



July 11, 2019

VIA EMAIL AND OVERNIGHT DELIVERY

Ms. Debbie De Guzman
Legal Analyst
California Department of Insurance
Legal Division-Government Law Bureau
300 Capitol Mall, 17th Floor
Sacramento, CA 95814
DebbieLynne.DeGuzman@insurance.ca.gov

RE: PRA-2019-00555 (CL) Public Records Act Request

Dear Ms. De Guzman,

I am writing in response to your July 5, 2019 email¹ refusing to provide Insurance Commissioner Ricardo Lara's schedule of meetings with insurance industry representatives and related documents in response to a Public Records Act ("PRA") request submitted by Consumer Watchdog. Disclosing such public records is essential to restoring the public trust in the Office of the Insurance Commissioner in the wake of recent news reports of influence peddling involving Commissioner Lara and insurance companies regulated by the Department, behavior a *Sacramento Bee* editorial called "shady and suspicious."²

¹ July 5, 2019 email attached as Exhibit A.

² Jeff McDonald, *State's Top Insurance Regulator Accepted Tens Of Thousands Of Dollars From Industry Executives, Records Show* (July 7, 2019), <https://www.sandiegouniontribune.com/news/watchdog/story/2019-07-05/states-top-insurance-regulator-accepted-tens-of-thousands-of-dollars-from-industry-executives-records-show>; Jeff McDonald, *Insurance Commissioner Will Return Funds From Companies With Ties To Industry He Regulates*, San Diego Union Tribune (July 8, 2019), <https://www.sandiegouniontribune.com/news/watchdog/story/2019-07-08/insurance-commissioner-will-unhand-funds-from-companies-with-ties-to-industry-he-regulates>; *Editorial: Insurance Commissioner Lara Never Should Have Accepted Donations From Those He Regulates*, San Diego Union Tribune (July 8, 2019), <https://www.sandiegouniontribune.com/opinion/editorials/story/2019-07-08/insurance-commissioner-lara-donations-insurance-companies>; Hannah Wiley, *Lara's*

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As we noted in our telephonic meet and confer with your colleague Ms. Chao Lor on June 11, 2019, the Governor's Office makes the Governor's full calendar available to ensure public trust in the integrity of the office. Commissioner Lara should do the same. After all, as the California Supreme Court has opined, "[a]n informed and enlightened electorate is essential to a representative democracy." (*Times Mirror Co. v. Superior Court* (1991) 53 Cal.3d 1325, 1328.) Moreover, the preamble of the PRA statute notes that "access to information concerning the conduct of the people's business is a fundamental and necessary right of every person in this state." (Gov. Code § 6250; *American Civil Liberties Union Foundation v. Deukmejian* (1982) 32 Cal.3d 440, 447.)

Should Commissioner Lara choose to refuse to provide his full schedule of meetings, with this letter we narrow Request No. 1 of our June 4, 2019 PRA request to seek records pertaining to the individuals and companies listed below. Though we are narrowing our PRA request in order to facilitate a prompt disclosure of records, we reserve the right to revisit the full request in order to adequately assess whether there exist other potential conflicts of interest.

As explained below, each of the individuals and companies identified in this revised request raises significant public interest issues, as it appears these individuals and companies were attempting to inappropriately influence Commissioner Lara's decision-making on important public matters in violation of state and federal law. Specifically, by this letter Request 1 is amended as follows:

All appointment schedules, calendars, meeting logs, phone call logs, mobile phone records, and any other records relating to any meetings or phone calls ("Conferences") between Insurance Commissioner Lara or his representatives, including staff of the Department, and the following individuals: Steven M. Menzies, Jeffrey A. Silver, Stephen Acunto, Carole Acunto, Carl DeBarbie, Theresa DeBarbrie, Sidney R. Ferenc, Jon M. McCright, Marc M. Tract, Robert L. Stafford, Justin N. Smith, Darlene Graber, and Larry R. Graber. This request also includes records of Conferences between Insurance Commissioner Lara and any individuals employed by or representing Applied Underwriters, California Insurance Company ("CIC"), Constitution Insurance Company, or Independence Holding Company ("IHC"). This request includes, but is not limited to,

