

STATE OF NORTH DAKOTA
BEFORE THE INSURANCE COMMISSIONER

In the Matter of the Form A Application of
John J. Scott, Sr. Proposed Acquisition of
Westminster American Insurance Company,

**FINDINGS OF FACT,
CONCLUSIONS OF LAW AND
ORDER APPROVING
ACQUISITION OF CONTROL**

File No. 24-891

INTRODUCTION

On May 8, 2024, John J. Scott, Sr. and Scott Insurance Holdings, LLC, a Maryland Limited Liability Company (“the Applicant”) filed with the North Dakota Insurance Department (the “Department”), a Form A Statement Regarding the Acquisition of Control of a Domestic Insurer (the “Form A”). The Form A concerned the Applicant’s proposed acquisition of Westminster American Insurance Company (“WAIC”) or the “Insurer”) and was submitted pursuant to N.D.C.C. Ch. 26.1-10.

In connection with the Form A, the Applicant submitted a Stock Purchase Agreement (“Agreement”) dated May 7, 2024, between NI Holdings, Inc., a North Dakota Corporation and Scott Insurance Holdings, LLC. Also attached to the Form A are: WAIC Business Plan (Exhibit 1), John J. Scott, Sr., Financial Statements (Exhibit 2), John J. Scott, Sr., Tax Returns (Exhibit 3), and Organizational Chart (Exhibit 4.). Applicant also submitted a Guaranty concerning the Agreement, bank loan commitment letter and biographical affidavits.

On May 14, 2024, North Dakota Insurance Commissioner Jon Godfread (the “Commissioner”) issued a public notice setting a public hearing concerning the transaction for June 7, 2024, as provided in N.D.C.C. § 26.1-10-03(4). Notice of the public hearing was provided by the Applicant to Insurer as provided in N.D.C.C. § 26.1-10- 03(4)(b).

The public hearing regarding the proposed transaction was held before the Commissioner at 8:30 a.m., June 7, 2024, in the Sakakawea Room, at the North Dakota State Capitol building in Bismarck, North Dakota. The Applicant appeared through Applicant's counsel, Monte L. Rogneby of the Vogel Law Firm and provided both a pre-filed declaration from John J. Scott, Sr., and oral testimony from John J. Scott, Jr. The Department appeared through Laney Herauf, attorney for the Department, and provided oral testimony from Matt Fischer, Chief Examiner and Director of Company Licensing & Examinations.

Through the public notice of hearing that was issued, the general public was invited to make comments concerning the proposed transaction. The public was also invited to make comments concerning the proposed acquisition during the hearing. No members of the general public came forward at any time during the hearing to submit comments regarding the proposed transaction.

The matter of the acquisition of control of Insurer by the Applicants has been considered by the Department based upon the Form A, the pre-filed written declaration received into evidence prior to the hearing, oral testimony submitted in connection with the hearing, and other documents filed with the Commissioner and made a part of the record including the documents filed with the Form A and exhibits submitted by Applicant at the hearing

After considering and reviewing all the documents, instruments, testimony, and materials filed or submitted in this matter, the Commissioner makes the following Findings of Fact, Conclusions of Law, and Order.

FINDINGS OF FACT

A. Applicant's Background and Significant Affiliates

1. John J. Scott, Sr., is a Florida resident. Mr. Scott, Sr., is the President and majority owner of Associated Insurance Management, LLC (“AIM”), a position he has held since 1969. AIM is an independent insurance agency that offers property and casualty and other insurance products. Mr. Scott, Sr., has been a licensed insurance producer in Maryland since approximately 1968 and has been a licensed non-resident insurance producer in numerous other states and the District of Columbia since 1969.

2. AIM was formed in 1969. Since then, AIM has acquired or taken over the management responsibilities of several independent insurance agencies.

3. Mr. Scott, Sr., was the sole owner of the Westminster American, LLC, which owned 100% of the outstanding stock of WAIC from 2005 to 2020, before selling to the current owner, NI Holdings, Inc.. Prior to selling to NI Holdings, Inc., Mr. Scott, Sr., was Chairman of the Board of WAIC.

4. Mr. Scott, Sr.’s, affiliates are detailed in the organizational chart provided with the Form A filing.

5. Mr. Scott, Sr., has formed Scott Insurance Holdings, LLC, a Maryland limited liability company, to hold the outstanding shares of WAIC. Mr. Scott, Sr., holds membership-interest control of Scott Insurance Holdings, LLC, with less than 10 percent interest held by other members of Mr. Scott, Sr.’s, family. Mr. Scott, Sr., is the sole manager of Scott Insurance Holdings, LLC.

6. Applicant does not presently intend that Scott Insurance Holdings, LLC, will conduct any other business activities.

B. Insurer's Background and Significant Affiliates

1. The Insurer is a North Dakota-domiciled property and casualty insurer. NI Holdings, Inc., (“NI Holdings”), a North Dakota-domiciled insurance company, directly owns 100% of the issued and outstanding voting stock of Insurer.

