

JUN 03 2020

FILED

BEFORE THE DEPARTMENT OF INSURANCE
STATE OF NEBRASKA

IN THE MATTER OF THE)	FINDINGS OF FACT, CONCLUSIONS
ACQUISITION OF)	OF LAW AND ORDER
ACCEPTANCE INDEMNITY)	
INSURANCE COMPANY and)	CAUSE NO. C-2576
ACCEPTANCE CASUALTY)	
INSURANCE COMPANY)	

On or about January 31, 2020, Charles Kirkland Kellogg (“Applicant”) filed an application (“Form A”) with the Nebraska Department of Insurance (“Department”) seeking approval to acquire control of Acceptance Indemnity Insurance Company (“AIIC”) and Acceptance Casualty Insurance Company (“ACIC”), Nebraska domestic insurers (AIIC and ACIC shall collectively be referred to as “Domestic Insurers”). The Form A was filed pursuant to the Insurance Holding Company System Act, Neb. Rev. Stat. §§ 44-2120 to 44-2153 (“Act”). A Notice of Public Hearing was issued by the Department on May 5, 2020.

On May 27, 2020, a public hearing was held at the Department. Director of the Department, Bruce R. Ramge, presided over the hearing. Jane Malone, a registered professional reporter, was present and transcribed the hearing. Thomas Green, an attorney, and Justin Schrader, Chief Financial Examiner, represented the Department. Applicant was represented by Robert Nefsky of Rembolt Ludtke LLP, who was present at the hearing. The Domestic Insurers were represented by Lana Freeman of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., who appeared via Webex.

Applicant presented testimony in favor of the acquisition through David Pirrung, President and Director of the Domestic Insurers, who appeared via Webex. Applicant offered additional evidence through Exhibits 1-3, which were received into the record without objection. Exhibit 1 established that the Applicant provided timely notice of the hearing to the Domestic Insurers.

The Department offered Exhibits 4-6, which were received into the record without objection.

No testimony or documentary evidence was offered in opposition to the proposed acquisition.

On the basis of the filings, correspondence and information provided to the Department, the Director approves the application and finds, concludes, and recommends as follows:

FINDINGS OF FACT

1. On January 31, 2020, the Department received a verified Form A from Applicant for approval to acquire control of the Domestic Insurers through a Stock Purchase Agreement (“Agreement”). The Form A was filed pursuant to the Act, specifically § 44-2126. The Agreement will result in Applicant gaining control of the Domestic Insurers as control is defined in the Act.

2. AIIC is a domestic insurer organized under and governed by the laws of the State of Nebraska. AIIC obtained its Certificate of Authority to transact the business of property and casualty insurance in this state on May 1, 1991. AIIC is currently a stock-based property and casualty insurance company.

3. ACIC is a domestic insurer organized under and governed by the laws of the State of Nebraska. ACIC obtained its Certificate of Authority to transact the business of property and casualty insurance in this state on June 12, 2000. ACIC is currently a stock-based property and casualty insurance company.

4. Applicant is an individual, currently employed as the Chief Executive Officer of the Kellogg Group LLC.

5. Following the transaction, the Domestic Insurers will be indirectly wholly-owned by the Applicant, and therefore, Applicant will be the ultimate controlling party of the Domestic Insurers.

6. Applicant and the current ultimate controlling party of the Domestic Insurers, Peter Kellogg, executed the Agreement as of December 2, 2019. The Agreement provides for the transaction to close on the last day of the fiscal quarter following the satisfaction of all conditions outlined in section five of the Agreement. These conditions include the receipt of all required regulatory approvals, including approval by the Director of the Department.

7. The Agreement provides for Applicant to acquire 100% of the issued and outstanding Class A Voting Preferred Stock of Goose Creek Capital, Inc., a Wyoming corporation and 100% indirect owner of the Domestic Insurers. The purchase price will be set pursuant to an appraisal of the fair market value of the stock by Stout Risius Ross, LLC and will be paid in cash.

8. No changes to the Articles of Incorporation and Bylaws of the Domestic Insurers will be made as a result of the acquisition. Applicant has no plans or proposals to cause the Domestic Insurers to pay any extraordinary dividends or make other distributions, to liquidate the Domestic Insurers, to sell or pledge the Domestic Insurers' stock or any of their assets, to merge or consolidate the Domestic Insurers with any person or persons, or to make any other material change in the Domestic Insurers' business operations, corporate structure or management. Applicant intends to retain existing executive officers, directors and management of the Domestic Insurers.

9. Applicant has filed all the documents and information required by law and requested by the Department.

CONCLUSIONS OF LAW

1. The Department and Director have jurisdiction over the subject matter of this proceeding.

2. On the basis of the materials filed, correspondence received and evidence presented at the hearing, the Director concludes as follows:

- a. After the acquisition, the Domestic Insurers will satisfy the requirements for a Certificate of Authority to conduct business of insurance in the State of Nebraska and write the lines of insurance for which the Domestic Insurers are presently licensed.
- b. The effect of the acquisition will not substantially lessen the competition in insurance in the State of Nebraska nor tend to create a monopoly therein nor violate the laws of the State of Nebraska.
- c. The financial condition of Applicant is such that it would not jeopardize the financial stability of the Domestic Insurers or prejudice the interest of the policyholders of the Domestic Insurers.
- d. Applicant has no plans or proposals to liquidate the Domestic Insurers, to sell the assets of the Domestic Insurers without the approval of the Department, to consolidate or merge the Domestic Insurers with any person or persons without approval of the Department, or to make any other material change in the business operations or corporate structures

or management which would be unfair and unreasonable to policyholders of the Domestic Insurers and not in the public interest.

- e. The competence, experience and integrity of those persons who would control the operation of the Domestic Insurers are such that it would be in the interest of the policyholders of the Domestic Insurers and the public to allow the acquisition.
- f. Applicant is not subject to the provisions of Neb. Rev. Stat. § 44-6115 under the Demutualization Act.
- g. The acquisition of control is not likely to be hazardous or prejudicial to the public.

ORDER

IT IS THEREFORE ORDERED that the Form A Application be approved subject to the following condition:

Within fifteen (15) days after the end of the month in which the transaction closes, Applicant shall cause to be filed with the Department an Insurance Holding Company System Registration Statement, and any other filings required, in accordance with Neb. Rev. Stat. § 44-2132, et seq.

Dated this 3 day of June, 2020.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE



BRUCE RAMGE
Director of Insurance

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Order was sent to Robert Nefsky, Rembolt Ludtke LLP, 3 Landmark Centre, 1128 Lincoln Mall, Ste 600, Lincoln, NE 68508, and to Lana Freeman, Mitchell, Selig, Gates & Woodyard, P.L.L.C., 500 W. 5th Street, Suite 1150, Austin, TX 78701, by U.S. Mail, postage prepaid, on this 3rd day of June, 2020.

Shelley Storin