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BEFORE THE STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

In the Matter of the Proposed Acquisition
and Control of:

NO. 15-0021

MASON COUNTY TITLE INSURANCE
COMPANY, a Washington domestic
insurer,

**DECLARATION OF
RONALD J. PASTUCH**

by

REtitle HOLDING COMPANY, LLC,
an Idaho limited liability corporation

the Applicant.

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 the 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.

2. I am a graduate of Pacific Lutheran University, where I earned a Bachelor of
Arts Degree in Business Administration in 1988. I received my CPA license in 2003.

1 3. My previous state employment includes the Washington Department of
2 Veterans Affairs from 1980 to 1987 in accounting and human resource positions, and the
3 Office of the Insurance Commissioner from 1987 to 1991 as a staff accountant, from 1991 to
4 1993 as a field Insurance Examiner in the OIC Company Supervision Division, and from
5 1993 to 2006 as a Financial Analyst at various levels within the same division.

6 4. On February 16, 2006, I was appointed the Holding Company Manager in the
7 same division. As the Holding Company Manager, my primary duties consist of reviewing
8 and approving holding company transactions, which include reviewing and recommending
9 OIC staff's position on proposed requests for insurance company acquisitions and mergers,
including disclaimers of control.

10 5. On September 5, 2014, REtitle Holding Company, LLC ("REtitle" or
11 "Applicant") filed an application for approval of the proposed merger of Mason County Title
12 Insurance Company ("Mason County Title") in its application for acquisition of control dated
13 September 5, 2014. The OIC received this request for acquisition of control on September 11,
14 2014. Mason County Title is a Washington domiciled stock insurance company incorporated
15 on September 7, 1909, and began writing business on the same day under the corporate name
16 of Mason County Abstract and Title Company. It later changed the original name to its
17 present name in January 1958 and received a certificate of authority from the Insurance
18 Commissioner effective July 1, 1958. Mason County Title has been licensed to write title
19 insurance coverages in Washington State since its inception. Mason County Title is currently
20 owned by one individual, namely David C. Bayley. Mr. Bayley is the current sole shareholder
21 of Mason County Title.

22 6. REtitle is an Idaho limited liability corporation originally established in 2014.
23 The LLC was created for the sole purpose of this proposed transaction. It was formed by
three member-owners, namely, James Dufficy, Ron Frazier, and Dinah Chu. The initial
funding for REtitle is to be provided by these named members.

1 7. Mason County Title is licensed only in the state of Washington. The Company
2 ceased writing title insurance business effective December 31, 1998.

3 8. On September 25, 2014, the OIC sent notice to REtitle managing member
4 requesting for additional information to the Form A filing and about the new entity.

5 9. On October 7, 2014, the OIC received the additional requested information
6 dated October 3, 2014 from the managing member for REtitle.

7 10. On January 29, 2015, the OIC received an amended Form A filing dated
8 January 26, 2015, which amended and restated the previously filed Form A statement dated
9 September 5, 2014, and amended the stock purchase agreement between the parties. The
10 parties representing Mason County Title and REtitle signed the amended stock purchase
11 agreement on January 23 and 26, 2015, respectively.

12 11. On February 13, 2015, OIC sent a letter to the OIC Hearing Unit and its
13 presiding officer regarding this application for acquisition of control filing as being complete
14 and requested a hearing to decide on such matter.

15 12. I have reviewed and analyzed these submittals. My analysis was performed
16 under the criteria set forth in RCW 48.31B.015(4). From my analysis,

17 a. After the change of control, the domestic insurer would not be able to
18 satisfy the requirements for the issuance of a license to write its current lines of business from
19 which it is presently licensed in Washington. As stated previously, Mason County Title is
20 presently licensed to write title insurance coverages. Mason County Title's minimum capital
21 and surplus as of the date of the Declaration is \$4.0 million (\$4,000,000). According to its
22 latest financial statement as of December 31, 2014, and filed with the OIC, Mason County
23 Title reportedly has \$745,892 in admitted assets and \$732,837 in capital and surplus.

