

**PROPOSED RESOLUTION
FOR ADOPTION BY THE SHAREHOLDERS OF
PROBUILDERS SPECIALTY INSURANCE COMPANY, RRG, A RISK RETENTION GROUP**

[●], 2023

The following resolutions are proposed for adoption by the shareholders (the “**Shareholders**”) of ProBuilders Specialty Insurance Company, RRG, A Risk Retention Group (the “**Company**”) at the Annual Meeting of the Shareholders to be held September 21, 2023:

WHEREAS, it is proposed that the Company shall redeem or repurchase all of the issued and outstanding shares of the Company in accordance with the plan attached hereto as **Exhibit A** (the “**Share Redemption/Repurchase Plan**”); and

WHEREAS, it is proposed that the Company enter into an Agreement and Plan of Merger in substantially the form attached hereto as **Exhibit B** (the “**Plan of Merger**”) with National Home Insurance Company (A Risk Retention Group) (“**NHIC**”), pursuant to which, concurrent with the execution of the Share Redemption/Repurchase Plan, NHIC will merge with and into the Company, with the Company continuing as the surviving corporation (the “**Merger**”); and

WHEREAS, the Board of Directors of the Company has approved and adopted the terms of the Share Redemption/Repurchase Plan and the Plan of Merger and has resolved that the Share Redemption/Repurchase Plan, Plan of Merger and Merger are fair, advisable and in the best interests of the Company and its Shareholder; and

WHEREAS, the Board of Directors of the Company has recommended that the Shareholders approve the Share Redemption/Repurchase Plan, Plan of Merger and Merger;

NOW, THEREFORE, BE IT:

RESOLVED, that the Shareholders do hereby consent to and ratify the Share Redemption/Repurchase Plan;

RESOLVED, that the Shareholders do hereby consent to and ratify the Plan of Merger; and do hereby consent to and ratify the execution, delivery, and performance of the Plan of Merger; and do hereby consent to the Merger.

Exhibit A

Share Redemption/Repurchase Plan

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.

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		\$	<u>10,967,718</u>

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.

Exhibit B

Agreement and Plan of Merger

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this “**Agreement**”) is made effective _____ by and between National Home Insurance Company (A Risk Retention Group) (“**NHIC**”), a risk retention group domiciled in the state of Colorado, and ProBuilders Specialty Insurance Company, RRG, A Risk Retention Group (“**PBSIC**”), a risk retention group domiciled in the District of Columbia. The parties are referred to singularly as “**Party**” and jointly as “**Parties**.”

RECITALS

WHEREAS, the Parties intend NHIC to be merged with and into PBSIC (the “**Merger**”) so that the separate existence of NHIC will cease and PBSIC will be the surviving company (the “**Surviving Company**”); and

WHEREAS, the Parties intend for the merger to be carried out in accordance with the provisions of the District of Columbia Code (“**DC Code**”) and the Colorado Revised Statutes (“**Colorado Statutes**”);

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

TERMS AND CONDITIONS

1) Name of the Surviving Company

The Surviving Company shall continue and be named ProBuilders Specialty Insurance Company, RRG, A Risk Retention Group.

2) Merger

a) Effect of Merger on the Surviving Company. PBSIC’s Articles of Incorporation and Bylaws in effect immediately before the Closing Date will be the Articles of Incorporation and Bylaws of the Surviving Company. As of the Closing Date, the Surviving Company will possess all the rights, privileges, and immunities of each of the Parties, all assets belonging to NHIC will be transferred to and vested in the Surviving Company without further act or deed, and the Surviving Company will be responsible for all liabilities of each of the Parties.

b) Board of Directors of the Surviving Company. The members of the Board of Directors of the Surviving Company will be the following persons:

Hugh McCreery
Luann Petrellis

c) Effect of Merger on Share Capital. Each share of NHIC Class A and Class B common stock issued and outstanding immediately prior to the Closing Date (“**NHIC Shares**”) shall be converted to 0.237702 shares of PBSIC common stock, with rounding of any fractional shares to the nearest whole share.

d) Further Assurances. From time to time up to and including the Closing Date, the officers of NHIC will execute and deliver such deeds and other instruments and will cause to be taken such further

actions as will reasonably be necessary in order to vest or perfect in the Surviving Company title to and possession of all the property, interests, assets, rights, and privileges of NHIC.

