

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

IN RE CRM HOLDINGS, LTD  
SECURITIES LITIGATION

Case No. 10-cv-00975-RPP

This Document Relates to:

Hon. Robert P. Patterson

ALL ACTIONS.

**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION, MOTION FOR ATTORNEYS' FEES,  
EXPENSES, AND INCENTIVE AWARDS, AND SETTLEMENT FAIRNESS HEARING**

**IF YOU PURCHASED OR ACQUIRED CRM HOLDINGS, LTD. SECURITIES BETWEEN DECEMBER  
21, 2005 AND NOVEMBER 5, 2008, INCLUSIVE, YOU COULD RECEIVE A PAYMENT FROM A CLASS  
ACTION SETTLEMENT.**

*A federal court authorized this Notice. This is not a solicitation from a lawyer.*

Your legal rights are affected whether you act, or don't act.  
Read this Notice carefully.

**Security and Time Period:** CRM Holdings, Ltd. ("CRM") securities purchased or acquired between December 21, 2005 and November 5, 2008, inclusive (the "Class Period").

**Settlement Fund:** \$1.95 Million Dollars (\$1,950,000) in cash. Your recovery will depend on the number of shares of CRM securities you, and other Class Members<sup>1</sup> who file claims, purchased and sold and the prices at which you, and the other Class Members who file claims, purchased and sold those securities. The estimated average recovery per share of common stock will be approximately \$0.15 per share before deduction of Court-approved fees and expenses and costs of notice and claims administration.

**Reasons for Settlement:** The case has been aggressively litigated since February 2010. On April 29, 2011, CRM (which was renamed Majestic Capital, Ltd.) filed a Voluntary Petition for relief under Chapter 11 of the Bankruptcy Code and, on April 27, 2012, the Bankruptcy Court confirmed the First Amended Joint Plan of Liquidation. Following the bankruptcy filing, Plaintiffs proceeded herein against the individual defendants. The District Court dismissed all claims against them. The Plaintiffs and Lead Counsel believe that the Settlement provides the Class with a benefit now, instead of the possibility of no recovery at all.

CRM served as a third party administrator for eight self-insured workers' compensation trusts in New York State. Plaintiffs allege that CRM's business was dependent upon the trusts being fully funded and operating, as CRM was paid administrative fees based on trust membership; that Defendants misrepresented and/or omitted material facts concerning the funding levels of the trusts; and that New York State took regulatory action against CRM as a result.

<sup>1</sup> All capitalized terms have the same definition as in the Stipulation of Settlement dated August 21, 2014 (the "Stipulation").

The Defendants have denied and continue to deny each and all of the allegations made in the Complaint and the Amended Complaint and all claims brought by Plaintiffs, deny that they engaged in any wrongdoing, deny that they committed any violation of law and deny that they acted improperly in any way. Defendants maintain that they have meritorious defenses. The Defendants contend that all disclosures made to the investing public were proper, did not contain any misrepresentations of a material fact, and did not omit any material fact. Defendants also have denied and continue to deny the allegations that Plaintiffs or the Class have suffered damages, that the prices of CRM securities were artificially inflated by reason of alleged misrepresentations, non-disclosures, or otherwise, or that Plaintiffs or the Class were harmed by the conduct alleged in the Complaint, the Amended Complaint, or otherwise. The Defendants allege that they did not act with the *scienter* necessary to sustain the alleged violations. If the Litigation were tried, recoverable damages, if any, would have been limited to losses caused by conduct actionable under the laws and, had the Litigation gone to trial, the Defendants intended to assert that the Class Members' losses, if any, were caused by non-actionable market, industry or general economic factors. The Defendants have asserted various other defenses.

Nonetheless, Defendants and each of them have concluded that further conduct of the Litigation would be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation. Defendants have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this Litigation. The Settlement shall in no event be construed as, or deemed to be evidence of, an admission or concession by any of the Defendants with respect to any claim of any fault or liability or wrongdoing or damage to the Class Members in this Litigation. Should this case not be fully and finally settled, the proposed settlement may not be used for any purpose against the Defendants, and each of them, and no statements made by either the Defendants or the Plaintiffs may be deemed to constitute admissions against interest.

