



OFFICE OF  
INSURANCE COMMISSIONER

September 26, 2014

JAMES J. DUFFICY  
MANAGING MEMBER  
RETITLE HOLDING COMPANY LLC  
2900 BRISTOL STREET, SUITE G-203  
COSTA MESA, CA 92626

Re: Form A Filing dated September 5, 2014 – Proposed Acquisition of Control of Mason County Title Insurance Company

Dear Mr. Dufficy:

We received the Statement regarding the Acquisition of Control of a Domestic Insurer (Form A) of Mason County Title Insurance Company (MCTIC) by REtitle Holding Company, LLC (Applicant or REtitle) on September 11, 2014. Thank you for our meeting with you and your team on September 15, 2014.

We reviewed the Form A filing for completeness and noted the following items as required by RCW 48.31B.015. Please submit these items as referenced below:

1. Item 3 – You provide three individuals including yourself as members of the applicant. Please indicate if any of these individuals including you are associated with any other entity regulated by a federal regulatory or state insurance agency.

We noted that the services of a third-party verification firm were done and to date, we have not received their reports. We will confirm when we receive the reports.

Please of any other person that will be part of the executive team or operations of the MCTIC with their biographical affidavit for this filing.

2. Item 4 – Please provide a copy of an escrow account with the amount of required funds for the transaction.
3. Item 5 – The future plans of MCTIC include a redomestication to the state of California. The redomestication would allow MCTIC to commence active writings with its current surplus as supplemented by reasonable capital additions

planned by the applicant. How would the applicant provide the capital additions to the company, i.e. infusions, stock purchases, non-cash contributions?

There is mention of a business plan for the company. How will this change the current business plan of MCTIC as it stands today? How would your business plan benefit the existing Washington policyholders?

How many existing MCTIC policyholders would be affected by this acquisition and what counties are these policyholders located?

How will the applicant provide and maintain the capital and surplus required for MCTIC according to RCW 48.05.340 on or after the acquisition? At what date would the applicant estimate that this requirement would be met for MCTIC?

4. Item 6 - Please provide how the residual value of MCTIC's license was determined in light of the existing condition of MCTIC today.
5. Item 12 - Please provide the most recent financial statement(s) of REtitle along with personal financial statements of the members of REtitle. Please also provide a three-year financial forecast of REtitle after acquisition of MCTIC.

We also request the following items for discussion to be submitted in the order to obtain a better understanding about the applicant and its members with this filing. Please submit these items as referenced below:

6. Please provide an executive summary of the Form A filing with a brief history regarding the REtitle Holding Company LLC, its business purpose now and going forward, and the competency, experience, and integrity of the members of REtitle who will be operating MCTIC.
7. Please discuss any plans by REtitle regarding any plans for other business partners of REtitle or MCTIC after the proposed acquisition. Would these plans make the acquisition that would harm or prejudice the existing or future Washington policyholders?
8. Please provide if REtitle was or is currently engaged in title insurance business prior to the filing of the Form A filing. If so, what states were REtitle operating and the amount?
9. Please provide any information regarding any pending or ongoing litigation between MCTIC, REtitle, or its affiliates against any Washington State agency.
10. Please provide any information regarding any pending or ongoing litigation by any MCTIC current shareholders against MCTIC, REtitle, or any of its affiliates.

11. Please provide the names of the attorneys representing MCTIC and REtitle for the upcoming hearing.

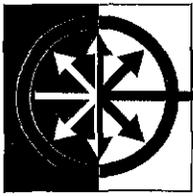
If you have any questions, please feel free to contact me at (360) 725-7211.

Yours truly,



RONALD J. PASTUCH, CPA  
Holding Company Manager  
Company Supervision Division  
E-Mail: RonP@oic.wa.gov

Cc: William R. Michels, MBA, CPA, CFE, Company Supervision Division  
Gayle Pasero, CPCU, Company Licensing Manager  
Shilo Strickland, Assistant Financial Analyst



# REtitle

HOLDING COMPANY

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

October 3, 2014

Ronald J. Pastuch, CPA  
Holding Company Manager  
Company Supervision Division  
Office of the Washington Insurance Commissioner  
P.O. Box 40259  
Olympia, Washington 98504-0259



RE: Form A Application Dated September 5, 2014 to acquire Mason County Title Insurance Company (the Company)

Dear Mr. Pastuch,

Thank you for your letter of September 26, 2014, regarding the above application. This letter will respond to each of the requests for additional information, by number.

1. Item 3. The three executives identified in our Form A application are not currently associated with any other entity that is regulated by a federal or state insurance agency. There is currently no other proposed member of the executive or operations team. As you will see from our business plan, the applicant intends to maintain staffing at the three executives already identified, until such time as premium writings justify the addition of staff. This will allow the Company to preserve its capital so as to maximize its ability to write premiums, thereby generating revenue growth.
2. Item 4. The escrow account will be established at Comerica Bank, and will be identified to the Department in advance of the closing. As you will see from a review of the purchase and sale agreement, the closing is scheduled to occur after the Department's approval of the Form A application, as well as a companion application to re-domesticate the Company to California which will be filed shortly with the Department, and the Department of Insurance of California. These applications will have review periods, which means that the closing is not imminent. For this reason, we request leave to identify and fund the escrow account at a reasonable point in time closer to the actual closing.
3. Item 5. I attach for your review the Plan of Operation that will be filed with the California Department of Insurance as part of the application to re-domesticate the Company to California. This document, which is verified as

part of the California application process, will answer most of your questions with regard to the future business plan for the Company.

The Plan of Operation can be summarized, in a fashion to respond to your questions, as follows: The Company's business will involve commencing writings in California, and supplementing that over time by writings in additional states as the Company expands. The initial operational capability of the Company will be supplied directly by the sweat equity of the three managing members of REtitle Holding Company, LLC. The three managing members of REtitle Holding Company, LLC also intend to invest at closing an additional \$150,000 into the Company to supply immediate additional capital surplus for the Company and to provide funds for its initial operations. Operating expenses will be kept to an absolute minimum by virtue of the plan to rely on the managing members for operational capability in the startup phase of the Company in California. It is anticipated that, after the Company is re-domesticated to California, the Company's proposed parent, REtitle Holding Company, LLC, will also obtain capital investments from entities active in the mortgage and real estate industry. Those investments will be used to make additional capital infusions into the Company. These investors are expected to have affiliated title agents, which will write selected parts of their title business on the Company. The business to be written on the Company by these affiliated title agencies will consist of residential title policies within pre-set limitations, all designed to ensure that the premium writings of the Company are the safest and most conservative types of title business available in the industry. The net effect of this business plan will be to allow the Company to carefully grow its asset base by capital infusions, along with revenues generated by extremely conservative title business. Current policyholders will unquestionably be benefitted by this business plan, since it is designed to maximize careful, low-risk accrual of additional statutory reserves and capital surplus available to policyholders in the event of claims associated with the existing policies of the Company. Thus, the business plan proposed for the Company will not negatively affect any current policyholder.

We estimate that, developing according to the business plan set out in the Plan of Operation, the Company will achieve the capital surplus required under R.C.W §48-05-340 by the end of our the third year of operations. Once we achieve that level of capital surplus, we intend to approach the Department about re-commencing operations in Washington.

4. Item 6. The residual value of the purchase price (\$950,000) being paid for the Company over the capital surplus of the Company (\$750,000) is

\$200,000. This amount was determined to be reasonable as follows: the licensure and seasoning of a title insurance company would require a combined 3 years of operations and licensure. The Members of the Applicant believe that the residual amount of \$200,000 represents the higher range of a reasonable estimate of the opportunity cost associated with an alternative plan of licensing a de novo insurer, and operating for the requisite period to attain seasoning so as to permit the Company to expand its footprint. The higher range estimate of opportunity cost was selected in view of the Order of Supervision currently in place encumbering the Company's ability to operate.

