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## **NM OFFICE OF SUPERINTENDENT OF INSURANCE STATEMENT RE: TRANSACTIONS INVOLVING CALIFORNIA INSURANCE COMPANY AND CALIFORNIA INSURANCE COMPANY II, INC.**

**Santa Fe, NM** – The New Mexico Office of Superintendent of Insurance issues this statement concerning recent transactions involving California Insurance Company (“CIC”) and California Insurance Company II (“CIC II”). The transactions resulted in the creation of a New Mexico domestic insurer, CIC II, and the subsequent merger of CIC, a California insurer, into the newly formed New Mexico insurer. The transaction facilitated the closing of a \$920MM stock repurchase by Applied Underwriters, Inc. (“AUI”), of shares owned by Berkshire Hathaway. That stock repurchase is expected to result in the preservation of hundreds of insurance industry jobs, and the re-domestication of three Iowa insurers in New Mexico.

The original deadline for the stock repurchase to close was September 30, 2019. If that transaction failed to close, CIC would have been placed in runout; the dedicated insurance professionals employed by that company would lose their jobs; and thousands of policyholders would have needed to find replacement coverage.

A prerequisite to the repurchase closing was regulator approval of the transfer of control of certain AUI subsidiary companies to Steven M. Menzies, the founder of AUI. Insurance regulators in Iowa and Hawaii timely approved the requested transfers. The Texas Department of Insurance (“TDI”) indicated that it would approve a transfer of control if the California Department of Insurance (“CDI”) approved the transfer of control of CIC. On September 27, CDI informed Mr. Menzies that it could neither approve nor disapprove the requested transfer by the September 30 closing date.

After obtaining a 10 day extension of the closing deadline, Mr. Menzies formed CIC II, and applied to have that company licensed as a New Mexico domestic insurer. The application was submitted on October 4, and obtained expedited, statutorily compliant review, including the required entrance examination conducted by a contracted examiner. Simultaneous with its review of the CIC II application, OSI reviewed a draft Form A proposing to merge CIC into CIC II. On October 8, OSI approved CIC II’s application and issued a certificate of authority. Immediately thereafter, CIC II formally submitted its Form A requesting approval to merge CIC into CIC II.

Pursuant to New Mexico law, a hearing is required on a Form A proposing a merger upon notice to the shareholders of both the merging and surviving company. CIC and CIC II provided shareholder waivers of the notice requirements, which allowed OSI to convene a hearing on the proposed merger on October 9.

Prior to the October 9 hearing, the Superintendent of Insurance, OSI's company licensing staff, OSI's examinations bureau staff, and OSI's general counsel participated in a conference call with regulators from CDI and TDI. During the call, CDI failed to articulate any basis for denying the proposed merger under New Mexico law. Under California law, a proposed merger must be approved unless the merger would potentially injure policyholders. CDI agreed that because of CIC's considerable capital, surplus and deposits, the proposed merger presented no risks to California policyholders.

At the October 9 hearing, Mr. Menzies, as owner of CIC II, was represented by New Mexico attorney Suzanne C. Odom. He testified to facts required to satisfy the merger prerequisites under New Mexico law. Representatives of CDI and of Berkshire Hathaway attended the hearing telephonically. The Hearing Officer inquired whether anyone in attendance had any objection to the proposed merger. Having received no objection, and having found that the proposed merger satisfied all requirements of New Mexico law, the Hearing Officer issued a recommendation that the Superintendent approve the proposed merger. The Superintendent accepted the recommendation and issued an approval order.

The openness and cooperation of CIC and CIC II representatives, and the diligence of OSI staff, allowed AUI to obtain the regulatory approvals required to close the stock repurchase on October 10. Consequently, CIC II is now well positioned to continue its insurance operations, maintain its staff, and protect its policyholders and claimants. OSI heartily welcomes this new company to our state and looks forward to a cooperative and dynamic relationship.

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