



REtitle

HOLDING COMPANY

2900 Bristol, Suite G-203, Costa Mesa, CA 92626

January 26, 2015

Ronald J. Pastuch, Holding Company Manager
Company Supervision Division
Washington State Office of the Insurance Commissioner
Insurance Building, 5000 Capitol Blvd.
Tumwater, Washington 98501



*Re: Amended Form A Statement Regarding the Acquisition of Control of a Domestic Insurer/
Mason County Title Insurance Company*

Dear Mr. Pastuch,

REtitle Holding Company LLC hereby submits for your review an amended Form A Statement Regarding the Acquisition of Control of a Domestic Insurer ("Form A"), Mason County Title Insurance Company ("Mason Title"), by REtitle Holding Company LLC, an Idaho limited liability company (the "Applicant").

The enclosed Form A amends the Form A application originally submitted to you on September 5, 2014. With the exception of the application itself, and the amended Purchase and Sale Agreement, all of the exhibits to the original application remain relevant to this amended Form A Application.

As requested in the original application, we respectfully request that the Commissioner treat the biographical affidavits submitted with the Form A application as confidential and not subject to open records requests. The affidavits are confidential as they contain personal and private information. We believe that such information is exempt from public disclosure pursuant to Wash. Rev. Code §48.31C.130.

We look forward to working with the Office of the Insurance Commissioner as it reviews the Applicant's Form A. If you have any questions as you review the documents, please do not hesitate to call the undersigned directly.

Very truly yours,

James J. Dufficy
Managing Member

AMENDED

FORM A

**STATEMENT REGARDING THE
ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER**

Mason County Title Insurance Company

Name of Domestic Insurer

BY

REtitle Holding Company, LLC

Name of Acquiring Person (Applicant)

Filed with the Insurance Department of

Washington

(State of domicile of insurer being acquired)

Dated: **September 5, 2014, and amended January 26, 2015**

Name, Title, address and telephone number of Individual to Whom Notices and Correspondence Concerning this Statement Should be Addressed:

James J. Dufficy, 2900 Bristol, Suite G-203, Costa Mesa, CA 92626 /(949) 303-9434

ITEM 1. METHOD OF ACQUISITION

This application is to obtain approval to acquire 100% of the capital stock of Mason County Title Insurance Company (the Company), NAIC Number 50962, located at 130 W. Railroad, Shelton, WA 98584. Pursuant to an Amended Stock Purchase Agreement dated August 26, 2014, as amended January 26, 2015 (the Agreement), the applicant is to acquire 100% of the issued and outstanding stock of the Company in an all-cash transaction. The closing of the Agreement is conditioned on the following: (a) approval of this application, (b) approval of a companion application for a Certificate of Authority to be filed with the Insurance Commissioner of California; and (c) approval of the withdrawal of the Company from Washington. A copy of the Agreement with all amendments is attached to this Application.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

- (a) The applicant is REtitle Holding Company, LLC (REtitle), an Idaho limited liability company with executive offices located at 2900 Bristol,

Suite G-203, Costa Mesa, CA 92626.

- (b) REtitle was formed on June 11, 2014, and has had no business operations. REtitle was formed specifically for the transaction represented by the Agreement, and currently intends no business operations other than holding the capital stock of the Company. The applicant has no subsidiaries, and contemplates none other than the Company.
- (c) The organizational chart of the Applicant is attached hereto as an exhibit.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

Biographical affidavits, with a third-party background check, are attached for the Members of the Applicant: James J. Dufficy, Dinah L. Chu, and Ronald L. Frazier.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

- (a) The consideration for the acquisition will be cash, contributed equally by the Members of the Applicant. None of the acquisition is to be made with the use of borrowed funds or other consideration borrowed or otherwise hypothecated.
- (b) The consideration for acquiring the Company was based upon the Company's unencumbered surplus, plus an additional amount to represent a reasonable estimate of the residual value of the Company's license and seasoning as an insurance company.
- (c) None of the consideration for the acquisition is represented by a loan.

ITEM 5. FUTURE PLANS OF INSURER

The Applicant intends to apply for a Certificate of Authority to issue title insurance in the State of California, and ultimately to make California the Company's domicile. The change in the Company's domicile to California will occur after approval by the Commissioner of this Amended Form A Application, and issuance of a certificate of authority to the Company by the Insurance Commissioner of the State of California. This will allow the Company to commence active writings in California with its existing capital surplus (as supplemented by reasonable capital additions planned by the Applicant), without the need to comply with the prohibitive capital surplus standards established in 1998 in Washington.

