

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

**Application for Approval of a Plan of Conversion (Demutualization)**

**A. 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.

**B. 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).*

All documents listed on Exhibit 1 are the accurate and complete document, except to the extent that updated iterations are included herein.

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

To the best of our knowledge, the Applicant has used General Proxies to ensure that it satisfies the quorum requirements in its Bylaws since its founding in 1938.

*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?*

Counsel believes that use of general proxies to establish a quorum is appropriate and consistent with law. The Applicant does intend to use a proxy solicitation firm to solicit the Special Proxies described in the Application.

*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?*

As requested by DISB, an updated Valuation Report will be prepared. In that update, Boenning will discuss the factors that affect the pro forma midpoint value, which will include, among other things, the improved equity position of Amalgamated, the market price data of the Guideline Group, and the discounts applied by Boenning in the exercise of its professional judgment.

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

A GAAP balance sheet for the period ended June 30, 2021 will be available on or about August 15, 2021 and will be filed promptly by the Applicant.

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.*

The Demutualization Act requires an appraiser to assess the *pro forma market value* of the company. This value is not the same as GAAP book value and it is not uncommon for the fair market value appraisal to be less than GAAP book value. There are several public property and casualty companies that trade at less than GAAP book value that are included in Boenning's Guideline Group. Boenning, which has performed numerous appraisals in the past under similar statutory regimes, prepared the Valuation Appraisal Report under this standard. In addition, DISB retained Feldman Financial Advisors to peer review the Valuation Appraisal Report. Although we have not seen a copy of Feldman's report, we understand that it has been delivered. Assuming that this report corroborates Boenning's assessment, the Applicant believes that the appraisal complies with the Demutualization Act.

More fundamentally, the fact that the appraisal is less than GAAP book value is a benefit to policyholders who invest rather than prejudicial to them. As required by the Demutualization Act, policyholders are being given the first right to purchase the stock, and may purchase all the stock that is offered. Based upon the current Valuation Report, the price per share as a percentage of pro forma book value in the proposed offering is 51.6% at the midpoint. If the appraisal increases, the price per share as a percentage of pro forma book value also will increase. Clearly, from an investment standpoint, purchasing stock at 51.6% of pro forma book value is more attractive than purchasing at a higher percentage of book value. Therefore, the difference between the midpoint valuation and the GAAP book value does not prejudice policyholders who invest.

Furthermore, Amalgamated's senior management will own approximately 35% of the stock based upon current midpoint valuation, which is substantially less than voting control, but still a dominant voting block. An increase in the midpoint valuation would reduce this percentage, but senior management will still have a substantial voting position.

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?*

You have requested an updated appraisal, which will be prepared using unaudited June 30, 2021 GAAP financial data. Applicant estimates the updated Valuation Report will be delivered on or about September 15, 2021. Because of the pending acquisitions, Boenning has advised the Applicant that it will eliminate Protective and State Auto from the Guideline Group. Initially, this reduces the size of the Guideline Group from 12 to 10. Boenning will exercise its independent, professional judgment to determine whether to expand the size of the Guideline Group or provide an updated report based upon a Guideline Group of 10.

- 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?*

The effect of changes to the trading market prices of the Guideline Group will be reflected in updated Valuation Report.

- 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?*

Boenning will specifically address this interrogatory in its updated Valuation Report.

*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?*

Initially, Applicant notes that the Demutualization Act does not require the Plan of Conversion to include a feature permitting policyholders to redeem their subscription rights for cash. Applicant included this feature because, even though policyholders have the first right to purchase all the stock offered, the history of other similar transactions suggest that they do not; policyholder participation is comparatively low. Policyholders rarely purchase more than 10% of a demutualization offering and the typical percentage of shares purchased by policyholders is between 1% to 5%. In recognition of this fact, the Applicant wanted all policyholders to benefit from the demutualization either by affirmatively purchasing stock or by granting them the right to redeem their subscription rights for cash.

