

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

**In the Matter of the Proposed)
Acquisition of the Control of)
COLUMBIAN NATIONAL TITLE)
INSURANCE COMPANY)
By)
FIRST AMERICAN TITLE INSURANCE)
COMPANY)**

Docket No. 3368-M

ORDER

NOW on this _30_th day of September, 2004, the above matter comes before the Commissioner of Insurance of the State of Kansas upon the filing of a pre-acquisition notice pursuant to K.S.A. 40-3304 and K.A.R. 40-1-28 in the form of a Form A Statement Regarding the Proposed Acquisition of Control ("Form A Statement") by First American Title Insurance Company ("First American") and The First American Corporation ("Corporation"). First American and the Corporation are sometimes collectively referred to as the "Applicants." The Form A Statement relates to the proposed acquisition of control of Columbian National Title Insurance Company ("Columbian National"), a Kansas stock casualty, by the Applicants. Applicants are represented by its attorneys, Kathleen M. Collins, Esq., Vice President, Special Counsel, and Associate Corporate Counsel of the First American Corporation and Margaret A. Gatewood, Esq., Goodell, Stratton, Edmonds & Palmer, L.L.P. The Kansas Insurance Department is represented by its General Counsel, John W. Campbell. Also appearing for the Kansas Insurance Department are Deletria Nash, Staff Attorney; Don Gaskill,

Director of the Financial Surveillance Division; Patrick Mulvihill, Assistant Director of the Financial Surveillance Division; and Mark Owens, Financial Analyst of the Financial Surveillance Division.

Applicants wish to resolve this matter without formal adjudicative proceedings by entering into this consent order.

FINDINGS OF PUBLIC INTEREST AND POLICY

The following declarations of public interest and policy are made by the Commissioner pursuant to K.S.A. 40-3301.

The Commissioner finds and declares that it is consistent with the public interest, K.S.A. 40-3301 and the interest of policyholders to permit insurers:

- (a) to engage in activities which would enable insurers to make better use of management skills and facilities;
- (b) to diversify into new lines of business through acquisition or organization of subsidiaries;
- (c) to have free access to capital markets which could provide funds for insurers to use in diversification programs;
- (d) to implement sound tax-planning conclusions; and
- (e) to serve the changing needs of the public and adapt to changing conditions of the social, economic and political environment so that insurers are able to compete effectively and to meet the growing public demand for institutions capable of providing a comprehensive range of financial services.

The Commissioner further declares that policies and purposes in K.S.A. 40-3301, et seq., are to promote the public interest by:

- (a) facilitating the achievement of the objectives enumerated in K.S.A. 40-3301 and set out above;
- (b) requiring disclosure of pertinent information relating to changes in control of an insurer;
- (c) requiring disclosure by an insurer of material transactions and relationships between the insurer and its affiliates, including certain dividends paid by the insurer; and
- (d) providing standards governing material transactions between an insurer and its affiliates.

The findings and conclusions stated herein are based upon the statements made by the Applicants in the Form A Statement and accompanying documents filed with the Kansas Insurance Department by the Applicants pursuant to K.S.A. 40-3304(b) and K.A.R. 40-1-28.

Significant documents have been reviewed by representatives of the Financial Surveillance and Legal Divisions of the Kansas Insurance Department, and the Commissioner has had the benefit of their technical expertise and advice as provided in K.S.A. 77-546(c).

The purpose of the filing of the Form A Statement is to seek authority from the Kansas Insurance Department for the proposed acquisition of control of Columbian National by the Applicants. The terms and conditions of the proposed acquisition are more fully set forth in the Form A Statement filed with the

Commissioner of Insurance dated September 17, 2004, pursuant to the Kansas Insurance Holding Companies Act, K.S.A. 40-3301, et seq.

The Applicants have submitted Exhibits to the Form A Statement, including, but not limited to, the Stock Purchase Agreement, financial statements and a business plan, pre-acquisition and post-acquisition organizational chart, and Fidelity Investments Disclaimer of Control.

The staff of the Kansas Insurance Department has inspected and reviewed the contents of the Form A Statement and Exhibits attached thereto, to the extent necessary, and found that the filing of the Form A Statement and Exhibits thereto are in accordance with K.S.A. 40-3304 and K.A.R. 40-128 and that the Form A Statement and Exhibits attached thereto have provided the information required under Kansas statutes to enable the Commissioner to render a decision on the application.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Columbian National, a Kansas insurer, was organized under the laws of Kansas on June 9, 1978, and became authorized to transact business in Kansas on August 28, 1978.

2. McCaffree Financial Corporation, a Kansas corporation, owns 100% of the stock of Columbian.

3. First American, a California corporation, is a subsidiary of the First American Corporation.

4. The First American Corporation (“Corporation”), a California corporation, owns 100 percent of the shares of First American and is considered to be the ultimate controlling parent of Columbian National.

