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Hearings Unit, DIC  
Patricia D. Petersen  
Chief Hearing Officer

BEFORE THE STATE OF WASHINGTON  
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Disclaimer of Control  
of:

**NO. 11-0162**

FAIRFAX FINANCIAL HOLDINGS  
LIMITED, the Ultimate Controlling  
Person of COMMONWEALTH  
INSURANCE COMPANY of AMERICA,  
the Subsidiary, and A Washington  
Domiciled Insurer, by

**DECLARATION OF  
RONALD J. PASTUCH**

CAPITAL GROUP COMPANIES, INC.,  
and CAPITAL GROUP COMPANIES  
MANAGEMENT COMPANIES.

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 November 23, 2010, The Capital Group Companies, Inc. ("CGC") and  
15 Capital Group Companies Management Companies ("CGC Management") filed a disclaimer  
16 of control of Fairfax Financial Holdings, Inc. ("FFH"). Commonwealth Insurance Company  
17 of America ("CICA") is a wholly-owned indirect subsidiary of FFH. FFH is the ultimate  
18 controlling person of CICA today.

19           6.       In that disclaimer of control application, the mutual funds and clients accounts  
20 managed by CGC Management propose to acquire additional publicly traded stock of FFH  
21 that may result in the mutual funds and accounts owning, in the aggregate, up to 25 percent of  
22 the authorized, issue and outstanding publicly-traded stock of FFH. The clients of CGC  
23 Management will acquire FFH publicly traded stock solely for investment purposes. In no  
event will any individual mutual fund to institutional or individual investor on whose behalf  
CGC Management provides investment management services own 10 percent or more of the  
voting common stock of FFH. CGC and its subsidiaries agree to limit the holdings of any one

1 mutual funds or institutional or individual investor to 9.99 percent and to cap the total  
2 holdings of all entities whose assets are managed by CGC Management at 25 percent of the  
3 total publicly traded stock of FFH when all CGC managed investments in FFH are  
4 aggregated.

5 7. FFH is a Canadian financial services holding company which, through its  
6 subsidiaries, is primarily engaged in the business of property and casualty insurance and  
7 claims management and publicly traded on the Toronto Stock Exchange. FFH has authorized  
8 capital stock classes which include an unlimited number of multiple voting shares carrying ten  
9 votes per share and an unlimited number of subordinate voting shares carrying one vote per  
10 share. FFH's issued capital includes 1,548,000 multiple voting shares and 19,891,389  
11 subordinate voting shares without par value as of December 31, 2010. The multiple voting  
12 shares are not publicly traded and held by The Sixty Two Investment Company Limited, a  
13 majority owned company by an individual, W. Prem Watsa. Mr. Watsa is the Chairman of  
14 the Board and Chief Executive Officer of FFH and beneficially owns 44.9 percent direct and  
15 indirect ownership of FFH outstanding voting shares.

16 8. The overall effect of the proposed acquisition by CGC and CGC Management  
17 would equate to the ownership of FFH up to 14 percent of all outstanding voting shares in the  
18 aggregate of the publicly-traded subordinate voting shares and non-public multiple voting  
19 shares.

20 9. We understand that CGC and CGC Management report any of its investments  
21 beneficially held representing more than five percent ownership, in the aggregate, of a  
22 publicly-traded entity to the US Securities and Exchange Commission ("SEC") under a SEC  
23 Schedule 13G filing. FFH reports the names of persons known by FFH to be the beneficial  
owners of more than five percent of the outstanding shares of its common stock in its proxy  
statement. FFH has not mentioned any CGC affiliate in any proxy statement to date.

1           10.     We also received CGC and CGC Management correspondence on March 3,  
2 2011 and May 3, 2011 with additional information pertaining to its disclaimer of control  
3 application.

4           11.     Pursuant to RCW 48.31B.025(11), a person may file with the commissioner a  
5 disclaimer of affiliation with an authorized insurer. The disclaimer must fully disclose all  
6 material relationships and bases for the affiliation between the person and the insurer as well  
7 as the basis for disclaiming the affiliation. CGC and CGC Management have indicated that  
8 the mutual funds and client accounts it manages are for investment purposes only. We did not  
9 see any indication that CGC or CGC Management has any controlling interests on FFH's  
10 board of directors, any other board committees, or any executive management positions in  
11 FFH. CGC and CGC Management represented that no one investor or mutual fund whose  
12 assets are managed by CGC Management may own more than 9.99 percent of FFH voting  
13 shares, and in the aggregate, assets managed by CGC and CGC Management would hold no  
14 more than 14 percent of FFH voting shares.