**If the Case Had Not Settled:** The Settlement must be compared to the risk of no recovery. Even were an appellate court to have reversed the dismissal of the claims alleged, Plaintiffs would have still had to obtain Court-approval to proceed as a class action and may have faced dispositive motions prior to trial. Had a class been certified and its claims survived summary judgment, a trial is a risky proposition. The claims in the Litigation involve numerous complex legal and factual issues, many of which would require expert testimony. The Settling Parties disagree on both liability and damages and do not agree on the average amount of damages per share, if any, that would be recoverable if Plaintiffs were to have prevailed on each claim alleged. Among the many key issues about which Plaintiffs and Defendants do not agree are: (1) whether the Defendants violated the securities laws or otherwise engaged in any wrongdoing; (2) whether the misrepresentations and omissions alleged by the Plaintiffs were material, false, misleading or otherwise actionable under the securities laws; (3) the extent (if any) that the alleged misrepresentations and omissions influenced the trading prices of CRM securities during the relevant period; (4) the extent to which external factors, such as general market conditions, influenced the trading price of CRM securities at various times during the Class Period; and (5) the method for determining whether, and the extent to which, purchasers of CRM's securities suffered injury and damages that could be recovered at trial.

**Attorneys' Fees and Expenses:** Lead Counsel have not received any payment for their work or expenses incurred in investigating the facts, conducting this Litigation and negotiating the Settlement on behalf of the Plaintiffs and the Class. Lead Counsel will ask the Court for attorneys' fees not to exceed 33% of the Settlement Fund and expenses not to exceed \$60,000 to be paid from the Settlement Fund. Plaintiffs will also request reimbursement of their actual costs and expenses (including lost wages) directly related to their representation of the Class, which also will be paid from the Settlement Fund: (1) one plaintiff will request an amount not to exceed \$2,500; (2) the second plaintiff will request an amount not to exceed \$2,500; and (3) the third plaintiff will request an amount not to exceed \$2,500.

If the above amounts are requested and approved by the Court, the average settlement recovery per share of common stock will be approximately \$0.15 per share, making the estimated recovery per share after fees and expenses approximately \$0.10.

**Dismissal and Releases:** If the proposed Settlement is approved, the Court will enter a Final Judgment and Order of Dismissal with Prejudice (the “Judgment”). The Judgment will dismiss the Released Claims with prejudice as to the Released Persons, which include but are not limited to, the Defendants, their parents, subsidiaries and affiliates, and all of their employees, directors and officers. The Judgment will provide that all Class Members shall be deemed to have released and forever discharged all Released Claims against all Released Persons. The terms of the releases, including the meaning of the term “Released Claims,” are set forth in the Proof of Claim and Release form that is enclosed.

Deadlines:

Submit Claim:	March 18, 2015
File Objection:	February 6, 2015
Request Exclusion	February 6, 2015
Court Hearing on Fairness of Settlement:	February 27, 2015 at 11:00 a.m.

**More Information:** [www.gcginc.com](http://www.gcginc.com)

Claims Administrator:	Lead Counsel: <sup>2</sup>
The Garden City Group, Inc.	Lionel Z. Glancy, Esq.
P.O. Box 10129	Ex Kano S. Sams II, Esq.
Dublin, OH 43017-3129	Glancy Binkow & Goldberg LLP
Toll-Free Number: 1 (844) 322-8246	1925 Century Park East, Suite 2100
	Los Angeles, California 90067
	1 (888) 773-9224
	<a href="mailto:settlements@glancylaw.com">settlements@glancylaw.com</a>

**Your legal rights are affected whether you act, or don’t act. Read this Notice carefully.**

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<sup>2</sup> As a Class Member, you may contact one or both of these representatives to answer any question you might have concerning any matter contained in this Notice.

## YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:

<b>SUBMIT A CLAIM</b>	The only way to receive a payment.
<b>OBJECT</b>	You may write to the Court if you do not like this Settlement.
<b>EXCLUDE YOURSELF</b>	Receive no payment. This is the only option that allows you to participate in another lawsuit against the Defendants relating to the class claims being released in this case.
<b>GO TO A HEARING</b>	You may ask to speak in Court about the fairness of the Settlement.
<b>DO NOTHING</b>	Receive no payment.

