such time and place as they may determine.

(2) Abstentions and broker votes and broker nonvotes (only when accompanied by broker votes with respect to at least one matter at the meeting) are considered present and entitled to vote for purposes of establishing a quorum for the transaction of business at a meeting of shareholders. A “broker vote” occurs when a broker votes the shares on any matter pursuant to either (i) the voting instructions and authority received from its client who is the beneficial owner of the shares or (ii) the broker’s discretionary authority to vote the shares under the applicable rules and regulations of the NASDAQ Stock Market LLP (“NASDAQ”) or other national securities exchange governing the voting authority of brokers. A “broker nonvote” occurs when a broker has not received voting instructions from its client who is the beneficial owner of the shares and the broker is barred from exercising its discretionary authority to vote the shares under the applicable rules and regulations of NASDAQ or other securities exchange governing the voting authority of brokers.

Section 2.9. Adjournments and Postponements.

(1) Any meeting of the shareholders, including one at which directors are to be elected, may be adjourned for such period as the shareholders present in person or by proxy and entitled to vote shall direct. Notice of the adjourned meeting or the business to be transacted thereat need not be given, other than announcement at the meeting at which adjournment is taken, unless the Board fixes a new record date for the adjourned meeting or the 1988 BCL requires notice of the business to be transacted and such notice has not previously been given. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting as originally noticed. Those shareholders entitled to vote present in person or by proxy, although less than a quorum pursuant to Section 2.8 of these Bylaws, shall nevertheless constitute a quorum for the purpose of (a) electing directors at a meeting called for the election of directors that has been previously adjourned for lack of a quorum, and (b) acting, at a meeting that has been adjourned for one or more periods aggregating fifteen (15) days because of an absence of a quorum, upon any matter set forth in the original notice of such adjourned meeting, provided that such original notice shall have complied with the last sentence of Section 2.7 of these Bylaws.

(2) Any meeting of the shareholders, including one at which directors are to be elected, may be postponed for any proper purpose for such period as the Board shall determine.

Section 2.10. Action at a Meeting. Subject to the provisions of Section 3.3, any matter brought



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before a duly organized meeting for a vote of the shareholders, including, without limitation, the amendment of any provision of these Bylaws, shall be decided by a majority of the votes cast at such meeting by the shareholders present in person or by proxy and entitled to vote thereon, unless the matter is one for which a different vote is required by express provision of the 1988 BCL, the Articles or a provision of these Bylaws adopted by the shareholders, in any of which case(s) such express provision shall govern and control the decision on such matter. For clarification purposes, abstentions and broker nonvotes will not be counted as votes cast.

Section 2.11. Voting Rights. Except as otherwise provided in the Articles, at every meeting of the shareholders, every shareholder entitled to vote shall have the right to one vote for each share having voting power standing in his or her name on the books of the Corporation. Shares of the Corporation owned by it, directly or indirectly, including treasury shares, shall not be voted.

Section 2.12. Proxies. Every shareholder entitled to vote at a meeting of the shareholders or to express consent or dissent to a corporate action in writing may authorize another person to act for him or her by proxy appointed by an instrument in writing executed (or transmitted by electronic means which results in a writing) by such shareholder or by the shareholder's attorney thereunto authorized, and delivered to the Secretary or its designated agent. The presence of, or vote or other action at a meeting of shareholders, or the expression of consent or dissent to corporate action in writing, by a proxy of a shareholder, shall constitute the presence of, or vote or action by, or written consent or dissent of the shareholder. Every proxy shall be executed in writing by the shareholder or by the shareholder's duly authorized attorney-in-fact and filed with the Secretary or its designated agent. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until written notice of revocation has been given to the Secretary or its designated agent in writing. An unrevoked proxy shall not be valid after three (3) years from the date of its execution, unless a longer time is expressly provided therein. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of such death or incapacity is given to the Secretary or its designated agent.

Section 2.13. Voting Lists. The officer or agent having charge of the transfer books for securities of the Corporation shall make a complete list of the shareholders entitled to vote at a meeting of the shareholders, arranged in alphabetical order, with the address of and the number of shares held by each shareholder, which list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. Failure to comply with the requirements of this Section shall not affect the validity of any action taken at a meeting prior to a demand at the meeting by any shareholder entitled to vote thereat to examine the list. If the Corporation has 1,000 or more shareholders, it may make such information available at the meeting by any other means.

Section 2.14. Judges of Election. In advance of any meeting of the shareholders, the Board may appoint judges of election, who need not be shareholders, to act at such meeting or any adjournment thereof. If judges of election are not so appointed, the presiding officer of any such meeting may, and on the request of any shareholder shall, appoint judges of election at the meeting. The number of judges shall be either one (1) or three (3), as determined by the Board or presiding officer, as the case may be, to be appropriate under the circumstances. No person who is a candidate for office to be filled at the meeting shall act as a judge at the meeting. The judges of election shall do all such acts as may be proper to conduct the election or vote with fairness to all shareholders, and shall make a written report of any matter determined by them and execute a certificate of any fact found by them, if requested by the presiding officer of the meeting or any shareholder or the proxy of any shareholder. If there are three (3) judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

Section 2.15. Participation by Electronic Means. The right of any shareholder to participate in any shareholders' meeting by means of conference telephone, the Internet or other electronic means by which all persons participating in the meeting may hear each other and, in which event, all shareholders so participating shall be deemed present at such meeting, shall be granted solely in the discretion of the Board.

Section 2.16. No Written Consent in Lieu of a Meeting. The shareholders of the Corporation may not take any action by written consent in lieu of a meeting, and must take any actions at a duly called annual or special meeting of shareholders and the power of shareholders to consent in writing without a meeting is specifically denied.

### **ARTICLE 3 DIRECTORS**

Section 3.1. Powers. The business and affairs of the Corporation shall be managed under the direction of the Board, which may exercise all powers of the Corporation and do all such lawful acts and things as are not by statute or by the Articles or these Bylaws directed or required to be exercised and done by the shareholders.

Section 3.2. Number, Elections and Term of Office. Subject to the provisions of the Articles (including, but not limited to, for purposes of these Bylaws, pursuant to any duly authorized certificate of designation), the number of directors of the Corporation shall be fixed from time to time exclusively by the Board pursuant to a resolution adopted by a majority of the whole Board, but the size of the Board shall not be less than three or greater than fifteen. The directors, other than those who may be elected by the holders of any series or class of stock, as provided in the Articles, shall be divided into three (3) classes, as nearly equal in term as possible, shall be elected to serve a term of three (3) years and shall hold office until his or her successor shall have been duly elected and qualified, subject to his earlier death, resignation, disqualification or removal. No decrease in the number of authorized directors constituting the whole Board shall shorten the term of any incumbent director. At each annual meeting of the shareholders of the Corporation, commencing with the 2022 annual meeting, the successors of the class of directors whose term expires at that meeting shall be elected by a plurality vote of all votes cast at such meeting to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election.

Section 3.3. Plurality Voting. When directors are to be elected at a meeting of shareholders, the directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote in the election of directors; *provided that*, whenever the holders of any class or series of common stock of the Corporation are entitled to elect one or more directors pursuant to the provisions of the Articles, such directors shall be elected by a plurality of the votes of such class or series present in person or represented by proxy at the meeting and entitled to vote in the election of such directors.

Section 3.4. Qualifications. Directors shall be natural persons, shall be 18 years or older, and need not be residents of the Commonwealth of Pennsylvania or security holders of the Corporation.

Section 3.5. Nominations of Directors. Nominees for election to the Board shall be selected by the Board or a committee of the Board to which the Board has delegated the authority to make such selections pursuant to Section 3.13 of these Bylaws. Nominees for election to the Board may also be selected by shareholders, provided that such nominations are made in accordance with, and accompanied by the information required by, Section 2.2 and Section 2.3. Only persons duly nominated for election to the Board in accordance with this Section 3.5, Section 2.2 or Section 2.3.

Section 3.6. Vacancies. Subject to the rights of the holders of any capital stock of the Corporation, as specified in the Articles, and unless the Board otherwise determines, newly created directorships resulting from any increase in the authorized number of directors or any vacancies on the Board resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the directors then in office, though less than a quorum, and shall not be filled by the shareholders unless there are no directors remaining on the Board. Any director so chosen, if chosen to fill a vacancy, shall be a director of the same class as the director whose vacancy he or she fills.

Section 3.7. Removal.

(a) Removal by the Shareholders. Subject to the rights of the holders of any series or class of capital stock pursuant to provisions of the Articles, any director may be removed from office at any time, but only for cause and by the affirmative vote of the holders of at least a majority of the voting power of the then outstanding capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

(b) Removal by the Board. The Board may declare vacant the office of a director who has been judicially declared of unsound mind or who has been convicted of an offense punishable by imprisonment for a term of more than one year, or if, within one hundred twenty days after notice of election, the director does not accept such office either in writing or by attending a meeting of the Board.

