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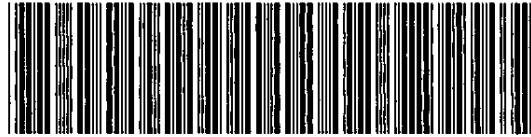
(Business Entity Name)

(Document Number)

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*Merger*

*1/14/13*

*De*

**COVER LETTER**

**TO:** Amendment Section  
Division of Corporations

**SUBJECT:** Clarendon National Insurance Company  
Name of Surviving Corporation

The enclosed Articles of Merger and fee are submitted for filing.

Please return all correspondence concerning this matter to following:

Nadja Stavenhagen

Contact Person

Clarendon National Insurance Company

Firm/Company

411 5th Avenue 5th Floor

Address

New York, New York 10016

City/State and Zip Code

nadja.stavenhagen@enstargroup.com

E-mail address: (to be used for future annual report notification)

For further information concerning this matter, please call:

Nadja Stavenhagen

Name of Contact Person

At ( 212 )

7909845

Area Code & Daytime Telephone Number



Certified copy (optional) \$8.75 (Please send an additional copy of your document if a certified copy is requested)

**STREET ADDRESS:**

Amendment Section  
Division of Corporations  
Clifton Building  
2661 Executive Center Circle  
Tallahassee, Florida 32301

**MAILING ADDRESS:**

Amendment Section  
Division of Corporations  
P.O. Box 6327  
Tallahassee, Florida 32314

**ARTICLES OF MERGER**  
**(Profit Corporations)**

The following articles of merger are submitted in accordance with the Florida Business Corporation Act, pursuant to section 607.1105, Florida Statutes.

**First:** The name and jurisdiction of the **surviving** corporation:

<u>Name</u>	<u>Jurisdiction</u>	<u>Document Number</u> (If known/ applicable)
Clarendon National Insurance Company	New Jersey	

**Second:** The name and jurisdiction of each **merging** corporation:

<u>Name</u>	<u>Jurisdiction</u>	<u>Document Number</u> (If known/ applicable)
Clarendon Select Insurance Company	Florida	

**Third:** The Plan of Merger is attached.

**Fourth:** The merger shall become effective on the date the Articles of Merger are filed with the Florida Department of State.

**OR**     /     /     (Enter a specific date. NOTE: An effective date cannot be prior to the date of filing or more than 90 days after merger file date.)

**Fifth:** Adoption of Merger by **surviving** corporation - (COMPLETE ONLY ONE STATEMENT)

The Plan of Merger was adopted by the shareholders of the surviving corporation on 12/05/2012.

The Plan of Merger was adopted by the board of directors of the surviving corporation on \_\_\_\_\_ and shareholder approval was not required.

**Sixth:** Adoption of Merger by **merging** corporation(s) (COMPLETE ONLY ONE STATEMENT)

The Plan of Merger was adopted by the shareholders of the merging corporation(s) on 12/05/2012.

The Plan of Merger was adopted by the board of directors of the merging corporation(s) on \_\_\_\_\_ and shareholder approval was not required.

(Attach additional sheets if necessary)

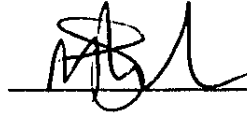
**Seventh: SIGNATURES FOR EACH CORPORATION**

Name of Corporation

Signature of an Officer or  
Director

Typed or Printed Name of Individual & Title

Clarendon National

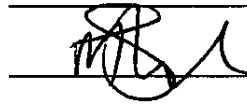


Michael Sheehan

Insurance Company

Director, SVP

Clarendon Select



Michael Sheehan

Insurance Company

Director, SVP

**(Merger of subsidiary corporation(s))**

The following plan of merger is submitted in compliance with section 607.1104, Florida Statutes, and in accordance with the laws of any other applicable jurisdiction of incorporation.

The name and jurisdiction of the **parent** corporation owning at least 80 percent of the outstanding shares of each class of the subsidiary corporation:

### Jurisdiction

## New Jersey

The name and jurisdiction of each **subsidiary** corporation:

### Jurisdiction

## Florida

The manner and basis of converting the shares of the subsidiary or parent into shares, obligations, or other securities of the parent or any other corporation or, in whole or in part, into cash or other property, and the manner and basis of converting rights to acquire shares of each corporation into rights to acquire shares, obligations, and other securities of the surviving or any other corporation or, in whole or in part, into cash or other property are as follows:

Please see attached Merger Plan and Agreement

*(Attach additional sheets if necessary)*

If the merger is between the parent and a subsidiary corporation and the parent is not the surviving corporation, a provision for the pro rata issuance of shares of the subsidiary to the holders of the shares of the parent corporation upon surrender of any certificates is as follows:

N/A

If applicable, shareholders of the subsidiary corporations, who, except for the applicability of section 607.1104, Florida Statutes, would be entitled to vote and who dissent from the merger pursuant to section 607.1321, Florida Statutes, may be entitled, if they comply with the provisions of chapter 607 regarding appraisal rights of dissenting shareholders, to be paid the fair value of their shares. (N/A / No dissents)

Other provisions relating to the merger are as follows:

Please see attached Merger Plan and Agreement

## PLAN AND AGREEMENT OF MERGER

This Plan and Agreement of Merger (hereinafter referred to as the "Plan of Merger" or "Agreement") is entered into as of December 7<sup>th</sup>, 2012 by and between Clarendon National Insurance Company, a corporation organized and existing under the laws of the State of New Jersey (hereinafter "Parent"), and Clarendon Select Insurance Company, a corporation organized and existing under the laws of the State of Florida and a wholly-owned subsidiary of Parent hereinafter ("Merger Subsidiary," the Parent and Merger Subsidiary sometimes being hereinafter collectively referred to as the "Constituent Corporations").

### RECITALS

WHEREAS, Merger Subsidiary is a wholly owned subsidiary of Parent. Merger Subsidiary is licensed to write property and liability insurance in two states, Florida and Oklahoma and is domiciled in Florida. Merger Subsidiary received approval from the Florida Office of Insurance Regulation ("FLOIR") on May 10, 2005 to discontinue writing new business. Since that time Merger Subsidiary's focus is to service its in-force book of business and the orderly administration, including the prompt claim payment of its discontinued business;

WHEREAS, Clarendon Holdings, Inc. ("CHI"), an indirect, wholly-owned subsidiary of Enstar Group Limited ("Enstar"), a publicly traded Bermuda Corporation and the ultimate parent company of CHI, currently owns all of the issued and outstanding shares of the capital stock of Parent. Parent in turn owns all of the issued and outstanding capital stock of Merger Subsidiary;

WHEREAS, the Parent, the Merger Subsidiary and their respective boards of directors have determined that the merger of Merger Subsidiary with and into the Parent (the "Merger") upon the terms and subject to the conditions set forth in this Plan is advisable and in the best interest of said corporations and have approved the Merger; and

WHEREAS, the Parent and Merger Subsidiary and their respective boards intend that, for U.S. federal income tax purposes, the Merger will qualify as a tax-free reorganization under section 368(a)(1)(A) or a complete liquidation of a subsidiary under section 332(a) of the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

NOW THEREFORE, in consideration of the premises and of the mutual agreements of the parties hereto, being thereunto duly entered into by Merger Subsidiary and approved by resolution of its Board of Directors and being thereunto duly entered into by the Parent and approved by a resolution adopted by its Board of Directors, the Plan of Merger and the terms and conditions thereof and the mode of carrying the same into effect, together with any provisions required or permitted to be set forth herein, are hereby determined and agreed upon as hereinafter in this Agreement set forth.

## ARTICLE I

### The Merger and Effective Time

**1.1 The Merger.** The merger will be effected pursuant to the terms and conditions set forth in this Plan. At the Effective Time (as defined in Section 1.2) Merger Subsidiary shall be merged with and into the Parent and the separate corporate existence of Merger Subsidiary shall thereupon cease. The Parent shall be the surviving corporation ("Surviving Corporation") from and after the Effective Time of the Merger (sometimes hereinafter referred to as the "Surviving Corporation"), and the separate corporate existence of the Parent with all its rights, privileges, powers, immunities, interests, purposes and franchises shall continue unaffected by the Merger pursuant to the provisions of the New Jersey Statutes (N.J.S.A. 17:27-5; 17B:18-60g and Florida Statutes (The 2011 Florida Statutes Title XXXVI Chapter 607 Section 1106). At the Effective Time of the Merger, Parent will succeed to all the properties and assets of Merger Subsidiary and to all debts, causes of action and other interests due or belonging to the Merger Subsidiary and will be subject to, and responsible for, all the obligations, debts, and liabilities of Merger Subsidiary with the effects provided by the applicable provisions of the New Jersey Statutes (N.J.S.A. 17:27-5, and Florida Statutes (The 2011 Florida Statutes Title XXXVI Chapter 607 Section 1106).

**1.2. Effective Time.** Upon approval of the merger by the Commissioner of the New Jersey Department of Banking and Insurance ("NJDOBI") and by the FLOIR, Parent shall cause a certificate of merger (the "Certificate of Merger") to be executed, acknowledged and filed with and accepted for record by the Secretary of State of New Jersey as provided under New Jersey law (N.J.S.A.14A:10-5(4)). The Merger shall become effective at the time agreed by the Parent and Merger Subsidiary and established under the Certificate of Merger and the Articles of Merger filed with the FLOIR in compliance with Section 607.1105 of the Florida Statutes (not to exceed 90 days after the date of filing of the Certificate of Merger as may be set forth in the Certificate (as provided in N.J.S.A.14A:10-5(4)) (the "Effective Time").

## ARTICLE II

### Charter and Bylaws of the Surviving Corporation

**2.1. The Certificate of Incorporation.** The Certificate of Incorporation of the Parent as in effect immediately prior to the Effective Time shall be the Certificate of Incorporation of the Surviving Corporation until duly amended as provided therein or by applicable law.

**2.2. The Bylaws.** The bylaws of the Parent in effect at the Effective Time shall be the bylaws of the Surviving Corporation until thereafter amended as provided therein or by applicable law.



### ARTICLE III

#### Officers and Directors of the Surviving Corporation

3.1. Directors. The directors of the Parent at the Effective Time shall, from and after the Effective Time, be the directors of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Certificate of Incorporation and the Bylaws.

3.2. Officers. The officers of the Parent at the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Certificate of Incorporation and the Bylaws.

### ARTICLE IV

#### Effect on Stock

4.1. Effect on Stock. Each share of the Merger Subsidiary issued and outstanding immediately prior to the Effective Time and owned by the Parent, shall, by virtue of the Merger and without any action on the part of the Parent, cease to be outstanding, shall be canceled and retired without payment of any consideration therefore and shall cease to exist. The stock certificates that immediately prior to the Effective Time evidenced outstanding shares of the Merger Subsidiary shall be automatically cancelled at the Effective Time. Each share of capital stock of Parent issued and outstanding immediately prior to the effective Time shall remain outstanding following the consummation of the Merger.

### ARTICLE V

#### Approvals and Authorization

5.1. Approvals. This Plan of Merger has been fully approved and adopted on behalf of Merger Subsidiary in accordance with the provisions of the Florida Statutes and on behalf of the Parent in accordance with the provisions of the New Jersey Statutes and the said corporations agree that they will cause to be executed and filed and recorded any document or documents prescribed by the State of New Jersey and the State of Florida and that they will cause to be performed all necessary acts within the State of New Jersey, the State of Florida and elsewhere to effectuate the Merger herein provided for.

5.2. Authorization. The Board of Directors and the proper officers of the Merger Subsidiary and the Parent are hereby authorized and empowered and directed to do any and all acts and things, and make, execute, deliver, file, and record any and all instruments, papers and documents which shall be or become necessary, proper or convenient to carry out or put into effect any of the provisions of the Plan of Merger or of this merger herein provided for.

## ARTICLE VI

### Conditions to the Merger

6.1. Conditions to the Obligations of the Constituent Corporations. The obligations of the Constituent Corporations to consummate the Merger are subject to the satisfaction at or prior to the Effective Time of the following conditions, any or all of which may be waived, in whole or in part, by each of the parties intended to benefit therefrom, to the extent permitted by applicable Law: all actions by or in respect of or filings with any governmental authority, including, without limitation, insurance regulatory authorities, required to permit the consummation of the Merger shall have been obtained.

## ARTICLE VII

### Termination

7.1. Termination by Mutual Consent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, or such earlier time as may be prescribed by law, by mutual written consent of the Parent and Merger Subsidiary by action of their respective Boards of Directors.

