

**Interrogatories and Document Requests
to Amalgamated Casualty Insurance Company
dated August 3, 2021 regarding**

Application for Approval of a Plan of Conversion (Demutualization)

A. INSTRUCTIONS

1. Amalgamated is hereby directed to answer the following Interrogatories and provide the requested documents on or before August 12, 2021.

2. DISB is providing a copy of materials in its possession potentially responsive to certain Document Requests and, via Interrogatory No. 1, seeks the Applicant's agreement that the DISB's copy reflects a true, accurate and complete copy of the requested documents, and that each of the documents remains in effect as of the date of Applicant's authentication without any amendments or supplements. A list of these documents is attached hereto as Exhibit 1. Applicant may satisfy a Document Request by referring to any such authenticated document(s).

3. If any document called for by these Requests is withheld because Applicant claims that such document is protected under the attorney-client privilege, the work product doctrine, or other privilege recognized in the District of Columbia, you are requested to so state, identifying for each such document or other communication, its title, subject matter, sender, author, recipients of copies, each person to whom the original or any copy was circulated, the parties to the communication, the persons present during the communication, and the purpose and substance of the communication, the identity of the privilege being asserted, the basis upon which the privilege is claimed, and the document requests to which the document or communication is responsive.

4. These Requests are continuing in nature. To the extent additional information is later learned that bears on your responses to the Requests, please supplement your responses.

B. DEFINITIONS

The following terms shall be defined herein as follows:

1. "Applicant" or "Amalgamated" means Amalgamated Casualty Insurance Company.

2. "Application" means the Application for Approval of a Plan of Conversion filed by Amalgamated with the Department of Insurance, Securities, and Banking of the District of Columbia.

3. "ARM" means American Risk Management, Inc.

4. "Boenning" means Boenning & Scattergood, Inc.

5. "Demutualization Act" means Section 31-901, et seq. of the District of Columbia Official Code.

6. “DISB” means The Department of Insurance, Securities, and Banking of the District of Columbia.
7. “HoldCo” means Amalgamated Specialty Group Holdings, Inc.
8. “MCW” means MCW Holdings, Inc.
9. “Plan” means the Plan of Conversion Adopted by the Board of Trustees of Amalgamated on February 3, 2021.
10. “SEC” means the Securities and Exchange Commission of the United States.
11. “Valuation Appraisal Report” means the Pro Forma Valuation Appraisal Report of Amalgamated, as of December 30, 2020, prepared by Boenning.

Other capitalized terms used herein shall be as defined in the Application unless otherwise specified.

C. INTERROGATORIES

1. For each document provided by the DISB herewith and listed on Exhibit 1 hereto (each reflecting a document in the DISB’s possession potentially responsive to certain Document Requests below), please state the extent to which the Applicant agrees that the DISB’s copy reflects a true, accurate and complete copy of the document. Please also state the extent to which the listed and provided items reflect the most recent iteration of the subject document, and that they remain in effect without any amendments or supplements. To the extent they do not, please provide the current iteration of the document(s).

2. State when the Applicant commenced use of the General Proxies.

3. Did Applicant consider using a proxy solicitation firm to obtain the necessary policyholder proxies to constitute a quorum at the contemplated policyholder meeting to consider the Plan (as opposed to potential reliance on the General Proxies)? If not, why not? If so, why wasn’t such a proxy solicitation firm hired?

4. The pro forma midpoint value of \$26.6 million for Amalgamated as indicated in the Appraisal prepared by Boenning as of December 30, 2020 was based on Amalgamated’s financial data as of September 30, 2020 and market price data of the Guideline Group as of December 29, 2020. Amalgamated’s GAAP common equity increased from \$38.5 million at September 30, 2020 as reported in Boenning’s Appraisal to \$41.4 million as reported in the Company’s audited GAAP financial statements. The increase in common equity between these dates amounted to \$2.9 million or an increase of 7.6%. Given the notable improvement in equity, please respond to the following questions:

- a. What is the impact of the Amalgamated’s improved equity capital position on the pro forma midpoint value as determined by Boenning?

b. What is the amount of Amalgamated's GAAP common equity as of the most recently available date?