- e) Closing. Subject to the satisfaction of the conditions herein, and the approval of the District of Columbia Department of Insurance, Securities and Banking (“*DISB*”) and Colorado Division of Insurance (“*CDI*”), the closing of the transactions contemplated in this Agreement will occur on December 1, 2023, or at another time mutually agreed to by the Parties and approved by DISB and CDI (“*Closing*”), it being the parties intent that the Closing shall be concurrent with execution of the Share Redemption/Repurchase Plan approved by PBSIC’s board of directors and shareholders. At Closing, and pursuant to the DC Code and Colorado Statutes, the Parties will submit the required Articles of Merger to DISB for approval effective as of the closing date (“*Closing Date*”) and file a Statement of Merger with the Colorado Secretary of State.
- f) Tax-Free Intent. The Parties intend that the transactions contemplated in this Agreement be treated as a tax-free event under Section 368(a)(1)(A) of the Internal Revenue Code and/or Section 351 of the Internal Revenue Code. The Parties will not take a position on any tax return or before any taxing authority that is inconsistent with this paragraph unless otherwise required by final and binding determination or resolution of a governmental body with appropriate jurisdiction, and each Party agrees to promptly notify the other Party of any assertion by a taxing authority of a position that is inconsistent with this paragraph.

3) Representations and Warranties of NHIC

Except for the express representations and warranties in this Agreement, NHIC expressly excludes all other warranties with respect to the transaction. NHIC represents and warrants as follows:

- a) NHIC is a company duly organized, validly existing, and in good standing under the laws of the state of Colorado.
- b) This Agreement is binding upon and enforceable against NHIC in accordance with its terms, except as such enforceability may be limited by any bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect relating to creditors’ rights and except as may be limited by principles of equity.
- c) There is no litigation or other judicial, or administrative proceedings pending or, to the knowledge of NHIC that would have a material adverse effect on the ability of NHIC to consummate the Merger and this Agreement.
- d) NHIC has obtained such consents and other approvals necessary to authorize NHIC to enter into this Agreement and close the Merger contemplated by this Agreement.
- e) The execution, delivery, or performance of this Agreement will not:
 - i) violate any law, judgment, or order to which NHIC is subject, or
 - ii) breach any agreement to which NHIC is bound.
- f) The NHIC Shares are free and clear of any and all liens, claims and encumbrances.
- g) The NHIC Shares represent one hundred percent (100%) of the issued and outstanding shares of NHIC.

- h) NHIC has made available and delivered to PBSIC all information, statements and records of NHIC, including without limitation financing statements, shareholder records, regulatory filings, and corporate documents, requested by PBSIC, and that the information, statements, and records are not misleading, were prepared in good faith, and fairly presented the current operational and financial condition of NHIC.
- i) No representation, warranty, or statement made by NHIC in this Agreement contains or will contain any untrue statement or will omit any fact necessary to make the statements contained herein misleading.

4) Representations and Warranties of PBSIC

Except for the express representations and warranties in this Agreement, PBSIC expressly excludes all other warranties with respect to the transaction. PBSIC represents and warrants as follows:

- a) PBSIC is a company duly organized, validly existing, and in good standing under the laws of the District of Columbia.
- b) This Agreement is binding upon and enforceable against PBSIC in accordance with its terms, except as such enforceability may be limited by any bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect relating to creditors' rights and except as may be limited by principles of equity.
- c) There is no litigation or other judicial, administrative, or quasi-judicial proceedings pending or, to the knowledge of PBSIC that would have a material adverse effect on the ability of PBSIC to consummate the Merger and this Agreement.
- d) PBSIC has obtained such consents and other approvals necessary to authorize PBSIC to enter into this Agreement and closing the Merger contemplated by this Agreement.
- e) The execution, delivery, or performance of this Agreement will not:
 - i) violate any law, judgment, or order to which PBSIC is subject, or
 - ii) breach any agreement to which PBSIC is bound.
- f) PBSIC has made available and delivered to NHIC all information, statements, and records of PBSIC, including without limitation financing statements, shareholder records, corporate documents, regulatory filings, and business prospects, requested by NHIC, and that the information, statements, and records are not misleading, or prepared in good faith, and fairly present the current operational and financial condition of PBSIC.
- g) No representation, warranty, or statement made by PBSIC in this Agreement contains or will contain any untrue statement or will omit any fact necessary to make the statements contained herein misleading. PBSIC has disclosed to NHIC all facts that are material to the financial condition, operation, status, or prospects of PBSIC.