The Applicant believes that the Company, its shareholders, and its current and future policyholders, will all be benefitted by Applicant's purchase of the Company and expansion to California. A certificate of authority in California will allow the Company to commence immediately its premium writings, thereby generating future revenues and growth in its statutory reserves and surplus. As the Company builds up its financial asset base, it can then expand its authority to write to additional states, thereby enabling it to broaden the amount and the geographical breadth of its premium writings. These steps will promote the financial stability of the Company.

The benefits to Company shareholders and policyholders from the Applicant's business plan can also be measured by considering the Company's future prospects absent the current Form A Application. Absent the current Application, the Company is highly unlikely to escape from its current inactive status in Washington. The Applicant considers it extremely unlikely that any qualified investor would agree to acquire the Company with the immediate need to invest the capital required to permit the activation of its authority to write insurance in Washington, in light of the probability that the writings available to the Company in the state would be limited to such an extent that growth in the Company's surplus would be unlikely to justify the large financial investment that would be necessary to write in Washington. Thus the Company, absent the current Application, has no viable pathway to escape its current status as an inactive underwriter subject to ongoing supervision by the Office of the Insurance Commissioner, and faces the slow withering of its surplus and reserves. The Applicant believes that the likely endpoint for the Company, in the absence of the current Application, will be a receivership by the Commissioner.

In addition to expanding the Company to California, this application also seeks approval of the Company's withdrawal from Washington. While the Applicant would prefer to remain authorized to write insurance in Washington, there is no practical way to accomplish the goal of recommencing active writings in California while retaining a certificate of authority in Washington. The OIC has issued a confidential Order of Supervision for the Company due to the recent statutory heightening of the required capital surplus to \$4 million in Washington for title insurers. That order of supervision must be terminated to allow the successful expansion of the Company to California (i.e., active premium writing by a company under an order of supervision in its domestic jurisdiction is not feasible). Because the Company's surplus is inadequate under current Washington law and will remain inadequate until premium writings can be re-commenced, there is no short-term alternative to withdrawal from Washington.

WITHDRAWAL FROM WASHINGTON

Pursuant to RCW48.05.290, the Applicant seeks the Commissioner's approval for the Company to withdraw from the title insurance market in Washington as part of the approval of this Amended Form A. R.C.W. 48.05-290 sets forth the requirement that a withdrawing insurer must procure reinsurance for its existing policies as a condition to withdrawal, but permits the requirement to be waived under subsection (2):

(2) The commissioner may waive this requirement if he or she finds upon examination that a withdrawing insurer is then fully solvent and that the protection to be given its policyholders in this state will not be impaired by the waiver.

The waiver under this subsection is justified in this case for several reasons. First, as established by the attached January 9, 2015 letter from the Seller to the OIC, reinsurance for outstanding title insurance policies is not available in the market from title insurers licensed in Washington (the requisite class of reinsurer under the statute).

Second, the Company meets the test of full solvency under the classic definition of solvency (i.e., able to meet when due its financial obligations). Against its unencumbered capital surplus of nearly \$750,000, it has no short term liabilities, and also has no long term liabilities other than reserves for its outstanding policies. The most recent actuarial opinion dated December 31, 2102 estimated that as of December 31, 2012, reserves of \$15,034.00 would be adequate to meet the estimated liabilities from the Company's outstanding policies.

Third, after its expansion to California, the Company will maintain the statutory premium reserve established under R.C.W. 48.29.120 as reflected on the Company's books and records as of December 31, 2014 (the Washington Premium Reserve). The Washington Premium Reserve will be amortized pursuant to Washington law, and will be maintained as a liability of the Company solely for the purpose of ensuring that the Company meets any future obligations under Washington policies already in force. The Washington Premium Reserve will not be used as a fund to pay claims under Washington policies, and will not be used to constitute part of any statutory reserve required as a consequence of the issuance of policies of title insurance in the state of California after the Closing. The Washington Premium Reserve will rather serve as a guaranty of the Company's proper performance of its obligation to resolve any claim promptly and properly on any policy existing at the time of Closing.

Finally, for a period of no less than 2 years from the date of closing on the

Purchase and Sale Agreement, the Company will maintain access to its claims files on Washington policies, in paper or electronic format, at the offices of Mason County Title and Abstract Company, located at 130 W. Railroad, Shelton, WA 98584. The Company shall handle any future claims made on any Washington policy in force so as to comply with the Claims Settlement Practices Act of Washington, R.C.W. 284-30-330. In order to facilitate the ability of any existing Washington insured to make a claim under an existing policy, the Company agrees that the state courts of Washington shall have jurisdiction over any dispute regarding a policy insuring Washington real estate, and service of process for any such dispute may be effected by service on Mason County Title and Abstract Company. An agency agreement with Mason County Title and Abstract Company will be maintained specifically for this purpose.