5. Fidelity Management Trust holds 12.2 percent of the Corporation in its capacity as the trust of the Corporation.

6. On August 26, 2003, the Kansas Insurance Department approved a Disclaimer of Control request for Fidelity regarding their ownership of Corporation stock. Therefore, it has been determined that no person or entity “controls” the applicants of the Form A Statement as “control” is defined in K.S.A. 40-3302(c).

7. The Corporation will purchase from McCafree all the issued and outstanding stock of Columbian.

8. Immediately after the purchase the Corporation shall cause the capital stock of Columbian to be contributed to First American.

9. After the stock purchase, Columbian will become a wholly owned subsidiary of First American.

10. The Applicant filed a duly certified copy of the Form A statement with the Kansas Insurance Department dated September 17, 2004.

11. Review of evidence establishes that, after the acquisition of control as proposed in the Form A Statement, the Applicant will be able to satisfy the requirements necessary for maintaining the business of Columbian National to the satisfaction of the policyholders.

12. Evidence establishes that, after the acquisition of control as proposed in the Form A statement, Columbian National will be able to satisfy the

requirements for the issuance of a license to write the line or lines of business for which it is presently licensed.

13. No evidence has been introduced to establish that the financial condition of the Applicant will jeopardize the financial stability of Columbian National or prejudice the interest of the policyholders.

14. Evidence has been introduced which shows that the Applicant has no plans or proposals to liquidate Columbian National sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management which would be unfair and unreasonable to the policyholders of Columbian National and not be in the public interest.

15. Evidence has been introduced to establish that the competence, experience and integrity of those persons who will control the operation of Columbian National after the acquisition are such that will be in the interest of the policyholders of Columbian National and of the public interest to permit the acquisition.

16. Evidence has been introduced to establish that the acquisition will not be hazardous or prejudicial to the insurance-buying public.

17. The Form A Statement is in compliance with the provisions of the Kansas Insurance Holding Companies Act, K.S.A. 40-3301, et seq. and K.A.R. 40-1-28.

18. The evidence submitted supports approval of the proposed acquisition of control of Columbian National by the Applicant.

IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE THAT:

1. The application by First American Title Insurance Company and The First American Corporation to acquire control of Columbian National in the manner set forth in the Form A Statement and Exhibits attached thereto is hereby approved pursuant to K.S.A. 40-3304, provided the acquisition is effected within sixty days of the date of this order.

2. The Commissioner of Insurance retains jurisdiction over the subject matter of this proceeding and over the parties for the purpose of entering such further order or orders as may be deemed proper.

Notice of Rights

First American Title Insurance Company and The First American Corporation are entitled to a hearing pursuant to K.S.A. § 77-537, the Kansas Administrative Procedure Act. If desires a hearing, the company must file a written request for a hearing with:

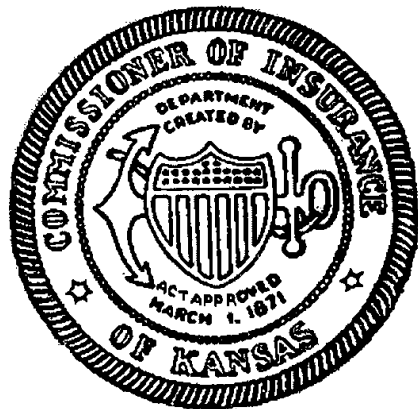
John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612.

This request must be filed within fifteen (15) days from the date of service of this Order. If First American Title Insurance Company or The First American Corporation request a hearing, the Kansas Insurance Department will notify the companies of the time and place of the hearing and information on the procedures, right of representation, and other rights of parties relating to the conduct of the hearing, before commencement of same.

If a hearing is not requested in the time and manner stated above, this Order shall become effective as a Final Order upon the expiration of time for requesting a hearing, pursuant to K.S.A. § 77-613. In the event that First American Title Insurance Company or The First American Corporation files a petition for judicial review, pursuant to K.S.A. § 77-613(e), the agency officer to be served on behalf of the Kansas Insurance Department is:

John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612.

**IT IS SO ORDERED THIS 30th DAY OF SEPTEMBER, 2004, IN THE
CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.**



/s/ Sandy Praeger
Sandy Praeger
Commissioner of Insurance

/s/ Linda Sheppard
Linda Sheppard
Assistant General Counsel

Certificate of Service

I hereby certify that a true and correct copy of the foregoing Order was forwarded via first class mail, postage prepaid on the 30th day of September, 2004 to:

Kathleen M. Collins
Vice President, Special Counsel and
Associate Corporate Counsel
The First American Corporation
1 First American Way
Santa Ana, CA 92707

Margaret A. Gatewood
Goodell, Stratton, Edmonds & Palmer, L.L.P.
515 South Kansas Avenue
Topeka, KS 66603

/s/ Deletria L. Nash

Deletria L. Nash
Staff Attorney