- You may submit a claim or object, or do both, or do nothing. However, if you timely exclude yourself, that is the only thing you can do: you may not object in writing, you may not appear at the Court Hearing on Fairness of Settlement to state any objections, and you may not submit a claim.
- If you object and do not request exclusion, you will remain a member of the Class, and if the Court approves the Settlement, you will be bound by the terms of the Settlement in the same way as Class Members who do not object.
- Unless you timely request exclusion from the Class, or unless the Court rejects the proposed Settlement, you are bound by the Stipulation of Settlement and its Releases, whether or not you submit a claim or object.
- These rights and options — *and the deadlines to exercise them* — are explained in this Notice.
- The Court presiding over this case must decide whether to approve the Settlement. Payments will be made only if the Court approves the Settlement and, if there are any appeals, after appeals are resolved. Please be patient.
- The Court has authorized this Notice, but no money will be paid to anyone until after the Court holds the Settlement Hearing on February 27, 2015. The Court has not decided the merits of this case.

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## BASIC INFORMATION

### 1. Why Did I Receive This Notice Package?

You or someone in your family may have purchased or acquired CRM Holdings, Ltd. (“CRM”) securities between December 21, 2005 and November 5, 2008, inclusive (the “Class Period”).

This Notice was sent because you have a right to know about a proposed Settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments to those persons who timely submit claims in the manner described below.

This package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the Southern District of New York, and the case is known as *In re CRM Holdings, Ltd. Securities Litigation*, 10-cv-00975-RPP. Lead plaintiffs Brett Brandes and Beverly L. Munter, along with plaintiff B&B Investors, LP are collectively referred to as Plaintiffs, and the persons they sued are collectively called the Defendants. The Settling Parties include Plaintiffs and the Defendants.

### 2. What Is This Lawsuit About?

This Litigation alleges violations of the Federal Securities Laws (specifically Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §78j(b) and 78(t)(a)) and Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5)) against Defendants. CRM served as a third party administrator for eight self-insured workers’ compensation trusts in New York State. Plaintiffs allege that CRM’s business was dependent upon the trusts being fully funded and operating, as CRM was paid administrative fees based on trust membership; that Defendants misrepresented and/or omitted material facts concerning the funding levels of the trusts; and that New York State took regulatory action against CRM as a result.

### 3. Why Is This a Class Action?

Class actions are generally used in lawsuits that affect a large number of individuals; in effect, the class action operates to consolidate into a single action all of the claims of individuals allegedly harmed by the same conduct or course of conduct, thus alleviating the need for members of the class to file their own individual lawsuits to recover for the harm alleged. Once the class is certified, the Court is empowered to resolve all issues on behalf of members of the class, except for those members of the class, if any, who specifically choose to exclude themselves from the class.

If the Court approves the proposed Settlement, the Litigation will be certified as a class action on behalf of all persons or entities who purchased or otherwise acquired the securities of CRM Holdings, Ltd. between December 21, 2005 and November 5, 2008, inclusive, other than Defendants and certain persons affiliated with them. All Class Period purchasers of CRM securities stock are Members of the Class, except those persons who timely file a request for exclusion by February 6, 2015. All persons who do not timely exclude themselves from the Class will be bound by the proposed Settlement and its accompanying Releases.

### 4. Why Is There a Settlement?

This Notice is not an expression of opinion by the Court about the merits of any of the claims or defenses asserted by any party in the Litigation. Both sides agreed to a Settlement. This permits them to avoid the cost and uncertainty of further litigation, and permits eligible Class Members who submit valid claims to receive compensation. The Plaintiffs and their attorneys believe the Settlement is best for all Class Members. The Defendants have concluded that further defense of the Litigation would be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation of Settlement. Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases such as the Litigation.

QUESTIONS? CALL TOLL-FREE 1 (844) 322-8246 OR VISIT [WWW.GCGINC.COM](http://WWW.GCGINC.COM)

## WHO IS IN THE SETTLEMENT

To see if you will receive money from this Settlement, you first have to determine if you are a Class Member.

### **5. How Do I Know if I Am Part of the Settlement?**

The Class includes all persons or entities who purchased or otherwise acquired the securities of CRM Holdings, Ltd. between December 21, 2005 and November 5, 2008, inclusive.

### **6. What Are the Exceptions to Being Included?**

You are not a Class Member if you are a Defendant, an officer or director of CRM, at all relevant times, members of their immediate families, any entity in which any Defendant has or had a legal controlling interest, and the legal representatives, heirs, successors, or assigns of any Defendant.

