

FILED

2010 JUN 22 P 3: 14

Hearings Unit, DIC  
Patricia D. Petersen  
Chief Hearing Officer

BEFORE THE STATE OF WASHINGTON  
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Acquisition of:

**NO. G10-0026**

PACIFIC NORTHWEST TITLE  
INSURANCE COMPANY, a Domestic  
Insurer and Wholly-Owned subsidiary of  
PACIFIC NORTHWEST TITLE  
HOLDINGS, INC.,

**DECLARATION OF  
RONALD J. PASTUCH**

by

FIRST AMERICAN TITLE  
INSURANCE COMPANY

Ronald J. Pastuch, under penalty of perjury under the laws of the State of Washington,  
declares as follows:

1. I am the Holding Company Manager in the Company Supervision Division of  
the Washington State Office of Insurance Commissioner ("OIC"). I am over the age of  
eighteen years old and I am competent to testify in this matter. I make this Declaration based  
upon my personal knowledge.

1           2.     I am also a graduate of Pacific Lutheran University, where I earned a Bachelor  
2 of Arts Degree in Business Administration in 1988. I was certificated as a CPA in 1993, and  
3 received my CPA license in 2003.

4           3.     After graduation, I worked for the Washington Department of Veterans Affairs  
5 from 1980 to 1987 in accounting and human resource positions. In 1987, I joined the OIC as  
6 an accountant, a position I held until 1991. From 1991 to 1993, I served as a field Insurance  
7 Examiner with the OIC. From 1993 to 2006, I served as a Financial Analyst in the OIC's  
8 Company Supervision Division, a position I held in various levels.

9           4.     On February 16, 2006, I was appointed the Holding Company Manager in the  
10 OIC's Company Supervision Division. As the Holding Company Manager, my primary  
11 duties consist of reviewing and approving holding company transactions, which include  
12 reviewing and recommending OIC's position on proposed requests for insurance company  
13 acquisitions and mergers, including disclaimers of control.

14           5.     On March 11, 2010, First American Title Insurance Company ("FATICO")  
15 and Pacific Northwest Title Insurance Company ("PNWT") filed an application for approval  
16 of their proposed merger of Pacific Northwest Title Insurance Company with and into First  
17 American Title Insurance Company. PNWT is a Washington domiciled stock title insurer  
18 incorporated on December 1, 1926, and began writing title insurance business on January 1,  
19 1927. FATICO is a California domiciled stock title insurer incorporated on September 24,  
20 1968 and based in Santa Ana, CA. FATICO was and has been licensed to transact title  
21 insurance business since January 2, 1969. In this application, FATICO and PNWT propose to  
22 merge all assets, liabilities, and equity of PNWT with and into FATICO. FATICO and PNWT  
23 entered into an agreement and plan of merger dated February 12, 2010.

          6.     FATICO and PNWT submitted the various Exhibits in the merger application  
filing, including but not limited to, the Agreement and Plan of Merger, pre and post  
organizational charts, minutes of special meetings, pro-forma financial projections of

1 FATICO and PNWT immediately prior to and immediately following the merger, affidavits  
2 of FATICO and PNWT, and a copy of the proposed Articles of Merger to be filed with the  
3 Washington Secretary of State.

4 7. On March 30, 2010, the OIC sent a letter notifying counsel for FATICO and  
5 PNWT regarding the OIC review and status of the application filing. On April 8, 2010, the  
6 OIC requested additional information regarding the proposed merger as to certain aspects of  
7 PNWT current policyholders and its holding company system.

8 8. On April 26, 2010, the attorney representing FATICO and PNWT responded to  
9 the OIC's April 8, 2010 letter with the revised organizational charts and answers to various  
10 questions. The companies' response appears to be adequate and we completed our review.

11 9. According to RCW 48.31B.015(5), FATICO and any person or entities which  
12 directly or indirectly control PNWT are exempt from filing a Form A if the transaction is a  
13 merger or consolidation of two or more insurers according to RCW 48.31.010. Since FATICO  
14 and PNWT are insurers engaged and licensed in the title insurance business and FATICO  
15 indirectly controls PNWT, RCW 48.31.010 should be applied in this matter.

16 10. Pursuant to RCW 48.31.010(1), a domestic insurer may merge or consolidate  
17 with another insurer subject to the following conditions:

18 a. The plan of merger or consolidation must be submitted to and be approved  
19 by the commissioner in advance of the merger or consolidation. FATICO and PNWT filed  
20 their plan of merger on March 11, 2010.