Section 3.8. Place of Board Meetings. Meetings of the Board may be held at such place within or without the Commonwealth of Pennsylvania as the Board may from time to time appoint or as may be designated in the notice of the meeting.

Section 3.9. First Meeting of Newly Elected Board. The first meeting of each newly elected Board may be held at the same place and immediately after the meeting at which such directors were elected and no notice shall be required other than announcement at such meeting. If such first meeting of the newly elected Board is not so held, notice of such meeting shall be given in the same manner as set forth in Section 3.10 of these Bylaws with respect to notice of regular meetings of the Board.

Section 3.10. Regular Board Meetings; Notice. Regular meetings of the Board may be held at such times and places as shall be determined from time to time by resolution of the Board at a duly convened meeting, or by unanimous written consent. Notice of each regular meeting of the Board shall specify the purpose, date, place and hour of the meeting and shall be given to each director at least five (5) days before the meeting. Notice shall be given in a manner consistent with Section 11.4 of these Bylaws.

Section 3.11. Special Board Meetings; Notice. Special meetings of the Board may be called by the Chairman of the Board, if any, by the Chief Executive Officer or President, or by a majority of the directors then in office on one day's notice to each director, either by telephone, or, if in writing, in accordance with the provisions of Section 11.4 of these Bylaws.

Section 3.12. Quorum of the Board; Action of the Board. At all meetings of the Board, the presence of a majority of the directors then in office shall constitute a quorum for the transaction of business, and the acts of a majority of the directors present and voting at a meeting at which a quorum is present shall be the acts of the Board. If a quorum shall not be present at any meeting of directors, the directors present thereat may adjourn the meeting. It shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted thereat other than by announcement at the meeting at which such adjournment is taken.

Section 3.13. Committees of Directors. The Board may establish one or more committees, each committee to consist of one or more of the directors, and may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee or for the purposes of any written action by the committee. Any such committee, to the extent provided in such resolution of the Board or in these Bylaws, shall have and may exercise all of the powers and authority of the Board; *provided, however*, that no such committee shall have any power or authority to (a) submit to the shareholders any action requiring approval of the shareholders under the 1988 BCL, (b) create or fill vacancies on the Board, (c) amend or repeal these Bylaws or adopt new Bylaws, (d) amend or repeal any resolution of the Board that by its terms is amendable or repealable only by the Board, (e) act on any matter committed by these Bylaws or by resolution of the Board to another committee of the Board, (f) amend the Articles or adopt a resolution proposing an amendment to the Articles, or (g) adopt a plan or an agreement of merger or

consolidation, share exchange, asset sale or division. In the absence or disqualification of a member or alternate member or members of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not a quorum is present, may unanimously appoint another director to act at the meeting in the place of any absent or disqualified member. Minutes of all meetings of any committee of the Board shall be kept by the person designated by such committee to keep such minutes. Copies of such minutes and any writing setting forth an action taken by written consent without a meeting shall be distributed to each member of the Board promptly after such meeting is held or such action is taken. Each committee of the Board shall serve at the pleasure of the Board.

Section 3.14. Chairman of the Board. The Chairman of the Board, if one is elected, shall preside at all meetings of the Board and of the shareholders. The Chairman of the Board shall perform all duties incident to the office of Chairman of the Board and shall have such other powers and duties as the Board assigns to that individual.

Section 3.15. Participation in Board Meetings by Electronic Means. One or more directors may participate in a meeting of the Board or of a committee of the Board by means of conference telephone or other electronic technology by means of which all persons participating in the meeting can hear each other, and all directors so participating shall be deemed present at the meeting.

Section 3.16. Action by Written Consent of Directors. Any action required or permitted to be taken at a meeting of the Board or of a committee of the Board may be taken without a meeting if, prior or subsequent to the action, a consent or consents in writing setting forth the action so taken shall be signed by all of the directors then in office or the members of the committee, as the case may be, and filed with the Secretary. For purposes of this Section 3.16, a consent may be given by means of a physical written copy or may be transmitted by facsimile transmission, e-mail or similar electronic communications technology.

Section 3.17. Compensation of Directors. The Board may, by resolution, fix the compensation of directors for their services as directors. A director may also serve the Corporation in any other capacity and receive compensation therefor.

Section 3.18. Directors' Liability. A director of the Board shall not be personally liable for monetary damages as such (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements)) for any action taken, or any failure to take any action, unless the director has breached or failed to perform the duties of his or her office under the Articles, these Bylaws or applicable provisions of law and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

#### **ARTICLE 4 OFFICERS**

Section 4.1. Number, Qualifications and Designation. The officers of the Corporation shall consist of a President, a Treasurer, and a Secretary and such other officers, including a Chairman of the Board, a Chief Executive Officer, and one or more Vice-Presidents, Assistant Secretaries, or Assistant Treasurers, as the Board of Directors may elect or appoint in accordance with the provisions of this Section 4.1 or Section 4.3 of this Article. One person may hold more than one office. Officers may but need not be directors or shareholders of the Corporation.

Section 4.2. Election and Term of Office. The officers of the Corporation, except those elected by delegated authority pursuant to Section 4.3 of this Article, shall be elected annually by the Board, and each such officer shall hold office until the next annual organization meeting of Board and until a successor shall have been duly chosen and qualified, or until his or her earlier death, resignation, or removal.

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For DISB Review**

Section 4.3. Other and Subordinate Officers, Committees and Agents. The Board may from time to time appoint such other officers and appoint such committees, employees or other agents as the business of the Corporation may require, including an executive Chairman of the Board and one or more deputy or vice-chairmen, a chief executive officer, a chief operating officer, one or more assistant secretaries, and one or more assistant treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws, or as the Board may from time to time determine. The Board may delegate to any officer or committee the power to appoint subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

Section 4.4. Resignations. Any officer or agent may resign at any time by giving written notice to the Board, or to the President or the Secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.5. Removal. Any officer, committee, employee or other agent of the Corporation may be removed, either with or without cause, by the Board or other authority which elected or appointed such officer, committee or other agent. Election or appointment of an officer or employee or other agent shall not of itself create contract rights.

Section 4.6. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, shall be filled by the Board or by the officer or committee to which the power to fill such office has been delegated pursuant to Section 4.3 of this Article, as the case may be, and if the office is one for which these Bylaws prescribe a term, shall be filled for the unexpired portion of the term.

Section 4.7. General Powers. All officers of the Corporation as between themselves and the Corporation, shall have such authority and perform such duties in the management of the Corporation as may be provided by or pursuant to resolutions or orders of the Board, or in the absence of controlling provisions in the resolutions or orders of the Board, as may be determined by or pursuant to these Bylaws.

Section 4.8. The Chief Executive Officer. The Chief Executive Officer shall have general supervision over the business and operations of the Corporation, subject, however, to the control of the Board. The Chief Executive Officer shall sign, execute, and acknowledge, in the name of the Corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the Board, except in cases where the signing and execution thereof shall be expressly delegated by the Board, or by these Bylaws, to some other officer or agent of the Corporation; and, in general, shall perform all duties incident to such office or assigned from time to time by the Board. In the absence of the Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the shareholders and all meetings of the Board of Directors.

Section 4.9. The President. The President shall be the Corporation's chief operations officer and shall have general supervision over the day-to-day business and operations of the Corporation, subject, however, to the control of the Chief Executive Officer and the Board. The President shall perform all duties incident to the office of President and such other duties as from time to time may be assigned by the Board or by the Chief Executive Officer. In the absence of the Chief Executive Officer, the President shall exercise the duties of Chief Executive Officer.

Section 4.10. The Vice Presidents. In the absence of the President, a Vice President, as designated by the Board, shall perform the duties of the President and such other duties as may from time to time be assigned to them by the Board, by the Chief Executive Officer, or by the President.

Section 4.11. The Secretary. The Secretary or an Assistant Secretary shall attend all meetings of the Shareholders and of the Board and shall record all the votes of the shareholders and of the directors and the

minutes of the meetings of the shareholders and of the Board and of committees of the Board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the Corporation as required by law; shall be the custodian of the seal of the Corporation and see that it is affixed to all documents to be executed on behalf of the Corporation under its seal; and, in general, shall perform all duties incident to the office of Secretary, and such other duties as may from time to time be assigned by the Board, by the Chief Executive Officer, or the President.

Section 4.12. The Treasurer. The Treasurer or an Assistant Treasurer shall have or provide for the custody of the funds or other property of the Corporation; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the Corporation; shall deposit all funds in his or her custody as treasurer in such banks or other places of deposit as the Board may from time to time designate; shall, whenever so required by the Board, render an account showing all transactions as treasurer, and the financial condition of the Corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the Board, by the Chief Executive Officer, or the President.