 The state Legislature, under SHB 1197 (2005), adopted amendments to RCW
chapter 48.29 and established new capital and surplus requirements for title insurers. These
new requirements established the minimum capital and surplus requirement to \$4 million for

1 title insurers currently licensed in Washington and replaced a previous requirement for a
2 special guaranty fund deposit calculated on a weighted scale by the county population
3 between 1 to 500,000. The minimum guaranty fund deposit was \$10,000 and the maximum
4 guaranty fund deposit was \$200,000. The amended statutes became effective July 24, 2005.

5 Prior to the 2005 amendment, the Company reportedly had \$5 thousand in
6 paid-in common capital stock and \$745,676 in contributed and earned surplus as of June 30,
7 2005. The Company currently has \$5 thousand in paid-in common capital stock and \$794,765
8 in contributed and earned surplus as of December 31, 2014.

9 On February 6, 2008, the OIC notified the Company with a notice to cure
10 impairment of capital stock. The notice stated that if the Company fails or refuses to cure the
11 deficiency in its capital and surplus, the Commissioner will proceed as authorized in RCW
12 48.08.050 or elsewhere in Title 48 RCW.

13 As of the date of this Declaration, the company does not meet the minimum
14 capital and surplus requirement for a licensed Washington title insurer. However, in the OIC's
15 view, the Conditions that have been proposed, if fulfilled, rectify this problem for the purpose
16 of REtitle's Application.

17 b. The effect of the proposed merger of control would not lessen competition
18 in this state or tend to create a monopoly therein. The OIC reviewed a market analysis of the
19 acquisition and found no competitive standard issues. The Company cease writing new
20 business after 1998 and has not issued any title policies since then. There would be no effect
21 on the Washington title insurance market as a result of this acquisition according to RCW
22 48.31B.020(4).

23 c. The proposed financial condition of REtitle and its members appear that it
would not jeopardize the financial stability as a domestic insurer or prejudice the interest of its
policyholders. According to its pro forma balance sheet submitted with its Application,
REtitle would fund Mason County Title to approximately \$950 thousand. The additional

1 funding would increase Mason County Title's current capital funds by approximately \$217
2 thousand. The member-owners of the Applicant also provided their unaudited personal
3 financial statements and attested to these financial statements with this Application. Based on
4 these facts, the proposed acquisition would not jeopardize the financial stability of Mason
County contracts.

5 d. REtitle is not proposing to liquidate the insurer, sell its assets, consolidate
6 or merge it with any person in this application filing. However, REtitle is planning to make a
7 material change in its business by moving the Company to another state. Its intended plan
8 includes the Company's move to California to do business in that state and eventually
9 withdraw from Washington. Mason County Title operations would eventually not remain in
10 Shelton, Washington.

11 e. We verified the same persons who were listed in the Form A filing who are
12 currently the directors and/or officers of Mason County and REtitle. There are no reported
13 changes to the listed persons' biographical affidavit. We also received three letters of
14 recommendation for Ms. Chu from the current or former employees of the California
15 Insurance Department. As previously mentioned, we did not detect any representation that
16 would question the competence, experience, and integrity of the current directors and officers
of Mason County or REtitle.

17 f. We are not aware that the merger (acquisition) is likely to be hazardous or
18 prejudicial to the insurance buying public, if the Conditions contained in the proposed Form
19 of Order are fulfilled. We expect the current directors and officers to provide services that
would not be hazardous or prejudicial to the existing policyholders.

20 13. Mason County Title and REtitle have submitted all necessary documents to the
21 OIC in connection with the proposed acquisition. The OIC is satisfied with the necessary
22 documents meeting the statutory requirements for an acquisition according to RCW
23 48.31B.015. The OIC has taken the position that if the proposed Conditions are fulfilled,

1 Washington consumers would likely be adequately protected. The OIC recommends to the
2 presiding officer to approve the acquisition of Mason County Title by the Applicant subject to
3 the proposed Conditions according to the standards set forth under RCW 48.31B.015 for the
4 presiding officer's consideration.

