

Learning Lunch

Financial Analysis Issues Impacting Title Insurance

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1998 Countrywide Market Share

	Company	DPW	Share
1	Chicago Title Insurance Company	\$ 1,068,015,223	14.2 %
2	First American Title Insurance Company	\$ 912,915,200	12.1 %
3	Commonwealth Land Title Insurance Company	\$ 720,223,826	9.6 %
4	Stewart Title Guaranty Company	\$ 694,476,706	9.2 %
5	Lawyers Title Insurance Corporation	\$ 648,268,696	8.6 %
6	Fidelity National Title Insurance Company	\$ 486,862,981	6.5 %
7	Old Republic National Title Insurance Company	\$ 457,429,543	6.1 %
8	Fidelity National Title Insurance Company New York	\$ 303,338,649	4.0 %
9	Ticor Title Insurance Company	\$ 216,772,957	2.9 %
10	Transnation Title Insurance Company	\$ 185,993,942	2.5 %
	All Other Underwriters	\$ 1,838,041,916	24.3 %
	Countrywide Total	\$ 7,532,339,639	

Source: *Performance of Title Insurance Companies, 1999 Edition*



2008 Countrywide Market Share

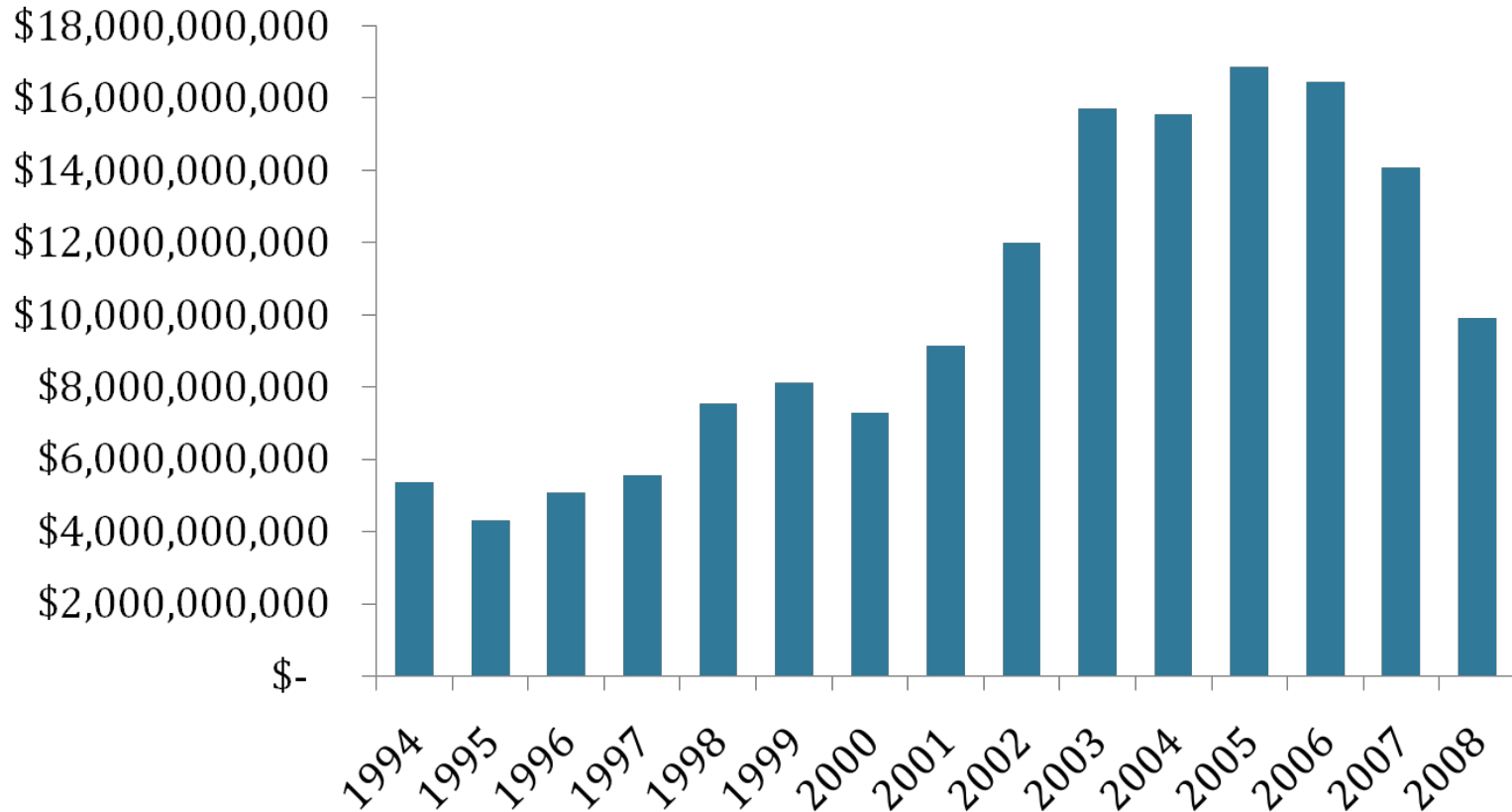
	Company	DPW	Share
1	First American Title Insurance Company	\$ 2,317,808,547	23.5%
2	Chicago Title Insurance Company	\$ 1,284,376,804	13.0%
3	Stewart Title Guaranty Company	\$ 1,100,221,467	11.1%
4	Lawyers Title Insurance Corporation	\$ 1,073,099,587	10.9%
5	Fidelity National Title Insurance Company	\$ 872,595,734	8.8%
6	Commonwealth Land Title Insurance Company	\$ 804,960,935	8.1%
7	Old Republic National Title Insurance Company	\$ 542,465,020	5.5%
8	Ticor Title Insurance Company	\$ 252,823,435	2.6%
9	Attorneys' Title Insurance Fund, Inc. (FL)	\$ 200,299,784	2.0%
10	First American Title Insurance Company of New York	\$ 149,931,574	1.5%
	All Other Underwriters	\$ 1,285,300,880	13.0%
	Countrywide Total	\$ 9,883,883,767	