5. Provide a detailed explanation to support a midpoint valuation of \$26.6 million in the Appraisal given Amalgamated's GAAP equity of approximately \$41.4 million; and why the nearly \$15 million difference would not be considered prejudicial to Amalgamated's current policyholders, assuming Amalgamated's senior management acquires a controlling interest in Amalgamated's equity shares.

6. Since December 29, 2020, trading market prices of the Guideline Group companies have generally increased. Insurance industry stock indexes and broader stock market indexes have also advanced since December 29, 2020. In addition, the trading market prices of two companies included in the Guideline Group have been significantly affected by their respective acquisitions. The acquisition of Protective Insurance Corporation by Progressive Corporation was announced on February 16, 2021 and the transaction subsequently closed on June 1, 2021. The pending acquisition of State Auto Financial Corporation by Liberty Mutual Holding Company was announced on July 12, 2021. Boenning's Appraisal indicates that in considering the selection criteria for the Guideline Group, announced merger targets were to be excluded from the Guideline Group.

a. What is the impact of the announced merger activity on the composition of the Guideline Group?

b. Given the change in economic environment that has occurred during the passage of time, what is the impact to Amalgamated's pro forma valuation of any updated changes in the trading market prices and related market valuation ratios of the Guideline Group to a more current time period after December 29, 2020?

c. If there are any necessary changes to the composition of the Guideline Group, what are the resulting effects on the comparative adjustments summarized on page 60 of the Appraisal with respect to the revised Guideline Group and the approximate discount conclusion of 40% at the midpoint based on the price-to-book valuation metric?

7. Amalgamated's Plan of Conversion indicates that the Subscription Rights Value shall be determined by the Appraiser as of the same date as the Appraised Value and utilize the Black-Scholes option pricing model. The Black-Scholes option pricing model incorporates various input assumptions, including the risk-free rate, stock price volatility, and the amount of time until the option expires. The Plan of Conversion notes that the stock price volatility shall be determined based on the corresponding characteristics of the peer group (i.e., Guideline Group) and that the expiration term shall be assumed to equal 90 days for the sole purpose of determining the Subscription Rights Value. Boenning notes in the Appraisal that the Black-Scholes option pricing model was utilized in the demutualization transaction of Nodak Mutual Insurance Company (Nodak) to determine a similarly structured cash redemption price and that 90 days was also utilized as the expiration period in the Nodak transaction. In the Nodak demutualization, the redemption price for the subscription rights was determined by using the Black-Scholes option pricing methodology prescribed by the North Dakota property and casualty insurance company conversion law. Based on North Dakota law, the term of a subscription right is deemed to be a

minimum of 90 days for the sole purpose of determining the value of a subscription right utilizing the option pricing model.

- a. What was the basis for utilizing 90 days as the expiration period (versus an assumed longer period) in the Black-Scholes option pricing model to determine the Subscription Rights Value for Amalgamated?
- b. What other periods might be considered as reasonable proxies for determination of the option expiration period, such as estimated average holding period of the newly issued stock by subscribing policyholders, restricted period (one year) for sales of common stock by a director or officer, restricted period (three years) for purchases of common stock by directors or officers, or restricted period (five years) for significant purchases (more than 5%) of common stock?
- c. What alternative methods or payment considerations besides the Black-Scholes option pricing model were evaluated by Amalgamated in determining the Subscription Rights Value?
- d. What are the effects on the Subscription Rights Value of updating the Appraised Value to reflect more current financial and market data?