5 14. From a procedural standpoint, the OIC requires that notice of this proposed
6 merger be given to the public via the Internet (on the Insurance Commissioner's website). On
7 March 11, 2015, the OIC posted a notice on the Insurance Commissioner's website
8 concerning the proposed acquisition of Mason County Title and information about the OIC's
9 hearing process, a true and correct copy of which is attached hereto as Exhibit "A". Such
10 notice included information regarding the hearing, via the Notice of Hearing dated March 5,
11 2015, and announcement posted on the website. We understand that notice will remain
12 posted on the website from the date of this Declaration to the date of the hearing.

13 15. The Notice of Hearing informs and advises all interested parties that any
14 individual or entity is permitted to submit comments on, or objections to, this proposed
15 merger. The Notice of Hearing states that any questions or concerns should be directed to
16 Kelly A. Cairns, Paralegal to the Presiding Officer.

17 16. As of the date of this Declaration, I personally have not received any
18 comments, questions, or objections through letter, correspondence, email, or phone, nor am I
19 aware of any comments, questions, or objections having been received by the presiding
20 officer.

21 SIGNED this 24th day of March 2015.

22 
23 Ronald J. Pastuch

"EXHIBIT A"

2015 public and hearing notices

June 2015

Judicial hearing: 14-0204 Digital Leash, LLC, et al. Request to Vacate and Quash Order to Cease and Desist (PDF, 184KB) - 6/15/15

May 2015

April 2015

Judicial hearing: 14-0247 Robert Timmer hearing to challenge order revoking license (PDF, 111KB) - 4/1/15

March 2015

Public hearing to consider request for acquisition involving Mason County Title Insurance Company - 3/31/15

Judicial hearing: 15-0035 Joseph P. Burgman hearing to challenge denial of application for letter of written consent (PDF, 107KB) - 3/31/15

Judicial hearing: 14-0229 Charles D. Oliver and American Equity Advisory Group request removal of OIC blog post from internet (PDF, 120KB) - 3/24/15

Judicial hearing: 14-0210 Kyle E. Bradbury hearing to challenge order revoking license (PDF, 107KB) - 3/23/15

Judicial hearing: 15-0015 Bruce D. Mulligan hearing to challenge denial of license application (PDF, 111KB) - 3/23/15

Judicial hearing: 14-0196 Karla Padilla Reyna hearing to challenge order revoking license (PDF, 124KB) - 3/16/15

Stateholder meeting for rule-making: R 2014-08 Network Access (PDF, 66KB) - 3/12/2015

Judicial hearing: 14-0241, 15-0018 National Multiple Sclerosis Society hearing to challenge proposed imposition of fines for late filings (PDF, 102KB) - 3/9/15 (telephonic)

Notice

Mike Kreidler
Washington state Insurance Commissioner

Contact Ron Pastuch: 360-725-7211

03/11/2015

Hearing set to consider request for acquisition involving Mason County Title

OLYMPIA, Wash. – The Insurance Commissioner has scheduled a hearing on March 31, 2015, at 1:00 p.m. Pacific Time in his Olympia, Washington office to consider whether he should approve or deny the request for acquisition of control involving Mason County Title Insurance Company based in Shelton, WA.

REtitle Holding Company, LLC, an Idaho limited liability corporation, filed an application for the acquisition of control of a domestic insurer. The LLC was organized by three individual members and is based in Costa Mesa, CA.

Mason County Title Insurance Company was organized in 1909 and has been controlled and operated by the Bayley family members over its hundred-plus history solely in the state of Washington.

If approved, Mason County Title will be owned and operated by REtitle and eventually will not remain in Washington. REtitle intends to apply to issue title insurance in California and ultimately make California Mason County Title's new domicile. Mason County Title currently is not licensed in California. This hearing is also to consider REtitle's proposal and potential regulatory requirements from this request.

The public is notified that all interested parties may submit letters of support or concerns or objections and/or may participate in the hearing by appearing in person or by telephone at no charge.

To view the Notice of Hearing, which includes advice on how to participate in the hearing process, and to view all documents filed in this matter including the application, stock purchase agreement between the parties, and all other documents such as organizational charts and finances, regulatory actions and any litigation filed in this proceeding, go to Mason County Title #15-0021 at

<http://www.insurance.wa.gov/laws-rules/administrative-hearings/judicial-proceedings/m-o/>