Economically, subscription rights are short-term options. They have a duration of approximately 30 days from the date of mailing of the offering materials to the closing of the offering. Under the Black-Scholes model, option duration is a major driver of option value. Therefore, the most appropriate duration input under the Black-Scholes model would be the actual option duration of 30 days. However, if a 30-day option were used, this would depress the value of the option from \$0.89 to approximately \$0.52 assuming the same Guideline Group volatility of 45.2% used by Boenning in its Valuation Report. If volatility, another key component of the model, declines, a 30 day option can have a very low value. Our understanding is that the North Dakota statute required a minimum duration of 90 days so that the price of the option would confer a more material benefit on policyholders. Nodak used 90 days in calculating the value of a subscription right in its 2017 transaction and each policyholder received approximately \$232. The inclusion of this feature in the Plan of Conversion by the Applicant is voluntary, consistent with the one available precedent (Nodak) and confers a benefit of \$1,489.87 on each policyholder who elects not to purchase shares in the offering. Therefore, Applicant believes that the choice of a 90-day duration input for the Black-Scholes model is appropriate.

- 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?*

As noted above, the most appropriate duration of the option exercise period is the actual duration of the option, which is approximately 30 days. That is because it

is the only period during which a policyholder can actually exercise the option. Use of any of the periods suggested in 7b. above are all tied to holding periods for the underlying stock once it has been acquired and is completely untethered from option duration concept required by the Black-Scholes model. The use of 90 days is admittedly artificial in order to confer additional value on policyholders, but it at least has the advantage of being a period reasonably close to the actual term of the option.

- c. *What alternative methods or payment considerations besides the Black-Scholes option pricing model were evaluated by Amalgamated in determining the Subscription Rights Value?*

The Applicant did not consider any other methods besides the Black-Scholes option pricing model. The one existing precedent is Nodak that is based on North Dakota law. The North Dakota statute specified use of the Black-Scholes model and this model is the most frequently used option pricing model. For example, consistent with applicable accounting literature, the vast majority of public companies use this model when determining the amount of compensation to record with respect to employee options. Furthermore, public companies use the Black-Scholes model when disclosing executive compensation in their SEC filings.

- d. *What are the effects on the Subscription Rights Value of updating the Appraised Value to reflect more current financial and market data?*

Boenning will update the Subscription Rights Value as part of its updated Valuation Report. The aggregate number of rights available to be redeemed is equal to the midpoint of the valuation range divided by the \$10 per share price. Therefore, to the extent the midpoint is increased, the number of rights available to be redeemed will increase. Applicant calls to the attention of the DISB that this may not result in an increase in the value conferred upon policyholders. A significant driver of option value derived by Boenning is the volatility of the Guideline Group, which was 45.2% for the six month period ended December 29, 2020. Updating the Subscription Rights Value will necessitate updating the volatility calculation. If volatility increases, the Subscription Rights Value may increase, but the converse is also possible. If volatility decreased, the Subscription Rights Value may decrease. Therefore, even if the number of rights available to be redeemed increases because the midpoint increases, the aggregate value conferred on policyholders could decrease if a decline in volatility results in a lower Subscription Rights Value.

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?*

Initially, HoldCo expects to contribute \$2 million in proceeds to Amalgamated. At March 31, 2021, Amalgamated had statutory surplus of \$39.3 million. For the years ended December 31, 2020 and 2019, Amalgamated had direct written premium of \$6.3 million and \$13.1 million, respectively. A ratio of direct written premium to statutory surplus of 1:1 is considered prudent. Clearly, Amalgamated has a ratio that is much higher. Therefore, there is not an immediate need for an additional capital injection of proceeds into Amalgamated. However, Amalgamated has ambitious plans to grow premium in the commercial auto market. This can be accomplished through organic growth or acquisition. To the extent that it is achieved through organic growth, HoldCo will inject additional capital into Amalgamated to support this growth. But to the extent that it is achieved through a cash acquisition by HoldCo, retaining funds at HoldCo is prudent. Therefore, retaining most of the net proceeds at the holding company level provides the maximum flexibility to management to implement its growth strategy.