8. The Application for Approval of a Plan of Conversion submitted by Amalgamated indicates that the newly formed holding company will retain the net offering proceeds, which will be thereby used for future acquisitions, general corporate purposes, and to support Amalgamated's organic growth as needed. In light of these expectations:

- a. Describe in more detail what the Applicant anticipates being the allocation and use of the Proceeds? Specifically, how much of the total proceeds from the offering will be contributed to Amalgamated immediately following completion of the offering?
- b. What capital assessment needs criteria or thresholds will be utilized to determine any subsequent capital infusions into Amalgamated?
- c. What portion of the net offering proceeds will be allocated to maintain and support adequate operating capital levels of Amalgamated versus other corporate purposes?

9. The Plan of Conversion intends to grant Subscription Rights to trustees, officers, and employees of Amalgamated. The District of Columbia Insurance Demutualization law permits the optional granting of Subscription Rights to directors and officers. Please explain how the provision to grant Subscription Rights to employees is consistent with the relevant District of Columbia's statutes or how the offering is expected to be structured to allow the possible participation by employees to purchase common stock in the offering.

10. There is a limitation in the relevant District of Columbia statutes on the maximum aggregate percentage of common shares that may be purchased in an insurance company demutualization stock offering by directors and officers, which limitation is related to the asset size of the mutual company. Please summarize the total expected purchases in the stock offering

by directors and officers and indicate the arithmetic reconciliation of compliance with the applicable statutory limit.

11. In its pro forma analysis, Boenning assumed that 98% of the Subscription Rights issued to Eligible Members would be redeemed by the members for the Subscription Rights Value at \$0.89 per subscription right. This would render the demutualization to be essentially a cash-out of the Amalgamated members' current equity interests in Amalgamated at approximately 6% of Amalgamated's year-end 2020 statutory surplus as regards policyholders. The Boenning analysis does not provide an analysis of how that level of cash-out of Amalgamated's members' interests would not prejudice the interest of the members and is fair and equitable.

- a. What is the basis for the voluntary redemption election assumption of 98% participation?
- b. How does the \$0.89 per subscription right cash-out price compare to other cash-out demutualizations of similarly capitalized mutual insurers?
- c. What other alternative consideration to the members (if any) did the Board consider? For example, did the Board consider issuing to each member a number of HoldCo shares of substantially equivalent value at the \$10 per share subscription price (approximately 150 shares) in lieu of a cash payment?

12. The Appraisal indicates that Amalgamated's management currently has no intention to pay dividends to shareholders. Please clarify or confirm whether the holding company has any plans or intentions to commence regular cash dividends, pay special dividends, or make any other capital distributions to shareholders following completion of the offering?

13. Please indicate if there are any other stock incentive plans (in addition to the employee stock ownership plan, such as a stock option plan or a restricted stock award plan) that have been adopted or contemplated in conjunction with the stock offering? If so, please provide a summary of the general terms of such stock incentive plans and indicate the potential stock ownership dilution associated with such plans.

14. Will any director, officer, agent, or employee of the Applicant receive any fee, commission, or other valuable consideration, other than his or her usual regular salary and compensation, for in any manner aiding, promoting, or assisting in the Plan? If yes, please provide details.

15. Are any monies or other valuable considerations being paid or credited to anyone and/or any entity by Applicant in furtherance of the proposed Plan which are not specifically referenced in the Application? If yes, please describe in detail.

16. Identify all state and federal regulatory authorities (including the Internal Revenue Service and SEC) that the Applicant has made filings with, or intend to make filings with, in connection with the Plan.

- a. Identify each such filing and the status.
- b. Please confirm that these filings constitute all filings required to be made with state and federal regulatory authorities.

17. Please confirm that all corporate formalities associated with the adoption and implementation of the Plan have been or are scheduled to be satisfied by the Applicant in accordance with all applicable laws of the District of Columbia, Delaware, and Pennsylvania.

18. Please provide Applicant's expected timetable for the steps remaining in order to consummate the Plan.

19. Please explain in more detail Applicant's principal purpose for the Conversion at this point in time.

20. Please explain if or to what extent Applicant believes that the current state of the commercial automotive specialty transportation insurance market in the US presents an opportunity to extend Amalgamated's market position.