5. Item 12. Attached are personal financial statements for the three Managing Members of the Applicant, along with the three-year pro forma financial forecast prepared for the Company using the assumptions made in the Company's Plan of Operation. Please treat these documents as confidential. Further, once the Department completes its review of the personal financial statements of the Members of the Applicant, we request that these sensitive documents be returned to each respective Member in the self-addressed envelop provided.

The Applicant has no prior financial statements, as it was formed in June of this year, specifically for the purpose of acquiring and operating the Company.

6. Executive Summary of Form A.

**The Goal:** Acquire the Company and expand its license to key selected markets. Restrict share ownership in holding company to select producers of high quality residential title business. Use any investments in the holding company to infuse additional capital surplus in the Company. Allow the Company to underwrite the direct business written by the title agencies owned by these partners, as well as referral business in non-footprint areas. Deploy the business strategy successfully developed at National Title Insurance of New York (NTNY), with key NTNY management team, to drive excellent profitability in the underwriter through deployment of a proven risk management plan.

**The Opportunity:** The title insurance market is marked by extreme concentration in market share among the top four incumbents. Until successful deployment of the above title insurance model by NTNY, no competitive alternative existed to the business profile of the four top incumbents. This maximized the advantages of scale and financial stability

of the incumbent insurers, and resulted in an oligopoly benefitting the incumbents. This oligopoly severely restricts the ability of the independent agent to differentiate itself from a marketplace of agents, virtually all of whom represent the same insurance brands with little pricing variation available to the consumer. It also ensues that agents are minor players from the viewpoint of the incumbent insurers, and further ensures that efficient agents are forced to financially support (by means of the standardized premium structure) inefficient or even fraudulent agents. However, the business plan of the Company creates the opportunity to reverse all of these negatives for the agents of the Company, and turn them into decisive competitive strengths.

The benefits accruing to the title agents selected to be a part of the title services group under the Company's umbrella can be summarized as ensuring that the pricing, product, claims and underwriting strategies are in sync with the business goals and needs of the Company's title agents, including those that become affiliated with it by future investment. The experienced management team at NTNY has proven the value of the above approach to the title insurance business. The Company can earn title premiums from producers of large numbers of title orders, yet tie the premiums to a careful risk profile, both as to the type of agents selected to write with the underwriter, and also in the types of business allowed to be written. Indeed, because the largest agents of the Company will have an ownership stake (**without any control over the Company's management**) in the Company, the incentive to produce good quality title business will be strong. These incentives and underwriting controls will allow the underwriter to minimize its infrastructure needs, since it is not in business to support the needs of an entire marketplace of possible agents and transaction types. The result has been proven to be consistent growth, market-leading profitability, and reduced risk exposure.

The competency, experience and integrity of the managing members of the Applicant can best be judged by the fact that we are the executives who successfully deployed essentially the same business plan at National Title Insurance of New York (NTNY). Prior to assuming control of NTNY, that company had loss ratios as high as 10 to 12%. The agents which the Company had were extremely undesirable from a claims and reputational perspective, and the Company was not profitable. Starting in 2009, we took over NTNY, canceled the agents en masse, and basically used the formula outlined above to write high-quality residential title business from select agents, including from its affiliated title agency, LSI Title Company. The results were best judged by the following: rates of losses plunged to as low

as 1.5 to 2%; and profitability was achieved sufficient to increase the Company's asset base from approximately \$15 million in 2009 to approximately \$130 million at the end of 2013, including a capital surplus of more than \$60 million. Increasing the surplus of NTNY required that this executive team resist repeated efforts by the corporate parent (which was a public company carrying a heavy load of financing) to take significant and crippling dividends from NTNY. We, as the responsible executive team at NTNY, believed that our duty under New York insurance law required that we resist the desire of the corporate CFO to take money from NTNY for the parent's purposes, but rather required that we act so as to establish and maintain a proper surplus for the insurance company without regard for the parent's separate cash needs/desires. We did so, and NTNY benefited as a result. We will do the same with regard to building the surplus of the Company.

The three founding members of the Applicant have submitted their biographical affidavits, which should demonstrate the level of experience and achievement we have reached in the title industry. Without being boastful, we believe that our resumes can stand up to a comparison with those of any executive team at one of your licensed title insurers. In addition, we will, upon your request, provide references either in the form of letters of recommendation, or contact information for your use in vetting our reputations for knowledge, competence and integrity. We would be happy to offer the names of persons for whom we worked as key executives, as well as those of persons who worked for us.

7. Plans for other Business Partners. As discussed in our Plan of Operation, the Applicant does intend to seek equity investments from entities active in the mortgage and real estate business, with affiliated title agencies. The goal will be to select from 3 to 5 potential investors. Each investor will be selected based on the type of business associated with their real estate/mortgage operations. Compatibility with the Company's goals of careful, conservative residential writings will be of paramount importance. The expectation is that some portion of the title premiums being written by the affiliated title agency will be written on the Company, based on the criteria determined by the Company.

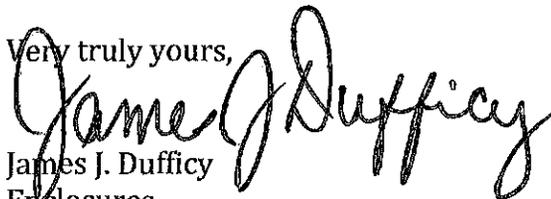
The addition of business partners in the future will do nothing but benefit current and future policyholders of the Company. The capital infusion from the partners will provide additional surplus funds for the Company, thereby enhancing the policyholders' security. Further, the anticipated safety of the future writings derived from such business partners will provide a solid and

sustainable path to the growth of the Company's asset base. This plan eliminates certain, potentially catastrophic risks that might arise, for example, if a defalcation were to be committed by a single bad independent agent if the Company simply followed a path of signing any available agent. The careful, planned growth of the Company through the addition of key business partners is undoubtedly the best way to secure premium and surplus growth for the Company without encountering these kinds of "mega-risks". Policyholders can only benefit from this plan.

8. Prior Title Business. REtitle Holding Company has not been involved in the title business prior to this venture. It was formed in June of this year solely for the purpose of acquiring and operating the Company.
9. Litigation vs State Agency. Neither REtitle nor its Members have been or are involved in any litigation against any Washington state agency (or any other state or federal agency, for that matter).
10. Litigation vs shareholders. No litigation exists or has ever existed between REtitle, its members, and any shareholder of the Company.
11. Attorney at hearing. I plan to represent the Applicant at the hearing before the Department. In the unexpected event that any contested point would require my testimony at the hearing, we will consider retaining counsel for the hearing. In that event, we will advise the Department of counsel's identity as soon as such a decision is made.

We appreciate the opportunity to provide this supplemental information in support of our Form A Application and look forward to further discussions with the Department on the Application. We respectfully request that the Application be approved without a formal hearing if possible, and if not, that a hearing be scheduled as soon as possible on the pending Form A Application, inasmuch as the re-domestication applications are dependent on the resolution of this Application. An early resolution of the pending Application will be beneficial for all parties as well as the Company. My personal availability for the hearing is good, with these exceptions: October 9 to 24, November 5 to 7, and November 14.

Very truly yours,

  
James J. Dufficy  
Enclosures

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### **REtitle Insurance Company NAIC Number 50962 Plan of Operation**

#### **I. Introduction**

REtitle Insurance Company, f/k/a Mason County Title Insurance Company (the "Company") was formed in 1909 in Washington, where it is currently domiciled. In 1998, as a consequence of an increase in the minimum capital surplus required of title insurers in Washington, the Company's certificate of authority became subject to an Order of Supervision by the Commissioner of Insurance in Washington (the "Order"). The Company has written no premiums since 1998.