- b. *What capital assessment needs criteria or thresholds will be utilized to determine any subsequent capital infusions into Amalgamated?*

See above. The traditional metric used is the ratio of direct premium written to statutory surplus and the Applicant would expect to follow this industry standard.

- 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?*

Applicant believes the responses to 8a. and 8b. adequately address this question.

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.*

Applicant acknowledges that the Demutualization Act provides the optional ability to grant subscription rights to directors and officers. Applicant included employees because it wants to give preference to employees who elect to

purchase over other purchasers in the public offering. It is not uncommon for converting entities to give preference in the public offering to favored groups (e.g., agents of the company). Therefore, Applicant could have placed employees in the public offering but explicitly disclosed that it intended to give preference to employees. Applicant submits that including employees in the directors and officers tier rather than including them in the public offering tier but explicitly stating that they will be given preference is functionally the same thing. Note, in all events, the subscription rights of directors, officers and employees are fully subordinated to the prior right of policyholders to purchase all the stock offered. Therefore, policyholders are not prejudiced by this provision.

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.*

The relevant statutory limitation on purchases by directors and officers in the subscription offering reads as follows:

The total number of shares that may be purchased by directors and officers in the subscription offering under subsection (a)(2) of this section may not exceed 85% of the total number of shares to be issued in the case of a mutual company with total assets of less than \$50 million, or 25% of the total shares to be issued in the case of a mutual company with total assets or more than \$500 million. For mutual companies with total assets between \$50 million and \$500 million, the total number of shares that may be purchased shall be interpolated.

Stated differently, this means that for every \$1 million increase in assets in excess of \$50 million, the percentage amount that can be purchased by directors and officers in the subscription offering is reduced from the 85% maximum by 0.133%. At December 31, 2020, Amalgamated had total assets of \$88.3 million. Therefore, Amalgamated had assets in excess of \$50 million of \$38.3 million. The reduction from 85% is then  $38.3 \times 0.133\% = 5.1\%$ . Therefore, directors and officers may purchase 79.9% of the subscription offering. Directors and officers propose to purchase 244,000 shares in the subscription offering, or approximately 10.8% at the minimum of the valuation range—far below the limit.

Although not covered by the relevant statutory provision, (i) the Roumell Opportunistic Value Fund, a mutual fund managed by a director, proposes to purchase 9.9% of the total shares, and (ii) Patrick Bracewell and Joseph Bracewell will beneficially own, through the receipt of convertible preferred stock in connection with the acquisition of ARM, 430,833 shares of common stock. Therefore, even if it were assumed that these holdings were covered by



the statutory limitation on purchases by directors and officers in the subscription offering, the total purchase by directors and officers would represent 41.8% at the minimum of the valuation range—again far below the 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.*

The Demutualization Act does not provide for a “cash-out” transaction; rather, the statute provides that each eligible member of a mutual insurance company shall receive, without payment, nontransferable subscription rights to purchase the capital stock of the converted company. Consistent with the provisions of the Demutualization Act, the Plan provides for a subscription offering in which the eligible members (i.e., policyholders) are offered an opportunity to acquire any and all of the common stock of HoldCo prior to the offering of any HoldCo shares to the directors and officers of Amalgamated, or to the general public.

Rather than stop there, which is all that the Demutualization Act requires, the Amalgamated Board observed that (a) the subscription rights themselves have some economic value greater than zero, and (b) the rate of participation by policyholders in demutualization transactions typically ranges between 1% and 5% (i.e., the vast majority of policyholders typically let their subscription rights expire without exercising them, thereby forfeiting whatever economic value the subscription rights may have had). Because most of Amalgamated's policyholders are small owner-operated businesses, the Amalgamated Board assumed that rate of participation by Amalgamated policyholders might be toward the lower end of what typically occurs in demutualization transactions. As noted in Item 7(a), policyholders rarely purchase more than 10% of a demutualization offering and the typical percentage of shares purchased by policyholders is between 1% to 5%.

