

FEB 22 2012

FILED

BEFORE THE DEPARTMENT OF INSURANCE
STATE OF NEBRASKA

IN THE MATTER OF THE)	FINDINGS OF FACT,
ACQUISITION OF CONTROL OF)	CONCLUSIONS OF LAW,
CAPITOL CASUALTY COMPANY)	AND ORDER
)	
)	CAUSE NO.: C-1936

On December 29, 2011, the Andrew Blake Schumacher Irrevocable Trust and the Grant Thomas Schumacher Irrevocable Trust (“Applicants”) filed a joint application (“Form A”) seeking approval to acquire control of Capitol Casualty Company (“CCC”), a Nebraska domestic insurer. The application was filed pursuant to the Insurance Holding Company System Act, NEB. REV. STAT. §§ 44-2120 and 44-2126 (Reissue 2004). The filing was subsequently supplemented. A Notice of Public Hearing was filed on January 30, 2012.

On February 7, 2012, a public hearing was held at the Nebraska Department of Insurance (“Department”). Bruce R. Ramge, Director of Insurance, presided over the hearing. Tracy Gruhn, a licensed notary public, was present and recorded the hearing. Christine Neighbors, Deputy Director and General Counsel, and James Nixon, Chief Examiner, represented the Department. Applicants were represented in person by Richard Peterson, Esq. Applicants presented testimony in favor of the acquisition through Jeffrey Schumacher, Applicants’ Trustee. Exhibits were offered by Applicants and by the Department, and received into the record. Applicants and CCC waived notice of hearing as required by NEB. REV. STAT. § 44-2127(2). 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 finds and concludes as follows:

FINDINGS OF FACT

1. On December 29, 2011, the Department received a verified Form A from the Applicants for approval to acquire control of CCC through a gift of 3,000 shares (60%) of the voting common stock to be received from Duane and Phyllis Acklie. The Form A application and all subsequent amendments were filed pursuant to the Insurance Holding Company System Act, NEB. REV. STAT. § 44-2120, ET SEQ., specifically § 44-2126. The acquisition will result in Applicants, through Trustee, Jeffrey Schumacher, exercising control of CCC as control is defined in the Act.

2. CCC is a domestic property and casualty insurer organized under and governed by the laws of the State of Nebraska. CCC obtained its Certificate of Authority to transact the business of insurance in this State on March 27, 1987.

3. Applicants are irrevocable trusts established in 1996 by Jeffrey Schumacher and Laura Acklie Schumacher for the benefit of their minor children. The Trustee of each Trust is Jeffrey Schumacher, the president of CCC and father of the Trust beneficiaries. The gift from Duane and Phyllis Acklie, grandparents of minor beneficiaries, is a total of 3,000 shares (60%) of the voting common stock of CCC with 1,500 shares (30%) to be gifted to each Trust. The Trustee, Jeffrey Schumacher, has the authority to vote shares of stock owned by the Trusts.

4. Under the terms of the trust agreement, the trust property will not be distributed to the eldest beneficiary for another twelve years. Thus, Jeffrey Schumacher will be the

ultimate controlling person of CCC until such time as a subsequent Form A filing is made.

5. Jeffrey Schumacher is currently president of CCC, father to the minor beneficiaries, and is an attorney at law licensed in good standing to practice law in the state of Nebraska. A Biographical Affidavit for Schumacher is on file with the Department.

6. The gift of stock is subject to the Department's approval since it will result in a change of control. Following the making of the gift, the Trusts will be the largest shareholders of CCC stock with Duane Acklie and Phyllis Acklie maintaining ownership above ten percent.

7. Applicants have no plans to have CCC declare an extraordinary dividend, to liquidate CCC, to sell or merge it with any person or persons, or to make any other material change in CCC's business operations.

8. 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, CCC will satisfy the requirements for issuance of a Certificate of Authority to conduct the business of insurance in the State of Nebraska and write the lines of insurance for which it is 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 CCC or prejudice the interests of the policyholders of CCC.

d. The Applicant has no plans or proposals to liquidate CCC, to sell the assets of CCC without the approval of the Department, to consolidate or merge CCC with any person or persons without approval of the Department, or to make any other material change in the business operations or corporate structures of management which would be unfair and unreasonable to policyholders of CCC and not in the public interest.

e. The competence, experience and integrity of those persons who would control the operation of CCC are such that it would be in the interests of the policyholders of CCC 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; and

g. The acquisition is not likely to be hazardous or prejudicial to the public.

ORDER

IT IS THEREFORE ORDERED that Applicants are approved to acquire control of CCC.

Within fifteen (15) days after the close of the transaction, Applicant shall file 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 22nd day of February, 2012.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE



BRUCE R. RAMGE
Director of Insurance

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Order was sent to Richard A. Peterson, Attorney at Law, P.O. Box 83246, Lincoln, NE 68501 by electronic mail and by regular U.S. Mail, on this 22nd day of February, 2012.

A handwritten signature in blue ink, reading "Tracy A. Hunk", is written over a horizontal line.