

STATE OF WASHINGTON

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

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OFFICE OF
INSURANCE COMMISSIONER

DECLARATION OF MAILING

I declare under penalty of perjury
that I am the author of the laws of the State of
Washington that on the date listed
below, I mailed or caused the delivery
of a true copy of this document to
*S. Duchene, D. Brown, R. Hoffman,
M. Holt, and T. Kemp*
DATED this 29 day of June
at Tumwater, Washington.

Signed:

HEARINGS UNIT
Fax: (360) 664-2782

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Chief Hearing Officer
(360) 725-7105

Nicole Kelly
Paralegal
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BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Merger of :

Docket No. 10-0026

**PACIFIC NORTHWEST TITLE
INSURANCE COMPANY, A
Washington Domestic Insurance
Company, with and into FIRST
AMERICAN TITLE INSURANCE
COMPANY, A California Domestic
Insurance Company,**

**FINAL ORDER APPROVING
PROPOSED MERGER OF PACIFIC
NORTHWEST TITLE INSURANCE
COMPANY WITH AND INTO FIRST
AMERICAN TITLE INSURANCE
COMPANY**

Applicants.

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Carol Sureau, Deputy Commissioner, Legal Affairs Division
Marcia Stickler, Staff Attorney, Legal Affairs Division
James T. Odiorne, Deputy Commissioner, Company Supervision Division
Ronald J. Pastuch, Holding Company Manager, Company Supervision Division
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Pursuant to Title 48 RCW and specifically Chapters 48.04 and 48.31; Chapter 34.05 RCW; and regulations applicable thereto, and after notice to interested parties and persons (see notice detailed below), the above-entitled matter came on regularly for hearing before the Insurance Commissioner of the State of Washington commencing at 11 a.m., PST, on June 25, 2010, in the Office of the Insurance Commissioner at 5000 Capitol Blvd, Tumwater, Washington 98501. All persons to be affected by the above-entitled matter were given the right to be present at such hearing during the giving of testimony, and had reasonable opportunity to inspect all documentary evidence, to examine witnesses, and present oral and written statements. The Insurance Commissioner appeared pro se, by and through Marcia Stickler, Staff Attorney in his Legal Affairs Division. Pacific Northwest Title Insurance Company and First American Title Insurance Company were represented by Daniel R. Brown, Esq. and Robert Hoffman, Esq. of the San Francisco branch of the law firm Sonnenschein Nath & Rosenthal LLP. Stephanie A. Duchene, Esq. of the of the law firm's Los Angeles branch represented Pacific Northwest Title Insurance Company and First American Title Insurance Company along with Messrs. Brown and Hoffman in all activities prior to the hearing but did not appear at the hearing.

NATURE OF PROCEEDING

By filing an Application for approval of their proposed merger with the Insurance Commissioner on March 10, 2010, pursuant to RCW 48.31.010, First American Title Insurance Company and Pacific Northwest Title Insurance Company have applied to the Insurance Commissioner for approval of their proposed merger of Pacific Northwest Title Insurance Company, a Washington domiciled title insurer, with and into First American Title Insurance Company, a California domiciled title insurer. Specifically, in this proposed transaction, First American Title Insurance Company and Pacific Northwest Title Insurance Company would merge, with First American Title Insurance Company emerging as the surviving entity; Pacific Northwest Title Insurance Company would cease to exist. The proposed merger would not result in a change of the ultimate ownership or control of any insurer. The Application, which was included in the hearing file as Ex. 1, includes the Agreement and Plan of Merger executed February 12, 2010 and other substantial information and agreements concerning this proposed merger as required by RCW 48.31.010, including information and agreements relative to the issues which must be the subject of findings of fact herein pursuant to RCW 48.31.010, and also includes copies of the relevant current and proposed organizational structures. In addition, pursuant to request of the undersigned and also admitted as Ex. 1 are written opening statements and closing arguments of the parties, in addition to written pre-filed Declarations of a duly authorized representative of each of the two entities and a Declaration from a duly authorized representative of the Insurance Commissioner. All documents included as Ex. 1 have also been published on the Insurance Commissioner's website and will remain there for a substantial period of time. The requested effective date of the proposed merger is June 30, 2010.