### **7. I'm Still Not Sure if I Am Included.**

If you are still not sure whether you are included, you can ask for free help. You can call Lionel Z. Glancy of Glancy Binkow & Goldberg LLP at 1 (888) 773-9224 for more information. Or you can fill out and return the claim form described in question 10, to see if you qualify.

## THE SETTLEMENT BENEFITS — WHAT YOU GET

### **8. What Does the Settlement Provide?**

The Settlement will result in a fund of \$1.95 million in cash. The balance of this fund after payment of Court-approved attorneys' fees and expenses, and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing the newspaper notice (the "Net Settlement Fund") will be divided among all eligible Class Members who send in valid claim forms.

### **9. How Much Will My Payment Be?**

Your share of the Net Settlement Fund will depend on the number of valid claim forms that Class Members send in, the number of CRM securities you purchased or acquired during the relevant period, and the timing of your purchases and sales. You will not receive a payment, however, if your proportionate share of the Net Settlement Fund is less than \$10.00.

You can calculate your Recognized Claim in accordance with the formula in the attached Plan of Allocation. After all Class Members have sent in their Proof of Claim and Release forms, the payment you receive will reflect your Recognized Claim in relation to the Recognized Claims of all persons submitting Claim Forms. The Recognized Claim is not the amount of the payment that you can expect, but is used to determine how the Net Settlement Fund is allocated among all persons submitting claims.

## HOW YOU OBTAIN A PAYMENT — SUBMITTING A CLAIM FORM

### **10. How Will I Obtain a Payment?**

To qualify for payment, you must be an eligible Class Member, send in a valid Proof of Claim and Release form, and properly document your claim as requested in the Claim Form. A Proof of Claim and Release form is enclosed with this Notice. You may also get a Proof of Claim and Release form on the internet at [www.gcginc.com](http://www.gcginc.com). Read the instructions carefully, fill out the Proof of Claim and Release form, include the documents the form asks for, sign it, and mail it in the enclosed envelope postmarked no later than March 18, 2015.

### **11. When Will I Receive My Payment?**

The Court will hold a hearing on February 27, 2015, to decide whether to approve the Settlement. If the Court approves the Settlement, there may be appeals. It is always uncertain when these appeals will be resolved, and

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resolving them can take time, perhaps more than a year. Even if no appeals are filed, it will take several months for the Claims Administrator to process all of the Proof of Claim and Release forms and determine the ultimate distribution amounts.

## **12. What Am I Giving Up to Receive a Payment?**

If the Court approves the Settlement, then as a Class Member, you will be giving up certain rights that you currently have. Unless you timely exclude yourself from the Class by the February 6, 2015 deadline, you are a Member of the Class and will be bound by the Release of claims against the Defendants. That means that you cannot sue, continue to sue, or be part of any other lawsuit against the Defendants about the Released Claims in this case. It also means that all of the Court's orders will apply to you and legally bind you and you will release your claims in this case against the Defendants. The terms of the Release are included in the claim form that is enclosed. Note: If you object, but the Court approves the Settlement, you will be bound by the terms of the Settlement in the same way as Members of the Class who do not object.

## **EXCLUDING YOURSELF FROM THE CLASS ACTION SETTLEMENT**

If you do not want a payment from the class action Settlement, but you want to keep the right to sue or continue to sue the Defendants on your own for the Released Claims in the class action then you must take steps to get out of the Class. This is called excluding yourself or is sometimes referred to as opting out of the Class.

## **13. How Do I Get Out of the Class?**

To exclude yourself from the Class, you must send a letter by mail stating that you want to be excluded from *In re CRM Holdings, Ltd. Securities Litigation*, 10-cv-00975-RPP. You must include your name, address, telephone number, your signature, and the number of shares of CRM securities you purchased or acquired between December 21, 2005 and November 5, 2008, inclusive, the number of shares sold during this time period, if any, and the dates of such purchases and/or sales, and the price paid or received per share for each such purchase or sale. You must mail your exclusion request postmarked no later than February 6, 2015 to:

*In re CRM Holdings, Ltd. Securities Litigation*  
c/o GCG  
P.O. Box 10129  
Dublin, OH 43017-3129  
Toll-Free Number: 1 (844) 322-8246

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you are not eligible to receive any settlement payment, and you cannot object to the class action Settlement. You will not be legally bound by anything that happens in the class action lawsuit.