'Questionable' Campaign Contributions, Sacramento Bee (July 10, 2019), <https://www.sacbee.com/site-services/newsletters/capitol-morning/article232453557.html>; *Editorial: Insurance Commissioner's Campaign Cash Scandal Raises Troubling Questions*, Sacramento Bee (July 10, 2019), <https://www.sacbee.com/opinion/editorials/article232509952.html>.

records providing the identities of the individuals participating in the Conferences as well as records reflecting when and where the Conferences occurred and the topics of those Conferences. This request seeks records from January 7, 2019 to the present.

Three of the individuals listed above who have made financial contributions to Commissioner Lara's 2022 re-election campaign—Stephen and Carol Acunto and Theresa DeBarbrie—are connected to Applied Underwriters and its subsidiary CIC. Applied Underwriters and CIC settled an enforcement action brought by the Department for “bait and switch” marketing tactics in 2017 and the companies are currently fighting legal actions brought by five other businesses it insured. Applied Underwriters and CIC are also currently undergoing a change in ownership *that will require Commissioner Lara's approval* pursuant to Insurance Code section 1215.2 (“Section 1215.2”).

Steven M. Menzies is identified as the individual acquiring CIC in a document, attached as Exhibit B, filed with the Department pursuant to Section 1215.2. Mr. 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. Mr. Menzies is also President of Constitution Insurance Company, whose directorate interlocks with Applied Underwriters and CIC, several members of which have also contributed to Commissioner Lara. Jeffrey A. Silver is identified in Exhibit B as an attorney representing Mr. Menzies in the CIC transaction and is Treasurer of Constitution Insurance Company.

Stephen Acunto is Managing Director of the Constitution Group, which wholly owns Constitution Insurance Company. Mr. Acunto is also a spokesperson for Applied Underwriters. Theresa DeBarbrie's husband is Carl DeBarbrie, an insurance broker for Applied Underwriters and former executive with Constitution Insurance Company and CIC. Sidney R. Ferenc, Jon M. McCright, Marc M. Tract, Robert L. Stafford, and Justin N. Smith are all listed as Directors or Officers of CIC in Exhibit B.

A fourth donor to Commissioner Lara, Darlene Graber, is the wife of Larry R. Graber, who is Senior Vice President and Director of IHC. IHC is one of the largest sellers of short term “junk” health insurance in the United States.³ California banned short term insurance in 2018.⁴

³ Robert Pear, *Trump's Short-Term Health Insurance Policies Quickly Run Into Headwinds*, N.Y. Times (Aug. 6, 2018), <https://www.nytimes.com/2018/08/06/us/politics/trump-short-term-health-plans.html>

⁴ Catherine Ho, *Defying Trump, California Legislature bans short-term health insurance*, S.F. Chronicle (Aug. 20, 2018), <https://www.sfchronicle.com/business/article/Defying-Trump-California-legislature-bans-13169686.php>

The public has an interest in knowing whether Commissioner Lara met with these individuals, as the campaign contributions appear to have been intended to inappropriately influence Commissioner Lara's decision regarding the sale of Applied Underwriting and CIC. In the case of IHC, the purpose of the political contributions may have been to encourage support for IHC's efforts to re-enter the California market. As you know, a public official may be criminally liable if he or she "asks, receives, or agrees to receive, any bribe, upon any agreement or understanding that his or her vote, opinion, or action upon any matter then pending, or that may be brought before him or her in his or her official capacity, shall be influenced thereby . . ." (Penal Code § 68.) An elected official could also be guilty of extortion if he or she wrongfully uses his or her public position to obtain a personal benefit. (Penal Code § 518.) Similarly, pursuant to federal law, the public has the right to the "honest services" of public officials. This right is violated when a public official makes a decision that is not motivated by the public's interest but instead by his or her personal interest. (18 U.S.C. §§ 1341, 1343, 1346.) Moreover, a public official may not make, participate in, or influence a governmental decision that will have a reasonably foreseeable and material financial effect on the official or any of the official's financial interests. (Gov. Code §§ 87100, 87103.)