15           12.     FFH is the ultimate controlling person of CICA today, and after the proposed  
16 acquisition by CGC and CGC Management, FFH will continue to be the ultimate controlling  
17 person of CICA. The OIC is satisfied with the disclaimer of control application by CGC and  
18 CGC Management meets the statutory requirements according to the above statute and the  
19 application is sufficient for approval by the Chief Hearing Officer.

20           14.     Pursuant to RCW 48.31B.015(5)(b), the Commissioner may by order exempt  
21 the requirements of RCW 48.31B.015 an offer, request, invitation, agreement, or acquisition  
22 that the Commissioner determines (i) not having been made or entered into for the purpose  
23 and not having the effect of changing or influencing the control of a domestic insurer, or (ii)  
otherwise not comprehended within the purposes of this section. We have determined the  
proposed acquisition would not change or influence the control of CICA. FFH is and would

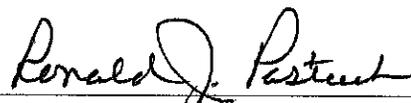
1 continue to be the ultimate controlling person of CICA. The OIC recommends approval of the  
2 proposed transaction to the Chief Hearing Officer.

3 15. From a procedural standpoint, the OIC requires that notice of this proposed  
4 merger be given to the public via the Internet (on the OIC's website). On September 7, 2011,  
5 OIC posted a notice on the Insurance Commissioner's website concerning the notice of filing  
6 for disclaimer of control of CICA, true and correct copies of which is attached hereto as  
7 Exhibit "A". On September 9, 2011, the Chief Hearings Officer filed a Notice of Hearing and  
8 later on September 12, 2011, the announcement was posted on the Insurance Commissioner's  
9 website concerning the hearing on proposed disclaimer of control application, true and correct  
10 copies of which is attached hereto as Exhibit "B". That notice informs the public of the  
11 September 20, 2011, hearing and the nature of the hearing. That notice has remained on the  
12 OIC's website since September 14, 2011, and will remain posted on the website through the  
13 date of the hearing. The OIC also provided information for the public regarding the  
14 application and the OIC process for evaluating that application for the upcoming September  
15 20, 2011 hearing, a true and correct copy of which is attached hereto as Exhibit "C".

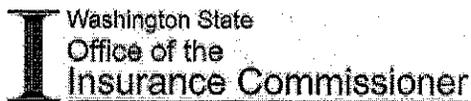
16 16. The Notice of Hearing informs and advises all interested parties that any  
17 individual or entity is permitted to submit comments on, or objections to, this proposed  
18 acquisition. The Notice of Hearing states that any questions or concerns should be directed to  
19 Kelly Cairns, Parlegal to the OIC's Chief Hearing Officer.

20 17. As of the date of this Declaration, I personally have not received any  
21 comments, questions, or objections through letter, correspondence, email, or phone, nor am I  
22 aware of any comments, questions, or objections having been received by the OIC's Chief  
23 Hearing Officer.

SIGNED this 14th day of September, 2011.

  
\_\_\_\_\_  
Ronald J. Pastuch

# EXHIBIT "A"



## 2011 Public notices

### September 2011

Notice of filing for disclaimer of control of Commonwealth Ins Co of America - 09/07/2011

### July 2011

Hearing set for merger of PEMCO Insurance Company - 7/11/2011

### June 2011

PEMCO Insurance Company has applied to merge with its parent company, PEMCO Mutual Insurance Company - 6/10/2011

### April 2011

Hearing set for acquisition of Contractors Bonding & Insurance Company - 4/5/2011

### February 2011

Hearing set for redomestication of National Merit - 2/10/2011

Hearing set for redomestication of Unigard companies - 2/7/2011

## 2010 public notices

### December 2010

Hearing set for acquisition of Columbia United Providers - 12/20/2010

### August 2010

PeaceHealth has applied to acquire Columbia United Providers and its parent company, Southwest Washington Health Systems - 9/14/2010