2. Applicant anticipates that the following persons will serve as the Board of Directors of WAIC following the acquisition of WAIC by Scott Insurance Holdings, LLC:

- a. John J. Scott, Sr., CIC – Owner/Insurance Professional;
- b. John J. Scott, Jr., Esq. – WAIC Officer/Attorney/Insurance Professional;
- c. Gary “Michael” Pfarr – WAIC Officer/Accounting;
- d. David S. Scott, CIC – Insurance and IT Professional;
- e. Leonard P. Marinaccio – Insurance Professional;
- f. Frank Glorioso, CPA/PFS – Accountant;
- g. Jason M. Schupp, Esq., CPCU – Compliance Professional/Attorney;
- h. Maria Harris Tildon, Esq. – Government Affairs/Attorney;
- i. Robert Graebner – Reinsurance Professional; and,
- j. Ben Stinson- IT Professional.

3. Applicant intends to continue the employment of all WAIC’s current corporate leadership:

- a. John J. Scott, Jr. President & CEO - with WAIC since 2005;
- b. Gary “Mike” Pfarr Chief Financial Officer - with WAIC since 2008;
- c. Kelly Myers Vice President of Operations – with WAIC since 2007;
- d. Brian Culp Vice President of Claims – with WAIC since 2019; and,

e. Dan Gaynor Vice President of Underwriting – with WAIC since 2023.

4. Biographical affidavits of the proposed Board Members and Leaders were included with the Form A filing.

C. Form A Filing and Related Procedural History

1. On May 8, 2024, Applicant filed with the Commissioner the Form A regarding the proposed transaction pursuant to N.D.C.C. § 26.1-10-03. The Form A provides the entire and complete information required by N.D.C.C. § 26.1-10-03.

2. On May 14, 2024, a public notice was issued by the Commissioner to set a public hearing concerning the transaction on June 7, 2024, as provided in N.D.C.C. § 26.1-10-03(4).

3. Notice of the public hearing was provided by the Applicant to Insurer.

4. The public hearing regarding the proposed transaction was held before the Commissioner at 8:30 a.m. on June 7, 2024, in the Sakakawea Room at the North Dakota State Capitol building in Bismarck, North Dakota. The Commissioner closed the record following completion of the public hearing.

D. Proposed Transaction

1. Subject to approval from the applicable regulatory authorities, Applicant intends to purchase from NI Holdings, Inc. all of the issued and outstanding shares of Insurer.

2. Scott Insurance Holdings, LLC, will acquire all outstanding stock in Insurer. John J. Scott, Sr., by virtue of his ownership of Scott Insurance Holdings, LLC, will acquire ultimate control of Insurer.

3. Applicant also currently intends, in a separate transaction, to seek approval to redomesticate WAIC back to Maryland where it was previously domiciled prior to its acquisition by NI Holdings, Inc.

E. Requirements for Issuance of a Certificate of Authority

1. The transaction will not negatively affect Insurer's level of capital and surplus. Following the acquisition, Insurer will have the same management who will hold the same positions as they held prior to the acquisition.

2. Following the acquisition, Insurer's policies and procedures for complying with applicable laws will be the same as they were prior to the acquisition. Accordingly, following the acquisition, Insurer will still satisfy the requirements for issuance of a certificate of authority to write the lines of insurance for which it is presently licensed.

F. Competition in Insurance and Impact on Insurance Buying Public

1. Applicant and Applicant's affiliates and Insured do not share any market overlap in any line of insurance in the State of North Dakota.

2. The market shares of Applicant and Applicant's affiliates and Insurer are below the statutory thresholds set forth in N.D.C.C. § 26.1-10-03.1(4) for establishing prima facie evidence of a violation of competitive standards.

3. Pursuant to N.D.C.C. § 26.1-10-03.1(4)(b)(1), the transaction does not have prima facie evidence that the change of control would substantially lessen competition in the surplus insurance market in North Dakota. Consequently, the effect of the acquisition by the Applicant will not tend to substantially lessen competition or tend to create a monopoly in any line of insurance in North Dakota.

4. Submitted declaration from John J. Scott, Sr., and testimony from John J. Scott, Jr., during the hearing, established that Applicant does not have any plans to make any material changes to Insurer's policies currently issued to policyholders.

G. Applicant's Financial Status

1. Applicant submitted all requested financial statements, organizational charts, and biographical affidavits for Applicant's directors and executive officers with the Form A.

2. The financial condition of Applicant is such that the financial condition of Insurer would not be jeopardized by the acquisition. Furthermore, the acquisition will not prejudice the interests of Insurer's policyholders.

H. Plans and Proposals for the Domestic Insurer

1. Following the closing of the transaction, Insurer will continue to maintain its separate corporate existence and substantially continue its operations as currently conducted.

2. Applicants have no plans or proposals to liquidate Insurer, to sell its assets, to merge or cause it to consolidate with any person or persons, or to make any other material change in its business operations, corporate structure, or management, except as noted in Paragraph D(3).