21 b. The plan of merger is to be fair, equitable, and consistent with law, and that  
22 no reasonable objection exists. FATICO will be the surviving entity and PNWT will be the  
23 merged entity. FATICO will merge all assets and liabilities of PNWT's business with and  
into FATICO as a result of this proposed merger. PNWT's outstanding stock certificates will  
be cancelled by FATICO and PNWT will cease to exist after the consummation of the  
merger.

1 c. No director, officer, or member, or subscriber of any such insurer, except as  
2 is expressly provided by the plan of merger, shall receive any fee, commission, other  
3 compensation, or valuable consideration whatsoever, for in any manner aiding, promoting or  
4 assisting in the merger. The plan of merger does not contain any express provision for any  
5 fee, commission, other compensation, or valuable consideration for aiding, promoting, or  
6 assisting in this proposed merger according to affidavits of FATICO and PNWT signed  
October 14, 2009, and February 12, 2010, respectively.

7 d. Any merger as to the incorporated domestic insurer shall in other respects be  
8 governed by the general laws of this state relating to business corporations. We reviewed the  
9 Washington Business Corporation Act regarding merger and share exchanges pursuant to  
10 Chapter 23B.11 RCW. We reviewed those statutory requirements for plan of merger, merger  
11 of subsidiary, articles of merger, merger with foreign corporation, and the effect of merger  
with foreign and domestic entities.

12 e. The agreement and plan of merger was adopted and approved by each  
13 company's board of directors, and special meetings of the shareholders of FATICO and  
14 PNWT were held on October 14, 2009, and October 15, 2009, respectively. The FATICO  
15 and PNWT shareholders unanimously approved of the merger agreement, the merger and the  
16 other transaction contemplated by the merger agreement. Corporate resolutions and minutes  
17 of those meetings were filed with the application. PNWT is a wholly-owned indirect  
18 subsidiary of FATICO as of the date of the application filing. The effect of the merger is  
19 PNWT is the merging entity and FATICO is the surviving entity. The title of all real estate  
20 and other property owned PNWT will be vested in FATICO without reversion or impairment.  
21 FATICO will assume all liabilities of PNWT, and FATICO will be substituted for any  
22 proceeding against PNWT since PNWT will no longer exist after consummation of the  
23 merger. FATICO will continue to be licensed to transact title insurance business in  
Washington State.

1           11.     According to RCW 23B.11.090, the articles of merger are to incorporate the  
2 plan of merger, and a statement that the merger was duly approved by shareholders of each  
3 corporation. The articles are to also contain other requirements according to RCW  
4 23B.11.110. FATICO and PNWT submitted a copy of the proposed articles of merger and  
5 those articles contain the statutory requirements of RCW 23B.11.090 and 23B.11.110.

6           12.     The OIC is satisfied that the proposed articles of merger submitted for OIC  
7 consideration meet the statutory requirements according to the above statutes, and those  
8 proposed articles of merger are sufficient for approval by the Chief Hearing Officer.

9           13.     FATICO and PNWT requested for an exemption from the prior notice and  
10 approval requirements of RCW 48.31B.015(1) and according to the statutory requirements of  
11 RCW 48.31B.015(5), PNWT and any person or entities which directly or indirectly control  
12 PNWT are exempt from filing a Form A if the transaction is a merger or consolidation of two  
13 or more insurers according to RCW 48.31.010. Since FATICO and PNWT are insurers  
14 engaged and licensed in the title insurance business and FATICO indirectly controls PNWT,  
15 no change of control is contemplated by this transaction. OIC recommends RCW 48.31.010  
16 should be applied in this matter.

17           14.     FATICO and PNWT have submitted all necessary documents to the OIC in  
18 connection with the proposed merger. The OIC is satisfied with these necessary documents  
19 meeting the statutory requirements for a merger between insurers according to RCW  
20 48.31.010, and recommends approval of such transaction to the Chief Hearing Officer.

21           15.     From a procedural standpoint, the OIC requires that notice of this proposed  
22 acquisition be given to the public via the Internet (on the OIC's website). On May 6, 2010,  
23 OIC posted a public notice on the Insurance Commissioner's website concerning the  
application of the proposed merger of PNWT and information about the OIC's review  
process, a true and correct copies of which is attached hereto as Exhibit "A". Such notice was  
updated by the OIC regarding the hearing, via the Notice of Hearing and announcement

1 posted on the OIC's website on June 15, 2010, a true and correct copies of which is attached  
2 hereto as Exhibit "B". That notice informs the public of the June 25, 2010, hearing and the  
3 nature of the hearing. That notice was amended on June 16, 2010, and has remained on the  
4 OIC's website since June 16, 2010, and will remain posted on the website through the date of  
5 the hearing. Information regarding the application and its attachments and exhibits are  
6 available to the public which have been posted on the OIC's website as of the date of this  
7 declaration, a true and correct copy of which is attached hereto as Exhibit "C".