Section 4.13. Officers' Bonds. Any officer shall give a bond for the faithful discharge of the duties of the officer in such sum, if any, and with such surety or sureties as the Board may require.

Section 4.14. Salaries. The salaries of the officers elected by the Board shall be fixed from time to time by the Board or by such officer as may be designated by resolution of the Board. The salaries or other compensation of any other officers, employees and other agents shall be fixed from time to time by the officer or committee to which the power to elect such officers or to retain or appoint such employees or other agents has been delegated pursuant to Section 4.1 of this Article. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that the officer is also a director of the Corporation.

## **ARTICLE 5 CERTIFICATES FOR SHARES**

Section 5.1. Share Certificates. Any or all classes and series of shares of the Corporation, or any part thereof, may be represented by uncertificated shares to the extent determined by the Board, except as otherwise required by law or the Articles. To the extent that certificates for shares of the Corporation are issued, such certificates shall be numbered and registered in a share register as they are issued. The share register shall exhibit the names and addresses of all registered holders and the number and class of shares and the series, if any, held by each. To the extent that certificates for shares of the Corporation are issued, each such certificate shall state that the Corporation is incorporated under the laws of the Commonwealth of Pennsylvania, the name of the registered holder and the number and class of shares and the series, if any, represented thereby. If, under its Articles, the Corporation is authorized to issue shares of the Corporation of more than one class or series and certificates for such shares are issued, each such certificate shall set forth, or shall contain a statement that the Corporation will furnish to any shareholder upon request and without charge, a full or summary statement of the designations, voting rights, preferences, limitations and special rights of the shares of each class or series authorized to be issued so far as they have been fixed and determined and the authority of the Board to fix and determine such rights.

Section 5.2. Execution of Certificates. Every share certificate shall be executed, by facsimile or otherwise, by or on behalf of the Corporation, by the Chief Executive Officer and/or President, by any Vice-President, or by the Secretary. In case any officer who has signed or whose facsimile signature has been placed upon any share certificate shall have ceased to be such officer, because of death, resignation or otherwise, before the certificate is issued, it may be issued by the Corporation with the same effect as if the officer had not ceased to be such at the time of issue.

**ARTICLE 6  
TRANSFER OF SHARES**

Section 6.1. Transfer. Transfers of shares shall be made on the share register of the Corporation only by the record holder of such shares, or by the appropriate person or accompanied by proper evidence of succession, assignment or authority to transfer, and, in the case of shares represented by a certificate, upon the presentment of the certificate therefore in the manner set forth herein. Upon presentment to the Corporation or its transfer agent of a share certificate endorsed by the appropriate person or accompanied by proper evidence of succession, assignment or authority to transfer, a new certificate shall be issued to the person entitled thereto and the old certificate canceled and the transfer registered upon the books of the Corporation, unless either: (a) the Corporation has received a demand from an appropriate person to make an indorsement on such certificate that the Corporation not register transfer; or (b) the Corporation has been served with a restraining order, injunction or other process from a court of competent jurisdiction enjoining it from registering the transfer. Any demand to the Corporation not to register transfer shall identify the registered owner and the issue of which such share is a part and provide an address to send communications directed to the person making the demand. No demand described in Section 6.1(a) above shall be effective unless it is received by the Corporation at a time and in a manner affording the Corporation a reasonable opportunity to act on it. To the extent that shares are not represented by certificates, transfer of such shares shall be made pursuant to such procedures as the Board may adopt.

Section 6.2. Request to Register Transfer After Demand. If a share certificate is presented to the Corporation or its transfer agent with a request to register transfer after a demand that the Corporation not register transfer of such certificate has become effective pursuant to Section 6.1 of these Bylaws, then the Corporation shall promptly communicate to each of the person who initiated the demand and the person who presented the certificate for registration of transfer a notification stating that: (a) the certificate has been presented for registration of transfer; (b) a demand that the Corporation not register transfer of such certificate had previously been received; and (c) the Corporation will withhold registration of transfer of such certificate for a period of thirty (30) days (or such shorter period of time as stated in the notification that is not manifestly unreasonable) from the date of the notification in order to provide the person who initiated the demand an opportunity to obtain legal process or an indemnity bond.

Section 6.3. Limitation of Liability. The Corporation shall not be liable to a person who initiated a demand that the Corporation not register transfer for any loss the person suffers as a result of registration of transfer if the person who initiated demand does not, within the time stated in the notification described in Section 6.2 of these Bylaws, either (a) obtain an appropriate restraining order, injunction or other process from a court of competent jurisdiction enjoining the Corporation from registering the transfer, or (b) file with the Corporation an indemnity bond, sufficient in the Board's reasonable discretion to protect the Corporation or its transfer agent from any loss it or they may suffer by refusing to register the transfer.

**ARTICLE 7  
RECORD DATE; IDENTITY OF SHAREHOLDERS**

Section 7.1. Record Date. The Board may fix a time, prior to the date of any meeting of the shareholders, as a record date for the determination of the shareholders entitled to notice of, or to vote at, the meeting, which time, except in the case of an adjourned meeting, shall not be more than ninety (90) days prior to the date of the meeting. Except as otherwise provided in Section 7.2 of these Bylaws, only the shareholders of record at the close of business on the date so fixed shall be entitled to notice of, or to vote at, such meeting, notwithstanding any transfer of securities on the books of the Corporation after any record date so fixed. The Board may similarly fix a record date for the determination of shareholders for any other purpose. When a determination of shareholders of record has been made as herein provided for purposes of a meeting, the determination shall apply to any adjournment thereof unless the Board fixes a new record date for the adjourned meeting.

Section 7.2. Certification of Nominee. The Board may adopt a procedure whereby a shareholder may certify in writing to the Secretary that all or a portion of the shares registered in the name of the shareholder are held for the account of a specified person or persons. The Board, in adopting such procedure, may specify (a) the classification of shareholder who may certify, (b) the purpose or purposes for which the certification may be made, (c) the form of certification and the information to be contained therein, (d) as to certifications with respect to a record date, the date after the record date by which the certification must be received by the Secretary, and (e) such other provisions with respect to the procedure as the Board deems necessary or desirable. Upon receipt by the Secretary of a certification complying with the procedure, the persons specified in the certification shall be deemed, for the purpose or purposes set forth in the certification, to be the holders of record of the number of shares specified instead of the persons making the certification.

## **ARTICLE 8 REGISTERED SHAREHOLDERS**

Before due presentment for transfer of any shares, the Corporation shall treat the registered owner thereof as the person exclusively entitled to vote, to receive notifications and otherwise to exercise all the rights and powers of an owner, and shall not be bound to recognize any equitable or other claim or interest in such securities, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the Commonwealth of Pennsylvania or Section 7.2 of these Bylaws.

## **ARTICLE 9 LOST CERTIFICATES**

If the owner of a share certificate claims that it has been lost, destroyed, or wrongfully taken, the Corporation shall issue a new certificate in place of the original certificate if the owner so requests before the Corporation has notice that the certificate has been acquired by a bona fide purchaser, and if the owner has filed with the Corporation an indemnity bond and an affidavit of the facts satisfactory to the Board or its designated agent, and has complied with such other reasonable requirements, if any, as the Board may deem appropriate.

## **ARTICLE 10 DISTRIBUTIONS**

Section 10.1. Distributions. Distributions upon the shares of the Corporation, whether by dividend, purchase or redemption or other acquisition of its shares subject to any provisions of the Articles related thereto, may be authorized by the Board at any regular or special meeting of the Board and may be paid directly or indirectly in cash, in property or by the incurrence of indebtedness by the Corporation.

Section 10.2. Reserves. Before the making of any distributions, there may be set aside out of any funds of the Corporation available for distributions such sum or sums as the Board from time to time, in its absolute discretion, deems proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Board shall deem conducive to the interests of the Corporation, and the Board may abolish any such reserve in the manner in which it was created.

Section 10.3. Stock Dividends/Splits. Stock dividends or splits upon the shares of the Corporation, subject to any provisions of the Articles related thereto, may be authorized by the Board at any regular or special meeting of the Board.

## **ARTICLE 11 GENERAL PROVISIONS**

Section 11.1. Checks and Notes. All checks or demands for money and notes of the Corporation



shall be signed by such officer or officers as the Board may from time to time designate.

Section 11.2. Fiscal Year. The fiscal year of the Corporation shall begin on each January 1 and end on each December 31.

Section 11.3. Seal. The corporate seal, if any, shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Pennsylvania." Such seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced. The affixation of the corporate seal shall not be necessary to the valid execution, assignment or endorsement of any instrument or other document by the Corporation.