I. Management

1. Insurer following the acquisition will be managed by the same professionals who have demonstrated competence, experience, and integrity in insurance operations. Insurer's current management is not expected to change as a result of the Department's approval of the Form A.

2. Insurer's current management which is not expected to change and Scott Insurance Holdings, LLC, and its Manager, John J. Scott, Sr., possess significant corporate and commercial experience. The competence, experience, and integrity of management and Insurer's directors is such that it would not be against the interests of the policyholders of Insurer or against the interests of the general public if Applicant was permitted to acquire control of Insurer.

J. Effect of the Acquisition on the Insurance Buying Public

1. The Insurer will be managed substantially consistent with the way it is currently managed and, given the experience and financial strength of the Applicant, the acquisition will not be hazardous or prejudicial to the insurance buying public.

K. Department's Recommendation

1. Matt Fischer, Chief Examiner and Director of Company Licensing & Examinations with the Department, reviewed the Form A and all of the corresponding exhibits.

2. Mr. Fischer, on behalf of the Department, testified that he considered the criteria outlined in N.D.C.C. § 26.1-10-03(4)(a) through (e) and concluded that: (i) following the acquisition, Insurer would still satisfy the current capital and surplus requirements under North Dakota law for issuance of a certificate of authority to write the lines of insurance for which it is presently licensed; (ii) the proposed acquisition would not have the effect of substantially lessening competition in insurance in North Dakota or tend to create a monopoly; (iii) the financial condition of the Applicants will not jeopardize the financial stability of Insurer or prejudice the interests of Insurer's policyholders; (iv) there was no evidence of any plans by the Applicants to liquidate Insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in the

business or corporate structure or management of Insurer except as noted in Paragraph D3; (v) the evidence suggested that the competence, experience and integrity of the directors, officers and management of the Applicant and the Insurer following acquisition are such that it will be in the interests of Insurer's policyholders and of the public to permit the acquisition to occur; and (vi) there is no evidence that the acquisition is likely to be hazardous or prejudicial to the insurance buying public.

CONCLUSIONS OF LAW

1. The Commissioner has jurisdiction over the proposed acquisition pursuant to N.D.C.C. Ch. 26.1-10.

2. The Form A and its exhibits meet all of the filing requirements provided pursuant to N.D.C.C. § 26.1-10-03.

3. The Applicant has met the procedural requirements of N.D.C.C. Ch. 26.1-10 with regard to seeking and receiving approval of the proposed acquisition of control of a domestic insurance company.

4. The hearing in this matter was duly noticed and conducted pursuant to the requirements of N.D.C.C. § 26.1-10-03(4) and an order approving or disapproving the proposed acquisition may be issued based upon the Form A filed with the Commissioner by the Applicant.

5. The Commissioner shall approve an acquisition of control governed by N.D.C.C. § 26.1-10-03 unless the Commissioner finds that:

- a. After the change of control, the domestic insurance company would not be able to satisfy the requirements for the issuance of a certificate of authority to write the lines of insurance for which it is presently licensed.

b. The effect of the merger or other acquisition of control would be substantially to lessen competition in insurance or tend to create a monopoly in North Dakota.

c. The financial condition of any acquiring party might jeopardize the financial stability of the insurance company or prejudice the interest of its policyholders.

d. The plans or proposals which the acquiring party has to liquidate the insurance company, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the company and not in the public interest.

e. The competence, experience, and integrity of those persons who would control the operation of the insurance company are such that it would not be in the interest of policyholders of the company and of the public to permit the merger or other acquisition of control.

f. The acquisition is likely to be hazardous or prejudicial to the insurance buying public.

6. The proposed acquisition of control of North Dakota domestic insurer Westminster American Insurance Company constitutes a change of control under the provisions of N.D.C.C. Ch. 26.1-10 and is subject to prior approval of the Commissioner.

7. Based on the Findings of Fact, the evidence does not suggest that any of the events or conditions listed in N.D.C.C. § 26.1-10-03(4) would occur or exist after the acquisition of control; therefore, the evidence does not form a basis upon which the

proposed acquisition of Westminster American Insurance Company by the Applicant should be denied.

8. Considering the entirety of the evidence contained in the record, it is appropriate to approve the transaction.


NOW, THEREFORE, based upon the representations and sworn testimony and the above Findings of Fact and Conclusions of Law, the Commissioner enters an Order as follows:

ORDER

The proposed acquisition of Westminster American Insurance Company by John J. Scott, Sr., and Scott Insurance Holdings, LLC, in accordance with the provisions of the Form A Statement Regarding the Acquisition of Control of a Domestic Insurer filed with the North Dakota Insurance Department is **HEREBY APPROVED**.

The Commissioner will retain jurisdiction over the subject matter of this proceeding and over the parties for the purpose of entering such further order or orders as may be deemed proper.

Dated this 10th day of June, 2024.



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