5) Conditions

The obligations of either Party to effect the Merger is subject to the satisfaction or waiver of each of the following conditions:

- a) The representations, warranties, and covenants made by each Party in Paragraph 4 above are true and correct as of the Closing Date;
- b) There is no material adverse change in the business or financial condition of NHIC from the date of this Agreement through the Closing Date;
- c) This Agreement is approved by the board of directors and shareholders of PBSIC entitled to vote on the matter in accordance with the law of the District of Columbia and PBSIC's constitutional documents;
- d) This Agreement is approved by the board of directors and shareholders of NHIC entitled to vote on the matter in accordance with the law of the District of Columbia and NHIC's constitutional documents.

6) Termination

- a) Failure to Obtain Shareholder Approval. This Agreement will automatically terminate in the event that it is brought to a vote and not adopted by either (i) the board of directors or shareholders of NHIC entitled to vote on the matter, or (ii) the board of directors or shareholders of PBSIC entitled to vote on the matter.
- b) Failure to Obtain Regulatory Approval. This Agreement will automatically terminate in the event that any requisite regulatory approval and or acknowledgement is not obtained prior to or on the Closing Date.
- c) Other Termination. This Agreement may be terminated and the merger abandoned at any time before the Closing Date: (i) by mutual written agreement of the Parties; (ii) by either Party if any condition provided in this Agreement has not been satisfied or waived on or before the Closing Date; or (iii) by either Party if there has been a material breach of this Agreement by the other Party.
- d) Effect of Termination. Upon termination, this Agreement will become wholly void and have no effect, without liability or obligation on the part of either Party.

7) Miscellaneous Provisions

- a) Waivers. No waiver will be binding unless it is in writing and signed by the Party making the waiver. A Party's waiver will not be a waiver of any other provision or a waiver of a subsequent breach of the same provision.
- b) Amendment. This Agreement may be amended at any time before the Closing Date with the written approval of the Parties.
- c) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the District of Columbia, exclusive of any principles that would cause the laws of another jurisdiction to apply.

- d) Arbitration. Any controversy or claim arising out of this Agreement will be settled by arbitration before a single arbitrator in the District of Columbia. If the parties agree on the arbitrator, the arbitration will be held before the arbitrator selected by the Parties. If the Parties do not agree on an arbitrator, each Party will designate an arbitrator and the arbitration will be held before a third arbitrator selected by the designated arbitrators. Each arbitrator will be an attorney knowledgeable in the area of law governing the business of insurance. The resolution of any controversy or claim as determined by the arbitrator will be binding on the Parties. A Party may seek from a court in order to compel arbitration, or any other interim relief or provisional remedies pending an arbitrator's resolution of any controversy or claim. Any such action or proceeding will be litigated in courts located in the District of Columbia.
- e) Binding Effect. Except as provided otherwise herein, this Agreement shall be binding upon and shall inure to the benefits of the Parties and their respective legal representatives, successors and permitted assigns.
- f) Severability. If a provision of this Agreement is determined to be unenforceable in any respect, the enforceability of the provision in any other respect and of the remaining provisions of this Agreement will not be impaired.
- g) Headlines. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning of this Agreement.
- h) Expenses. All fees and expenses incurred by each Party in connection with this Agreement and the transaction contemplated by this Agreement shall be borne by that Party.
- i) Survival. All provisions of this Agreement that would reasonably be expected to survive the termination of this Agreement will do so.
- j) Entire Agreement. This Agreement constitutes the entire agreement between the Parties and supersedes any prior agreement or understanding among the Parties concerning its subject matter.
- k) Assignment. This Agreement may not be transferred, assigned, pledged or hypothecated by either Party without the prior written consent of the other.
- l) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which shall constitute one agreement. Furthermore, this Agreement may be executed by a party's signature transmitted by facsimile or by electronic mail, and copies of this Agreement executed and delivered by means of faxed or electronic mail shall have the same force and effect as copies hereof executed and delivered with original signatures. All Parties hereto may rely upon faxed or electronic mail as if such signatures were originals.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first written above.

NATIONAL HOME INSURANCE COMPANY (A RISK RETENTION GROUP)

Name:
Title:

PROBUILDERS SPECIALTY INSURANCE COMPANY, RRG, A RISK RETENTION GROUP

Name:
Title: