

Krupa Global Investments Announces Antitrust Complaint Against Stone Point Capital and AmTrust Before the European Commission

The Central Europe-based investment firm is alleging that violations of EU Regulations concerning anti-competitive business practices were perpetrated surrounding the 2018 AmTrust privatization transaction

PRAGUE, February 26, 2019---Krupa Global Investments (“KGI”), a Prague-based investment firm and formerly a significant shareholder of AmTrust Financial Services, Inc. (“AmTrust”) has filed a complaint against Stone Point Capital (“Stone Point”) and AmTrust before the European Commission Directorate-General for Competition alleging that AmTrust and Stone Point violated Article 101 of the Treaty on the Functioning of the European Union by committing antitrust violations. Stone Point Capital, along with the Zyskind/Karfunkel family together formed Evergreen LP, which purchased and privatized AmTrust in 2018 in a transaction that KGI strongly opposed and believed was suspicious. KGI contends that the AmTrust and Stone Point potentially engaged in advance of the aforementioned transaction in violation of EU law.

Specifically, KGI’s complaint centers on two principal alleged infringements of Article 7 of Regulation No 1/2003 of the aforementioned Article 101. The first alleged infringement is that AmTrust and Stone Point engaged in coordinating the market behavior of AmTrust and insurance companies controlled by Stone Point Capital. KGI alleges that this behavior includes an agreement on collective boycotting of AmTrust customers by lowering the stability of insurance products provided by AmTrust. Furthermore, KGI contends that AmTrust and Stone Point agreed not to compete with each other in certain areas of the insurance business thereby reducing competition and adversely impacting consumers. The second alleged infringement is that AmTrust, Stone Point, and insurance companies controlled by Stone Point exchanged sensitive business information with one another thereby again adversely impacting consumers.

Both AmTrust and Stone Point are based in the United States but have significant EU operations through subsidiaries thus making both firms, in KGI’s view, accountable to EU regulations.

KGI cites as the chain of events leading up to the eventual merger and privatization transaction as further evidence of the allegedly collusive activities of AmTrust, Stone Point, and insurance companies controlled by Stone Point. On February 27, 2017, AmTrust surprised many investors when it announced issues with financial reporting. Subsequently, they announced that financial statements for 2014, 2015 and most of 2016 could no longer be relied upon. In April 2017, the Wall Street Journal reported that AmTrust was under investigation by the SEC, the FBI and the New York Department of Financial Services. AmTrust stock decreased rapidly from \$27.66 per share on February 27, 2017 to \$15.30 per share on April 11, 2017. KGI believes this rapid stock decline, which saw AmTrust stock go below \$10 per share in late 2017 may have been caused by manipulation by AmTrust management, Stone Point and the Zyskind/Karfunkel for the purpose of conducting the aforementioned merger at the lowest possible price. KGI and its related entity Arca Capital successfully fought Stone Point and the Zyskind/Karfunkel family, forcing two successive price increases from \$12.25 to \$13.50 and subsequently from \$13.50 to \$14.75. Nonetheless, KGI contends that \$14.75 is far from a fair value for AmTrust and that fair value is in excess of \$20 per share.

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KGI is asking the EU Commission to initiate a formal investigation into the aforementioned alleged infringements of Article 101. Furthermore, KGI has recently filed a complaint in Delaware Chancery Court against AmTrust alleging breach of fiduciary duty.

Pavol Krupa, Chairman of Krupa Global Investments, had the following comment, “AmTrust, Stone Point Capital and the Zyskind/Karfunkel family have disrespected investors through pushing an absurdly low priced privatization transaction and disenfranchising minority shareholders. They have disrespected their customers through their anti-competitive activities, which have increased prices and decreased the quality of the product. Now, we believe they have brazenly disrespected the European Union through violating established antitrust regulations. We believe that a full investigation by EU regulators will show conclusively that AmTrust, Stone Point and the Zyskind/Karfunkel family have failed to follow EU regulations and that subsequently appropriate action will be taken.”

About Krupa Global Investments:

Krupa Global Investments, previously known as Arca Capital, is a private investment group with a focus on energy, real estate, retail and service activities, as well as regulated activities focused on building and managing fund structures focusing on energy, real estate and financial services. It is named after its founder and chairman, Pavol Krupa. The firm takes an activist approach, with the goal of remedying and eliminating management actions that have a negative impact on companies, and with the goal of achieving significant positive change in strategy, financial structure or management. The firm has fought and won many successful battles and in so doing has streamline companies and realize hundreds of millions in shareholder value.

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