FINDINGS OF FACT

Having considered the evidence and argument presented at the hearing, and the documents on file herein, the undersigned, who was properly designated to hear and make the final determination in this matter, finds as follows:

1. The hearing was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied.

2. First American Financial Corporation is a publicly traded Delaware Corporation (formerly a wholly owned subsidiary of The First American Corporation) and wholly owns First American Title Insurance Company ("FATICO"). [Pre-Filed Direct Testimony of Thomas S. Hartman; Ex. 1.]

3. FATICO is a California domiciled stock title insurer incorporated in California on September 24, 1968, licensed to transact title insurance business since January 2, 1969. FATICO has its statutory home office, main administrative office and mailing address at 1 First American Way, Santa Ana, CA 92707. FATICO is licensed by the Washington State Insurance Commissioner ("Commissioner") to transact title insurance in Washington state (Washington Certificate of Authority No. 461; NAIC Co. Code 50814). [Declaration of Ronald J. Pastuch, Ex. 1.] FATICO is also authorized to conduct title insurance business in 49 states and the District of Columbia, and operates through independent agents. FATICO has authorized capital stock of 10,000,000 shares of common stock, \$100 par value, of which 2,000,000 are issued and outstanding. [Pre-Filed Direct Testimony of Hartman; Ex. 1.]

4. FATICO wholly owns 100% of the issued and outstanding stock of Pacific Northwest Title Holding Company, a Washington domiciled title insurance holding company. Pacific Northwest Title Holding Company, in turn, wholly owns all issued and outstanding shares of Pacific Northwest Title Insurance Company ("PNWT.") [Pre-Filed Direct Testimony of Hartman; Ex. 1.]

5. PNWT is a Washington domiciled stock title insurer incorporated in Washington State on December 1, 1926, which began writing title insurance business on January 1, 1927. PNWT has its statutory home office, main administrative office and mailing address at 215 Columbia Street, Seattle, Washington, 98104-1511. PNWT is licensed by the Commissioner to transact title insurance business in Washington State (Washington Certificate of Authority No. 315; NAIC Co. Code 50970). PNWT has authorized capital stock of 100,000 shares of common stock, \$100 par value, of which 49,817 are issued and outstanding. [Declaration of Pastuch; Pre-Filed Direct Testimony of Michael Holt; Ex. 1.]

6. Under the terms of this proposed merger, at the effective time of this proposed merger, each share of PNWT that is outstanding immediately prior to the effective time of the proposed merger, and all rights and obligations in respect of those shares, would without further action be canceled and extinguished without any consideration therefore. No shares

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of stock or other consideration of FATICO would be issued in connection with the proposed merger. [Agreement and Plan of Merger; Ex. 1.] FATICO, as the surviving corporation, would thereafter continue to exist by virtue and under the laws of Washington State and California. The corporate identity, existence, purpose, powers, obligations to policyholders and others, franchises, rights, and immunities of FATICO would continue unaffected and unimpaired by the merger. Likewise, the corporate identity, existence, purpose, powers, obligations to policyholders and others, franchises, rights, and immunities of PNWT would be merged with and into FATICO, and FATICO would be fully vested therewith. The separate existence of PNWT, except insofar as it may be continued by reason of applicable Washington statute, would cease upon the Agreement and Plan of Merger filed herein becoming effective and thereupon PNWT and FATICO would become a single corporation, FATICO. Further, as of the effective time of the proposed merger, all rights and obligations of PNWT would become the rights and obligations of FATICO as the surviving corporation. [Testimony of Thomas S. Hartman; Pre-Filed Direct Testimony of Hartman; Testimony of Michael L. Holt; Pre-Filed Direct Testimony of Holt, Ex. 1.]

7. Further, under the terms of this proposed merger, FATICO, the surviving corporation, would continue to exist as an insurance corporation domiciled under the laws of the state of California, with all of the rights and obligations of such surviving corporation as are provided by the California Corporations Code and the Washington Business Corporation Act. PNWT would cease to exist. All business of both FATICO and PNWT would be operated under the name of FATICO. [Testimony of Hartman; Pre-Filed Direct Testimony of Hartman; Testimony of Holt; Pre-Filed Direct Testimony of Holt; Ex. 1.]