## **14. If I Do Not Exclude Myself, Can I Sue the Defendants for the Same Thing Later?**

No. Unless you exclude yourself from the Class, you give up any right to sue the Defendants or the Released Persons for the Released Claims in the class action Settlement. If you have a pending lawsuit against any of the Defendants, speak to your lawyer in that case immediately. Remember, the exclusion deadline is February 6, 2015.

## **15. If I Exclude Myself, Can I Receive Money from the Class Action Settlement?**

No. If you exclude yourself, do not send in a Claim Form.

## **THE LAWYERS REPRESENTING YOU**

## **16. Do I Have a Lawyer in This Case?**

The Court appointed the law firm of Glancy Binkow & Goldberg LLP to represent you and other Class Members. These lawyers are called Lead Counsel. You will not be personally liable for the fees and expenses



incurred by these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

### **17. How Will the Lawyers Be Paid?**

Lead Counsel will ask the Court for attorneys' fees not to exceed 33% of the Settlement Fund and for expenses up to \$60,000, which were advanced in connection with the Litigation. The three Plaintiffs will also request reimbursement of their actual costs and expenses (including lost wages) directly related to their representation of the Class. Such sums as may be approved by the Court will be paid from the Settlement Fund. Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payment to Lead Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. Since the case began in 2010, Lead Counsel have conducted all of the investigation, document review, briefing and motions practice necessary to prepare the case for litigation, and employed various experts. To date, Lead Counsel have not been paid for their services in conducting this Litigation on behalf of the Plaintiffs and the Class, nor for their substantial expenses incurred on behalf of the Class. Lead Counsel have expended substantial time in prosecuting the Class's claims and will ask the Court for actual expenses not to exceed \$60,000 in prosecuting the Litigation. The fee requested will compensate Lead Counsel for their work in achieving the Settlement Fund. Plaintiffs will also seek incentive awards of no more than \$2,500 each for their participation in the action, which also will be paid from the Settlement Fund.

Lead Counsel shall file a formal motion with the District Court for approval of the Settlement, the Plan of Allocation, and the request for attorneys' fees and reimbursement of expenses not later than 35 days prior to the Settlement Hearing. That motion will argue that Lead Counsel's requested fees are well within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court determines what Lead Counsel and Plaintiffs should receive from the Settlement Fund for fees and expenses, and may award less than this amount.

## **OBJECTING TO THE SETTLEMENT**

You can tell the Court that you do not agree with the Settlement or some part of it.

### **18. How Do I Tell the Court that I Do Not Like the Settlement?**

If you are a Class Member, you can object to the Settlement if you do not like any part of it, including the Plan of Allocation and the request for attorneys' fees. You can state the reasons why you think the Court should not approve it, and the Court will consider your views. To object, you must send a letter saying that you object to the Settlement in *In re CRM Holdings, Ltd. Securities Litigation*, 10-cv-00975-RPP. Be sure to include your name, address, telephone number, your signature, the number of shares of CRM securities you purchased or acquired between December 21, 2005 and November 5, 2008, inclusive, and the reasons you object. The motions in support of the Settlement and the request for attorneys' fees will be filed no later than January 23, 2015, and they will be available from Lead Counsel, the Claims Administrator or the Court: their contact information is listed in question 23, below. Any objection must be mailed or delivered to each of the following such that it is received by each of the following no later than February 6, 2015:

Clerk of the Court:

Clerk of the Court  
United States District Court  
Southern District of New York  
Daniel Patrick Moynihan  
United States Courthouse  
500 Pearl Street  
New York, NY 10007

Lead Counsel Designees:

Lionel Z. Glancy, Esq.  
Glancy Binkow & Goldberg LLP  
1925 Century Park East, Suite 2100  
Los Angeles, California 90067  
1 (888) 773-9224  
settlements@glancylaw.com

Defendants' Counsel Designee:

Arthur H. Aufses III  
Kramer Levin Naftalis & Frankel LLP  
1177 6<sup>th</sup> Avenue  
New York, New York 10036

### **THE COURT'S SETTLEMENT HEARING**

The Court will hold a hearing to decide whether to approve the Settlement. You may attend and you may ask to speak, but you do not have to.