All of the above justify a waiver of the reinsurance requirements of RCW 48.05.290, on grounds that the Company's solvency and protection of existing policyholders have been established under subsection (2) of RCW 48.05.290. For this reason, Applicants request that the approval of this Amended Form A also expressly approve the Company's withdrawal from the Washington market without reinsurance, as permitted under RCW 48.05.290 (2).

MANAGEMENT

As part of its business plan, the Members of the Applicant will replace the current management of the Company. The biographical affidavits submitted in support of the Application demonstrate the Members' qualifications to successfully manage and grow the Company. As a result of the change in management, the Company will be able to commence operations with extremely limited operating expenses. The Applicant's Members, in their roles as officers of the Company, will work without salary (beyond employer contributions for health care coverage) for the initial year of the Company's renewed operations, so as to allow the existing surplus of the Company to be maintained at no less than its current levels. This commitment by the Applicant's Members will allow the Company to safely write new business at appropriate surplus-to-premium levels. This conservative plan of operations will serve the Company and its existing policyholders, by preserving the Company's surplus for use in generating the new premiums that will safely add to the Company's asset base.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

The Applicant plans to acquire 50 shares, representing 100% of the issued and outstanding stock in the Company, in exchange for \$950,000 cash.

The fairness of the proposal was arrived at as follows: the cash consideration

for acquiring the Company was based upon the amount of the Company's unencumbered surplus, plus an additional amount to represent a reasonable estimate of the residual value of the Company's license and seasoning as an insurance company. It was determined that, inasmuch as the Company is not currently actively writing policies in Washington, and has no ability to generate by itself the surplus required by Washington statute as a prerequisite to commencing active writings in the state, this asset-based test was the best and fairest means of determining the value of the Company.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

There are no ownership rights or beneficial ownership in any rights to acquire the voting securities of the Company, except as stated in the Agreement.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

There are no contracts, arrangements or understandings with respect to the voting securities of the Company.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

There have been no previous purchases of any securities of the Company by the Applicants or its Members.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

There have been no recommendations to purchase the securities of the Company by the Applicant or its Members

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

There are no agreements, contracts or understandings with any broker-dealer as to solicitation of voting securities of the Company.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

- (a) Financial statements, exhibits, and three-year financial projections of the insurer(s) shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.
- (b) The financial statements shall include the annual financial statements

of the persons identified in Item 2(c) for the preceding 5 fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year, if the information is available. The statements may be prepared on either an individual basis, or, unless the Commissioner otherwise requires, on a consolidated basis if consolidated statements are prepared in the usual course of business.

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of the person filed with the insurance department of the person's domiciliary state and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of the state.

- (c) File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory or management contracts concerning the insurer, annual reports to the stockholders of the insurer and the applicant for the last two fiscal years, and any additional documents or papers required by Form A or regulation Sections 4 and 6.

Applicant attaches as exhibits the following financial statements in response to this item:

1. 2012 Form 9 Financial Statement of Mason County Title Insurance Company.
2. 2013 Form 9 Financial Statement of Mason County Title Insurance Company.
3. 3-year NAIC UCAA pro forma financial projections for Mason County Title Insurance Company.

Applicant attaches in response to item 12(c), a copy of the Purchase and Sale Agreement dated August 26, 2014, amended January 26,

2015, between Applicant and David Bayley.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F within fifteen (15) days after the end of the month in which the acquisition of control occurs.

ITEM 14. SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 3 of the Act, REtitle Holding Company, LLC, has caused this application to be duly signed on its behalf in Costa Mesa, California on the 26th day of January, 2015.

(SEAL) REtitle Holding Company, LLC
Name of Applicant

BY James J. Dufficy
James J Dufficy
Managing Member

Attest:

[Signature]
(Signature of Officer)

Member Ron Frazier
(Title)

CERTIFICATION

The undersigned deposes and says that (s)he has duly executed the attached application dated January 26, 2015, for and on behalf of REtitle Holding Company, LLC (Name of Applicant); that (s)he is the Managing Member of such company and that (s)he is authorized to execute and file such instrument. Deponent further says that (s)he is familiar with the

instrument and the contents thereof, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.

(Signature) James J. Dufficy

(Type or print name beneath) James Joseph Dufficy