The requested records will allow the public to answer these troubling questions:

- 1) Did Commissioner Lara or his representatives meet or communicate with the donors, Mr. Menzies, Mr. Silver, or any other representatives of Applied Underwriters or IHC?
- 2) Were Applied Underwriters' pending matters before the Department or IHC's business in California discussed at such a meeting?
- 3) How, when, and where were the contributions offered (for example, at a fundraising gathering or meeting)?
- 4) Was there in fact no contact between Commissioner Lara or his representatives and the donors, Mr. Menzies, Mr. Silver, or any other representatives of Applied Underwriters, Constitution Insurance Company, or IHC? Full transparency is necessary to address any appearance of impropriety or undue influence and lay this matter to rest.

Your reliance on the so-called "public interest" exception to the PRA statute to *withhold* Commissioner Lara's schedule is perplexing at best. You have not even attempted to demonstrate that "the public interest served by not disclosing the record clearly outweighs the public interest served by disclosure of the record." (Gov. Code § 6255(a).) Nor can you. Moreover, concerns about chilling the "deliberative process" have no place where the public interest at stake is whether the regulated companies or Commissioner Lara violated state or federal law. (*See Times Mirror Co.*, 53 Cal.3d at 1341.)

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Though we dispute the applicability of the “public interest” exemption in this instance, the very California Supreme Court decision you cite in your July 5 email notes that a focused request like the one at issue here outweighs any interest in keeping public records from the public view.

[W]here the public interest in certain specific information contained in one or more of the [elected official’s] calendars is . . . compelling, [and] the specific request more focused; then, the court might properly conclude that the public interest in nondisclosure does not clearly outweigh the public interest in disclosure, whatever the incidental impact on the deliberative process.

(*Times Mirror Co.*, 53 Cal.3d at 1345–46). In other words, the *Times Mirror* court

cautioned that “[n]ot every disclosure which hampers the deliberative process implicates the deliberative process privilege. Only if the public interest in nondisclosure clearly outweighs the public interest in disclosure does the deliberative process privilege spring into existence. *The burden is on the [elected official] to establish the conditions for creation of the privilege.*’

(*Labor & Workforce Dev. Agency v. Superior Court* (2018) 19 Cal.App.5th 12, 227, review denied (Apr. 25, 2018) [emphasis added] [quoting *California First Amendment Coal. v. Superior Court* (1998) 67 Cal.App.4th 159, 172–73]; see also *Caldecott v. Superior Court* (2015) 243 Cal.App.4th 212, 226 [holding there was “not a sufficient showing the public interest in nondisclosure outweighs the interest in disclosure. . . . Rather . . . the public interest in disclosure is compelling and is not overcome by the limited, qualified public disclosure exemption.”].) For example, in one case the Court of Appeal “conclude[d] that the public interest served by revealing the names of the pharmaceutical companies and others from whom [government officials] sought to obtain [lethal injection drugs] clearly outweighs that favoring nondisclosure.” (*American Civil Liberties Union of Northern California v. Superior Court* (2011) 202 Cal.App.4th 55, 77–78.)

Similarly, the other bases you cite for withholding all requested records in response to Request 1 are also inapplicable. For example, Insurance Code section 12919, which incorporates Evidence Code sections 1040 and 1041, does not prevent the requested disclosure because there is no interest in “preserving the confidentiality of the information that outweighs the necessity for disclosure in the interest of justice.” (Evid. Code § 1040.) In fact, quite the opposite is true. Equally, your email does not explain why the Department is attempting to block disclosure of the requested records under Government Code section 6254, subdivisions (d), (f), and (k), none of which appear to apply. Finally, as the request seeks records relating to Conferences between Commissioner Lara or his representatives

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and individuals not employed by the Department, the attorney-client communications and attorney work product doctrines are also improperly invoked to block disclosure of the requested records.