8. Therefore, as found above, currently pre-merger, First American Financial Corporation directly wholly owns FATICO and indirectly wholly owns PNWT. Therefore should this proposed merger be approved, First American Financial Corporation will continue to be the 100% parent corporation: this proposed merger will not result in a change of ownership or control of FATICO or PNWT. On February 9, 2010, The First American Corporation received approval from the Washington State Insurance Commissioner to separate its financial services and information services companies and is awaiting approval of the transaction in California; should it be approved there, FATICO and PNWT would be owned and controlled by the same ultimate parent, First American Financial Corporation, a California insurance holding company. [Ex. 1.]

9. The interest of FATICO and PNWT in having this proposed merger approved is to improve the efficiency of their operations. Specifically, currently both PNWT and FATICO are both licensed by the Washington State Insurance Commissioner to conduct title insurance business in Washington State, and they both write the same types of coverage on the same forms and with the same rate structure. However, currently each separately owns, operates and ensures compliance in Washington State. This proposed merger would eliminate these duplicative costs. [Testimony of Hartman; Pre-Filed Direct Testimony of Hartman; Testimony of Holt; Pre-Filed Direct Testimony of Holt; Ex. 1.]

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10. Pursuant to RCW 48.31.010, on March 11, 2010, in advance of the proposed effective date of June 30, 2010, PNWT and FATICO properly filed an Application for Approval of the Proposed Merger with the Commissioner, together with an Agreement and Plan of Merger and other relevant documents. [Declaration of Pastuch; Pre-Filed Direct Testimony of Hartman; Pre-Filed Direct Testimony of Holt; Ex. 1.]

11. The Commissioner requires that detailed notice of the proposed merger be given to the public via the internet (on the Commissioner's website at <http://www.insurance.wa.gov>). Accordingly, on May 6, 2010, the Commissioner posted a public notice on the Commissioner's website concerning the application for approval of this proposed merger and information about the Commissioner's review process. Such notice was updated by the Commissioner regarding the adjudicative proceeding herein, via the publication of the undersigned's Notice of Hearing and announcement posted on the Commissioner's website on June 15, 2010. That Notice, amended on June 16, 2010, informs the public of the June 25, 2010 hearing, also attaches all relevant documents filed herein, and remained posted on the website through the date of the hearing. The Notice of Hearing also informs and advises all interested parties that any individual or entity is permitted to submit comments on, or objections to, this proposed merger, to be directed to the undersigned. [Declaration of Pastuch.] Based upon this evidence, it is here found that this notice constitutes reasonable notice as required by the Commissioner.

12. No comments, objections, or questions of any kind were received by the undersigned or by Nicole Kelly, Paralegal to the undersigned. Additionally, no objections were received by FATICO or PNWT. [Testimony of Hartman; Testimony of Holt.] Finally, no objections were received by the Commissioner or his representatives. [Declaration of Pastuch.] Based upon this evidence, it is here found that reasonable notice of this proposed merger was properly given, and that no reasonable objection exists.

13. FATICO is a financially stable insurance corporation. FATICO, as of March 31, 2010, has assets in excess of \$2,053,068,245, liabilities in the amount of \$1,234,191,817 and surplus as regards to policyholders in the amount of \$818,876,431. Moreover, FATICO has a financial strength rating of "A-" from A.M. Best. [Pre-Filed Direct Testimony of Hartman.] PNWT, as of March 31, 2010, has assets in excess of \$26,297,340, liabilities in the amount of \$13,408,418, and surplus as regards to policyholders in the amount of \$12,888,922. Moreover, PNWT has a financial strength rating of "A-" from A.M. Best. There will be no adverse financial impact on FATICO or PNWT, the proposed merger is in no way likely to be hazardous or prejudicial to the insurance-buying public, policyholders will not be adversely affected in any way and there are no plans or proposals to liquidate PNWT, sell its assets, consolidate or merge it with any entity which are unfair and unreasonable to policyholders of PNWT or not in the public interest. Rather, PNWT will be merged with and into FATICO, which will continue to transact business in Washington. [Testimony of Holt; Pre-Filed Direct Testimony of Holt; Ex. 1.]