### June 2010

Hearing set for merger of Pacific Northwest Title Insurance Company - 6/15/2010

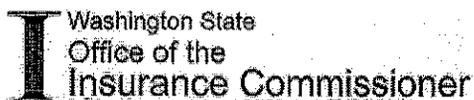
### May 2010

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

Tell a friend |

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# EXHIBIT "A"



## 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  
Office of Insurance Commissioner

9/07/2011

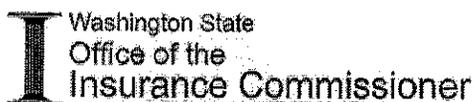
### Notice of filing for disclaimer of control of Commonwealth Ins Co of America

Olympia, Wash.—The Commissioner received a filing on the disclaimer of control of Commonwealth Insurance Company of America and a hearing order will be filed soon. [More information](#)

Tell a friend |

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# EXHIBIT "B"



## 2011 Public notices

### September 2011

Hearing set for disclaimer of control of Commonwealth Insurance Company of America - 09/09/2011

Notice of filing for disclaimer of control of Commonwealth Insurance Company of America - 09/07/2011

### July 2011

Hearing set for merger of PEMCO Insurance Company - 7/11/2011

### June 2011

PEMCO Insurance Company has applied to merge with its parent company, PEMCO Mutual Insurance Company - 6/10/2011

### April 2011

Hearing set for acquisition of Contractors Bonding & Insurance Company - 4/5/2011

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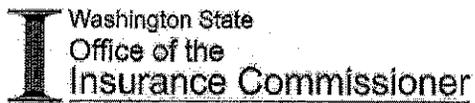
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Pacific Northwest Title has applied to merge with its parent company, First American Title - 5/6/2010

Tell a friend |

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## 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  
Office of Insurance Commissioner

9/09/2011

### Hearing set for disclaimer of control of Commonwealth Insurance Company of America

Olympia, Wash.—The hearing is scheduled for 10 a.m. on September 20, 2011, in Tumwater, Washington. [More information](#)

Tell a friend |

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## EXHIBIT "B"

			Request for hearing Notice of hearing Receipt of request
Chittenden, Cleo E. D06-153	Appeal Order Revoking License	License suspended	Final decision Continuance order Notice of hearing Order revoking license Demand for hearing
Chronister, Robert D08-0007	Order revoking license	License revoked	Final decision Notice of hearing Receipt of request Request for hearing Order revoking license
Chronister, Robert S. D05-375	Appeal OIC's Order Revoking License	Proceedings dismissed	Stipulation Notice Demand for hearing Order revoking license
CHW Group, Inc. dba Choice Home Warranty and www.ChoiceHomeWarranty.com, Victor Mandalawi, "James Moss," David Bailey, Steven Safdieh, Michael Gutholc D10-0199	Appeal Order to Cease and Desist	Demand withdrawn - Proceedings terminated	Order Terminating Proceedings Stipulation Regarding Withdrawal Motion for Telephonic Testimony Order on Discretionary Stay OIC Response re Stay CHW Group's Request for Stay Receipt of Demand Demand for Hearing Cease & Desist Order
Claffey, John S. 11-0078	Revocation of License	Revocation of License withdrawn/License surrendered	Order Terminating Proceeding Demand for Hearing Receipt of Demand for Hearing
Columbia United Providers, Inc. proposed acquisition by PeaceHealth G10-0234	proposed Acquisition	Pending	Order Terminating Proceeding Response to PeaceHealth Letter from PeaceHealth Amendment of Affiliation Agreement Motion for In Camera Exam & Protective Order CUP Statements OIC Statement PeaceHealth Statements OIC Request for Info Attorney General's Office findings Notice of Hearing Request for Hearing Acquisition Summary Form A & Amendments CUP Financial Stmtms PeaceHealth Financial Stmtms
Commonwealth Insurance Company of America 11-0162	Disclaimer of Control	Pending Hearing scheduled for 9/20/11 @10am	Disclaimer of Control Filing
Commonwealth Land Title Insurance Company	Imposition of fines	Dismissed	Initial & final order Suspension order



## 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: [PDR@oic.wa.gov](mailto:PDR@oic.wa.gov).

Name/Docket no.	Type of action	Status	Documents are in PDF format
Cabin, Annette 09-0112	Denial of Issuance of Producer's License	Proceedings terminated	Final Order Terminating Proceeding Withdrawal of Hearing Request Order Scheduling 2nd Prehrg. Conf. Order on OIC's Motion OIC's Reply to Pet. Response Reponse to Motion Motion to Dismiss Judge Petersen 09-24-09 ltr Receipt of demand for hearing Demand for hearing Denial letter
Catholic Order of Foresters D06-161	Appeal OIC's Order Suspending License & Fine	Proceedings terminated	Final decision Demand for hearing Order suspending license
Cervantes, Arthur & Northwest Financial Exchange Inc. D07-0323 2007-INS-0006	Order Revoking License	Proceedings terminated - fine imposed	Stipulation and order Receipt of request Demand for hearing Order revoking license
Chandler, Jack D02-152 04-2-11206-9 57853-7-1	Appeal OIC's Revocation of Insurance Agent's License	OIC's order affirmed by Court of Appeals, Div. I	Court of appeals decision Other orders Final Order Demand for hearing Order revoking license
Chicago Title Insurance Company D07-308 2008-INS-0002	Imposition of fines	Administrative Order Upheld and Affirmed by Superior Court; Appeal to Court of Appeals pending	Notice of Appeal to COA Order on Review of Final Order Final Order of Dismissal  Stipulation and Agreement Initial Order of Dismissal Summary of final order Final order re SJ motions Disqualification order CT disqualification petition CT motion to strike CT response to review Judge Petersen 11/11/08 OIC petition for review Initial order OIC witness list CT witness list Chicago's reply OIC's SJ response OIC's declarations

## EXHIBIT "C"

			<u>Amended Notice</u> <u>Request for hearing</u> <u>Notice of hearing</u> <u>Receipt of request</u>
Chittenden, Cleo E. D06-153	Appeal Order Revoking License	License suspended	<u>Final decision</u> <u>Continuance order</u> <u>Notice of hearing</u> <u>Order revoking license</u> <u>Demand for hearing</u>
Chronister, Robert D08-0007	Order revoking license	License revoked	<u>Final decision</u> <u>Notice of hearing</u> <u>Receipt of request</u> <u>Request for hearing</u> <u>Order revoking license</u>
Chronister, Robert S. D05-375	Appeal OIC's Order Revoking License	Proceedings dismissed	<u>Stipulation</u> <u>Notice</u> <u>Demand for hearing</u> <u>Order revoking license</u>
CHW Group, Inc. dba Choice Home Warranty and www.ChoiceHomeWarranty.com, Victor Mandalawi, "James Moss," David Bailey, Steven Safdieh, Michael Gutholc D10-0199	Appeal Order to Cease and Desist	Demand withdrawn - Proceedings terminated	<u>Order Terminating Proceedings</u> <u>Stipulation Regarding Withdrawal</u> <u>Motion for Telephonic Testimony</u> <u>Order on Discretionary Stay</u> <u>OIC Response re Stay</u> <u>CHW Group's Request for Stay</u> <u>Receipt of Demand</u> <u>Demand for Hearing</u> <u>Cease &amp; Desist Order</u>
Claffey, John S. 11-0078	Revocation of License	Revocation of License withdrawn/License surrendered	<u>Order Terminating Proceeding</u> <u>Demand for Hearing</u> <u>Receipt of Demand for Hearing</u>
Columbia United Providers, Inc. proposed acquisition by PeaceHealth G10-0234	proposed Acquisition	Pending	<u>Order Terminating Proceeding</u> <u>Response to PeaceHealth</u> <u>Letter from PeaceHealth</u> <u>Amendment of Affiliation Agreement</u> <u>Motion for In Camera Exam &amp;</u> <u>Protective Order</u> <u>CUP Statements</u> <u>OIC Statement</u> <u>PeaceHealth Statements</u> <u>OIC Request for Info</u> <u>Attorney General's Office findings</u> <u>Notice of Hearing</u> <u>Request for Hearing</u> <u>Acquisition Summary</u> <u>Form A &amp; Amendments</u> <u>CUP Financial Stmt's</u> <u>PeaceHealth Financial Stmt's</u>
Commonwealth Insurance Company of America 11-0162	Disclaimer of Control	Pending Hearing scheduled for 9/20/11 @10am	<u>Notice of Hearing</u> <u>Disclaimer of Control Filing</u>
Commonwealth Land Title Insurance Company	Imposition of fines	Dismissed	<u>Initial &amp; final order</u> <u>Suspension order</u>