I also note that the Department has committed to produce additional documents responsive to other requests in our June 4, 2019 PRA request—including the sources of payees for Commissioner Lara’s out-of-state travel—but we require further explanation for your determination that such records will not be provided until August 31, 2019.

We look forward to your response. Given the importance of the requested documents to the public and the integrity of our democratic institutions, you are hereby on notice that Consumer Watchdog intends to file a lawsuit to compel production of the records (as revised by this letter) by July 31, 2019.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'J. Flanagan', with a horizontal line drawn underneath it.

Jerry Flanagan
Litigation Director
(310) 392-2632

EXHIBIT A

From: De Guzman, Debbie Lynne DebbieLynne.DeGuzman@insurance.ca.gov
Subject: RE: PRA-2019-00555 (CL) Public Records Act Request
Date: July 5, 2019 at 3:55 PM
To: Jerry Flanagan jerry@consumerwatchdog.org
Cc: Lor, Chao Chao.Lor@insurance.ca.gov

DD

Dear Mr. Flanagan,

On June 4, 2019, the California Department of Insurance (“Department”) received the above referenced Public Records Act request. On June 11, 2019, you agreed to narrow your request. On June 22, 2019, the Department advised you it would make a determination on whether it has disclosable public records on or before July 5, 2019.

Your request seeks the following records:

1. All appointment schedules, calendars, meeting logs, phone call logs, mobile phone records, and any other records relating to any meetings or phone calls (“Conferences”) between Insurance Commissioner Lara and any individuals who are employed by or represent the interests of one or more insurance companies or the insurance industry. This request includes, but is not limited to, records providing the identities of the individuals participating in the Conferences as well as records reflecting when and where the Conferences occurred. Item 1 seeks records from January 7, 2019 to the present.
2. All records regarding Insurance Commissioner Lara’s out-of-state travel, including the persons or entities that paid for that travel, including airfare and other transportation, hotels, meals, and entertainment. Item 2 seeks records from January 7, 2019 to the present.
3. All records regarding the March 21, 2019 Climate Change Petition for Rulemaking (“Climate Change Petition”). Item 3 does not seek records subject to the attorney work product or attorney-client privileges properly invoked by the Department.
4. All records regarding the February 21, 2019 Petition for Rulemaking to ban the use of education and occupation to set insurance premiums (“Education/Occupation Petition”). Item 4 does not seek records subject to the attorney work product or attorney-client privileges properly invoked by the Department.

CDI’s Response to Request 1:

There are responsive records to this request which are not being produced. These records are privileged or confidential and exempt from disclosure under Insurance Code section 12919, Government Code section 6254, subdivisions (d), (f), and (k), Evidence Code sections 1040 and 1041, and the deliberative process privilege. (See Gov. Code § 6255; see also *Times Mirror Co. v. Superior Court* (1991) 53 Cal.3d 1325.). To the extent there are attorney-client communications or attorney

work product, these records are confidential and exempt from disclosure under the attorney-client privilege and the attorney work product doctrine.

CDI's Response to Request 2:

There are responsive records to this request. The Department anticipates production of responsive records no later than August 31, 2019.

CDI's Response to Requests 3 and 4:

Based on the Department's review of available records compiled to date, we provide you with the attached disclosable public records responsive to requests 3 (Climate Change Petition) and 4 (Education/Occupation Petition). For email communications with the attached two Petitions, only the emails are being produced. At this time, the Department needs additional time to compile and review other potential responsive records. We anticipate production of additional public records, if any, no later than August 31, 2019.

Thank you for your patience and consideration.