Before entry of the Order, the Company had only written premiums generated by an affiliated Washington title agency, Mason County Title Company. As a part of its business plan, the Company is re-domesticating to California, terminating its agency relationship with Mason County Title Company, and proceeding to implement the business plan described herein.

#### **II. The Competitive Environment**

The title insurance industry is marked nationally by a handful of national underwriters and a large network of independent agents. The large nationwide underwriters both license independent agents to issue policies on their behalf, and then also compete with those agents in choice markets around the country where the underwriter has deemed it advantageous to compete directly for business. Vigorous competition occurs for the title and closing business by title insurers and agents who solicit consumers and various real estate intermediaries which have a direct relationship with the consumer. The competitive business model that the title industry has historically utilized involves a widely distributed retail presence in as many real estate markets as possible, with proximity to the intermediary and the consumer. This business model carries with it a heavy expense burden in the way of fixed office/leasing expense, layers of managerial and administrative personnel, and a retail sales force numerous enough to penetrate the realtor, builder, developer, and lender markets available in a geographic area. The implications of the business model used by the traditional title industry is that competition will be vigorous in areas of importance to the targeted intermediaries, including the quality of the service provided, as well as in areas of "value adds" like property profiles for consumers, legal rebates in the form of affiliated business relationships, and unfortunately some illegal rebating in a myriad of forms well known to the Commissioner. With some exceptions (such as commercial markets and national lender markets), price is not a typical focal point for competition in the title industry, both because the intermediary is not usually paying for the title premium, and because of the direct and agency cost structure in the title industry.

The title insurance industry nationally, and in California in particular, is undergoing a rapid transformation as a result of market forces that are placing into question the validity of the industry's traditional business model. The financial and economic downturn in 2008 exposed the weaknesses implicit in the heavy fixed and variable expenses required to support the traditional retail model. At the same time, important legal innovations, like Senate Bill 133, have changed the economic relationship between the title company and the intermediary. This promises a distinct market advantage to a participant able to create and support a more efficient business model.

### III. Business Plan After Re-domestication

Before the acquisition by *REtitle* Holding, the Company was used sparingly to write the business of its affiliated agent in Mason County, Washington. As explained above, those writings ceased in 1998 due to a change in the state's surplus law. At the date of acquisition, there are no pending claims on the title policies issued before 1998 by the Company. The agency agreement with the Company's old affiliated agency is being terminated as part of the Company's re-domestication to California. Effectively, at the re-domestication and commencement of business in California, the Company has reserves and surplus more than adequate to pay for any claims arising unexpectedly from its former affiliated agent, but no continuing ties to that agency relationship. The Company is free to underwrite business from new sources of title business. Once its re-domestication to California is complete, the Company will form affiliations with large, multistate title agencies, and grow the Company's asset base through careful management of its writings from its future affiliates. The growth in the Company's asset base will then permit the Company to expand its licensure into select additional states, and expand its geographical distribution of policy risks.

The title policies expected to be written on the Company by its affiliated agents will involve exclusively residential title insurance (no commercial transactions), and will further involve policies written by agents with business sources that are controlled and known to the Company (i.e., no business from unknown persons doing business through independent agents).

This will enable the Company to protect its surplus from single loss events (as might occur from commercial transactions), grow its assets and reserves in a measured and careful fashion, and ultimately provide a competitive product tailored to meet the needs of the residential mortgage market, at competitive prices that will reflect the excellent claims experience anticipated from the business sources available to the Company's affiliates. As a consequence of their past, successful implementation of a business model very similar to that described herein (during their employment as the key executive team at National Title Insurance of New York), management has a high degree of confidence in the success of the plan described in this document.

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The business plan for the Company involves, for a period of a year or longer, writing almost exclusively the title policies written by multistate title agencies, which are anticipated to become affiliated with the Company through one or more investments into *REtitle* Holding. The Company will limit itself to agents with a multistate footprint, and with a business model premised on providing title and settlement services through an automated workflow, which the prior experience of the Company's management has proven, will deliver title and closing solutions throughout the country in an advanced and efficient manner, thereby reducing dramatically the risk of catastrophic loss to the underwriter through fraud, forgery, and other risks that typically arise from uncontrolled title business sourced from independent agents. The affiliation with these agencies will also provide a much closer collaboration with the agent's management, thereby providing "real-time" underwriting control on the agency, and superior audit access into the agent's policy and escrow processes.

It is anticipated that a large percentage of the Company's initial business will consist of mortgagee title policies on loans originated by the nation's largest national and regional lenders, and Trustee Sale Guaranty and REO resale transactions for loan servicers at many of the same lenders. These products are typically the bread and butter of the multistate title agencies that are anticipated to provide the bulk of the Company's early premiums. These products are also known to management to produce loss levels that are superior to most books of title risk underwritten by other national title underwriters (most national underwriters maintain a large network of independent agents, with title risks undertaken without the ability of the underwriter to control directly which risks are undertaken). The Company's plan (i.e., of initially limiting its underwriting risks to the title business produced by title agencies with affiliations to the Company) enables it to directly control its title underwriting practices and limit its risk to customers with whom it or its affiliates have a direct relationship. This controlled underwriting and direct relationship is one of the crucial factors which the Company believes will enable it to provide favorable rates to the public, while maintaining healthy reserves and surplus for policyholders.

After an initial period of growth through the controlled underwriting described above, the Company plans to expand on the above model in a careful and measured fashion, by expanding its license into a select number of additional states, and underwriting select title agents in those states in addition to its existing agents and affiliates. The Company will benefit from both the increased title premiums available to it in multiple states, and also from the geographic dispersion of title risks that will be created by its expanded license footprint. The title agents which the Company thereafter anticipates underwriting, will be limited to 2 basic kinds: (1) agents required to allow its affiliates to fulfill their customer service obligations (i.e., by filling out geographical areas where an independent agent is legally required because of title plant requirements, or else the new title agent is the best resource for timely and accurate title information not available otherwise in the geographical region), and (2) agents able to establish and maintain a workflow premised on direct electronic connectivity to the Company, so that the quality

of the programs underwritten by the Company can at all times be maintained. In this fashion, the Company believes that it can benefit by taking an active and progressive role in defining the title industry for the next century, which it believes will be marked by electronic commerce with the originating customers, and technology-driven production of title information through simplified distribution channels, enhancing the ability of the industry to make a reasonable return on lower and simplified rate structures. Where allowed by state law, the Company will file its manual of rates and forms required to conduct business in each state into which it expands.

#### IV. Products

The Company will offer the full range of title insurance products required to serve the residential real estate market. Those products will include all ALTA and CLTA forms currently approved for use in California. The Company's proposed rate manual will provide competitive pricing for each of these products.

#### V. Sales

The Company's business plan involves a small force of highly-professional sales representatives directed at marketing the Company to strategic agents around the country that share the Company's vision of an efficient, technology-driven title and closing model. In addition, it will obtain deep market penetration by leveraging the sales and marketing assets of its affiliates. Those assets include a highly professional, account executive and sales staff. The relationships and industry experience of that sales and marketing team will provide tremendous market penetration of the Company's sales message of efficiencies of process and lower cost to the consumer.

The Company's General Counsel has significant experience in compliance with California's anti-rebate statutes. Among the responsibilities of General Counsel will be training and active counseling of the sales and marketing staff, to ensure that the Company's sales staff remain compliant at all times with California and federal law, including SB 133.

#### VI. Underwriting

As the Department knows, the issuance of title insurance involves a search of record title data in advance of issuance of the policy. In most cases, that record search is conducted by the title agency, utilizing the searching guidelines of the title insurer. The business to be written by the Company will follow this model. The Company's policies will be underwritten by carefully-prescribed title searching and closing requirements that will be the responsibility of its issuing agents. The underwriting procedures to be employed by the Company have been successfully utilized to issue many tens of thousands of title products. The Company will ensure that, through the issuance of underwriting guidelines, as well as by the terms of its agency contracts, safe and acceptable

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underwriting criteria are used by any agent issuing its policies. A copy of the Underwriting Procedures the Company has established as initial guidelines are attached as Exhibit 1. Moreover, the Company intends to develop and utilize an underwriting technology platform in partnership with its agents to ensure that the Company has real-time visibility into the title process being performed by its agents. A copy of the Company's master agency agreement to be used with its agents is attached as Exhibit 2.

The Company will enter in one or more reinsurance contracts with authorized insurers by the end of 2015. Those treaties are strategically important to the Company in that they will assist the Company in growing its statutory reserves and surplus in a controlled manner, while ceding pre-determined levels of risk to its reinsurers. Pending the execution of those reinsurance agreements, the Company will carefully control the amount of premium its agents write on it for the balance of 2015, by asking its agents to balance the Company's premiums against premiums written on the agent's other existing agency agreements with other title insurers.

VII. Claims Adjusting/Payments

The Company employs counsel with extensive experience in handling and resolving title claims. The Company intends to develop a claim handling software system that will enable it to both monitor its claims, and to ensure that reserves and loss expenses are properly posted to its reserves and expenses, and are capable of being accurately audited by the Company/and the Department. The ultimate responsibility for claims resolution and establishment of loss reserves will rest with the Company's General Counsel, James J. Dufficy. Mr. Dufficy, who is well known to the Department, has over 25 years' experience in the field of title insurance and title insurance claims handling, and has held positions with the largest California title underwriter which entailed both direct claims responsibility, as well as national oversight and supervision of claims processes and proper claims resolution. No part of the compensation of any of the personnel responsible for claims handling, or claims resolution, will be contingent upon the amount of the settlement of any claims. A copy of the Company's Claims Management and Loss Adjustment Procedure is attached as Exhibit 3.

In addition to its direct resources, the Company anticipates that its reinsurance agreements will establish reporting and cooperation vis-à-vis claims with the well-established national underwriters, with whom the Company intends to execute reinsurance agreements.

VIII. Advertising

The Company plans to utilize trade association advertising media as part of a targeted campaign to reach relevant professional audiences that will be receptive to the Company's innovative approach to the title and closing process. It is not anticipated that

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the cost of such advertising will constitute a materially significant element of the Company's budget.

**IX. Investments**

The Company will perform its own treasury management services. The Company's management and Board of Directors will have ultimate authority over and the power to direct all investments made by the Company, and will review the Company's investment activity as part of its regularly-scheduled meeting agenda. No part of the compensation of anyone within the Company's holding company system is based on the investment activities of the Company. A copy of the Company's investment guideline is attached as Exhibit 4.

**X. Compensation**

The Company's directors will receive no compensation for performance of their duties in 2015, and thereafter may receive a small stipend of no more than \$6,000 per person. The Company's executive management, which includes its President and General Counsel, its Secretary, and its Treasurer and Chief Financial Officer, will receive as salary in 2015 only the employer's contribution to each person's health insurance premiums. Thereafter, revenues of the Company permitting, each officer will receive a nominal salary in an amount to be determined at the end of 2015, but in any event in an amount of no more than \$120,000 each.

Attached as Exhibit 5 is a copy of the Company's conflict of interest policy, as well as the certification of each of its executive officers of the conflict statement.

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EXHIBIT 1

**REtitle Insurance Company**

**AGENCY UNDERWRITING PROCEDURE  
2014-1**

FROM: REtitle Insurance Company Home Office (714) 884-3615  
RE: Agency Defalcation Control  
DATE: September 2014

The purpose of this Procedure is to outline the rules affecting the addition of agents to the Company's pool of title agents. The Company's business plan contemplates that virtually 100% of the closings conducted in connection with the issuance of the Company's policies, will be conducted by affiliated agents of the Company. These agencies are considered extremely low risks of loss to the Company from uncured defalcations. This carefully controlled pool of agency business can effectively eliminate, for any practical purpose, the risk of loss to the Company from defalcations. This will allow the Company to grow its surplus for the purpose of being able to respond to the title losses of its customers, without the risk of a catastrophic loss from a fraud event such as a defalcation. It is very much a priority of the Company to maintain that low-risk profile in the future, which means increasing our pool of agency risk in a carefully-controlled environment.

In the future, the Company will add agents only for strategic reasons that advance the business purposes of the Company and its parent, REtitle Holding Company LLC (REtitle Holding). In other words, no agent will be added simply in order to permit the Company to obtain premium from that agent. Agents will be considered for acceptance as a Company agent, only if the agent serves to facilitate the business growth or strategy of REtitle Holding and its Members.

In order to be accepted as an agent by the Company, the prospective agent must meet certain criteria:

- a. Facilitate the issuance of title insurance on transactions where an existing agent of the Company is providing closing services
- b. Facilitate the closing of transactions where an existing agent of the Company is writing the title insurance and performing the search and/or curative work,
- c. Facilitate the fulfillment of orders provided to an existing agent for fulfillment, wherein the agent will retain substantial involvement in and visibility into the fulfillment of that order.

In the event that an agent is believed to meet the above criteria, the agency relationship must be reviewed by senior management of the Company, and approved for signing by the President or any Executive Vice President. Thereafter, the agent may be signed conditioned on the following:

1. The agent allows a pre-signing audit, which will include, at a minimum, meetings with the agency executive staff, review of its title processes and competencies, verification and review of the status of its regulatory licenses, review of the most recent audit of the agency by its current underwriter, and review of its financial condition.
2. The agency agreement must follow the master form of agency agreement approved from time-to-time by the Company's senior management be approved by the Company's General Counsel or his delegate, and that contract must allow audits of the agency by the Company.

3. The agent must be audited at least annually, using the most-current auditing program of the Company for independent agent audits. That audit will include a reconciliation of the agent's escrow accounts, with in inquiry into any discrepancy disclosed.
4. The audit report for each agent shall be provided to the Company President and its General Counsel for review and appropriate action.

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EXHIBIT 2

**REtitle Insurance Company  
ISSUING AGENCY CONTRACT**

**THIS ISSUING AGENCY CONTRACT** is entered into as of \_\_\_\_\_, between REtitle Insurance Company ("Principal") and \_\_\_\_\_, an \_\_\_\_\_ corporation ("Agent").

In consideration of the promises and the mutual covenants herein and for the other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Principal and Agent agree as follows:

**1. Appointment of Agent.** Principal hereby appoints Agent as a policy issuing agent of Principal for the sole purpose of issuing reports, title insurance commitments, guarantees policies, endorsements and any other products or services approved by Principal and all required regulatory agencies, relating to real property ("Geographic Area") in accordance with the terms of this Contract. This Contract shall be effective only so long as both Principal and Agent are properly licensed, and only for those reports, products and services which Principal and Agent are permitted, by law, to provide in those states and localities. During the term of this Contract:

A. Agent shall have the right to issue reports, title insurance commitments, guarantees policies, endorsements and any other products or services of any title insurance company, and to purchase or otherwise obtain from any source any search data or information.

**2. Term of Contract.** The initial term of this contract shall be for three (3) years, commencing \_\_\_\_\_, and shall automatically renew for successive three-year periods unless otherwise terminated hereunder. This contract shall expire on the date of termination or October 31, 2020, which date shall first occur. At any time after \_\_\_\_\_, either party may give written notice to the other of its election to terminate this Contract pursuant to paragraph 14 below.

**3. Limitations on Agent's Authority.** Agent shall not, without written approval of Principal:

- A. Commit Principal to a risk in excess of \$1,000,000.00 per policy issued;
- B. Issue Principal's policy for a commercial transaction without the prior written consent of Principal;
- C. Commit Principal to a risk which Principal has by rules determined to be an extraordinary or extra-hazardous risk or which Agent knows to be based upon a disputed title;
- D. Alter the printed language of any forms furnished by Principal except in cases authorized by Principal;
- E. Adjust any claim for loss for which Principal may become liable;
- F. Accept service of process on Principal;
- G. Incur bills or debts chargeable to Principal;
- H. Adjust or otherwise settle or attempt to settle any claim for loss for which Principal may become liable or engage counsel to represent Principal or the insured;

- I. Commit Principal to a risk or handle loan closing disbursements on a transaction in which the Agent or its shareholders/owners has an interest;
- J. Issue any title assurance for an amount less than the market value of the real property, or the estate or interest insured, or for less than the amount of the indebtedness in the case of a lender's policy;
- K. Issue any title assurance affecting oil, gas, mineral or other hydro-carbon or thermal interest, separate and apart from the Fee or Leasehold estate in the land;
- L. Charge a premium other than one approved by Principal, exclusive of any special work charges; or
- M. Act in a fiduciary capacity by accepting funds into its account from any source for any reason on transactions in which Principal's title insurance is involved.

**4. Duties of Agent.** Agent shall:

- A. Issue title insurance reports, commitments, guarantees policies, endorsements and other title assurances only in counties, parishes, recording districts and states where Agent is duly licensed as an issuing agent;
- B. Receive and process applications for title insurance in a timely, prudent and ethical manner with due regard to recognized title insurance underwriting practices and in accordance with the rules and instructions of Principal;
- C. Supply at Agent's expense office space and qualified personnel for the handling of business under this Contract;
- D. Prepare, maintain and preserve a file (physical or electronic) for each application for title insurance. Such file shall include all supporting documents which enable Agent to issue such insurance;
- E. Report to Principal regarding the Principal's business on systems or processes as instructed by Principal;
- F. Maintain a policy register showing the disposition of all policies and other pre-numbered forms furnished by Principal. Upon request by Principal, Agent shall furnish a statement accounting for all such forms.
- G. Keep safely in accounts fully insured by an agency of the Federal Government and in accordance with applicable state laws and separate from Agent's personal or operating accounts, all funds received by Agent from any source in connection with transaction(s) in which Principal's title insurance is involved, disburse said funds only for the purposes for which same were entrusted, maintain an escrow ledger for each title insurance order involving Agent's receipt of fiduciary funds, which ledger shall separately reflect the escrow activity for each order, and reconcile all such accounts not less frequently than monthly. Principal shall have the right to examine, audit and approve Agent's accounting procedures to assure compliance with the ALTA 2000 Agency Supervision and Control Guidelines and Escrow Internal Control Guidelines which are incorporated by reference in compliance with the insurance laws of the states that comprise the Geographic Area of this Contract as if set forth in full herein;
- H. Comply with and operate Agent's business in accordance with all applicable federal, state and municipal ordinances, statutes, rules and regulations;
- I. Conduct all its business in a safe and prudent manner;
- J. Safely keep the files and forms furnished by Principal, referred to in Paragraphs 4D above and 5A below;
- K. Return all obsolete or unused forms to Principal on demand;

- L. Upon request of Principal, Agent agrees to notify its fidelity bond or errors and omissions insurance carrier of any claim for which Agent may be liable to Principal; and
- M. Timely furnish the insured with a title insurance policy and other title assurances Agent is obligated to issue.

**5. Duties of Principal.** Principal shall:

- A. Furnish Agent forms of commitments, policies, endorsements and other form required for transacting Agent's title insurance business;
- B. Furnish to Agent guidelines and instructions for transacting Agent's title insurance business;
- C. Determine all risk assumption questions submitted by Agent; and
- D. Arrange for reinsurance where required, to the extent such reinsurance is available.

**6. Rates and Remittances.** Principal shall provide to Agent its Schedule of Rates for the Geographic area, as the same may be effective from time-to-time. For each commitment, guarantee, policy and endorsement of Principal issued by Agent pursuant to this Contract, Agent shall charge the policyholder the correct rate specified in the rate schedule of Principal, and shall report and remit to Principal \_\_\_\_% of the appropriate rate.

**7. Additional charges.** Related additional work charges shall be paid to agent and Principal shall not be entitled to any share thereof.

**8. Liability of Agent.** Agent shall be liable to and agrees to indemnify and to save harmless Principal for all reasonable attorney's fees, court costs, expenses and loss or aggregate of losses up to a per-claim limitation of \$5,000 (except as to a cause of loss under D, E, F, and G, as to which no limitation shall exist), resulting from:

- A. Failure of Agent to comply with the terms and conditions of this Contract or with the rules, regulations or instructions given to Agent by Principal;
- B. The issuance of title assurances which contain errors or omissions caused by Agent's knowing or reckless conduct in abstracting or examination of title;
- C. A title assurance insuring a mechanic's lien risk or an extra hazardous risk not approved by Principal;
- D. The escrow or closing operations of Agent, including, but not limited to, the preparation of documents, deeds and other instruments of conveyance; loss or misapplication of customer funds, documents, or any other thing of value entrusted to Agent in any custodial or fiduciary capacity resulting in loss to Principal; failure to disburse properly or close in accordance with escrow and/or closing instructions; misappropriation of escrow or closing funds by Agent, its officers, subcontractors or employees; or failure to properly disburse immediately available funds;
- E. Fraud, dishonesty or defalcation committed by Agent, or its employees, officers, directors or agents;
- F. Any act, or failure to act, of Agent, or its employees, officers, directors or agents which result in Principal being liable for bad faith, unfair claim practice or punitive damages; or

- G. Fraud, conspiracy, or a failure to comply with any Federal or State Law or regulation, including securities laws by Agent, or its employees, officers, directors or agents.

**9. Insurance.** Agent shall immediately obtain and keep in full force during the term of this Contract:

- A. Title Insurance Agent's Errors and Omissions Policy with a company acceptable to Principal and
- B. Fidelity Bond / Computer Crimes Policy in accordance with the requirements of state law.

**10. Examination of Records.** Agent agrees to provide access for examination to the Principal at any reasonable time or times to all files, books and accounts and other records of Agent relating to the business carried on hereunder and to the closing of transactions committed to the issuance of Principal's policies of insurance. Such right of examination may also be exercised after termination of this Contract.

**11. Shortage of Funds.** In the event a shortage is revealed, discovered or reasonable believed to exist, in Agent's accounts of funds entrusted to Agent by others or in the remittances due Principal hereunder, then Principal may declare immediately due and payable any debts owed by Agent, including any funds for which Principal may be responsible or have a liability therefore.

**12. Claims.**

- A. Agent shall promptly notify Principal in writing of any claim or threatened claim under any title assurance issued hereunder but in no event more than three (3) business days from first notice;
- B. Agent agrees that Principal shall be fully authorized and empowered in its absolute discretion, to defend, settle, compromise or dispose of any claim for which any party to this Contract may be liable. Unless specifically authorized in writing, Agent shall have no right to defend, deny, settle, compromise or dispose of any claim against Principal. Agent agrees to cooperate with Principal in the handling of any claim made under or in connection with any title assurance issued hereunder, and to assist in the settlement or disposition of any such claim whenever requested by Principal, all at no charge or cost to Principal. Regarding any claim or threatened claim, Agent agrees to keep Principal fully advised and promptly forward to Principal all relevant communications, reports, statement, pleadings, and other writings or instruments. Agent shall remit to Principal, within ten (10) calendar days after demand, any funds required to settle, compromise or satisfy any claim for which the Agent is responsible hereunder; and
- C. Notice required in this paragraph will be given to REtitle Insurance Company, at 2600 Bristol Street, Suite G-203, Costa Mesa, CA 92626, or such other place as Principal may designate in writing.