21. Please explain why HoldCo was incorporated in Pennsylvania as opposed to, for example, D.C., Delaware or Maryland.

22. Please explain why MCW and its shareholders are not included on the post-demutualization organizational chart set forth as Exhibit II to the Application. Please explain why Amalgamated's current subsidiaries are not included on the post-demutualization organizational chart set forth as Exhibit II.

23. Section 31-910 of the Demutualization Act provides that members whose policies are issued after the proposed plan has been adopted by the Board and before the effective date of the plan (a "Subsequent Policyholder") must be given notice of the plan of conversion and have the right to terminate their policies and receive a pro rata refund of any amounts paid for the policy. Section 16.02 of the Plan of Conversion and the form of Notice to Post-Adoption Policyholders provides that if a Subsequent Policyholder (or the estate of such Subsequent Policyholder, or any beneficiary under such policy) has made or filed a claim under their policy then they will not be entitled to any refund. Please provide the legal basis or other authority for denying Subsequent Policyholders a pro rata refund of unearned premiums in the event such policyholder has filed or made a claim under their policy.

24. Please provide an itemized breakdown for the expected \$2,440,000 cost/expenses for the Demutualization.

D. DOCUMENT REQUESTS

1. Provide copies of current Articles of Incorporation and Bylaws of Amalgamated.
2. Provide copies of the Applicant's Certificate of Authority from the District of Columbia.
3. Provide copies of the Applicant's most recent financial exam report.
4. Provide copies of the Applicant's most recent market conduct exam report.
5. Provide copies of any annual report to policyholders for the past five (5) years.
6. Provide copies of the minutes of the February 3, 2021 Board Meeting approving the Plan.
7. Provide copies of copies of all Form B and Form D filings for past five (5) years.
8. Provide copies of any Form A with respect to MCW/Patrick Bracewell's acquisition of control of Amalgamated, and any other Form A statements filed in respect to Applicant or any predecessor entity during the past ten years, together with any Orders or other dispositions by supervising insurance regulatory authorities.
9. Provide copies of the minutes of annual policyholder meetings for past seven (7) years.
10. Provide copies of the management, producer, and/or other agreement between Amalgamated and ARM that causes ARM to be the controlling producer of Amalgamated.
11. Provide copies of the General Proxies (or a standard form of such General Proxy whether such General Proxy is contained in the policy application, policy form, or otherwise).
12. Provide copies of the SEC Form 1-A (or current draft).
13. Provide copies of GAAP Audited Financials for year-end 2019 and 2020, and any 2021 quarterly (GAAP unaudited) financials for Amalgamated both on stand-alone basis and on a consolidated basis.
14. Provide copies of the actuarial report (detailed analysis) for year-end 2020 and 2019.
15. Provide updated business plan and pro-forma financials (3 years) for Amalgamated.
16. Provide the information required in Section 31-703(c) of the District of Columbia Official Code including the information required by the Form A Statement set forth at 26-A DCMR § App. 16-1 for:
 - a. Roumell Opportunistic Value Fund (the "Fund") (and James Roumell to the extent the Fund is controlled by James Roumell) in connection with the

combined proposed acquisition of HoldCo common stock by the Fund and Mr. Roumell as described in the Application;

- b. Patrick Bracewell, as a controlling person of MCW, in connection with the combined proposed acquisition of HoldCo common stock by MCW and Patrick Bracewell as described in the Application; and
- c. Joseph Bracewell, as a controlling person of MCW, in connection with the combined proposed acquisition of HoldCo common stock by MCW and Joseph Bracewell as described in the Application.

17. Provide the number and estimated percentage of HoldCo common stock to be acquired by Joseph Bracewell.

18. Provide the number and estimated percentage of HoldCo common stock to be acquired by Patrick Bracewell.

19. Provide the number of current employees of Amalgamated and the estimated number of Subscription Rights to be exercised by such employees.