Source: *Performance of Title Insurance Companies, 1999 Edition*



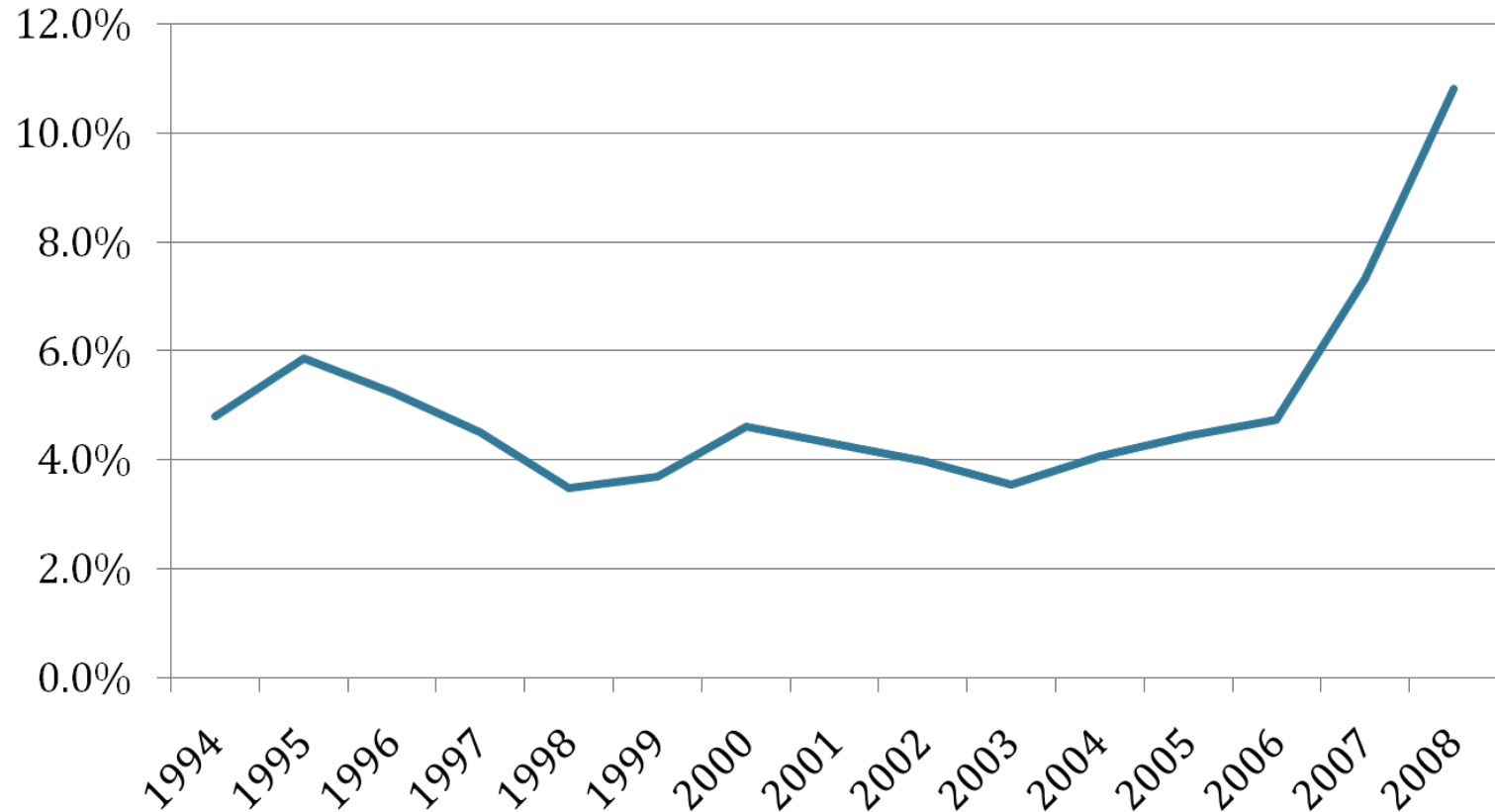
Direct Premiums Written

Countrywide

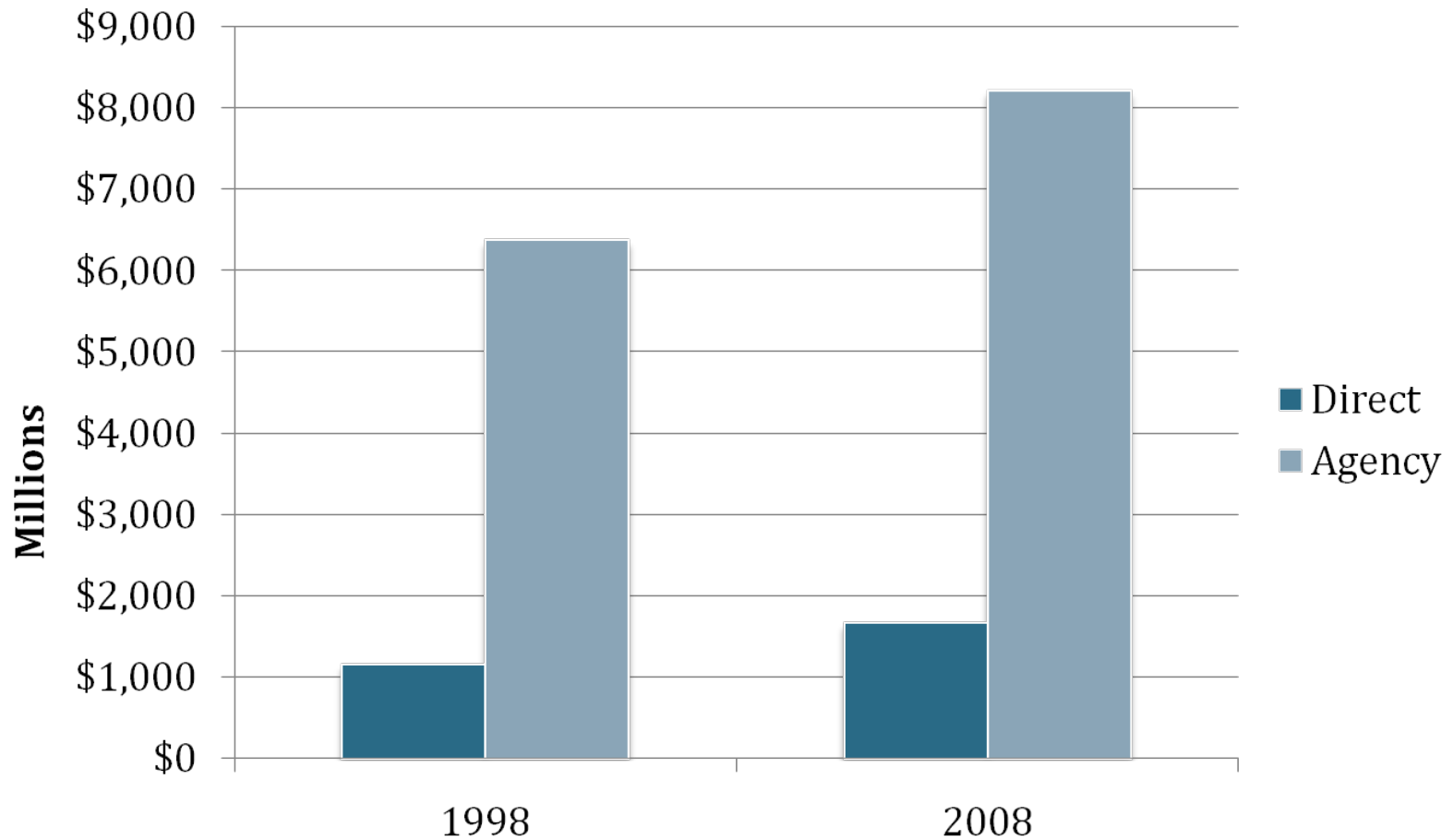


Title Insurance Loss Ratio

Countrywide



Countrywide DPW By Channel



Financial Review of the Title Industry

*“Understanding replaces imaginary
fears with real ones.”*

~ Mason Cooley



What We've Got Here is a Failure to Communicate

While Title insurance coverage looks backward from a certain date, P&C insurance coverage looks forward, utilizing a finite future period, to evaluate liability. The timeframe of coverage and cost containment activities are a fundamental difference between Title and P&C coverages.

This distinction for Title underwriters has not been properly reflected in financial reporting requirements.



Property and Casualty Loss Ratio

- Loss adjustment expenses include allocated loss adjustment expenses and unallocated loss adjustment expenses.
