



DAVE JONES
Insurance Commissioner

September 20, 2016

Michael Karfunkel 2005 Family Trust
c/o AmTrust Financial Services, Inc.
59 Maiden Lane, 43rd Floor
New York, New York 10038
Attn: Barry Zyskind

Re: Closing of Conservation Agreement Regarding
CastlePoint National Insurance Company ("CastlePoint")

Dear Mr. Zyskind:

As of the date hereof, we are closing the several transactions agreed to under that certain CastlePoint National Insurance Company Conservation Agreement ("Conservation Agreement"), dated July 28, 2016, between and among myself, solely in my capacity as the statutory conservator of and on behalf of CastlePoint National Insurance Company, AmTrust North America, Inc., National General Management Corp., Technology Insurance Company, Inc., Integon National Insurance Company, CastlePoint Reinsurance Company Ltd., and the Michael Karfunkel Family 2005 Trust, together with members of the Karfunkel family and Leah Karfunkel, in her capacity as trustee of the Karfunkel Family Trust. The Conservation Agreement was approved by the San Francisco Superior Court on September 13, 2016, in connection with the Court's Order Approving Plan of Conservation and Liquidation for CastlePoint National Insurance Company.

The purpose of this letter is to acknowledge, as of the closing date, the following facts:

- (a) Upon examination by staff at the California Department of Insurance it was concluded that the financial impairment of CastlePoint and the initiation of conservation was the result of adverse development on insurance business written by CastlePoint (together with the other insurance company members of the Tower Group that subsequently merged into CastlePoint) *prior* to the Tower Group's acquisition by ACP Re in September 2014;
- (b) ACP Re's, AmTrust's and National General's administration of the Tower Group insurers after Sept. 2014 have enabled my department to better

estimate CastlePoint's ultimate liabilities and to provide for an orderly run-off and eventual liquidation of CastlePoint;

- (c) The transactions under the Conservation Agreement are providing in the range of \$90 million to \$150 million of net new value to the CastlePoint estate for the benefit of its policyholders and creditors; and
- (d) The Conservation Agreement, including the Karfunkel Family's \$200 million infusion, was the result of voluntary, good faith negotiation among the parties.

I appreciate the participation and cooperation of you and the Karfunkel Family in the development and implementation of the Conservation Agreement.

Sincerely,



Dave Jones
California Insurance Commissioner