In an effort to be more fair to its policyholders than the Demutualization Act requires, the Amalgamated Board decided to estimate the economic value of the subscription rights and, for those policyholders who – for whatever reason – elect not to participate in the purchase of HoldCo stock (or simply do not respond), to provide those eligible members with a cash payment in the amount of the economic value of their subscription rights, rather than just allowing the subscription rights to be expire and be forfeited. Consequently, the Amalgamated Board asked Boenning, in the context of preparing the Valuation Appraisal Report, to provide an estimate of the economic value of each eligible member's subscription rights.

The Black-Scholes model was developed in 1973 and is regarded in the financial world as one of the best ways of determining the fair price of options (a subscription right is technically an option). Boenning used the Black-Scholes model to estimate the economic value of the members' subscription rights and determined that the value of each right was \$0.89. Based on the per right value of \$0.89, as determined by Boenning, the aggregate value of such rights (i.e., the rights of all eligible members to purchase all of the HoldCo stock) was determined to be

approximately \$2.4 million (\$0.89 multiplied by number of shares that would be issued at the midpoint of the offering range, or 2,660,000 shares). As there are 1,589 eligible members, this amounts to \$1,489.87 per eligible member. The Plan contemplates that each eligible member who does not exercise his/her subscription rights will receive a cash payment in that amount upon the closing of the transaction.

On the belief that the Plan's approach treats the policyholders of a mutual company more fairly than the Demutualization Act requires, the Applicant suggests that the DISB consider a recommendation to the D.C. Council that this treatment of members' subscription rights be codified in the form of an amendment to the Demutualization Act.

- a. *What is the basis for the voluntary redemption election assumption of 98% participation?*

When Boenning performs its appraisal, it takes into account transaction expenses. For purposes of its analysis, any redemption of subscription rights is a transaction expense. Because the redemption rate cannot be known in advance, Boenning assumed a redemption rate of 98% solely for estimating the expense associated with the redemption of the rights. Policyholder participation rates in subscription offerings are typically between 1% and 5% of the offering. Therefore, the 98% assumption is reasonable. Decreasing the assumed redemption rate would reduce redemption expense and increase the midpoint value.

- b. *How does the \$0.89 per subscription right cash-out price compare to other cash-out demutualizations of similarly capitalized mutual insurers?*

The sole economic right of policyholders under the Demutualization Act is that they are granted the first right to purchase the stock of the converting entity through the exercise of subscription rights. This statutory method is called the subscription rights demutualization model that exists in a dozen jurisdictions, including the District of Columbia. A model used in some other jurisdictions requires a distribution to policyholders of surplus in the form of cash or stock. This model is called the distribution demutualization model, but it is rarely used.

The Plan of Conversion grants policyholders subscription rights and is therefore consistent with the Demutualization Act. However, the Applicant went further and voluntarily granted policyholders the right to redeem their rights for cash. In short, policyholders can buy the stock through the exercise of subscription rights as required by the Demutualization Act or they can receive cash in redemption of these rights. Nevertheless, the voluntary grant of this additional right to policyholders does not transform the proposed transaction from a subscription rights model to a distribution rights model. Therefore, Applicant believes that comparing this to a cash-out demutualizations that occur (albeit very rarely) under a completely different statutory scheme is inapposite and is a mischaracterization of what is occurring.

- 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?*

Receipt of the redemption price for subscription rights will be a taxable event to policyholders. While the Applicant could have granted policyholders the right to receive approximately 150 shares of stock, this would not be prudent. The stock will be very illiquid. Therefore, policyholders would recognize approximately \$1,500 in income upon the receipt of 150 shares, but receive no cash to pay the related tax. And because of the expected illiquidity of the security, they would have little ability to sell the shares for cash.

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?*

Except for the payment of cash dividends on the Series A Preferred Stock when due, HoldCo has no 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.*

The board of HoldCo adopted a stock compensation plan at its July 21, 2021 meeting. A copy of the plan is included with this response. A description of the plan is included at page 117 of Amendment No. 1 the Offering Circular filed on Form 1-A filed with the SEC on July 29, 2021.

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.*

No.