Section 11.4. Notices. Whenever, under the provisions of the 1988 BCL or of the Articles or of these Bylaws or otherwise, written notice is required to be given to any person, it may be given to such person either personally or by sending a copy thereof by first class or express mail, postage prepaid, telegram (with messenger service specified), courier service (with charges prepaid), electronic mail, facsimile transmission or by any other means permitted by the 1988 BCL, to his, her or its address, (or to his, her or its electronic mail address, facsimile number or other place as specified in the 1998 BCL), appearing on the books of the Corporation or, in the case of directors, supplied by the director to the Corporation for the purpose of notice. If the notice is sent by mail, telegraph or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office or courier service for delivery to that person. A notice given by electronic mail or facsimile transmission shall be deemed to have been given when dispatched. Notice or other communications need not be sent to any shareholder with whom the Corporation has been unable to communicate for more than 24 consecutive months because communications to the shareholder are returned unclaimed or the shareholder has otherwise failed to provide the Corporation with a current address. Whenever such shareholder provides the Corporation with a current address, the Corporation shall commence sending notices and other communications to such shareholder in the same manner as to other shareholders.

Section 11.5. Waiver of Notice. Whenever any notice is required to be given by the 1988 BCL or by the Articles or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted nor the purpose of a meeting need be specified in the waiver of notice of the meeting. Attendance of a person at any meeting shall constitute a waiver of notice of the meeting, except where any person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened, and the person so objects at the beginning of the meeting.

## **ARTICLE 12 AMENDMENTS**

In furtherance and not in limitation of the powers conferred by the 1988 BCL, the Board is expressly authorized to make, alter, amend, change, add to or repeal any provision of these Bylaws by the affirmative vote of a majority of the total number of directors then in office, subject to the power of the holders of the then outstanding capital stock of the Corporation to alter, amend, change, add to or repeal any provision of these Bylaws made by the Board. Subject to Article FOURTEENTH of the Articles, any alteration, amendment, change, addition to, adoption or repeal of any provision of these Bylaws will require the affirmative vote of a majority of the total number of directors then in office, or the affirmative vote of a majority of the combined voting power of all of the then outstanding shares of the Corporation entitled to vote on such alteration, amendment, change, addition to, adoption or repeal of such provision of these Bylaws.

## **ARTICLE 13 INDEMNIFICATION**

Section 13.1. Officers and Directors - Direct Actions. The Corporation shall indemnify any

director or officer of the Corporation (as used herein, the phrase “director or officer of the Corporation” shall mean any person who is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise), who was or is a party (other than a party plaintiff suing on his or her own behalf), or who is threatened to be made such a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was a director or officer of the Corporation, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she met the standard of conduct of (a) acting in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, and (b) with respect to any criminal proceeding, having no reasonable cause to believe his or her conduct was unlawful. The termination of any action or proceeding by judgment, order, settlement or conviction or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the person (x) did not act in good faith and in a manner that he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation, and (y) with respect to any criminal proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 13.2. Officers and Directors - Derivative Actions. The Corporation shall indemnify any director or officer of the Corporation who was or is a party (other than a party suing in the right of the Corporation), or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding by or in the right of the Corporation to procure a judgment in the Corporation’s favor by reason of the fact that he or she is or was a director or officer of the Corporation, against expenses (including attorneys’ fees) actually and reasonably incurred by him or her in connection with the defense or settlement of the action, suit or proceeding if he or she met the standard of conduct of acting in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Corporation. Indemnification shall not be made under this Section in respect of any claim, issue or matter as to which the person has been adjudged to be liable to the Corporation unless and only to the extent that the Court of Common Pleas of the judicial district embracing the county in which the registered office of the Corporation is located or the court in which the action, suit or proceeding was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses that the Court of Common Pleas or other court deems proper.

Section 13.3. Employees and Agents. The Corporation may, to the extent permitted by the 1988 BCL, indemnify any employee or agent of the Corporation (as used in this Article 13, the phrase “employee or agent of the Corporation” shall mean any person who is or was an employee or agent of the Corporation, other than an officer, or is or was serving at the request of the Corporation as an employee or agent of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise) who was or is a party, or who is threatened to be made such a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding by reason of the fact that he or she is or was an employee or agent of the Corporation, provided he or she has met the standard of conduct set forth in Sections 13.1 and 13.2, subject to the limitations set forth in Section 13.2 in the case of an action, suit or proceeding by or in the right of the Corporation to procure a judgment in the Corporation’s favor.

Section 13.4. Mandatory Indemnification. To the extent that a director or officer of the Corporation or any employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action or proceeding referred to in Sections 13.1, 13.2 or 13.3 of this Article 13, or in defense of any claim, issue or matter therein, he or she shall be indemnified by the Corporation against expenses (including attorneys’ fees) actually and reasonably incurred by him or her in connection therewith.

Section 13.5. Advancing Expenses. Expenses (including attorneys’ fees) incurred by a director or

officer of the Corporation or an employee or agent of the Corporation in defending any action or proceeding referred to in this Article 13 may be paid by the Corporation in advance of the final disposition of the action or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it is ultimately determined that he or she is not entitled to be indemnified by the Corporation as authorized in this Article 13.

Section 13.6. Procedure.

(a) Unless ordered by a court, any indemnification under Section 13.1, 13.2 or 13.3 or advancement of expenses under Section 13.5 of this Article 13 shall be made by the Corporation only as authorized in a specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 13.1, 13.2 or 13.3.

(b) All determinations under this Section 13.6 shall be made:

(i) With respect to indemnification under Section 13.3 and advancement of expenses to an employee or agent of the Corporation, other than an officer, by the Board.

(ii) With respect to indemnification under Section 13.1 or 13.2 and advancement of expenses to a director or officer of the Corporation,

(A) By the Board, by a majority vote of a quorum consisting of directors who were not parties to such action or proceeding, or

(B) If such a quorum is not obtainable, or, if obtainable and a majority vote of a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or

(C) By the shareholders.

Section 13.7. Nonexclusivity of Indemnification.

(a) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article 13 shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to actions in his or her official capacity and as to actions in another capacity while holding that office. Section 1728 (relating to interested directors; quorum) of the 1988 BCL, or any successor section, shall be applicable to any bylaw, contract or transaction authorized by the directors under this Section 13.7. The Corporation may create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner its indemnification obligations, whether arising under or pursuant to this Article 13 or otherwise.

(b) Indemnification pursuant to Section 13.7(a) hereof shall not be made in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted self-dealing, willful misconduct or recklessness.

(c) Indemnification pursuant to Section 13.7(a) under any bylaw, agreement, vote of shareholders or directors or otherwise, may be granted for any action taken or any failure to take any action and may be made whether or not the Corporation would have the power to indemnify the person under any other provision of law except as provided in this Section 13.7 and whether or not the indemnified liability arises or arose from any threatened or pending or completed action by or in the right of the Corporation.

Section 13.8. Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation or an employee or agent of the Corporation, against any liability asserted against such person and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against that liability under the provisions of this Article 13 or otherwise.

Section 13.9. Past Officers and Directors. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article 13 shall continue as to a person who has ceased to be a director, officer, employee or agent of the Corporation and shall inure to the benefit of the heirs and personal representatives of that person.

Section 13.10. Surviving or New Corporations. References to “the Corporation” in this Article 13 include all constituent corporations absorbed in a consolidation, merger or division, as well as the surviving or new corporation resulting therefrom, so that any director, officer, employee or agent of the constituent, surviving or new corporation shall stand in the same position under the provisions of this Article 13 with respect to the surviving or new corporation as he or she would if he or she had served the surviving or new corporation in the same capacity.

Section 13.11. Employee Benefit Plans.

(a) References in this Article 13 to “other enterprise” shall include employee benefit plans and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation that imposes duties on, or involves services by, the person with respect to an employee benefit plan, its participants or beneficiaries.

(b) Excise taxes assessed on a person with respect to an employee benefit plan pursuant to applicable law shall be deemed “fines.”

(c) Action with respect to an employee benefit plan taken or omitted in good faith by a director, officer, employee or agent of the Corporation in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of the plan shall be deemed to be action in a manner that is not opposed to the best interests of the Corporation.

