IN THE MATTER OF:

FORM A STATEMENT REGARDING THE ACQUISITION OF CONTROL OF MOUNTAIN VALLEY INDEMNITY COMPANY FILED BY NATIONAL GENERAL HOLDINGS CORP.

Docket No: Ins 14-011-AP

PROCEDURAL HISTORY

On April 10, 2014, National General Holdings Corp. (“NGHC” or the “Applicant”) submitted a Form A Statement, which has been subsequently been amended or supplemented. The Applicant seeks approval for the acquisition of control of Mountain Valley Indemnity Company (“MVIC” or the “Insurer”), a New Hampshire-domiciled insurance company. The Applicant seeks to acquire control by purchasing the Adirondack AIF, LLC (“AIF”), a New York-domiciled limited liability company, that is the attorney-in-fact of Adirondack Insurance Exchange (“ADIEX”), a New York-domiciled inter-insurance reciprocal exchange that owns all of MVIC’s stock. This acquisition is part of a larger transaction of Tower Group International, Ltd. (“TWGP”) by ACP Re Ltd. (“ACP”).

A public hearing on the proposed acquisition of control was held on September 12, 2014.

FINDINGS OF FACT

Pursuant to New Hampshire RSA 401-B:3, I have considered the Form A Statement and based on the testimony and exhibits at the hearing, I find and conclude as follows:

Proper notice was given of the hearing pursuant to RSA 401-B:3,VI(b).

MVIC is a New Hampshire-domiciled insurer and member of the Tower Group of insurance companies. MVIC’s home and main administrative offices are in New York. MVIC is 100% owned by ADIEX. MVIC pools its business with ADIEX, which has a 90% share of the reinsurance pool. MVIC wrote no direct business in 2013. Pursuant to contract, AIF is the attorney-in-fact of ADIEX and directs the management and operations of ADIEX as well as the management and operations of MVIC. AIF is a wholly-owned indirect subsidiary of TWGP.

TWGP is a Bermuda-based insurance holding company that owns, among other things, eleven United States-domiciled property and casualty insurance companies and AIF.

The Applicant, NGHC, is an insurance holding company that through its subsidiaries provides personal lines property and casualty and accident and health insurance in the United States and internationally. NGHC is related by common ownership with AmTrust Financial Services, Inc. (“AmTrust”) and ACP Re Ltd. (“ACP”). AmTrust is a publicly traded insurance holding company that through its subsidiaries provides commercial property and
casualty insurance in the United States and internationally. ACP is a Bermuda reinsurance company.

As set forth in the Form A and its exhibits, NGHC proposes to acquire control of MVIC as part of a larger series of transactions (the “Tower Transactions”) by which ACP has agreed to acquire TWGP. As part of the Tower Transactions, ACP will acquire TWGP through merger of an ACP subsidiary with and into TWGP pursuant to an Agreement of Plan of Merger. As a result of this merger, ACP will be the sole shareholder of merged TWGP. ACP will thus own AIF (which controls ADIEX, which owns MVIC). Pursuant to the Amended and Restated Personal Lines Stock Purchase Agreement, immediately upon closing of the merger, NGHC will acquire TWGP’s membership interests in AIF from ACP, and thus control over ADIEX and MVIC (which is owned by ADIEX).

In connection with the proposed Tower Transactions, Form A statements regarding the acquisition of control over various TWGP insurance companies have been filed by ACP, AmTrust or NGHC with the insurance departments of the eight states in which the TWGP insurance companies are domiciled (California, Florida, Illinois, Maine, Massachusetts, New Hampshire, New Jersey, and New York). Led by New York, the states involved have coordinated their regulatory reviews of the proposed acquisitions. The New Hampshire Insurance Department participated in this review. The New York review of the proposed acquisitions of control encompasses the acquisition of control of the New York-domiciled AIF and ADIEX by NGHC.

Earlier today, September 12, 2014, the New York Department of Financial Services approved the Tower transactions.

NGHC plans to use MVIC to write dwelling fire, homeowners and related coverages in New York pursuant to a “reduction plan” under which Tower Group insurers Tower Insurance Company of New York and CastlePoint Insurance Company will reallocate New York business to MVIC (the “Reduction Plan”). The New York Department of Financial Services has approved the Reduction Plan. NGHC projects that approximately 85% of its direct premium over the next three years will be in New York, with lesser amounts in Texas and Colorado and none in New Hampshire. MVIC will continue to pool its business with ADIEX.

MVIC has filed an application with the New York Department to transfer its corporate domicile from New Hampshire to New York. NGHC supports this application.

**CONCLUSIONS OF LAW**

The New Hampshire Holding Company Act, RSA 401-B:3, provides that I shall approve any merger or other acquisition of control unless, after a public hearing, I find that one or more of six conditions exist. RSA 401-B:3, VI(a). Those potential disqualifying conditions are set forth in RSA 401-B:3, VI(a)(1)-(6):
(1) After the change of control the domestic insurer . . . would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;

(2) The effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this state or tend to create a monopoly (referring to the information and standards of RSA 401-B:3-a);

(3) The financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer or prejudice the interest of its policyholders;

(4) The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders and not in the public interest;

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

(6) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.

None of the six conditions specified in RSA 401-B:3 are supported in the record. Based on the evidence presented I find that:

After the acquisition of control, MVIC will continue to be qualified to write the lines of insurance for which it is presently licensed.

The acquisition of control will not substantially lessen competition in insurance in the State of New Hampshire or tend to create a monopoly therein.

The financial condition of NGHC is not such as to jeopardize the financial stability of the Insurer or prejudice the interest of its policyholders or of any security holders who are not affiliated with the Applicant.

The Applicant has no plans to liquidate MVIC, or sell its assets or consolidate or merge it with any person, or to make any other material changes in MVIC’s business or corporate structure or management which are unfair or unreasonable to policyholders of the Insurer or not in the public interest.

The competence, experience, and integrity of those persons who would control the operation of the insurer are not such that it would not be in the interest of the policyholders or the public to permit the acquisition of control.
The acquisition of control is unlikely to be hazardous or prejudicial to the insurance buying public.

Further, the New York has the predominant regulatory role with respect to MVIC going forward. The New York Department has approved the Tower Transactions, which include acquisition of control of ADIEX and AIF by NGHC. The New York Department has also approved the Reduction Plan, under which MVIC will write business principally in New York. In the unusual circumstances here, where MVIC’s parent and the entity operating MVIC are regulated in New York, MVIC will be writing business principally in New York (and not in New Hampshire) under a plan approved by New York, and MVIC pools its business with its parent in New York, it is appropriate for MVIC to be domiciled in New York.

I conclude, therefore, that the application to acquire control of MVIC should be approved, subject to NGHC and MVIC using commercially reasonable efforts to promptly completing the redomestication of MVIC to New York.

ORDER

Accordingly, it is hereby ORDERED that the acquisition of control of MVIC by NGHC is APPROVED subject to the conditions that (1) prior to the closing of the Transaction NGHC shall file with the New Hampshire Insurance Department a certificate certifying that NGHC shall use commercially reasonable efforts and shall cause MVIC to use commercially reasonable efforts to obtain all necessary approvals to promptly effect the redomestication of MVIC from New Hampshire to New York, and (2) NGHC shall provide the New Hampshire Insurance Department with written confirmation of the closing of the transactions contemplated by the Form A Statement.

SO ORDERED,

Roger Sevigny, Commissioner

Dated: September 12, 2014