Sincerely,

Debbie De Guzman, Legal Analyst
California Department of Insurance
Legal Division-Government Law Bureau
300 Capitol Mall, 17th Floor
Sacramento, CA 95814
D: (916) 492-3486
E: DebbieLynne.DeGuzman@insurance.ca.gov

EXHIBIT B

FORM A

To: The Insurance Commissioner of the State of California
Attention: Ms. Carol Frair, Bureau Chief
Legal Division Corporate Affairs Bureau
45 Fremont Street – 24th Floor
San Francisco, CA 94105

INFORMATION STATEMENT OF
(this “Statement”)

Steven M. Menzies
(the “Offeror”)

CONCERNING AN OFFER TO ACQUIRE CONTROL OF

California Insurance Company
(the “Domestic Insurer”)

Dated: May 30, 2019

The above-captioned contemplated transaction involves an offer to acquire voting securities of the above-named domestic insurer through the means of a purchase of shares of its parent corporation

Filed pursuant to Insurance Code Section 1215.2 and Sections 2683 et seq., Title 10, California Administrative Code.

Name, Title, Address and Telephone Number of Individual to Whom Notices and Correspondence Concerning this Statement Should be Addressed:

Jeffrey A. Silver
10805 Old Mill Road
Omaha, Nebraska 68154
Telephone: 402-342-4200, Ext. 4141
Facsimile: 402-393-8558
jeffreysilver@silver-law.net

ITEM I. THE OFFER TO PURCHASE OR EXCHANGE SHARES, OR THE AGREEMENT OF MERGER OR PLAN OF REORGANIZATION

(a) Insurer.

The name and address of the Domestic Insurer to which this Statement relates is:

California Insurance Company
950 Tower Lane
Foster City, CA 94404
FEIN No.: 94-1627528
NAIC No.: 38865

(b) Method of Acquisition.

The following is a summary of the proposed acquisition of control of the Domestic Insurer by the Offeror (the "Proposed Acquisition"). The summary of the principal terms of the Proposed Acquisition is qualified in its entirety by reference to the specific agreements identified below.

Berkshire Hathaway Inc. ("Berkshire") owns eighty-one percent (81%) of the issued and outstanding shares of AU Holding Company, Inc., a Delaware Corporation ("AU Holding"). Steven Menzies ("Offeror") owns eleven and one-half percent (11½%) of AU Holding. Sidney Ferenc ("Ferenc") owns seven and one-half percent (7½%) of AU Holding.

AU Holding owns all of the issued and outstanding shares of Applied Underwriters, Inc. ("AUI") and separately all of the issued and outstanding shares of North American Casualty Co. ("NAC") pursuant to an exemption granted under IDB No. 19-648 on May 21, 2019. NAC owns all of the issued and outstanding shares of the Domestic Insurer.

On January 31, 2019, Berkshire, United Insurance Company ("UIC") and Offeror entered into a Stock Purchase Agreement (the "Berkshire SPA") whereby UIC agreed, subject to receipt of all required regulatory approvals, to purchase from Berkshire, by no later than September 30, 2019, the 263,250 shares of AU Holding held by Berkshire. On January 30, 2019, UIC and Ferenc entered into a Stock Purchase Agreement (the "Ferenc SPA") whereby UIC agreed subject to receipt of all regulatory approvals to purchase from Ferenc by no later than September 30, 2019 the 24,375 shares of AU Holding held by Ferenc. UIC assigned the Berkshire SPA and Ferenc SPA (collectively the "UIC Assignments") to Bernard Acquisition Company, LLC ("BAC"). As a result of the transactions contemplated by the Menzies Assignment (as defined and described below), neither UIC nor BAC will acquire any direct or indirect equity or voting interest in the Domestic Insurer and a separate disclaimer of control (the "Disclaimer") will be filed by UIC/BAC with the California Department of Insurance (the "Department") pursuant to California Insurance Code §1215.4(1).

On April 1, 2019, the Offeror entered into an Assignment Agreement (the "Menzies Assignment") with BAC whereby the Offeror agreed: (a) to accept all of BAC's right, title and interest in and to the Berkshire SPA and Ferenc SPA (and indirectly all of the outstanding shares

of the Domestic Insurer); and (b) as consideration for the Assignment, Offeror will cause AU Holding to transfer to BAC all of the issued and outstanding shares of AUI held by AU Holding. Accordingly, control of the Domestic Insurer will be solely with the Offeror.