7.2. Effect of Termination. If this Agreement is terminated pursuant to Section 7.1 hereof, this Agreement shall become void and of no effect with no liability on the part of any party hereto.

## ARTICLE VIII

### Miscellaneous

8.1. Reinsurance. With respect to Merger Subsidiary's previous utilization of third party reinsurance for its program business, Merger Subsidiary has a quota share agreement with Parent to cede 100% of its net underwriting results to Parent. Under this Plan of Merger, Parent hereby accepts 100% of Merger Subsidiary's net liability under the policies, including uncollectible reinsurance recoverables from third party reinsurers. The third party reinsurance shall remain in place after the Effective Time, therefore the impact on Parent's surplus shall remain the same pre and post merger.

8.2 Management and Operations. The management of Merger Subsidiary wishes to merge Merger Subsidiary with its Parent. The intent of the merger is to reduce administrative costs associated with the preparation of annual statement, financial examinations, audited financial statements and state specific regulatory and compliance matters. The focus of Parent will continue to be to service its in force book of business and the orderly administration, including prompt claim payment of its discontinued operations. There will be no changes to the current management structure and internal operations of Parent after the merger other than as may occur in the future in the normal course of events. In addition, the monitoring of claim and reserve information will

continue to be governed by the standard Claims Administration Agreement which sets forth settlement and reserve authority and reporting responsibilities.

8.3 Historical Financial Information. All financial information has been previously filed with the NJ Department of Banking and Insurance.

8.4 Accounting Treatment. SSAP No. 68 Business Combinations and Goodwill governs the accounting treatment for the Merger of Merger Subsidiary with Parent. After the Merger, Parent will survive and Merger Subsidiary's separate existence will cease. SSAP No. 68 10 states the statutory merger method of accounting is defined as accounting for a business combination in which the original investors in the investee receive equity of the reporting entity for their interest in the investee and only one entity survives. Under the statutory merger method, no acquisitions shall be recognized because the combination is accomplished without disbursing resources of the constituents. Ownership interest continues and the former statutory basis of accounting shall be retained. The recorded assets, liabilities and related surplus accounts of the constituents shall be carried forward to the combined corporation at their recorded statutory amounts. The capital accounts of the entities shall be adjusted as necessary to reflect the appropriate par values of the capital stock of the new entity. Adjustments to the capital stock account shall be made to gross paid-in and contributed surplus to the extent there is a balance in these accounts. Income of the combined reporting entity shall include income of the constituents for the entire fiscal period in which the combination occurs and the balance sheet and the statement of operations for the two years presented shall be restated, as required by SSAP No. 3-Accounting Changes and Corrections of Errors. The general ledger account balances of Merger Subsidiary at the date of merger will be recorded on Parent's ledger at the date of the merger. Parent investment in Merger Subsidiary (affiliated common stock) will be reduced in accordance with the statutory merger method; a similar reduction in gross paid in and contributed surplus will also be recorded. The following disclosures required under SSAP No. 68 (15) for business combinations recorded as a form of a statutory merger will be disclosed in the annual statement of Parent:

- (1) The names and brief description of the combined entities;
- (2) Method of accounting, that is the statutory merger method;
- (3) Description of the shares of stock issued in the transaction;
- (4) Details of the results of operation of the previously separate entities for the period before the combination is consummated that are included in the current combined net income, including revenue, net income, and other changes in surplus; and
- (5) A description of any adjustments recorded directly to surplus for any entity that previously did not prepare statutory statements.

8.5 Amendments. Any provision of this Agreement may be amended or waived prior to the Effective Time if, and only if, such amendment or waiver is in writing and signed by all parties

hereto, or in the case of a waiver, by the party against whom the waiver is to be effective. Any such amendment shall require regulatory approval.

8.6 Waiver. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

8.7 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other parties hereto and regulatory approval.

8.8 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

8.9 Captions. The captions contained in this Agreement are for reference purposes only and are not part of this Agreement.

8.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

IN WITNESS WHEREOF, this Plan of Merger is hereby executed upon behalf of each of the parties thereto.

Dated: December 5<sup>th</sup>, 2012

Clarendon National Insurance Company

By: K. Barker  
Name: KATHLEEN BARKER  
Title: TREASURER / CHIEF OPERATING  
OFFICER

Clarendon Select Insurance Company

By: TS  
Name: T NICHOLS  
Title: PRESIDENT.