15. 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.

The only filings with regulatory authorities that are required are the Application and the offering circular on Form 1-A filed with the SEC. The offering circular was initially filed on May 25, 2021 and amended on July 29, 2021 in response to comments received from the SEC. A copy of the original filing on Form A-1 was previously filed with the DISB. A copy of the amendment to Form A-1 is filed herewith as is a copy of the SEC comment letter and the response letter thereto.

b. Please confirm that these filings constitute all filings required to be made with state and federal regulatory authorities.

All required filings are described in 15a and have been made.

16. 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.

All corporate formalities in connection with the adoption of the Plan have been satisfied by the adopting resolution of the board of Amalgamated filed herewith. The remaining corporate formality is policyholder approval of the Plan at a special meeting of members that will be scheduled on or near the last date of the offering.

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

<i>Demutualization Timeline</i>	
<i>August 12, 2021</i>	
<b>Item</b>	<b>Target Date</b>
Faegre Drinker Biddle & Reath LLP interrogatories to Amalgamated	08/03/21
Amalgamated responds to Faegre Drinker Biddle & Reath LLP interrogatories	08/12/21
Pre-hearing meeting (if needed)	09/15/21
Public hearing held to review Plan	09/22/21
DISB issues approval order	09/29/21
Offering circular "qualified" by SEC	10/01/21
Special meeting of policyholders and offering period ends	10/31/21
Transaction closing	11/07/21

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

Reference is made to the section of the Offering Circular entitled "The Conversion and the Offering—Background and Reasons for the Conversion" set forth on page 88 of the Offering Circular filed herewith. Reference is also made to the "Strategic Planning Work" section of the "Business Plan of Amalgamated Casualty Insurance Company" (Item 16 of Exhibit 1) for further detail.

19. *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.*

The U.S. commercial auto insurance market has been a challenging line of business historically, producing an underwriting profit in just 8 of the last 24 years. Within the commercial auto insurance market, the public auto segment (e.g., taxis and sedans), an area where the Applicant has historically focused, has faced challenges over the last 10 years due largely to the impact of competition from ride-sharing companies such as Uber and Lyft, which has led to a significant decline in the number of insurable vehicles. In addition, the public auto segment has been negatively impacted by the COVID-19 pandemic, which has disproportionately impacted the travel and leisure industries, leading to a further reduction in insurable vehicles. The Applicant spent considerable time in 2020 developing a business plan which builds upon its historical business and expands the Applicant's market position into additional segments of the commercial auto insurance market that it believes present a profitable growth opportunity, namely small business artisan contractors in certain states. In order to execute its plan, the Applicant has begun making considerable investments in its business, including hiring high-level personnel with considerable operating experience. In addition, the Applicant has begun making considerable investments in technology, brand and marketing, analytics, financial reporting, and other areas. Reference is also made to the "Business Plan Overview" section of the "Business Plan of Amalgamated Casualty Insurance Company" (Item 16 of Exhibit 1) for further detail.

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

The principal reason why Pennsylvania was chosen is that the Pennsylvania Business Corporation Law has a carefully constructed fiduciary duty regime that provides that directors owe their fiduciary duty to the corporation as a whole and not shareholders. This allows directors to consider the interests of all corporate constituencies in connection with its decisions, including specifically in connection with a change in control. Directors need not prioritize the economic interests of shareholders and may consider other interests such as the interests of employees, customers (e.g., policyholders) and the community served by the corporation. While other corporate statutes purport to permit the same, in states

where the fiduciary duty of directors is owed solely to shareholders, the practical effect of these provisions is marginal at best. The Applicant wanted the ability to consider all its corporate constituencies in connection with the evaluation of any board issue. In addition, the board believes that the corporation's reduced exposure to claims for breach of fiduciary duty may reduce the cost of directors and officers liability insurance.

21. *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.*

An amended organizational chart is filed herewith containing MCW and its shareholders and Amalgamated's subsidiaries.