14. FATICO plans to keep its operations, after the proposed merger, in Washington State as they are currently structured, including maintaining the same offices and employees.

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Additionally, as above, all rights of policyholders of PNWT will be maintained and honored by FATICO and, in fact, the policies of PNWT and FATICO are identical. PNWT's policyholders will not be adversely affected in any way. [Testimony of Hartman; Pre-Filed Direct Testimony of Hartman; Pre-Filed Direct Testimony of Holt.]

15. The individuals currently serving as officers of FATICO will remain in those positions after the proposed merger; there will be no change in the management structure of FATICO as a result of this proposed merger. [Testimony of Hartman; Testimony of Holt.]

16. Although it would increase the market share of FATICO in Washington State, there are currently ten title insurance underwriters actively writing business in Washington. [Testimony of Holt.] After the proposed merger, there would still be nine title insurance underwriters actively writing business in Washington. Additionally, the combined premium of FATICO and PNWT during Q1 2010 constitutes 25.1% of the title insurance market in Washington. [Testimony of Holt.]

17. Based upon the evidence presented herein, it cannot be found that the plan of merger would not be fair, equitable, consistent with law. [Declaration of Pastuch; Pre-Filed Direct Testimony of Hartman; Pre-Filed Direct Testimony of Holt; Ex. 1.]

18. No director, officer, member, or subscriber of any such insurer, except as is expressly provided by the plan of merger or consolidation, shall receive any fee, commission, other compensation or valuable consideration whatsoever, for in any manner aiding, promoting or assisting in this proposed merger. [Testimony of Hartman; Pre-Filed Direct Testimony of Hartman; Testimony of Holt; Pre-Filed Direct Testimony of Holt; Ex. 1.]

19. The proposed merger as to PNWT, the incorporated Washington domiciled insurer, shall in other respects be governed by, and the parties shall fully comply with, the general laws of Washington relating to business corporations, as required by RCW 48.31.010(1)(4). [Testimony of Hartman; Pre-Filed Direct Testimony of Hartman; Testimony of Holt; Pre-Filed Direct Testimony of Holt; Declaration of Pastuch; Ex. 1.]

20. No witnesses appeared on behalf of the Commissioner. However, Ronald J. Pastuch, Holding Company Manager in the Commissioner's Company Supervision Division executed and filed a Declaration concerning issues which are the subject of the findings of above, as indicated. Mr. Pastuch was duly authorized to submit his written statements on behalf of the Commissioner.

21. Thomas S. Hartman, Executive Vice President of FATICO, President of PNWT and Chairman of Pacific Northwest Title Holding Company, appeared on behalf of and in his role as Executive Vice President of FATICO. Mr. Hartman presented his testimony in a detailed and credible manner and exhibited no apparent biases.

22. Michael Holt, Chairman of PNWT, President of Pacific Northwest Title Holding Company and a Senior Vice President of FATICO, appeared on behalf of and in his role as

President of PNWT. Mr. Holt presented his testimony in a detailed and credible manner and exhibited no apparent biases.

23. Based upon the above Findings of Fact, it is here found that the application of PNWT and FATICO for approval of the proposed merger of PNWT with and into FATICO, with FATICO being the surviving entity, is reasonable and should be approved.

CONCLUSIONS OF LAW

1. RCW 48.31B.15(5)(a) by its terms provides that the Commissioner may exempt from its requirements mergers which have not been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic insurer. Based upon the above findings of facts, this proposed merger was not made or entered into for the purpose and does not have the effect of changing or influencing the control of a domestic insurer (PNWT). Therefore, this proposed merger is exempt from the requirements of RCW 48.31B.15(5)(a) and is governed by RCW 48.31.010.

2. Pursuant to RCW 48.31.010, which for the above reasons applies to this Application, the Commissioner shall not approve a merger involving a domestic insurer unless, after a hearing thereon, it is found that: (1) the plan of merger was submitted to the Commissioner in advance for approval; (2) the merger is fair, equitable, consistent with law, and that no reasonable objection exists; and (3) no director, officer, member, or subscriber of any such insurer, except as is expressly provided by the plan of merger or consolidation, shall receive any fee, commission, other compensation or valuable consideration whatsoever, for in any manner aiding, promoting or assisting in the merger or consolidation.