**13. Assignment.** This contract is not assignable except upon written consent of the parties hereto. This Contract is, however, binding on and inures to the benefit of any corporate successors of Principal or Agent.

**14. Termination of Contract.**

- A. Either party hereto may cancel this Contract, subject to the provisions of Paragraph 2 above, by giving to the other party ninety (90) calendar days' written notice by registered or certified mail of intent to cancel. Such written notice to Principal shall be addressed to the regional office of Principal as stated in Paragraph 17 below. Such written notice to Agent shall be sent to the address stated in Paragraph 17 below, or the last known business address of the Agent. In the event of a material breach of this Contract by either party hereto, the non-breaching party may terminate immediately by giving notice in the manner set forth in this paragraph. It is agreed that a shortage in Agent's escrow accounts, Agent's involvement in a fraudulent transaction in which Principal's title policies are to be or have been issued, or a failure to properly remit to Principal for a period of at least 3 months, shall constitute a material breach of this Agreement.
- B. Upon termination of this Contract, Agent shall immediately furnish to Principal a true correct and complete accounting of all remittances due hereunder, all orders involving Principal's title assurances which have not closed, all orders involving Principal's title assurances which have closed but for which no policy has been issued and all commitments, policies, endorsements and other title assurances of Principal which have been issued but not reported to Principal. Agent shall also provide Principal access to all forms and all files relating to commitments, policies and other title assurances of Principal. Agent shall promptly make an accounting of and deliver to Principal all unused title insurance forms, manuals, advertising, promotional materials, other supplies exhibiting Principal's name or any variation thereof and all other supplies furnished by Principal to Agent, except those which Principal authorized Agent to retain for purposes of completing pending transactions.

**15. Non-Waiver by Principal.** The failure of Principal to enforce the performance by Agent of any provision of this Contract or to exercise any right or remedy following from Agent's breach of any condition or the acceptance by Principal of any payment, remittance or other performance during Agent's failure to perform or during Agent's breach shall not be a waiver by Principal of its rights under this Contract as written and shall not be construed to be an amendment or modification of this Contract as written.

**16. Choice of Law.** This Contract shall be construed in accordance with the laws of the State of California. Agent hereby consents to and submits to the jurisdiction of any court (Federal or State) having a situs in the State of California purposes of adjudicating any and all disputes and claims arising out of or relating to this Contract.

**17. Notice.** Notices to be given or submitted by either party to the other pursuant to this Contract shall be sent by prepaid certified mail, return receipt requested, and shall be deemed given when received by the party to whom it is addressed. Until advised otherwise, all notices given hereunder shall be addressed as follows:

Principal: REtitle Insurance Company, a California Corporation  
2600 Bristol Street, Suite G-203

Costa Mesa, CA 92626  
James J. Dufficy, President, General Counsel  
jdufficy@retitlegroup.com

Agent: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**18. Court Costs.** If either party shall institute any action against the other party for breach of this Contract, the unsuccessful party shall pay court costs and reasonable attorney's fees to the successful party.

**19. Other Contracts Void.** It is expressly understood and agreed by and between the parties hereto that this Contract and Riders, if any, attached hereto and made a part hereof, set forth all the promises, agreements, conditions and understandings between Principal and Agent and that there are no promises, agreements, conditions and understandings either oral or written, between them other than as are herein set forth.

IN WITNESS WHEREOF, this Contract is executed as of \_\_\_\_\_.

PRINCIPAL:

**REtitle Insurance Company**

By: \_\_\_\_\_  
James J. Dufficy, President

AGENT:

\_\_\_\_\_

By: \_\_\_\_\_  
\_\_\_\_\_, President

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# **Claims Management and Loss Adjustment Procedure**

## Procedure Control Log

Procedure Name: RETitle Insurance Company Claim Management

Approvers:

	Date Approved
Jim Dufficy, President	
Claims Counsel	

Revision History:

# RETITLE INSURANCE COMPANY

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## Procedure Overview

REtitle Insurance Company ("RETITLE") will, from time to time, receive notice of claims made by insured parties either directly to RETITLE or to its Policy Issuing Agents (collectively "PIA"s). Most commonly, the claims are for benefits under policies issued through the PIAs. In such cases, RETITLE may require investigative assistance from the PIA to respond to the claim. RETITLE may also seek to hold the PIA accountable for certain levels of liability pursuant to the terms of the applicable issuing agency contract. Other claims against RETITLE may be tendered as claims arising under insured closing or closing protection letters with respect to the PIAs escrow or closing activities in addition to or separate from those under policies issued through the PIA.

Notification of a claim to RETITLE may come from various sources. The usual sources are RETITLE or PIA customers. Upon receipt by RETITLE from whatever source, it will be reviewed by a designated RETITLE claims attorney, and assigned to an appropriate member of the RETITLE claims department for further investigation, analysis and response. Concurrently therewith, the matter will be entered into the RETITLE's claims management system ("CMS") at which time it will be assigned a specific claim number that will be used to identify and track the claim from inception through final disposition.

The claims function may entail setting appropriate loss and expense reserves and payment of such expenses and/or losses as may arise during the administration of a claim. Senior RETITLE management will confer certain levels of authority to each claims administrator to set appropriate reserves and to authorize appropriate payments. Those reserves and payments are processed through CMS. Each reserve or payment processed through CMS requires the approval, through CMS, of another claim administrator with a higher authority level than the requestor. A history of all reserve changes, payments and approvals is maintained in the CMS database. Relevant correspondence, messages and documents must be saved to electronic claim files, which will constitute the system of record for the Company's claims system.

RETITLE executives, attorneys and claims administrator receive regular claim and financial status reports generated from the CMS database. RETITLE executives, attorneys and claim administrators shall hold meetings each quarter to review pending claims being processed by the claims department to determine, among other things, the adequacy of reserves and to alert management to potentially significant matters and trends. RETITLE claims staff holds similar quarterly meetings or telephone conference with management of the various PIAs. Such meetings may also lead to workflow adjustments, systems changes, third party vendor counseling or deactivation, or employee counseling.

# RETITLE INSURANCE COMPANY

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## Procedure Description

### 1. *RETITLE* Receives Notice of Claim

Upon notice of a claim, *RETITLE* records receipt of the claim in the *CMS*, assigns it to an appropriate member of the claims department for investigation, evaluation and response. That process may require the assistance of the PIA.

### 2. Claims Information Management System

*CMS* is a centralized, proprietary database to be used by *RETITLE* claims personal to track claims, maintain documents and to register financial transactions in claims matters. Such information is made available to designated company employee and management on a need to know basis and is subject to the Company's system backup processes to ensure the integrity of the data maintained in the system.

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# **REtitle Insurance Company**

## **Investment Policy**

**Version 1.0  
Internal Use Only**

**I. PURPOSE**

The purpose of this Investment Policy ("Policy") is to establish investment guidelines for REtitle Insurance Company (the "Company").

**II. SCOPE**

This Policy covers all short and long term investments of the Company

**III. INVESTMENT PHILOSOPHY**

The company's primary investment objectives are to preserve capital and to comply with regulatory requirements. Secondary objectives are to maintain liquidity and to maximize return within internal and regulatory guidelines.

**IV. DUTIES**

The Company's Treasurer is responsible for executing all short and long-term investments for the Company; provided, however, that nothing in this Policy shall authorize the Company's Treasurer to make any equity investment in another entity. No investments are to be placed by employees or others outside of the Company without written consent of the Officers.

**V. OVERSIGHT**

- a. The Company's Investment Committee is responsible for the following:
  - i. Approving this Policy;
  - ii. Overseeing compliance with this policy; and
  - iii. Submitting meeting minutes to the Board of Directors.
  