22. *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.*

The Applicant concedes that the Demutualization Act does not explicitly provide that a policyholder that files a claim is not entitled to a return of premium. However, Applicant submits that it would be a patently unreasonable result to allow a policyholder to file a claim, receive payment for such claim, and then also receive a return of premium. The result would be the policyholder received free coverage. Accordingly, Applicant believes the cited provision of the Plan of Conversion is consistent with the intent of the statute.

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

The Applicant has provided an updated itemized estimate of total cost/expenses for the Demutualization below.

<b>Accounting and Auditing</b>		<b>Printing</b>	
Bezant Capital Advisers LLC (Consultant)	172,800	Computershare	50,000
BSB LLC	37,520	Donnelly Financial Solutions	250,000
Charter Lane Consulting, LLC	64,000	<b>Printing Total</b>	<b>300,000</b>
Johnson Lambert LLP	321,550	<b>Securities and Regulatory</b>	
Lisa Cosentino	14,662	FINRA	5,090
Snyder Cohn CPAs and Trusted Advisors	67,000	Stevens & Lee	354,665
<b>Accounting and Auditing Total</b>	<b>677,532</b>	<b>Securities and Regulatory Total</b>	<b>359,755</b>
<b>Commission</b>		<b>Valuation Services</b>	
Griffin Financial Group, LLC	1,237,500	Andersen Tax LLC	16,000
<b>Commission Total</b>	<b>1,237,500</b>	Boenning & Scattergood, Inc.	277,017
<b>Consulting</b>		Feldman Financial Advisors, Inc.	100,000
Faegre, Drinker, Biddle & Reath, LLP	75,000	Griffin Financial Group, LLC	75,000
<b>Consulting Total</b>	<b>75,000</b>	Joseph J. Blake and Associates, Inc.	14,800
<b>Insurance</b>		Midlantic Financial Services	2,250
Pinnacle Risk Services, Inc.	266,780	<b>Valuation Services Total</b>	<b>485,067</b>
<b>Insurance Total</b>	<b>266,780</b>	<b>Grand Total</b>	<b>3,423,019</b>
<b>Legal</b>			
Goldblatt Martin Pozen LLP	21,386		
<b>Legal Total</b>	<b>21,386</b>		

### C. **DOCUMENT REQUESTS**

1. *Provide copies of current Articles of Incorporation and Bylaws of Amalgamated.*

See Exhibits attached.

2. *Provide copies of the Applicant's Certificate of Authority from the District of Columbia.*

See Exhibits attached.

3. *Provide copies of the Applicant's most recent financial exam report.*

See Exhibits attached.

4. *Provide copies of the Applicant's most recent market conduct exam report.*

See Exhibits attached.

5. *Provide copies of any annual report to policyholders for the past five (5) years.*

Not Applicable.

6. *Provide copies of the minutes of the February 3, 2021 Board Meeting approving the Plan.*

See Exhibits attached.

7. *Provide copies of copies of all Form B and Form D filings for past five (5) years*

See Exhibits attached.

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.*

See Exhibits attached.

9. *Provide copies of the minutes of annual policyholder meetings for past seven (7) years.*

See Exhibits attached.

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.*

In its Report on Examination dated June 29, 2010, the DISB determined that Amalgamated and ARM operate as part of a holding company system and that ARM is the controlling producer of Amalgamated. The agency agreement and the cost-sharing agreement, which comprise all of the agreements between Amalgamated and ARM, including amendments thereto, are included in the Exhibits attached.

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).*

The form of General Proxy is included in the Exhibits attached. The General Proxy is delivered to policyholders after they have been approved for insurance coverage and is not made a part of the insurance application.

12. *Provide copies of the SEC Form 1-A (or current draft).*

See Exhibits attached.

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.*

See Exhibits attached.



14. *Provide copies of the actuarial report (detailed analysis) for year-end 2020 and 2019.*

See Exhibits attached.

15. *Provide updated business plan and pro-forma financials (3 years) for Amalgamated.*

See Exhibits attached.

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;*

As noted in the SEC Form 1-A, Roumell Opportunistic Value Fund (the "Fund") proposes to purchase shares in the public offering in an amount equal to 9.9% of total shares of HoldCo, which is less than the 10.0% "control" threshold. We submit that for this reason, the Fund does not meet the definition of a "control" party and is as a result not subject to the requirements described in Section 31-703(c) of the District of Columbia Official Code.

- 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*

MCW will be the only shareholder that will own greater than 10.0% of the total shares of HoldCo and, as such, does meet the definition of a "control" party and is as a result subject to the requirements described in Section 31-703(c) of the District of Columbia Official Code. We would note that MCW has already been deemed by DISB to be a "controlling person" of the Applicant by virtue of its acquisition of ARM in 2011, which was deemed to be an acquisition of "control" of the Applicant. The Form A Statement made by MCW, dated August 5, 2011, with respect to its acquisition of control of the Applicant, and related documents, are included in Item 7 of Exhibit 1. We submit that since MCW has already been deemed to "control" the Applicant, has been approved as a "controlling person" of the Applicant, and will remain the sole "controlling person" after the conversion, the transaction contemplated does not represent a change of control of the Applicant from its current position. Consistent with its historical practice, MCW will continue to make all required filings pursuant to holding company statutes and regulations.

- 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.*

Applicant believes the responses to 16.b adequately addresses this request.

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

See Exhibits attached.

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

See Exhibits attached.

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

Amalgamated currently has 23 employees. Other than for executive officers referenced on page 100 of the Offering Circular, Amalgamated does not have any information regarding the estimated number of subscription rights that will be exercised by employees. Counsel has recommended that in order to insure compliance with federal securities laws, employees should not be solicited prior to the SEC declaring the offering circular qualified.

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.*

As noted, Boenning will prepare and deliver an updated Valuation Report. First, Applicant restates its position that referring to the option redemption of rights by policyholders as a "cash-out" is not an accurate statement regarding this transaction. Under some statutory demutualization schemes that call for a distribution of surplus, policyholders are cashed-out or receive free stock. That is not the District of Columbia statutory model. The District of Columbia statutory model is a subscription rights model that gives policyholders the first right to purchase stock. Applicant enhanced this statutory scheme by voluntarily adding the redemption option, even though it is not required. Boenning's update will not make any assessment that the redemption of rights constitutes a cash-out that is not prejudicial to members and would be fair and equitable to them.

Furthermore, a finding that the Plan is not prejudicial and is fair and equitable is typically provided by the department's advisor. In this case, that is Feldman Financial Advisors.

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).*

See Exhibits attached.

\* \* \* \*

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**

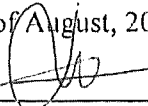
DISTRICT OF COLUMBIA:            ss

Patrick J. Bracewell, Chairman and Chief Executive Officer 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.

  
\_\_\_\_\_  
Patrick J. Bracewell

Subscribed and sworn to before me this 12<sup>th</sup> day of August, 2021.

  
\_\_\_\_\_  
Notary Public

My Commission Expires. This document has been virtually notarized by Kamila K Maciejewska on 8/12/2021 at 12.35pm.

Kamila Katarzyna Maciejewska  
Notary Public  
Montgomery County  
Maryland  
My Commission Expires 10/7/2024

**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 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. Comment Letter from Staff of SEC dated June 23, 2021, and HoldCo's response letter dated July 28, 2021.
11. Independent Auditor's Report and GAAP Financial Statements of Amalgamated Casualty Insurance Company by Johnson Lambert LLP for years ended December 31, 2020 and 2019
12. Letter by Johnson Lambert LLP to DISB dated June 24, 2021 re Material Weakness re Amalgamated Casualty Insurance Company as of December 31, 2020
13. Actuarial Reports for years ended December 31, 2019 and 2020
14. Copy of the Minutes of the Meeting of the Board of Directors of Amalgamated Casualty Insurance Company on February 3, 2021

15. Copy of the Standard Form of General Proxy of Amalgamated Casualty Insurance Company
16. Copy of Business Plan of Amalgamated Casualty Insurance Company
17. Stock Ownership Table.