Pursuant to the Menzies Assignment, the Offeror would acquire through NAC, subject to the receipt of all required regulatory approvals and to the closing of the transactions contemplated by the Berkshire SPA and Ferenc SPA, all of the outstanding capital stock of the Domestic Insurer under the Proposed Acquisition. Under the Menzies Assignment, UIC and BAC will disclaim any and all interest in the Domestic Insurer that UIC/BAC otherwise would have acquired at the closing of the transactions contemplated by the Berkshire SPA and Ferenc SPA and execute the Disclaimer. The Menzies Assignment contains customary representations, warranties and covenants and other terms and conditions.

The closing of the Proposed Acquisition must occur on or before September 30, 2019 or the parties will be under no contractual obligation to consummate the transactions contemplated by the Berkshire SPA, the Ferenc SPA and the Menzies Assignment, and Berkshire will be entitled to retain the \$50 million deposit that was previously paid to Berkshire under the Berkshire SPA.

Executed copies of the Berkshire SPA and Ferenc SPA are attached as Appendix 1 and 2. The UIC Assignments are attached as Appendix 3 and 4 respectively. The Menzies Assignment is attached as Appendix 5.

ITEM II. IDENTITY AND BACKGROUND OF THE OFFEROR (Section 1215.2(a)1)

(a) The Offeror.

The name and address of the Offeror seeking to acquire control over the Domestic Insurer is:
Steven M. Menzies
6515 North 159 Street
Omaha, NE 68116

(b) The Offeror's Business Operations.

The Offeror is an individual with twenty-five years' experience in the insurance business including serving as the President and Chief Operating Officer of the Domestic Insurer for the past sixteen years. He is also the sole owner of Constitution Insurance Company, a New York domiciled insurance company rated A- by A.M. Best (and not involved in this transaction).

The Offeror intends to continue business operations of the Domestic Insurer as currently conducted, subject to changes in a manner consistent with sound business practices and the growth and stability of their business, and in accordance with applicable law including any required regulatory approvals. However, the Domestic Insurer will expand its business operations to include Wildfire Home Insurance to California homeowners, Home Insurance to California homeowners in inner-city areas, and workers' compensation to employers involved in

the cannabis industry. The Domestic Insurer currently holds the requisite Certificate of Authority to these lines of business. Prior to submitting this Statement, Offeror submitted a Form A Statement to the Iowa Division of Insurance for Continental Indemnity Company, Applied Underwriters Captive Risk Assurance Company, Inc., Pennsylvania Insurance Company and Illinois Insurance Company domiciled in Iowa, and a Form A to the Texas Department of Insurance for Texas Insurance Company domiciled in Texas. A statement to the Hawaii Department of Insurance for Commercial General Indemnity Company will be submitted. All of these regulatory approvals must be obtained for the Proposed Acquisition to close.

The transaction contemplated by the Ferenc SPA can close independently of the Proposed Acquisition.

(c) **Organizational Chart.**

Not applicable, as the Offeror is a natural person.

ITEM III. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE OFFEROR (SECTION 1215.2(a)(1))

(a) **Names and Business Address of Directors and Executive Officers of the Offeror.**

The Offeror is a natural person with extensive experience in the insurance industry beginning in 1994, including serving as the President and Chief Operating Officer of the Domestic Insurer for the past sixteen years.

The name and business address of the Offeror is:

Steven M. Menzies
6515 North 159 Street
Omaha, Nebraska 68116

(b) **Principal Business Activity.**

The Offeror's present principal business activity, occupation or employment and other required biographical information is set forth in the biographical affidavit of the Offeror, attached as Appendix 7 to this Statement.

(c) **Previous Occupations.**

A list of the Offeror's primary occupations during the last five years and other required biographical information is set forth in the biographical affidavit of the Offeror, attached as Appendix 7 to this Statement.

(d) **Convictions.**

During the last ten years, the Offeror has not been convicted in a criminal proceeding (excluding minor traffic violations).