# **Amalgamated Casualty Insurance Company Demutualization**

**Exhibit VIII**

**To**

**Demutualization Application Filed with the  
Department of Insurance, Securities and  
Banking:**

***Rosters of Directors and Officers***

**See Attached**

**EXHIBIT VIII**  
**TO DEMUTUALIZATION APPLICATION**  
**Officers & Directors Rosters**

Directors (for ACIC, ARM, and HoldCo)

Shaza Andersen
Patrick Bracewell
Joseph Bracewell
Fred Brewer
James Roumell
Jason Wolfe

Officers – ACIC

<b>Office</b>	<b>Officer</b>
Chairman & CEO	Patrick Bracewell
President & COO	Richard Hutchinson
Vice President	Dan McFadden
Vice President & Secretary	Brian Mancino
Vice President	Mike McColley
Vice President	Joe Niemer
Treasurer	Jackie Plenty

Officers – ARM & HoldCo

<b>Office</b>	<b>Officer</b>
Chairman & President	Patrick Bracewell
Treasurer & Secretary	Dan McFadden

**Exhibit IX  
To  
Demutualization Application Filed with the  
Department of Insurance, Securities and  
Banking:**

***Proxy Materials for Special Meeting of  
Amalgamated's Eligible Members***

**See Attached**

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NOTICE OF SPECIAL MEETING OF ELIGIBLE MEMBERS  
TO BE HELD \_\_\_\_\_, 2021

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TO ELIGIBLE MEMBERS OF AMALGAMATED CASUALTY INSURANCE COMPANY:

Notice is hereby given that the Special Meeting of Eligible Members (the "Special Meeting") of Amalgamated Casualty Insurance Company (the "Company" or "ACIC") will be held at \_\_\_\_\_ .m., local time, on \_\_\_\_\_, \_\_\_\_\_, 2021, at [the Company's offices at 8401 Connecticut Avenue, Suite 300, Chevy Chase, Maryland 20815] to consider and vote upon the following:

1. the adoption and approval of a Plan of Conversion (the "Plan of Conversion") (a copy of which is enclosed and labeled as Exhibit A);
2. the adoption and approval of the proposed amended and restated articles of incorporation of ACIC (a copy of which is enclosed and labeled as Exhibit B);
3. a proposal to adjourn the Special Meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the Special Meeting to approve the Plan of Conversion and the amended and restated articles of incorporation; and
4. to transact any other business that may properly come before the Special Meeting or any adjournment or postponement thereof.

In accordance with the Company's Bylaws, action of the Board of Trustees, the Plan of Conversion and the provisions of Title 31, Section 904 of the Official Code of the District of Columbia, 31 D.C. 904, only those persons who were named insureds under Amalgamated Casualty Insurance Company insurance policies that were in force on February 3, 2021, which is the date that the Board of Trustees of the Company adopted the Plan of Conversion, are entitled to notice of and to vote at the Special Meeting and any adjournment or postponement thereof.

Whether or not you plan to attend the Special Meeting, your vote is very important, and we encourage you to vote promptly. To vote, please mark, sign and date the enclosed proxy and mail it promptly in the enclosed, postage-paid return envelope. Your proxy will not be valid if received at the Company's offices after \_\_\_\_\_, 2021. If you execute a proxy but later decide to attend the Special Meeting in person, your proxy may be revoked and you may vote in person.

By Order of the Board of Trustees,

Secretary

Chevy Chase, Maryland  
\_\_\_\_\_, 2021



## PROXY STATEMENT

Your proxy, in the form enclosed, is solicited by the board of trustees of Amalgamated Casualty Insurance Company (“ACIC” or the “Company”) for use at a Special Meeting of its members to be held on \_\_\_\_\_, 2021 and any adjournment of that meeting, for the purposes set forth below. Only persons owning policies issued by the Company that were in force at the close of business on February 3, 2021 are entitled to notice of and to vote at the Special Meeting. The board of trustees urges you to sign and return your proxy even if you plan to attend the Special Meeting.

### IMPORTANT NOTICE

The Plan of Conversion described in this Proxy Statement was approved by the District of Columbia Department of Insurance, Securities, and Banking (the “Insurance Department”). Approval of the Plan of Conversion by the Insurance Department does not constitute or imply that the Insurance Department has endorsed the Plan of Conversion described in this Proxy Statement, nor does such approval constitute investment advice or a recommendation by the Insurance Department on how you should vote on the Plan of Conversion.

### Introduction

A special meeting of the Eligible Members (defined below) of ACIC will be held at [the Company’s offices at 8401 Connecticut Avenue, Chevy Chase, Maryland 20815] on \_\_\_\_\_, \_\_\_\_\_, 2021, at \_\_\_\_\_ m., local time (the “Special Meeting”). The purpose of the Special Meeting is to consider and vote upon (i) a Plan of Conversion, as amended (the “Plan of Conversion”), and (ii) the proposed amended and restated articles of incorporation of ACIC (a copy of which is enclosed and labeled as Exhibit B). The Plan of Conversion has been adopted by the Company’s board of trustees and approved by the Insurance Department, and a copy of the Plan of Conversion is enclosed and labeled as Exhibit A. If the Plan of Conversion is approved at the Special Meeting, the Company will convert from a District of Columbia mutual insurance company to a District of Columbia stock insurance company (the “Conversion”) and will form a new stock holding company pursuant to the provisions of Chapter 9 of Title 31 of the District of Columbia Official Code, 31 D.C. 901 (the “Act”).

“Eligible Members” are the persons who were named insureds under ACIC insurance policies that were in force on February 3, 2021, which is the date that the board of trustees of the Company adopted the Plan of Conversion.

### Overview of the Conversion

ACIC currently exists and operates as a mutual insurance company. This means that ACIC has no shareholders. Instead, ACIC has members consisting of the policyholders who have insurance coverage with ACIC.

Under the Act, a District of Columbia mutual insurance company, such as ACIC, can adopt a plan to convert from a mutual insurance company to a stock insurance company. Mutual insurance companies may decide to convert into stock companies for many different reasons. Mutual insurance companies have limited access to the capital markets. By converting to stock form, a mutual insurance company gains the ability to raise capital through sales of its stock. By raising additional capital, ACIC enhances its ability to pay claims made by its policyholders. Stock insurance companies also are better able to make strategic acquisitions of other insurance companies and to enter into strategic business combinations with other insurers and insurance holding companies. In addition, stock insurance companies can use stock incentive programs to help them attract and retain key management personnel.

The principal purpose of the Conversion is to convert ACIC from a mutual insurance company into a stock insurance company in order to enhance its strategic and financial flexibility and to provide Eligible Members with the right to acquire an equity interest in HoldCo (as defined below). ACIC’s board of trustees believes that the Conversion is in the best interest of the Company because the additional capital resulting from the Conversion should: (i) support further organic growth in direct written premiums; (ii) provide a more cost effective capital structure; and (iii) enable HoldCo to attract institutional investors and engage in strategic transactions advantageous to HoldCo and ACIC. In addition, the additional capital and holding company structure should enhance the

Company's ability to acquire other property and casualty insurance companies. The Company's board of trustees further believes that the transaction is fair and equitable, is consistent with the purpose and intent of the Act and will not prejudice the interests of ACIC's members.

In its present structure as a mutual insurance company, ACIC can increase its statutory capital only through earnings generated by ACIC and its subsidiaries or the sale of surplus notes. Reliance on earnings to provide a long-term source of permanent capital, however, limits the Company's ability to develop new business, offer new insurance products, make acquisitions, and provide greater stability and protection for the Company's policyholders.

The Company's Plan of Conversion consists of the following steps:

1. ACIC will convert to a stock company. As part of the conversion, ACIC will issue all of its shares of capital stock to Amalgamated Specialty Group Holdings, Inc., a newly formed Pennsylvania corporation ("HoldCo"). ACIC policyholders who formerly were "members" of ACIC will no longer be members of ACIC. The insurance policies issued by ACIC will remain in full force and effect as insurance policies of ACIC. The Conversion will not change the price, benefits, renewability or any other feature, term or condition of a policyholder's insurance coverage.
2. HoldCo will offer shares of its common stock ("Conversion Stock") for sale in an offering described in greater detail below (hereinafter, the "Offering"). The common stock of HoldCo will be offered for sale pursuant to an Offering Statement and an Offering Circular filed with and qualified by the United States Securities and Exchange Commission. Immediately after completion of the Offering and the Conversion, ACIC will become a wholly-owned subsidiary of HoldCo. Therefore, HoldCo, through its board of directors, will be able to control who is elected to ACIC's board of trustees.
3. Eligible Members will be granted rights to subscribe to purchase shares of common stock of HoldCo in the Offering. These subscription rights provide such members the opportunity to purchase shares before orders from any other purchasers may be accepted. If shares remain available for sale after the subscriptions of the Eligible Members are filled, such remaining shares will be sold to other purchasers (as described in greater detail in the Offering Circular of HoldCo accompanying this Proxy Statement). The Conversion Stock will be offered for sale at \$10.00 per share. An Eligible Member who wishes to subscribe must purchase at least 50 shares of stock and may not purchase more than 100,000 shares of stock sold in the Offering. **Any Eligible Member that does not subscribe to purchase shares of stock in the offering will have such member's subscription rights redeemed by HoldCo for \$1,489.87 in cash.** For a description of how redemption of such subscription rights will occur, see "Redemption of Subscription Rights" below. Other limitations apply to the Offering, which are described in greater detail in the Offering Circular.

