



July 8, 2019

Insurance Commissioner Ricardo Lara
Department of Insurance
300 Capitol Mall, Suite 1700
Sacramento, CA 95814

Dear Commissioner Lara:

In agreeing to return \$54,300 in insurance industry contributions made to your 2022 reelection committee you took an important step to protect the credibility of the elected position you hold. However, the public requires a full and fair accounting of why the contributions were made in the first place.

A nursery school administrator from New Jersey, a production company president from Connecticut, and her insurance executive husband, don't just max out on contributions to an Insurance Commissioner from California with the power to approve a change of ownership for the company they're all connected to. The contributions look like they were intended to covertly grease the wheels for that acquisition. The public and policyholders you are legally bound to protect deserve an explanation of how and why these contributions came to you.

Three of the donors - Stephen and Carol Acunto and Theresa DeBarbrie - are connected to Applied Underwriters through the Boards of Directors of other insurance companies controlled by Steven Menzies. Menzies currently owns a minority share of Applied Underwriters and stands to gain control of the company if it is successfully spun off from Berkshire Hathaway. Were the contributions made at Mr. Menzies's suggestion? Did the \$54,300 originate with him? It would be illegal money laundering if Mr. Menzies repaid the Acuntos and Mrs. DeBarbrie for their contributions to your 2022 campaign. The voters must know the circumstances under which these campaign contributions, that seem clearly intended to influence your decision on the company's sale, were made.

Particularly troubling is that Applied Underwriters has run afoul of the Department of Insurance. Applied Underwriters settled an enforcement action brought by the Department for bait and switch marketing in 2017 and the company is currently fighting legal actions brought by five other businesses it insured.

The fourth donor is connected to Independence Holding Company (IHC), which sells the kind of junk health insurance products that particularly harm people with limited incomes and were recently outlawed by the Legislature.

Your job is to make sure the insurance industry's books are in order. You have a duty to fully answer and be accountable for your own. The public deserves to know whether the donors acted unilaterally, or if the contributions were solicited and by whom.

We would expect you to want the answers to these questions too. We ask you to investigate and inform the public: 1) If you or your representatives met or communicated with the donors, or Mr. Menzies; 2) If Applied Underwriters' pending matters before the Department, or IHC business in California, were discussed; 3) How, when, and where the contributions were offered, for example at a fundraising gathering or meeting; or 4) If the contributions were simply mailed with no other contact between you or your representatives and the donors.

Full transparency is necessary to address any appearance of impropriety or undue influence and lay this matter to rest.

Sincerely,



Harvey Rosenfield



Carmen Balber