**ITEM IV. NATURE, SOURCE AND AMOUNT OF CONSIDERATION
(SECTION 1215.2(a)(2))**

(a) **Nature, Source and Amount of Consideration.**

The consideration to be paid by the Offeror for the Proposed Acquisition (the "Consideration") is set forth in the Menzies Assignment. Since no monies are being paid by Offeror to BAC, Offeror does not require any financing for the Acquisition.

(b) **Criteria for Determination of Consideration.**

The nature and amount of the Consideration involved in the Proposed Acquisition were determined through arm's length negotiations between unrelated parties with the advice of their respective financial, legal, actuarial and other advisors. The parties have evaluated the value of the interests being transferred and determined, on an arms-length basis, that such transferred interests have approximately equal value.

ITEM V. FUTURE PLANS FOR THE INSURER (SECTION 1215.2(a)(3))

(a) **Liquidation, Sale of Assets, Merger, Other Major Change**

The Offeror has no present plans for the Domestic Insurer to liquidate the Domestic Insurer, to sell any of its assets, to merge the Domestic Insurer with any person or persons, to declare a dividend (whether or not extraordinary) or to make any other major change to the Domestic Insurer's business operations except as set forth in Item II (b) or corporate structure or management.

(b) **Description of Proposed Acquisition**

Please see Item I(b) for a description of the Proposed Acquisition.

(c) **Future Operations**

After the Acquisition, the business operations of the Domestic Insurer may change in a manner consistent with sound business practices and the growth and stability of its businesses, including maintaining a conservative ratio of premium writings to surplus and in accordance with applicable law, including any required regulatory approvals.

There will be no change of management and as described in this paragraph, the Offeror has no present plans for the Domestic Insurer to declare a dividend (whether or not extraordinary), to liquidate the Domestic Insurer, to sell any of its assets, or to merge the Domestic Insurer with any person or persons.

UIC/BAC pursuant to the Disclaimer will not have any equity or voting interests in the Domestic Insurer as a result of the transactions contemplated by the Menzies Assignment.

The parties contemplate entering into future negotiations concerning the acquisition of some or all of UIC's subsidiaries by the Domestic Insurer. If such a transaction were to occur that would trigger the requirement for a Form A filing with the Department, and an appropriate Form A would be filed. There is currently no contractual arrangement or side agreement providing for such transaction or otherwise.

(d) Changes in Board of Directors and Executive Officers

Following the Proposed Acquisition, the Offeror will elect the following persons to serve as directors, and will cause the Domestic Insurer to appoint the following persons as officers, of the Domestic Insurer:

Directors

Sidney R. Ferenc
Steven M. Menzies
Jeffrey A. Silver
Jon M. McCright
Marc M. Tract

Officers

Steven M. Menzies, President
Robert L. Stafford, Vice President Finance
Justin N. Smith, Vice President/Chief Actuary
Jeffrey A. Silver, Secretary

These individuals are currently serving in these capacities as directors and officers of the Domestic Insurer, and so no changes are contemplated to be made to the Domestic Insurer's current board except that Sidney R. Ferenc will be Chairman Emeritus and management following the Proposed Acquisition.

Attached to this Statement as Appendix 8 are biographical affidavits for each of the proposed directors and officers listed above.

Separately, fingerprint cards are being submitted to Accurate Biometrics.

ITEM VI. VOTING SECURITIES TO BE ACQUIRED

At the closing of the Proposed Acquisition, the Offeror would be the sole, indirect owner of NAC which owns all of the issued and outstanding shares of the Domestic Insurer.

The nature and amount of consideration involved in the Proposed Acquisition were determined through arm's length negotiations between unrelated parties with the advice of their respective financial, legal, actuarial and other advisors.

ITEM VII. OWNERSHIP OF VOTING SECURITIES (SECTION 1215.2(a)(4))

Except as contemplated by the Menzies Assignment, neither the Offeror nor any of its affiliates beneficially owns, or has any right to acquire beneficial ownership of, any voting security of the Domestic Insurer.

ITEM VIII. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER (SECTION 1215.2(a)(5))

Other than the Berkshire SPA, the Menzies Assignment and the Ferenc SPA, there are no contracts, arrangements or understandings with respect to any voting security of the Domestic Insurer in which the Offeror or its affiliates is involved.