8 15. The Notice of Hearing informs and advises all interested parties that any  
9 individual or entity is permitted to submit comments on, or objections to, this proposed  
10 merger. The Notice of Hearing states that any questions or concerns should be directed to  
11 Nicole Kelly, Paralegal to the OIC's Chief Hearing Officer.

12 16. As of the date of this Declaration, I personally have not received any  
13 comments, questions, or objections through letter, correspondence, email, or phone, nor am I  
14 aware of any comments, questions, or objections having been received by the OIC's Chief  
15 Hearing Officer.

16 I declare under penalty of perjury of the State of Washington, that the foregoing is true  
17 and correct to the best of my knowledge and belief.

18   
19 Ronald J. Pastuch

20 SIGNED this 22st day of June, 2010.



# EXHIBIT "A"

## Public notices

May

5/6/2010 Pacific Northwest Title has applied to merge with its parent company, First American Title

[More](#)



# EXHIBIT "A"

## **Pacific Northwest Title merger**

Pacific Northwest Title Insurance Company filed an application for a proposed merger with and into its indirect parent company, First American Title Insurance Company. First American Title would be the surviving entity from this merger.

Pacific Northwest Title is a Washington-domiciled title insurer operating in Washington since 1927.

First American Title Insurance Company is a California-domiciled title insurer and has been licensed in Washington since 1969. First American Title has owned Pacific Northwest Title since 2004.

### **History of the process**

In mid March 2010, we received the application for the merger of Pacific Northwest Title. We are currently reviewing that application at this time.

An adjudicative hearing will be scheduled soon. Notice of that hearing will be posted on the Commissioner's website.

### **What we look at**

In all proposed mergers, the companies must file an application that details:

- A plan of merger including corporate documents approving the proposed merger;
- Financial information for both companies;
- The effect of the merger on the current Washington policyholders;
- Any changes in their business plan; and
- Any market competition impacts.

### **Evaluation criteria**

Under state law, the commissioner must approve the merger unless:

- The plan of merger is not fair, equitable, or consistent with law; or
- It is in some other way "hazardous or prejudicial to the insurance-buying public."

### **Questions?**

Please contact our holding company manager, Ron Pastuch, at 360-725-7211.



# EXHIBIT "B"

## News Releases

Stay Informed:  News Releases |  Blog

### 2010

#### June

6/22/2010 [Lynnwood man charged with insurance fraud: Claimed his \\$33,000 collection of neckties stolen](#)

6/15/2010 [Hearing set for merger of Pacific Northwest Title Insurance Company](#)

#### May

5/25/2010 [\\$19 million verdict in case involving Bellevue, Wash. insurer](#)

5/6/2010 [Seattle couple charged in insurance scheme](#)

5/4/2010 [Consumer Alert: Some health plans covering adult kids early](#)

#### April

4/30/2010 [Judge: Insurer can be held liable for agent's actions](#)

4/30/2010 [Washington plans to run temporary health program for uninsured](#)

4/29/2010 [Insurance commissioner levies \\$360,000 in fines against insurers](#)

4/19/2010 [Guilty plea in fraud case involving faked foot amputation, other claims](#)

4/1/2010 [Kreidler: Work on health care reform is already underway](#)

#### March

3/31/2010 [Insurance commissioner, Governor to discuss health care reform in Washington state](#)

3/29/2010 [Kreidler launches program to help Green River Valley businesses get flood coverage](#)

3/22/2010 [What the federal health-reform legislation means for Washington state](#)

3/18/2010 [Kreidler: In down economy, be wary of health insurance scams](#)

#### February

2/12/2010 [Kreidler: Insurers fined more than \\$400,000 last year](#)

2/9/2010 [Senate approves bill to help businesses in flood plain get insurance coverage](#)

2/2/2010 [Kreidler orders California company to stop selling illegal vehicle service contracts](#)

#### January

1/28/2010 [Second public hearing on credit scoring ban](#)