#### **Information Relating to Voting at the Special Meeting**

In accordance with the terms of ACIC's articles of incorporation and bylaws, the terms of the Plan of Conversion and the provisions of the Act, each Eligible Member is entitled to notice of, and to vote at, the Special Meeting. At the Special Meeting, each Eligible Member is entitled to cast one vote on each proposal considered at the Special Meeting.

Approval of each of the Plan of Conversion and the amended and restated articles of incorporation will require the affirmative vote, either in person or by proxy, of at least a majority of the votes cast at the Special Meeting.

Eligible Members may vote at the Special Meeting or any adjournment thereof in person or by proxy. All properly executed proxies received by ACIC before the Special Meeting will be voted in accordance with the instructions indicated thereon. If no contrary instructions are given, such proxies will be voted in favor of (i) the Plan of Conversion, (ii) the amended and restated articles of incorporation of ACIC, and (iii) the adjournment of the Special Meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the Special Meeting to approve the Plan of Conversion and the amended and restated articles of incorporation. If

any other matters are properly presented before the Special Meeting, the proxies solicited hereby will be voted on such matters by the proxyholders according to their discretion. Any Eligible Member giving a proxy will have the right to revoke his or her proxy at any time before it is voted by delivering written notice or a duly executed proxy bearing a later date to the Secretary of ACIC at any time prior to or at the Special Meeting or by attending the Special Meeting and voting in person.

The proxies solicited hereby will be used only at the Special Meeting and at any adjournment thereof. They will not be used at any other meeting.

Under the Bylaws of ACIC, a quorum at any regular or special meeting consists of a majority of the policyholders eligible to vote. ACIC has previously obtained proxies (the “General Proxies”) from approximately 1,318 policyholders, representing approximately 83% of total policyholders. This General Proxy grants to Amalgamated Risk Management, Inc. (“ARM”) the right to vote the General Proxy at any general or special meeting. ARM has voted the General Proxies at all of ACIC’s annual meetings for the election of directors. ACIC will use the General Proxies, if necessary, to establish a quorum at the special meeting. If Eligible Members do not return a sufficient number of proxies to constitute a quorum at the special meeting, the holder of the General Proxy will be present at the meeting and ACIC will count those policyholders as present solely for the purpose of establishing a quorum. **No General Proxies will be voted at the special meeting** – only the votes from the proxies returned in response to this proxy statement will be counted in determining whether the Plan and the amended and restated articles of incorporation of ACIC have been approved by at least a majority of the votes cast by Eligible Members.

#### **Relationship Between this Proxy Statement and the Offering Circular**

A copy of the Offering Circular for the offering of HoldCo’s common stock accompanies this Proxy Statement. This Proxy Statement summarizes and presents selected information from the Offering Circular and may not contain all the information that might be important to an Eligible Member in deciding whether to (i) vote for adoption and approval of the Plan of Conversion, and/or (ii) subscribe for the purchase of Conversion Stock in the Offering. To understand the Offering fully, Eligible Members should read the Offering Circular carefully, including the financial statements and the notes to financial statements of ACIC that are included in the Offering Circular. Eligible Members also may wish to review the Plan of Conversion. A copy of the Plan of Conversion is attached hereto as Exhibit A and is available for review and downloading on ACIC’s website at [www.acicinsure.com](http://www.acicinsure.com).<sup>1</sup>

**The decisions to be made by an Eligible Member in voting on the Plan of Conversion and in deciding whether to purchase Conversion Stock or redeem subscription rights for cash are separate. For instance, you may vote in favor of the Plan of Conversion, but decide not to purchase any Conversion Stock and instead redeem your subscription rights for cash. Or, you may vote against the Plan of Conversion, but decide to purchase Conversion Stock or redeem your subscription rights.**

**If for any reason the Plan of Conversion is not approved by Eligible Members, the Conversion will not be completed, no Conversion Stock will be sold, and your subscription rights will expire without any consideration.**

#### **The Parties**

##### HoldCo

HoldCo is a Pennsylvania business corporation organized on November 19, 2020 for the purpose of becoming the stock holding company of ACIC and its subsidiaries following closing on the Conversion. HoldCo’s executive offices are located at 8401 Connecticut Avenue, Suite 300, Chevy Chase, Maryland 20815. HoldCo’s board of directors will consist of Shaza L. Andersen, Patrick J. Bracewell, Joseph S. Bracewell III, Fred L. Brewer, James C. Roumell, and Jason K. Wolfe, who are currently trustees of the Company, and \_\_\_\_\_.

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<sup>1</sup> This reference to ACIC’s website includes only the documents available for review under the “ACIC Plan of Conversion” tab. Any other information available on ACIC’s website is not part of this Proxy Statement.

HoldCo will not have engaged in any operations prior to completion of the Conversion. After completion of the Conversion, HoldCo's primary assets will be the outstanding capital stock of ACIC, the outstanding capital stock of American Risk Management, Inc., which is being acquired by HoldCo as part of the Conversion and the Offering as described in the Offering Circular, and the net proceeds realized from the Offering of its common stock that remain after the use of such proceeds as described in the Offering Circular.

HoldCo does not intend to apply to have its common stock listed for trading on the NASDAQ Stock Market or any other stock exchange.

### ACIC

Amalgamated Casualty Insurance Company is a District of Columbia mutual insurance company organized in 1938. Its main offices are located at 8401 Connecticut Avenue, Suite 300, Chevy Chase, Maryland 20815, and its telephone number is (202) 547-8700. At December 31, 2020, ACIC had total consolidated assets of \$\_\_\_\_ million and total equity of \$\_\_\_\_ million. During the year ended December 31, 2020, ACIC had net premiums written of \$\_\_\_\_ million. ACIC issues property and casualty insurance policies in 12 states and the District of Columbia.

### The Conversion

ACIC adopted the Plan of Conversion on February 3, 2021. The Conversion involves a series of transactions by which ACIC will convert from a mutual insurance company to a stock insurance company. Following the Conversion, ACIC will become a subsidiary of HoldCo.

As an integral part of the Conversion, HoldCo will offer for sale in a subscription rights offering between 2,260,000 and 3,060,000 shares of HoldCo's common stock ("Subscription Offering"). The Subscription Offering will be made in the following order of priority:

1. *First to "Eligible Members"* – "Eligible Members" are the named policyholders of ACIC who were insured under ACIC insurance policies that were in force on February 3, 2020.
2. *Second to the ESOP* – HoldCo will form an employee stock ownership plan (the "ESOP") for the benefit of its employees. The ESOP will purchase 9.9% of the total number of shares sold in the Offering. HoldCo will make a loan to the ESOP to fund the purchase of such shares.
3. *Third, to Trustees, Officers, and Employees* – The trustees, officers and employees of ACIC.

Subscriptions will be accepted by HoldCo in order of the priorities described above.

If any shares of Conversion Stock remain available for purchase after the Subscription Offering, any remaining shares will be offered to the general public (the "Public Offering"). HoldCo may accept subscriptions under the Subscription Offering and orders received under the Public Offering simultaneously. Payments received on stock orders that are not accepted will be refunded (without interest).

The purchase price for the Conversion Stock will be \$10.00 per share. All purchasers will pay the same price per share in the Offering.

The Conversion will permit policyholders of ACIC and the management and employees of ACIC to become equity owners of HoldCo and to share in its future. The Conversion also will provide additional capital that will enhance the ability of ACIC to expand its business.

Completion of the Conversion is subject to various conditions, including approval of the Conversion by the Eligible Members of ACIC, completion of the Offering, and receipt of all necessary regulatory approvals.

### **Transfers of Subscription Rights**

Eligible Members will be granted subscription rights in connection with the Conversion that will permit them to purchase shares of HoldCo common stock in the Offering (the “subscription rights”). An Eligible Member may not transfer such member’s subscription rights.

Each Eligible Member has a subscription right to purchase up to 100,000 shares in the Offering.

### **The Company’s Reasons for the Conversion**

The principal purpose of the Conversion is to convert ACIC from a mutual insurance company into a stock insurance company in order to enhance its strategic and financial flexibility and to provide the Eligible Members with the right to acquire an equity interest in HoldCo. The Company’s board of trustees believes that the Conversion is in the best interest of the Company because the additional capital resulting from the Conversion should: (i) support organic growth in direct written premiums; (ii) provide a more cost effective capital structure; and (iii) enable HoldCo to attract institutional investors and engage in strategic transactions advantageous to HoldCo and ACIC. In addition, the additional capital and holding company structure should enhance the Company’s ability to acquire other property and casualty insurance companies. The Company’s board of trustees further believes that the transaction is fair and equitable, is consistent with the purpose and intent of the Act and will not prejudice the interests of its members.