- b. The Company's Treasurer is responsible for the following:
  - i. Administering this Policy. The Treasurer may designate additional individuals who may assist in the performance of his or her duties under this Policy;
  - ii. Responding to all inquiries related to this Policy and its procedures;
  - iii. Revising this Policy as necessary to reflect changes in business conditions including regulatory changes. In order to become effective, changes to this Policy must be approved by the Company's Investment Committee;
  - iv. Providing quarterly reporting to the Investment Committee on adherence to this Policy; and
  - v. Conducting an annual examination of compliance with California Insurance Code Section 1100 – 1107.1 and providing a written certificate to the Investment Committee on the outcome of said examination.

**VI. AUTHORIZED INVESTMENTS**

See Schedule 1 for authorized investments and other investment restrictions. By approving this policy, the Company's Investment Committee is authorizing the Treasurer and his or her designee(s) to execute investments as outlined in Schedule 1.

**Revisions:**

<b>Revision #</b>	<b>Effective Date</b>	<b>Prepared by</b>	<b>Description</b>
1.0		Dinah Chu, Treasurer	Initial Policy Draft for Adoption by Investment Committee

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CALIFORNIA CERTIFICATE OF AUTHORITY APPLICATION

**ITEM #3**  
**PLAN OF OPERATION VERIFICATION FORM**

The following verification meets the requirements of California Code of Civil Procedure Section 2015.5 for execution of documents outside California. It also may be used for documents executed within California. When required, the verification should be placed at the end of the document.

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Title of Document: Plan of Operation

Date: September 23, 2014

VERIFICATION

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that I am authorized to execute the same.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

**UCAA Proforma Financial Statements**  
Title Insurance Company

**UNIFORM CERTIFICATE OF  
AUTHORITY APPLICATION**

**Instructions**

1. Enter the Company Name below
2. Enter the first year of the proformas (start with 1st full year of operation).
3. Select the states to be completed for proformas by clicking the check boxes on the right and then click on the "Create Selected State Worksheets" button below.
4. Complete all sections of the proforma statements contained on each tab below.
5. Note that several tabs contain worksheets for 3 years of data. Be sure to complete all years of data.
6. Do not "Cut" and "Paste" cells in the worksheets. Use "Copy" and "Paste" instead.

Enter the Company Name:

REtitle Insurance Company, Title Insurance Company, Title Insurance Co.

Year 1: 2015

Year 2: 2015

Year 3: 2015

<input type="checkbox"/>	AK	Alaska
<input type="checkbox"/>	AL	Alabama
<input type="checkbox"/>	AR	Arkansas
<input type="checkbox"/>	AS	American Samoa
<input type="checkbox"/>	AZ	Arizona
<input type="checkbox"/>	CA	California
<input type="checkbox"/>	CO	Colorado
<input type="checkbox"/>	CT	Connecticut
<input type="checkbox"/>	DC	District Of Columbia
<input type="checkbox"/>	DE	Delaware
<input type="checkbox"/>	FL	Florida
<input type="checkbox"/>	GA	Georgia
<input type="checkbox"/>	GU	Guam
<input type="checkbox"/>	HI	Hawaii
<input type="checkbox"/>	IA	Iowa
<input type="checkbox"/>	ID	Idaho
<input type="checkbox"/>	IL	Illinois
<input type="checkbox"/>	IN	Indiana
<input type="checkbox"/>	KS	Kansas
<input type="checkbox"/>	KY	Kentucky
<input type="checkbox"/>	LA	Louisiana
<input type="checkbox"/>	MA	Massachusetts
<input type="checkbox"/>	MD	Maryland
<input type="checkbox"/>	ME	Maine
<input type="checkbox"/>	MI	Michigan
<input type="checkbox"/>	MN	Minnesota
<input type="checkbox"/>	MO	Missouri
<input type="checkbox"/>	MS	Mississippi

<input type="checkbox"/>	MT	Montana
<input type="checkbox"/>	NC	North Carolina
<input type="checkbox"/>	ND	North Dakota
<input type="checkbox"/>	NE	Nebraska
<input type="checkbox"/>	NH	New Hampshire
<input type="checkbox"/>	NJ	New Jersey
<input type="checkbox"/>	NM	New Mexico
<input type="checkbox"/>	NV	Nevada
<input type="checkbox"/>	NY	New York
<input type="checkbox"/>	OH	Ohio
<input type="checkbox"/>	OK	Oklahoma
<input type="checkbox"/>	OR	Oregon
<input type="checkbox"/>	PA	Pennsylvania
<input type="checkbox"/>	PR	Puerto Rico
<input type="checkbox"/>	RI	Rhode Island
<input type="checkbox"/>	SC	South Carolina
<input type="checkbox"/>	SD	South Dakota
<input type="checkbox"/>	TN	Tennessee
<input type="checkbox"/>	TX	Texas
<input type="checkbox"/>	UT	Utah
<input type="checkbox"/>	VA	Virginia
<input type="checkbox"/>	VI	U.S. Virgin Islands
<input type="checkbox"/>	VT	Vermont
<input type="checkbox"/>	WA	Washington
<input type="checkbox"/>	WI	Wisconsin
<input type="checkbox"/>	WV	West Virginia
<input type="checkbox"/>	WY	Wyoming

**If states were added to this spreadsheet in error:**

1. Select the states to be deleted by clicking the check boxes on the right.
2. Click on the "Delete Selected State Worksheets" button above.

Company Name: RTitle Insurance Company f/k/a Mason County Title Insurance Compai  
 (Title Insurance Company)  
 Pro Forma Statutory Balance Sheet  
 (In Thousands)

Admitted Assets	2015	2016	2017
1. Bonds			
2. Stocks			
3. Title Plants			
4. Real Estate/Mortgage Loans			
5. Affiliated Receivable			
6. Affiliated Investments			
7. Cash/Cash Equivalents	1,233	1,770	2,401
8. All Other Admitted Assets			
9. Total Admitted Assets	<u>1,233</u>	<u>1,770</u>	<u>2,401</u>
<b>Liabilities</b>			
10. Known Claims Reserve			
11. Statutory Premium Reserve	284	644	1,094
12. Other Required Reserve			
13. Ceded Reinsurance Payable			
14. Payable to Parents, Subsidiaries & Affiliates			
15. All Other Liabilities			
16. Total Liabilities(10+11+12+13+14+15)	<u>284</u>	<u>644</u>	<u>1,094</u>
<b>Capital and Surplus</b>			
17. Capital Stock	750	750	750
18. Gross Paid In and Contributed Surplus			
19. Surplus Notes			
20. Unassigned Surplus	200	377	558
21. Other Items(elaborate)			
22. Total Capital and Surplus(17-21)	<u>950</u>	<u>1,127</u>	<u>1,308</u>

Company Name: **REtitle Insurance Company f/k/a Mason County Title Insurance Company**  
 (Title Insurance Company)  
 Pro Forma Statutory Profit & Loss Statement  
 (In Thousands)