#### **19. When and Where Will the Court Decide Whether to Approve the Settlement?**

The Court will hold a Settlement Hearing at 11:00 a.m., on February 27, 2015, at the at the United States District Court, Southern District of New York, Daniel Patrick Moynihan, United States Courthouse, 500 Pearl Street, New York, NY 10007. At this hearing, the Court will consider whether the Settlement is fair, reasonable and adequate. If there are objections, the Court will consider them. The Court will also consider how much to award to Lead Counsel for fees and expenses, and whether the Plan of Allocation is fair, reasonable and adequate. The Court may decide these issues at the hearing or take them under consideration for a later decision.

#### **20. Do I Have to Come to the Hearing?**

No. Lead Counsel will answer questions the Court may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

#### **21. May I Speak at the Hearing?**

You may ask the Court for permission to speak at the Settlement Hearing. To do so, you must send a letter saying that it is your intention to appear in *In re CRM Holdings, Ltd. Securities Litigation*, 10-cv-00975-RPP. Be sure to include your name, address, telephone number, your signature, the number of shares of CRM securities you purchased or acquired between December 21, 2005 and November 5, 2008, inclusive. Your notice of intention to appear must be received no later than February 6, 2015, by the Clerk of the Court, Lead Counsel Designees and Defendants' Counsel Designee, at the addresses listed in question 18.

### **IF YOU DO NOTHING**

#### **22. What Happens if I Do Nothing at All?**

If you do nothing, all of your claims against the Defendants will be released, but you will not receive any money from this Settlement because it is necessary to submit a Proof of Claim and Release form.

## GETTING MORE INFORMATION

### 23. Are There More Details About the Settlement?

This Notice summarizes the proposed Settlement. More details are in the Stipulation of Settlement dated as of August 21, 2014. You can obtain a copy of the Stipulation of Settlement or more information about the Settlement by contacting Lead Counsel:

Lionel Z. Glancy, Esq.  
Glancy Binkow & Goldberg LLP  
1925 Century Park East, Suite 2100  
Los Angeles, California 90067  
settlements@glancylaw.com  
1 (888) 773-9224

or the Claims Administrator:

*In re CRM Holdings, Ltd. Securities Litigation*  
c/o GCG  
P.O. Box 10129  
Dublin, OH 43017-3129  
Toll-Free Number: 1 (844) 322-8246

or by visiting [www.gcginc.com](http://www.gcginc.com)

You can also obtain a copy from the Clerk's office during regular business hours:

Clerk of the Court  
United States District Court  
Southern District of New York  
Daniel Patrick Moynihan  
United States Courthouse  
500 Pearl Street  
New York, NY 10007

## UNDERSTANDING YOUR PAYMENT – PLAN OF ALLOCATION

The Net Settlement Fund shall be distributed to Class Members who submit acceptable Proofs of Claim ("Authorized Claimants") in the following manner:

a. The Claims Administrator shall determine each Authorized Claimant's share of the Net Settlement Fund based upon the recognized loss formula (the "Recognized Loss") described in the Plan of Allocation, which is attached hereto as Tab 1. The Recognized Loss formula is intended to equitably apportion the Net Settlement Fund among Class Members. The Recognized Loss formula is not an estimate of what a Class Member would have recovered after trial; nor is it the amount that the Authorized Claimant will be paid pursuant to the Settlement.

b. A Class Member's actual share of the Net Settlement Fund will be determined by the ratio of the Class Member's Recognized Loss divided by the aggregate of the Recognized Loss of all Class Members.

c. This Plan of Allocation is based on the following principles applicable to Class Members if the Litigation had gone to trial: Plaintiffs asserted claims pursuant to Section 10(b) of the Securities Exchange Act of 1934 ("Section 10(b)"). Damages under Section 10(b) are calculated, among other things, by determining the stock price drop caused by the disclosure of information correcting prior materially false and misleading statements or reflecting materializations of risks which were a foreseeable consequence of the alleged concealment.