In its present structure as a mutual insurance company, ACIC can increase its statutory capital only through earnings generated by ACIC and its subsidiaries or the sale of surplus notes. Reliance on earnings to provide a long-term source of permanent capital, however, limits the Company’s ability to develop new business, offer new insurance products, make acquisitions, and provide greater stability and protection for ACIC’s policyholders.

### **Effects of the Conversion on Policyholders**

#### **In General**

Each policyholder of a mutual insurance company, such as ACIC, has certain interests in the insurance company, including the contractual right to insurance coverage and the right to vote when provided by the insurance company’s articles of incorporation or bylaws or as provided by law. Policyholders also may have the right to share in a liquidating distribution of the insurer’s net worth if the insurer were to voluntarily dissolve and liquidate its business and properties.

A policyholder must have an in-force insurance policy issued by the insurance company in order to be a member of that mutual insurance company. Except to the extent that a membership interest is deemed to have value in connection with the conversion of an insurance company from mutual to stock form, this interest as a member has no market value because it cannot be separated from the underlying policy and, in any event, is not transferable. A policyholder whose policy lapses or is cancelled, terminated or not renewed will lose his or her interest as a member. As of the completion of the Conversion, all membership interests in ACIC, except contract rights under policies of insurance, will terminate.

If the Plan of Conversion is not approved by the Eligible Members, or if the Conversion is not completed for any other reason, ACIC will continue to operate as a mutual insurance company. In that case, members will retain the rights described above.

#### **Continuity of Insurance Coverage and Business Operations**

ACIC’s conversion to stock form will not change the insurance protection or premiums under ACIC’s in-force insurance policies. During and after the Conversion, the normal business of issuing insurance policies and paying claims will continue without change or interruption. After the Conversion, ACIC will continue to provide insurance coverage and services to its policyholders under in-force policies.

Voting Rights

After the Conversion, the voting rights of all members of ACIC will cease. Policyholders will no longer have the right to vote on any matter involving ACIC. HoldCo will own all of the outstanding shares of ACIC capital stock and will elect the trustees of ACIC.

Voting rights in HoldCo will be held by the shareholders of HoldCo. Each holder of HoldCo common stock will be entitled to vote on any matter to be considered by HoldCo shareholders, subject to the terms of HoldCo's articles of incorporation and bylaws and to the provisions of Pennsylvania law.

Policyholder Dividends

All in-force insurance policies that "participate" or provide for the payment of policy dividends will continue unchanged and any right to the payment of any dividends under such policies will continue. Therefore, the Conversion will not cause any policyholder to lose dividend rights or expectancies that may have existed in the period when ACIC operated as a mutual insurance holding company.

Rights Upon Dissolution After Conversion

After the Conversion, policyholders will have no right to receive a pro rata distribution of any remaining surplus of ACIC upon its dissolution. Instead, this right will vest in HoldCo, as the sole shareholder of ACIC. In the event of a liquidation, dissolution or winding up of HoldCo, shareholders of HoldCo would be entitled to receive, after payment of all debts and liabilities of HoldCo, a pro rata portion of any liquidating distribution that is made of HoldCo's remaining assets.

**Determination of the Price per Share and the Number of Shares to be Offered**

The Act requires that, as part of the mutual-to-stock conversion of ACIC, Eligible Members must be offered the right to purchase stock of the converted company (or a holding company for the converted company, in this case, HoldCo). In such stock offering, the aggregate pro forma value of ACIC is determined by a qualified valuation expert engaged for this purpose. The value can be expressed as a valuation range. Boenning & Scattergood, Inc. ("Boenning"), which was engaged to serve as the independent valuation expert in the Conversion, prepared an appraisal report valuing ACIC (the "Appraisal Report"). In its report dated December 30, 2020, Boenning estimated that the appraised value of ACIC is between \$22,600,000 and \$30,060,000, with a midpoint value of \$26,600,000. Accordingly, under the Plan of Conversion, we will offer for sale up to 3,060,000 shares of HoldCo, based upon the underlying pro forma appraised value of ACIC.

The Conversion Stock will be sold at \$10.00 per share consistent with the typical offering price per share for many converting mutual companies.

If HoldCo is unable to sell at least 2,260,000 shares, then unless the Offering range is revised with the approval of the Insurance Department, the Conversion and Offering must be terminated, all subscriptions and orders cancelled and all funds returned.

Boenning's valuation is not a recommendation as to the advisability of purchasing shares of HoldCo. In preparing its Appraisal Report, Boenning did not independently verify the financial statements and other information provided by ACIC, nor did Boenning value independently the assets or liabilities of ACIC. The Appraisal Report considers ACIC as a going concern and should not be considered as an indication of the liquidation value of ACIC. Moreover, because such valuation is necessarily based upon estimates and projections of a number of matters, any of which are subject to change from time to time, no assurance can be given that persons purchasing common stock in the Conversion will thereafter be able to sell such shares at prices at or above the initial purchase price in the Conversion of \$10.00 per share.

### **Redemption of Subscription Rights**

For the purpose of determining the total redemption price that each eligible member would receive if the member did not purchase shares in the subscription offering, it is necessary to determine the value of the subscription right that each eligible member is granted under the Plan of Conversion. The Plan of Conversion provides that each eligible member is deemed to have received a number of subscription rights equal to the number of shares that would be issued at the midpoint of the offering range (2,660,000 shares) divided by the number of Eligible Members (1,590). Using that methodology, Boenning determined that each notional subscription right has a value of \$0.89. Therefore, each Eligible Member may elect to have such member's notional subscription rights redeemed by HoldCo for cash in an amount equal to \$1,489.87.

**If an Eligible Member does not purchase any shares of stock in the Offering, such member will be deemed to have elected to have all of such member's subscription rights redeemed.** An Eligible Member is not required to submit an election form to receive the redemption payment.

**If an Eligible Member purchases any shares of stock in the Offering, none of the subscription rights held by such member will be redeemed. If the subscription rights of an Eligible Member are redeemed by the Company, such Eligible Member will not be permitted to purchase shares of stock in the Offering.**

### **Limitations on Conversion Stock Purchases**

The Plan of Conversion includes the following limitations on the number of shares of Conversion Stock that may be purchased in the Conversion:

- No fewer than 50 shares or \$500 of Conversion Stock may be purchased, to the extent such shares are available;
- The maximum number of shares of stock subscribed for or purchased by an eligible member, together with associates of and groups of persons acting in concert with such persons, cannot exceed 100,000 shares;
- no person, together with such person's associates or a group acting in concert, may acquire, directly or indirectly more than 5% of the capital stock of the Company without the approval of the District of Columbia Commissioner of Insurance.

### **Restrictions on Transfer of Subscription Rights and Shares**

Subscription rights granted under the Plan of Conversion are not transferable. Accordingly, any person receiving subscription rights under the Plan of Conversion may not transfer or enter into any agreement or understanding to transfer the legal or beneficial ownership of those subscription rights or the shares of Conversion Stock to be issued upon their exercise. Subscription rights may be exercised only for the account of the person receiving those rights under the Plan of Conversion. A person subscribing to Conversion Stock by exercise of subscription rights received under the Plan of Conversion will be required to certify that he or she is purchasing the shares solely for his or her own account and also that there is no agreement or understanding with any other person regarding the sale or transfer of such shares.

Shares of HoldCo common stock purchased in the Offering will thereafter be freely transferable under the Securities Act of 1933, as amended ("1933 Act"); *provided, however* that shares issued to trustees and officers of ACIC will be restricted as to transfer for a period of one year from the effective date of the Conversion pursuant to the provisions of the Act (except for certain limited permitted transfers) and will be subject to additional transfer restrictions under Rule 144 of the 1933 Act.

**Tax Effects**

For a discussion of the material United States federal income tax consequences of the conversion to ACIC and to an Eligible Member of ACIC, see the section titled “Certain Federal Income Tax Considerations” in the accompanying Offering Circular.

**ACIC’s Articles of Incorporation and Bylaws**

The following is a summary of certain provisions of the Amended Articles of Incorporation and bylaws of ACIC, which will become effective upon the conversion of ACIC from a mutual insurance company to a stock insurance company.

ACIC’s amended and restated Articles of Incorporation will authorize ACIC to issue 100,000 shares of common stock. All of ACIC’s outstanding common stock will be owned by HoldCo. Accordingly, exclusive voting rights with respect to the affairs of ACIC after the Conversion will be vested in the board of directors of HoldCo.

As required by District of Columbia law, ACIC’s amended and restated Articles of Incorporation may be further amended only if such amendment is approved by the board of trustees of ACIC, and, if and to the extent required by law, approved by the Insurance Department and by HoldCo as ACIC’s sole shareholder. The bylaws may be amended by a majority vote of the board of trustees of ACIC or by the board of directors of HoldCo as ACIC’s sole shareholder.