1. Title Premium Earned	5,700	7,600	9,500
2. Escrow Charges			
3. Other Related Income	30	40	60
4. Net Losses Incurred	5	10	15
5. Net Loss Adjustment Expenses Incurred	25	30	35
6. Direct Commissions & Brokerage	5,100	6,800	8,500
7. Reinsurance Ceding Commissions			
8. Net Commissions Incurred (6-7)	5,100	6,800	8,500
9. Other Contractual Agreements**			
10. Other Underwriting Expenses Incurred**	319	564	770
11. Underwriting Gain (Loss) (1+2+3-(4+5+8+9+10))	232	235	230
12. Net Investment Income	25	35	49
13. Other Income			
14. Income Taxes Incurred	107	95	98
15. Net Operating Income (Loss) (11+12+13-14)	200	177	181
16. Prior YE Surplus	750	950	1,127
17. Net Income	200	177	181
18. Capital Increases			
19. Other Increases (decrease)			
20. Dividends to Stockholders			
21. YE Surplus	950	1,127	1,308
Operating Percentages:			
Net Premiums Earned	100.00%	100.00%	100.00%
22. Net Losses Incurred to Title Insurance			
Net Premiums Earned (4/(1+2+3))	0.09%	0.13%	0.16%
23. Net Loss Adjustment Expenses Incurred to Title Insurance			
Net Premium Earned (5/(1+2+3))	0.44%	0.13%	0.37%
24. Other Underwriting Expense to Title Insurance			
Net Premium Earned (8-(9+10)/(1))	95.05%	96.89%	97.58%
25. Net Underwriting Gain Or (Loss) (1/(1+2+3))	4.82%	3.09%	2.41%
Other Percentages:			
26. Other Underwriting Expenses to Net Premiums Written ((8+9+10)/Total Net Premiums Written))	90.75%	92.51%	93.16%
27. Net Loss and Loss Adjustment Expenses Incurred to Title Insurance and Related Income((4+5)/(1+2+3))	0.52%	0.32%	0.52%

\*\* MGA(excluding amounts included above as agents commissions), service contracts, claims payment contracts  
 \*\* Itemize in Assumptions

Company Name: REtitle Insurance Company t/k/a Mason County Title Insurance Company  
 (Title Insurance Company)  
 Pro Forma Statutory Cash Flow Statement  
 (In Thousands)

	2015	2016	2017
<b>Cash From Operations</b>			
1. Premiums Collected Net of Reinsurance	5,970	7,960	9,950
2. Loss and Loss Adjustments Expenses Paid (Net of S&S)	30	40	50
3. Underwriting Expenses Paid	5,418	7,364	9,270
4. Other Underwriting Income(expenses)			
5. Total Cash From Underwriting(1-2-3+4)	<u>522</u>	<u>556</u>	<u>630</u>
6. Net Investment Income	25	36	49
7. Other Income	30	40	50
8. Dividends to Policyholders			
9. Federal and Foreign Income Taxes (Paid) Recovered	<u>(107)</u>	<u>(95)</u>	<u>(98)</u>
10. Net Cash From Operations(5+6+7-8+9)	<u>470</u>	<u>537</u>	<u>631</u>
<b>Cash From Investments</b>			
11. Net Cash from Investments			
<b>Cash From Financing and Misc Sources</b>			
12. Capital and Paid in Surplus			
13. Surplus Notes			
14. Borrowed Funds			
15. Dividends			
16. Other Cash Provided (Applied)			
17. Net Cash from Financing and Misc. Sources	<u>-</u>	<u>-</u>	<u>-</u>
18. Net (+/-) Change in Cash (10+11+17)	<u>470</u>	<u>537</u>	<u>631</u>

Nationwide

Company Name: RTitle Insurance Company f/k/a Mason Cour  
(Title Insurance Company)  
Premiums Written to Surplus Ratios  
(Amounts in Whole Dollars)

Year	Direct Premiums Written	Assumed Premiums Written	Gross Premiums Written	Ceded Premiums Written	Net Premiums Written	Gross Written Premiums to Surplus	Net Written Premiums to Surplus
2015	6,000,000	-	6,000,000	29,916	5,970,084	631.58%	628.43%
2016	8,000,000	-	8,000,000	39,888	7,960,112	709.85%	706.31%
2017	10,000,000	-	10,000,000	49,860	9,950,140	764.53%	760.71%

No data entry is required on this page.

Nationwide  
Year 1 2015

Company Name: REtitle Insurance Company f/k/a Mason County Title Insurance  
(Title Insurance Company)  
Planned Premium Volume By Line of Business  
(Amounts in Whole Dollars)

Description	Direct Premiums Written	Assumed Premiums Written	Ceded Premiums Written	Net Premiums Written	Direct Premiums Earned	Assumed Premiums Earned	Ceded Premiums Earned	Net Premiums Earned
Title	6,000,000	-	29,915	5,970,084	5,700,084	-	-	5,700,084
Total	6,000,000	-	29,915	5,970,084	5,700,084	-	-	5,700,084

Nationwide  
Year 1 2015

Company Name: REtitle Insurance Company f/k/a Mason County Title Insurance Company  
(Title Insurance Company)  
Incurred Loss Summary By Line of Business  
(Amounts in Whole Dollars)

Descriptor	Direct Losses Incurred	Assumed Losses Incurred	Ceded Losses Incurred	Net Losses Incurred
Title	30,000	-	-	30,000
Total	30,000	-	-	30,000
Verification from P & L				

Nationwide

Company Name: RETitle Insurance Company 7/31 Mason County Title Insurance Co  
(Title Insurance Company)  
Net Premium and Loss Developments By Line of Business  
(Amounts in Whole Dollars)

Line	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
01	57,000,084	30,000	7,500,112	40,000	9,500,140	50,000	0.5%	50,000	0.5%	50,000
02	5,700,084	30,000	7,500,112	40,000	9,500,140	50,000	0.5%	50,000	0.5%	50,000
03	5,700,000	30,000	7,500,000	40,000	9,500,000	50,000	0.5%	50,000	0.5%	50,000
Total	57,000,084	30,000	7,500,112	40,000	9,500,140	50,000	0.5%	50,000	0.5%	50,000
Verification from P & L - should equal the above.										

Nationwide  
Year 2 2016

Company Name: REtitle Insurance Company f/k/a Mason County Title Insurance Compan  
(Title Insurance Company)  
Incurred Loss Summary By Line of Business  
(Amounts in Whole Dollars)

Description	Direct Incurred Losses	Assumed Losses Incurred	Ceded Losses Incurred	Net Losses Incurred
Title	40,000			40,000
Total	40,000	-	-	40,000
Verification from P & L	=====	=====	=====	=====

Nationwide  
Year 3 2017

Company Name: REtitle Insurance Company f/w/a Mason County Title Insurance Compan  
(Title Insurance Company)  
Incurred Loss Summary By Line of Business  
(Amounts in Whole Dollars)

Descriptor	Direct Losses Incurred	Assumed Losses Incurred	Ceded Losses Incurred	Net Losses Incurred
Title	50,000			50,000
Total	50,000	-	-	50,000
Verification from P & L	=====	=====	=====	=====

Nationwide  
Year 2 2016

Company Name: RTitle Insurance Company f/k/a Mason County Title Insurance  
(Title Insurance Company)  
Planned Premium Volume By Line of Business  
(Amounts in Whole Dollars)

Description	Direct Premiums Written	Assumed Premiums Written	Ceded Premiums Written	Net Premiums Written	Direct Premiums Earned	Assumed Premiums Earned	Ceded Premiums Earned	Net Premiums Earned
Title	8,000,000	-	39,888	7,960,112	7,600,112	-	-	7,600,112
Total	<u>8,000,000</u>	<u>-</u>	<u>39,888</u>	<u>7,960,112</u>	<u>7,600,112</u>	<u>-</u>	<u>-</u>	<u>7,600,112</u>

Nationwide  
Year 3 2017

Company Name: REtitle Insurance Company f/k/a Mason County Title Insurance  
(Title Insurance Company)  
Planned Premium Volume By Line of Business  
(Amounts in Whole Dollars)

Description	Direct Premiums Written	Assumed Premiums Written	Ceded Premiums Written	Net Premiums Written	Direct Premiums Earned	Assumed Premiums Earned	Ceded Premiums Earned	Net Premiums Earned
Title	10,000,000	-	49,860	9,950,140	9,500,140	-	-	9,500,140
Total	<u>10,000,000</u>	<u>-</u>	<u>49,860</u>	<u>9,950,140</u>	<u>9,500,140</u>	<u>-</u>	<u>-</u>	<u>9,500,140</u>