20. Provide an updated/amended Valuation Appraisal Report that incorporates and addresses each of the matters identified above under Interrogatory Nos. 4-8, 11 and which is based on statutory financial statements audited by Johnson Lambert LLP for the year ended December 31, 2020 and audited GAAP financial statements for the year ended December 31, 2020, brought forward, on an unaudited basis, to June 30, 2021. Without limiting the generality of the foregoing, the updated/amended Valuation Appraisal Report should specifically take into account the improvement in Amalgamated's capital position, any other recent financial developments at Amalgamated, and any relevant changes in market conditions and the Guideline Group, and demonstrate that the cash-out of the Amalgamated members' interests would not be prejudicial to the members and would be fair and equitable to them.

21. Provide a copy of the comments by the SEC (including any declaration by the SEC that it has no further comments) on the offering statement Amalgamated filed on May 25, 2021 with the SEC, and Amalgamated's response thereto (once submitted, if such response is pending).

* * * *

Please have all persons providing answers to these Interrogatories execute a Verification in the form below. If a person provided an answer only to certain specific questions, such person may limit his or her Verification to specific questions identified in the Verification.

VERIFICATION

DISTRICT OF COLUMBIA: ss

_____ Name _____, _____ Title _____ of Amalgamated Casualty Insurance Company, being first duly cautioned and sworn upon his oath, deposes and states as follows: I have read the foregoing Answers to Interrogatories, know the contents thereof, and declare under penalty of perjury the same are true, accurate and complete. I further understand that my sworn answers to these Interrogatories will be introduced into and made a part of any administrative hearing before the Department of Insurance, Securities and Banking on the aforementioned Application for Approval of a Plan of Conversion filed by Amalgamated, and I will be available to testify at said hearing regarding my answers to these Interrogatories.

FURTHER AFFIANT SAYETH NOT.

(Name)

Subscribed and sworn to before me this _____ day of _____, 2021.

Notary Public

My Commission Expires:

**EXHIBIT 1 to Interrogatories and Document Requests
to Amalgamated Casualty Insurance Company
dated August 3, 2021 regarding**

Application for Approval of a Plan of Conversion (Demutualization)

Documents in DISB's Possession Provided Herewith

1. Certificate of Incorporation of Amalgamated Casualty Insurance Company
2. By-Laws of Amalgamated Casualty Insurance Company
3. Certificate of Authority from DC with Issued Date April 26, 2018
4. Report on Examination of Amalgamated Casualty Insurance Company as of December 31, 2018
5. Form B Filings by MCW on behalf of Amalgamated for (i) 2017 (dated April 6, 2018); (ii) 2018 (dated April 22, 2019); (iii) 2019 (dated April 28, 2020); and (iv) 2020 (dated April 28, 2021)
6. Form D Filings by MCW on behalf of Amalgamated for (i) 2017 (dated May 10, 2018 and dated July 3, 2018); and (ii) 2019 (dated March 18, 2020)
7. Form A Statement by MCW, dated August 5, 2011, with respect to its acquisition of control of Amalgamated, and related documents: (i) Letter by Patrick Bracewell to DISB, dated August 5, 2011; (ii) Letter by Patrick Bracewell to DISB, dated September 23, 2011 and exhibits thereto; and (iii) Purchase Agreement regarding ARM, dated July 27, 2011
8. Nonexclusive Agency Agreement effective October 1, 2011 (and amendments) and Cost Sharing Agreement effective October 1, 2011 (and amendments) between Amalgamated and ARM
9. SEC Form 1-A re Amalgamated Casualty Insurance Company
10. Independent Auditor's Report and Statutory Financial Statements by Burdette Smith & Bish LLC, for CPS for December 31, 2019 and 2018
11. Letter by Johnson Lambert LLP to DISB dated June 24, 2021 re Material Weakness re Amalgamated Casualty Insurance Company as of December 31, 2020