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d. A purchase or sale of CRM securities shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date.

e. The receipt or grant by gift, devise or operation of law of CRM securities during the Class Period shall not be deemed a purchase or sale of CRM securities for the calculation of an Authorized Claimant’s Recognized Loss nor shall it be deemed an assignment of any claim relating to the purchase of such securities. The grantor of the gift or devise, who purchased CRM securities during the Class Period, shall retain the right to file a claim in this Litigation unless that right to file a claim was specifically transferred in the instrument of gift or assignment.

f. The receipt of CRM securities during the Class Period in exchange for securities of any other corporation or entity shall not be deemed a purchase or sale of CRM securities.

g. Any gains on sales of CRM securities shall be offset against losses in calculating the Recognized Loss. To the extent a Claimant had an overall gain from transactions in CRM securities during the Class Period, the value of the Recognized Loss will be zero.

h. No Authorized Claimant whose proportionate share of the Net Settlement Fund is less than \$10.00 shall receive a distribution from the Net Settlement Fund. Rather, that Claimant’s proportionate share of the Net Settlement Fund shall be redistributed among all remaining Authorized Claimants.

i. Class Members who do not submit a timely request for exclusion and do not submit an acceptable Proof of Claim by the deadline for submitting claims, will not share in the recovery, but nevertheless will be bound by the Settlement and the Order and Final Judgment of the Court dismissing this Litigation.

j. Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement.

**DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE**

**SPECIAL NOTICE TO NOMINEES**

The Court has ordered that if you held any CRM securities purchased or acquired between December 21, 2005 and November 5, 2008, inclusive, as nominee for a beneficial owner, then, within twenty (20) days after you receive this Notice, you must either: (1) send a copy of this Notice by first class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

*In re CRM Holdings, Ltd. Securities Litigation*  
c/o GCG  
P.O. Box 10129  
Dublin, OH 43017-3129  
Toll-Free Number: 1 (844) 322-8246

If you choose to mail the Notice and Proof of Claim and Release yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for administrative costs actually incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

***In re CRM Holdings, Ltd. Securities Litigation***  
**Tab 1: Proposed Plan of Allocation**

For shares of common stock purchased or otherwise acquired between December 20, 2005 and November 5, 2008:

- A. For shares held at the end of trading on February 3, 2009, the Recognized Loss shall be that number of shares multiplied by the lesser of:
- (1) the applicable purchase date artificial inflation per share figure, as found in Table A; or
  - (2) the difference between the purchase price per share and \$1.43.<sup>2</sup>
- B. For shares sold between December 20, 2005 and November 5, 2008, the Recognized Loss shall be that number of shares multiplied by the lesser of:
- (1) the applicable purchase date artificial inflation per share figure less the applicable sales date artificial inflation per share figure, as found in Table A; or
  - (2) the difference between the purchase price per share and the sales price per share.
- C. For shares sold between November 6, 2008 and February 3, 2009, the Recognized Loss shall be the lesser of:
- (1) the applicable purchase date artificial inflation per share figure, as found in Table A; or
  - (2) the difference between the purchase price per share and the sales price per share; or
  - (3) the difference between the purchase price per share and the average closing price between November 6, 2008 and the date of sale<sup>3</sup>.

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<sup>2</sup> Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated." The mean (average) closing price of CRMH common stock during the 90-day period beginning on November 6, 2008 and ending on February 3, 2009 was \$1.43.

<sup>3</sup> Pursuant to Section 21(D)(e)(2) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, if the plaintiff sells or repurchases the subject security prior to the expiration of the 90-day period described in paragraph (1), the plaintiff's damages shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the security and the mean trading price of the security during the period beginning immediately after dissemination of information correcting the misstatement or omission and ending on the date on which the plaintiff sells or repurchases the security."

**Table A**

<u>Purchase or Sale Date Range</u>	<u>Artificial Inflation Per Share</u>
12/20/2005 – 04/16/2008	\$2.21
04/17/2008 – 10/05/2008	\$0.65
10/06/2008 – 10/06/2008	\$0.45
10/07/2008 – 11/05/2008	\$0.13

***In re CRM Holdings, Ltd. Securities Litigation***  
**Summary of Damages and Settlement Recovery Under Proposed Allocation**

		<u>Calculation</u>
(1)	Number of Shares Purchased and Damaged:	12,680,485
(2)	Total Damages Based on Plan of Allocation:	\$27,994,371
(3)	Average Compensable Damage per Share:	\$2.21 (2) / (1)
(4)	Settlement Amount:	\$1,950,000
(5)	Settlement Amount as % of Damages:	6.97% (4) / (2)
(6)	Average Settlement Recovery per Share:	\$0.154 (5) x (3)
(7)	Attorney's Fees and Expenses:	\$0.056 (33% x (4) + \$67,500) / (1)
(8)	Average Recovery per share after Attorneys Fees and Expenses:	\$0.098 (6) - (7)