**Termination of the Plan of Conversion**

The Plan of Conversion may be terminated at any time prior to the effective date of the Conversion by the board of trustees of ACIC.

**Interpretation and Amendment of the Plan of Conversion**

All interpretations of the Plan of Conversion by the board of trustees of ACIC and the board of directors of HoldCo will be final, conclusive and binding upon all persons. The Plan of Conversion may be amended by ACIC’s board of trustees at any time before it is approved by the Insurance Department.

**Adjournment**

In the event that there are not sufficient votes to constitute a quorum or to approve the proposal to approve the Plan of Conversion and/or the amended and restated articles of incorporation of the Company at the special meeting, the proposals could not be approved unless such meeting was adjourned or postponed to a later date or dates in order to permit further solicitation of proxies. In order to allow proxies that have been received by us at the time of the special meeting to be voted for adjournment or postponement, you are being asked to consider a proposal to approve the adjournment or postponement of the special meeting, if necessary or appropriate, including to permit further solicitation of proxies if necessary to obtain additional votes in favor of the proposals.

If there are sufficient votes to constitute a quorum and approve the proposal to approve and adopt the Plan of Conversion and the amended and restated articles of incorporation of the Company at the special meeting, the chairman of the special meeting may determine that no action will be taken on the proposal to adjourn.

\* \* \* \* \*

**RECOMMENDATION OF THE BOARD OF TRUSTEES**

**The board of trustees recommends that you vote “FOR” approval of the Plan of Conversion, “FOR” approval of the Amended and Restated Articles of Incorporation of ACIC, and “FOR” the adjournment of the special meeting, if necessary, to solicit additional proxies.**



**PLEASE NOTE:** A vote in favor of the Plan of Conversion does not mean that you must purchase conversion stock in the Offering, and a vote against the Plan of Conversion does not mean you may not purchase stock in the Offering. You may vote in favor of the Plan of Conversion and decide not to purchase stock in the Offering. You may also vote against the Plan of Conversion and decide to purchase stock in the conversion. If the Plan of Conversion is not approved by the Eligible Members, the Conversion will not be completed, and no stock will be sold.

**ADDITIONAL INFORMATION**

WE URGE YOU TO CONSIDER CAREFULLY THIS PROXY STATEMENT, INCLUDING PARTICULARLY THE OFFERING CIRCULAR THAT ACCOMPANIES THIS PROXY STATEMENT. WHETHER OR NOT YOU PLAN TO BE PRESENT IN PERSON AT THE SPECIAL MEETING, WE REQUEST THAT YOU FILL IN, DATE, SIGN AND RETURN THE ENCLOSED PROXY AS SOON AS POSSIBLE TO ASSURE THAT YOUR VOTE WILL BE COUNTED. IF YOU EXECUTE A PROXY BUT LATER DECIDE TO ATTEND THE SPECIAL MEETING IN PERSON, YOUR PROXY MAY BE REVOKED AND YOU MAY VOTE IN PERSON. YOUR PROXY SHOULD BE COMPLETED, SIGNED AND MAILED USING THE ENCLOSED ENVELOPE SO THAT IT IS RECEIVED ON OR BEFORE \_\_\_\_\_, 2021.

THIS PROXY STATEMENT IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE CONVERSION STOCK. SUCH OFFERS MAY BE MADE ONLY BY MEANS OF THE OFFERING CIRCULAR.

\_\_\_\_\_, 2021  
Chevy Chase, Maryland

**Exhibit X  
To  
Demutualization Application Filed with the  
Department of Insurance, Securities and  
Banking:**

***Notice to Post-Adoption Policyholders***

**See Attached**

**NOTICE TO POLICYHOLDERS OF  
AMALGAMATED CASUALTY INSURANCE COMPANY POLICIES ISSUED  
AFTER FEBRUARY 3, 2021  
  
REGARDING A PLAN OF DEMUTUALIZATION ADOPTED BY AMALGAMATED**

On February 3, 2021, the Board of Directors of Amalgamated Casualty Insurance Company (“Amalgamated”) adopted a plan of demutualization (the “Plan of Demutualization”) pursuant to which, if all approvals are obtained, Amalgamated will convert from mutual to stock form (the “Demutualization”).

**THE CONVERSION WILL NOT CAUSE ANY CHANGE  
IN YOUR INSURANCE COVERAGE UNDER YOUR POLICY OR YOUR PREMIUM.**

In accordance with § 31-910 of the District of Columbia Code of Laws, Amalgamated hereby notifies you of your right to cancel your policy within fifteen (15) days after receipt of this notice and (subject to the next paragraph) your right to receive a pro rata refund of unearned premiums. If you elect to cancel your policy, please provide a timely written notice to Amalgamated at Amalgamated Casualty Insurance Company, 8401 Connecticut Ave., Suite 300, Chevy Chase, MD 20815. Your policy will be cancelled and void as of the date your notice is received by Amalgamated and a pro rata refund of unearned premiums, if appropriate, will be sent to you.

**If you have already made or filed a claim under your current policy, you will not be entitled to any refund. In addition, if you exercise your right to cancel your policy, you will not be entitled to make or file any claim under your policy.**

A summary of the Plan of Demutualization is attached to this notice.

**THIS NOTICE APPLIES ONLY TO POLICIES ISSUED AFTER FEBRUARY 3, 2021, AND  
NOT TO POLICIES THAT WERE IN FORCE ON FEBRUARY 3, 2021. IN ADDITION THIS  
NOTICE DOES NOT APPLY TO ANY POLICIES ISSUED AFTER THE EFFECTIVE DATE  
OF THE PLAN OF DEMUTUALIZATION.**

**SUMMARY OF PLAN OF DEMUTUALIZATION  
AMALGAMATED CASUALTY INSURANCE COMPANY  
FOR NEW POLICYHOLDERS AFTER FEBRUARY 3, 2021**

**Background**

The board of trustees of Amalgamated Casualty Insurance Company (“ACIC” or the “Company”) adopted a Plan of Conversion on February 3, 2021 (the “Plan of Conversion”), pursuant to which ACIC will convert from mutual to stock form. “Eligible Members” are the persons who were named insureds under ACIC insurance policies that were in force on February 3, 2021. Eligible Members have rights to vote on the Plan of Conversion and receive subscription rights. Persons who become policyholders after February 3, 2021 do not have these rights, but have the rights described in the Notice (of which this Summary is a part).

**Overview of the Conversion**

ACIC currently exists and operates as a mutual insurance company. This means that ACIC has no shareholders. Instead, ACIC has members consisting of the policyholders who have insurance coverage with ACIC.

Under Chapter 9 of Title 31 of the District of Columbia Official Code, 31 D.C. 901 (the “Act”), a District of Columbia mutual insurance company, such as ACIC, can adopt a plan to convert from a mutual insurance company to a stock insurance company. Mutual insurance companies may decide to convert into stock companies for many different reasons. Mutual insurance companies have limited access to the capital markets. By converting to stock form, a mutual insurance company gains the ability to raise capital through sales of its stock. By raising additional capital, ACIC enhances its ability to pay claims made by its policyholders. Stock insurance companies also are better able to make strategic acquisitions of other insurance companies and to enter into strategic business combinations with other insurers and insurance holding companies. In addition, stock insurance companies can use stock incentive programs to help them attract and retain key management personnel.

The Company’s Plan of Conversion consists of the following steps:

ACIC will convert to a stock company. As part of the conversion, ACIC will issue all of its shares of capital stock to Amalgamated Specialty Group Holdings, Inc., a newly formed Pennsylvania corporation (“HoldCo”). ACIC policyholders who formerly were “members” of ACIC will no longer be members of ACIC. The insurance policies issued by ACIC will remain in full force and effect as insurance policies of ACIC. The Conversion will not change the price, benefits, renewability or any other feature, term or condition of a policyholder’s insurance coverage.

HoldCo will offer shares of its common stock (“Conversion Stock”) for sale in an offering described in greater detail below (hereinafter, the “Offering”). The common stock of HoldCo will be offered for sale pursuant to an Offering Statement and an Offering Circular filed with and qualified by the United States Securities and Exchange Commission. Immediately after completion of the Offering and the Conversion, ACIC will become a wholly-owned subsidiary of HoldCo. Therefore, HoldCo, through its board of directors, will be able to control who is elected to ACIC’s board of trustees.

Eligible Members will be granted rights to subscribe to purchase shares of common stock of HoldCo in the Offering. These subscription rights provide such members the opportunity to purchase shares before orders from any other purchasers may be accepted. If shares remain available for sale after the subscriptions of the Eligible Members are filled, such remaining shares will be sold to other purchasers. The Conversion Stock will be offered for sale at \$10.00 per share.

The Plan of Conversion is subject to approval by the District of Columbia Department of Insurance, Securities and Banking.