



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

October 18, 2019

VIA ELECTRONIC AND U.S. MAIL

Jeffrey A. Silver
California Insurance Company
10805 Old Mill Road
Omaha, Nebraska 68154

SUBJECT: California Insurance Company - Form A Application

Dear Mr. Silver:

This responds to your email of October 11, 2019 and your letter of October 17, 2019. Your stated objective to have a "very constructive relationship that is in the best interests of the CDI" is belied by the newly-disclosed unilateral decision of the Applicant to attempt to merge California Insurance Company into a newly-formed New Mexico domiciled insurer without requesting or obtaining the prior approval of the California Insurance Commissioner in violation of California law.

Moreover, providing notice of the New Mexico Form A hearing the day prior to the proceeding and the Department's decision to monitor the proceeding without objecting to the transaction does not obviate Applicant's obligation to comply with California law or divest this Department of its authority to review the transaction in advance and either approve or disapprove it.

Additionally, California Insurance Code section 709.5(c) is inapposite in the current circumstances. Pursuant to CIC 709.5(b), any attempt to transfer the domicile of a California domestic insurer to another state in which it is admitted may only be effected upon the prior approval of the California Insurance Commissioner. An insurer seeking to transfer its domicile is required to provide the California Commissioner with information and documentation reasonably necessary to determine whether the proposed transfer of domicile is in the best interest of the policyholders of this state.

#1136099.1

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The Applicant failed, however, to seek the required prior approval of the California Insurance Commissioner or submit the information and documentation reasonably required to determine whether the attempted redomestication is in the interest of the California policyholders. Furthermore, because California Insurance Company failed to obtain the prior approval of the California Insurance Commissioner to redomesticate to New Mexico and it is not admitted to transact insurance in New Mexico as required by Insurance Code section 709.5(b), Insurance Code section 709.5(c) does not apply.

As a result, in the event California Insurance Company is merged into and with a New Mexico domestic insurer, the California certificate of authority of California Insurance Company will be extinguished by operation of law and the surviving entity will not be qualified to transact insurance in California. Additionally, if the merger is consummated, the surviving New Mexico insurer will nevertheless have numerous in-force California policies notwithstanding that it will no longer be authorized to transact insurance in California. As a result, any attempt by the New Mexico insurer to maintain such policies in-force, renew any expiring California policies, or issue any new California policies without a California Certificate of Authority will be in violation of California law.

The California Form A remains materially deficient for the reasons previously provided and because, among other reasons, the Applicant failed to disclose or describe Applicant's plan to merge California Insurance Company into and with a newly-formed New Mexico insurer without the prior approval of the California Insurance Commissioner despite the numerous opportunities for the Applicant to do so.

Additionally, if the purported merger of California Insurance Company is consummated, the surviving New Mexico entity could not satisfy the requirements for the issuance of a license to write the line or lines of insurance for which California Insurance Company was licensed. Furthermore, the plans or proposals of the Applicant to merge California Insurance Company into and with the New Mexico insurer and the resulting major change to its corporate structure is not fair and reasonable to its policyholders, and the competence, experience and integrity of those persons who would control the operations of California Insurance Company after the change of control indicate that it would not be in the best interests of its policyholders, or the public to permit them to do so.

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In light of the recent actions of the Applicant that were not disclosed to this Department until after our October 9 correspondence, the option to withdraw the Form A application is no longer available. For all the foregoing reasons, the Form A application of the Applicant is hereby denied pursuant to California Insurance Code sections 1215.2(d)(1), 1215.2(d)(2), 1215.2(d)(4) and 1215.2(d)(5).

Very truly yours,

A handwritten signature in blue ink, appearing to read 'L. Komjathy, Jr.', with a stylized flourish at the end.

Laszlo Komjathy, Jr.

lk:jah

cc: Kenneth B. Schnoll
Jing Yi Chen
Michelle Lo
Carol Frair