3. Based upon the findings above, the Application for approval of this proposed merger under RCW 48.31.010, the Agreement and Plan of Merger and accompanying documents were submitted to the Commissioner in advance of the proposed effective date in compliance with RCW 48.31.010(1)(a).

4. Based upon the findings above, reasonable notice of this proposed merger, as required by the Commissioner, was given and no reasonable objections were received by FATICO, PNWT, the Commissioner, or the undersigned, as required by RCW 48.31.010(1)(b).

5. Based upon the findings above, it cannot be found that this proposed merger is not fair, is not equitable, or is not consistent with law, as required by RCW 48.31.010(1)(b).

6. Based upon the findings above, no director, officer, member, or subscriber of any insurer, except as is expressly provided by the Agreement and Plan of Merger, shall receive any fee, commission, other compensation or valuable consideration whatsoever, for in any manner aiding, promoting or assisting in the merger or consolidation, as required by RCW 48.31.010(1)(c).

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7. The proposed merger as to PNWT, the incorporated Washington domiciled insurer, shall in other respects be governed by, and the parties shall fully comply with, the general laws of Washington relating to business corporations, as required by RCW 48.31.010(1)(4).

8. The requirements of the Insurance Code of the state of Washington, and specifically Chapter 48.31 RCW governing approval of proposed mergers, have been met. Pursuant to the Findings of Facts and Conclusions of Law above, Title 48 RCW, Title 34 RCW, and regulations applicable thereto, approval of this proposed merger is reasonable under the circumstances and should be granted.

ORDER

On the basis of the foregoing Findings of Fact and Conclusions of Law, to the effect (1) the Application, Agreement and Plan of Merger and other relevant documents were submitted to the Commissioner in advance of the proposed effective date; (2) reasonable notice of this proposed merger, as required by the Commissioner, has been given to the public and no reasonable objection exists; (3) the proposed merger cannot be found to be unfair, not equitable, or not consistent with law; (4) no director, officer, member, or subscriber of any such insurer, except as is expressly provided by the plan of merger, shall receive any fee, commission, other compensation or valuable consideration whatsoever, for in any manner aiding, promoting or assisting in the merger or consolidation; (5) the merger as to PNWT, the Washington incorporated domestic insurer, shall in other respects be governed by the general laws of this state relative to business corporations and the parties shall properly comply with those laws; (6) the requirements of the Insurance Code of the state of Washington, and specifically Chapter 48.31 RCW governing approval of mergers, have been met; and that (7) pursuant to Title 48 RCW, Title 34 RCW, and regulations applicable thereto, approval of this proposed merger should be granted,

IT IS HEREBY ORDERED that the application of Pacific Northwest Title Insurance Company, a Washington domestic title insurer, and First American Title Insurance Company, a California domestic title insurer, for approval of the proposed merger of Pacific Northwest Title Insurance Company with and into First American Title Insurance Company, with the surviving entity being First American Title Insurance Company, is hereby **APPROVED**. On June 25, 2010, at the conclusion of the hearing in this matter, the undersigned orally ordered that the application was approved and such order approving this proposed transaction was effective as of that date and time.

IT IS FURTHER ORDERED that, while the parties contemplate that the effective date of the proposed merger shall be 11:59 p.m. on June 30, 2010, its effective date can be at any time after June 25, 2010.

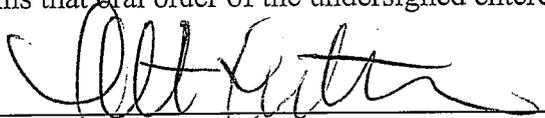
THIS ORDER is entered pursuant to Title 48 RCW and specifically 48.04.010 and 48.31.010; Chapter 34 RCW and specifically 34.05; and regulations applicable thereto.

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THIS ORDER is entered this 29th day of June, 2010, at Tumwater, Washington, and confirms that oral order of the undersigned entered and made effective on June 25, 2010.



PATRICIA D. PETERSEN

Chief Hearing Officer

Presiding Officer