ProBuilders Specialty Insurance Company
Proposed Share Redemption/Repurchase Plan and Merger with National Home Insurance Company (A Risk Retention Group)

Summary

This plan will release 100% of the surplus of ProBuilders Specialty Insurance Company, RRG, A Risk Retention Group ("PBSIC") to its shareholders based on the Adjusted Book Value "ABV" at the time of redemption by redeeming all issued and outstanding shares of PBSIC.[1] The redemption of PBSIC shares under this plan will be in full and final satisfaction of all claims of the PBSIC shareholders against PBSIC other than any valid claim under a policy of insurance issued by PBSIC.

Concurrent with the release of PBSIC's surplus, PBSIC will be merged with National Home Insurance Company (A Risk Retention Group) ("NHIC"), with PBSIC as the surviving entity, and then converted into a pure or other non-risk retention group captive. Subsequent to these events, the existing Management Agreement between PBSIC and Residential Loss Control Holdings LLC ("RLCH") will be novated to Catalina US Insurance Services LLC ("CUSIS"). CUSIS will then manage the completion of the runoff of the surviving entity.

Background

PBSIC is owned by its shareholders. RLCH does not have any ownership in PBSIC but manages PBSIC under a Management Agreement.

On April 8, 2009, PBSIC's primary regulator, the District of Columbia Department of Insurance, Securities and Banking ("DISB"), directed PBSIC to suspend the redemption of shares of company stock. During late 2012, DC informed PBSIC that it would not authorize redemptions at that time but would review the suspension on a periodic basis as claims further developed during runoff. On January 31, 2023, DISB approved the plan for redemption of the PBSIC shares described in this document.

NHIC is a Colorado-domiciled risk retention group which was placed into runoff in August 2010. NHIC is wholly owned by Home Construction Management, Inc. ("HCM), which is a wholly-owned subsidiary of RLCH. NHIC's remaining liabilities will be 100% reinsured prior to the merger, and therefore the merger will have no material effect on the financial condition of PBSIC.

ProBuilders Share Redemption/Repurchase Plan

PBSIC's surplus as of June 30, 2023 was $10,740,418. Our proposal is to redeem 100% of Adjusted Book Value to shareholders based on the shareholder redemption liability ("SRL") established by the Company in 2011. With an estimated Adjusted Book Value of $10,967,718, the returned value is approximately 44.898% of the SRL as described below.

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[1] We use the terms "redeem" and "redemption" in this plan to mean the exchange of PBSIC shares for a cash payment as described in this document. Some PBSIC Subscription and Shareholder Agreements refer to the "repurchase" of shares, which is in all material respects the same thing.

Surplus at June 30, 2023		$	10,740,418
Surplus adjustments			
Final runoff expenses	(375,000)		
Contingent commission	602,300		
Total surplus adjustments			227,300
Adjusted Book Value or Adjusted Surplus		$	10,967,718

The June 30, 2023 surplus is adjusted for:

- **Contingent Commission** of $602,300 due from CatGen (arising from a novation with Markel). Settlement is not due until claims are closed from the July 1, 2006 through June 30, 2007 policies.
- **Final Runoff Expenses** of approximately $375,000. This amount is anticipated to cover the administrative expense of distributing the shareholder redemptions in 2023 and continuing the runoff for two more years.

The redemption of PBSIC shares will be in full and final satisfaction of all claims of the PBSIC shareholders against PBSIC other than any valid claim under a policy of insurance issued by PBSIC.

Following the redemption of PBSIC shares, the existing Management Agreement between PBSIC and RLCH will be novated to CUSIS and the fee reduced to reflect the new corporate structure. A maximum fee will be established based on the initial expense estimate.

Retaining a $375,000 expense reserve is based on an anticipated expense of $125,000 per annum over the next three years to cover the cost of administering the runoff. This is 37.5% less than the current $200,000 per annum fee paid to RLCH under the Management Agreement to manage PBSIC. Since the initial administrative costs for redeeming the PBSIC shares will be absorbed in 2023, the residual fee for future years is anticipated to be below $125,000 per annum.

MERGER WITH NHIC

Concurrent with the PBSIC shareholder redemptions, NHIC will be merged into PBSIC. Since all PBSIC shareholders will be redeemed and HCM is the sole shareholder of NHIC, HCM will become the sole remaining shareholder of PBSIC.

NHIC's remaining liabilities will be 100% reinsured by CatGen prior to the merger. The final NHIC warranties will expire in August 2025. Surplus (approximately $350,000) will be transferred during the merger to cover NHIC's portion of ongoing runoff expenses.

The liabilities for the surviving entity will be 100% reinsured by CatGen (secured by the Trust currently in place) and Toa Re (a 10% reinsurer of NHIC).

Runoff of the surviving entity will be managed by CUSIS. The transaction will release funds to PBSIC's shareholders and eliminate any further potential surplus erosion due to administrative expenses.