1/19/2010 [Kreidler seeks credit scoring ban](#)

1/8/2010 [Companies ordered to stop selling illegal health coverage](#)

1/7/2010 [Auto warranty company ordered to stop selling unauthorized vehicle service contracts](#)



# EXHIBIT "B"

## Notice

Mike Kreidler  
Washington Insurance Commissioner  
Web page: [www.insurance.wa.gov](http://www.insurance.wa.gov)

For More Information, Contact:  
Public Affairs: (360) 725-7055

10-20

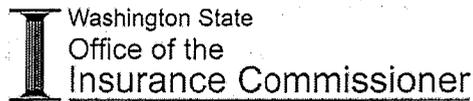
6/15/2010

### Hearing set for merger of Pacific Northwest Title Insurance Company

Olympia, Wash.—

The hearing is scheduled for 11 a.m. on June 25, 2010, in Tumwater, Washington. More information

[More](#)



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In all proposed mergers, the companies must file an application that details:

- A plan of merger including corporate documents approving the proposed merger;
- Financial information for both companies;
- The effect of the merger on the current Washington policyholders;
- Any changes in their business plan; and
- Any market competition impacts.

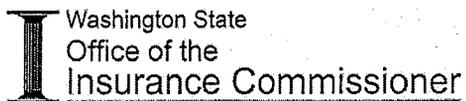
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## EXHIBIT "C"

## Judicial Proceedings

A-B | C-D | E-F | G-I | J-L | M-O | P-R | S-T | U-V | W-Z

Note: The orders below are not official. You may request official copies from our Public Disclosure Office, 360-725-7003, or email: [ericm@oic.wa.gov](mailto:ericm@oic.wa.gov).

Name/Docket no.	Type of action	Status	Documents are in PDF format
PacificCare of Washington Inc., 09-0010	Imposition of fines	Pending	<u>3/12/10 Ltr re: right to review</u> <u>OIC's Reply to Petition for Review</u> <u>2/19/10 Letter re: review</u> <u>PacificCare's Petition for Review</u> <u>Initial Order on Summary Judgment</u> <u>OAH Amended Notice of Hearing</u> <u>OAH Notice of Motion Hearing</u> <u>PacificCare's Reply to MSJ</u> <u>OIC's Response to MSJ</u> <u>PacificCare Motion for SJ</u> <u>OAH Prehearing Order</u> <u>OAH Notice of Hearing</u> <u>OAH Hearing Request</u> <u>Request for OAH review</u> <u>Notice of request for hearing</u>
PacificCare of Washington, subsidiary of UnitedHealth Group by Capital Group Companies, Inc., and Capital Group Companies Management Companies G08-0144	Disclaimer of Affiliation and Control	Exemption Approved	<u>Order approving exemption</u> <u>Capital Group witness ltr</u> <u>Declaration of R. Pastuch</u> <u>Amended notice of hearing</u> <u>Notice of hearing</u> <u>Disclaimer of control</u>
PacificCare of Washington, Inc. Acquisition by UnitedHealth Group Incorporated G05-88	Acquisition of control	Request for Hearing Withdrawn - File closed	<u>Amended prehearing conference</u> <u>Order terminating proceedings</u>
Pacific Northwest Title Insurance Company G10-0026	Merger	Pending	<u>Amended Notice of Hearing</u> <u>Notice of Hearing</u> <u>Hearing Request 05/14/10</u> <u>Certificates of Authority</u> <u>PNWT Response Ltr 04/26/10</u> <u>ExA PNWT policies sold 2008-10</u> <u>ExB Org Chart of PNWT</u> <u>OIC Ltr request 04/08/10</u> <u>OIC Ltr denying waiver 03/30/10</u> <u>Application of Merger 03/10/10</u> <u>Attach 1 Agreement &amp; Merger Plan</u> <u>Attach 2 Org diagram</u> <u>Attach 3 FATICO Board consent</u> <u>Attach 4 PNWT Board consent</u> <u>Attach 5 FATICO S-holder consent</u> <u>Attach 6 PNWT S-holder consent</u> <u>Attach 7 financial projections</u> <u>Attach 8 Affidavits</u> <u>Attach 9 Articles of Merger</u>
Pacific Northwest Title Insurance Company D07-309 & D07-305	Imposition of Fines	Matters Terminated	<u>Order terminating proceedings</u> <u>Consolidation order</u> <u>Notice referral</u> <u>Notice of hearing</u> <u>Notice of hearing</u> <u>Receipt of request</u>