ITEM IX. RECENT PURCHASES OF VOTING SECURITIES

To the knowledge of the Offeror, there have been no purchases of any voting securities of the Domestic Insurer by the Offeror or its affiliates during the 12 calendar months preceding the filing of this Statement.

ITEM X. RECENT RECOMMENDATIONS TO PURCHASE

To the knowledge of the Offeror, there have been no recommendations to purchase any voting security of the Domestic Insurer made by the Offeror or its affiliates, or by anyone based upon interviews or at the suggestion of the Offeror or its affiliates, during the 12 calendar months preceding the filing of this Statement.

ITEM XI. AGREEMENTS WITH BROKER – DEALERS

No agreement, contract or understanding has been made by the Offeror or its affiliates with any broker-dealer as to solicitation of voting securities of the Domestic Insurer for tender and no amount of fees, commissions or other compensation have been paid by the Offeror or its affiliates to broker-dealers with regard thereto.

ITEM XII. FINANCIAL STATEMENTS AND EXHIBITS

(a) Listing of Appendices.

A complete listing of the Appendices to this Statement follows:

Appendix	Description
1	Berkshire Stock Purchase Agreement (the “Berkshire SPA”)
2	Ferenc Stock Purchase Agreement (the “Ferenc SPA”)
3	Assignment of Berkshire SPA from UIC to BAC (the “UIC Assignment”)
4	Assignment of Ferenc SPA from UIC to BAC (the UIC Assignment”)
5	Assignment Agreement of Berkshire SPA and Ferenc SPA to Menzies (the “Menzies Assignment”)
6	Post-Acquisition Organizational Chart of the Domestic Insurer
7	Biographical Affidavit of Offeror
8	Biographical Affidavits for Proposed Directors and Officers
9	Financial Statement of the Offeror
10	5 Year Pro-Forma Financial Statement on NAIC UCAA Form for Domestic Insurer
11	Proposed Plan of Operation
12	Enterprise Risk Management

(b) Financial Statements.

The financial statement of the Offeror is attached hereto as Appendix 9.

(c) Tender Offers, etc.

The Offeror is not aware of any tender offers for, requests or invitations for tenders of, exchange offers for or agreements to acquire or exchange any voting securities of the Domestic Insurer or any additional soliciting material relating thereto.

The Offeror has not proposed or entered into any employment, consultation, advisory, management contracts concerning the Domestic Insurer.

The Domestic Insurer does not issue annual reports to its stockholders.

ITEM XIII. AGREEMENT REGARDING ENTERPRISE RISK MANAGEMENT

Attached as Appendix 12.

Request for Confidentiality


As to certain Exhibits hereto, annexes, exhibits and schedules thereto, or parts thereof which are submitted under separate cover (Appendices 1, 2, 3, 4, 5, 9, 10 and 11), marked “Confidential” as described above, the Offeror hereby respectfully request that (i) such materials be provided confidential treatment, (ii) the Offeror be notified in advance of any proposed disclosure by the Department and (iii) the Offeror be given reasonable opportunity to seek a protective order or to take other action to prevent or limit such disclosure.

Commitment

Offeror has been involved with the Domestic Insurer since it became a member of AU Holding. Offeror is committed to retaining control of the Domestic Insurer as a long term investment and to maintain its current domiciliary status in California.

SIGNATURE

IN WITNESS WHEREOF the person making and filing this information statement hereby incorporates herein all exhibits attached hereto and all writings referred to herein, and declares that the matters stated herein and in the attached exhibits and in the writings incorporated herein are true and correct. In witness whereof the Offeror hereunto affixes his signature and seal at Omaha, Nebraska this 31 day of May, 2019.



STEVEN M. MENZIES

CERTIFICATION

The undersigned deposes and says that he has duly executed this Form A dated May 31, 2019 and that he is familiar with the Statement and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.



Steven M. Menzies

Subscribed and sworn to this
31 day of May, 2019



Notary Public

My Commission expires on 9-1-19