- Allocated loss adjustment expenses are those expenses, such as attorneys' fees and other legal costs, that are incurred in connection with and are assigned to specific claims.
- Unallocated loss adjustment expenses are all other claim adjustment expenses and include salaries, utilities and rent apportioned to the claim adjustment function but not readily assignable to specific claims.



Unallocated Loss Adjustment Expense

- An expense pertaining to handling claims that cannot be specifically attributable to a specific claim.
- Your entire preliminary investigation?



Allocated Loss Adjustment Expense

- An expense directly allocated to a particular claim.
- Addressing specific defects and matters in Schedule B?



Typical Language in a Title Insurance Policy States:

Subject to the exclusions from coverage, the exceptions from coverage contained in Schedule B and the conditions and stipulations, the Title insurance company, insurers, as of the *Date of Policy* shown in Schedule A, against loss or damage...



Typical Language in a P&C Insurance Policy States:

In Consideration of the Provisions and Stipulations herein, the Property and Casualty Insurance Company, for the term of this date at 12:01 a.m. to one year later at 12:01 a.m. at the location of the property involved, does insure...



Property & Casualty

Loss and LAE Reserves

- Case reserve
- Development on known claims
- Reopened claims
- Claims in transit
- Claims incurred but not reported

Title insurance has same components but the only claims reported as 'Loss' are those identified subsequent to policy issuance. We need to identify those that were identified prior to date of policy.



	Allocation to Loss Adjustment Expense	Service Costs
Settlement or Closing Fee		100%
Abstract or Title Search	100%	
Title Examination	100%	
Title Insurance Binder	100%	
Document Preparation		100%
Notary Fees		100%
Attorney's Fees		100%
Title Insurance Premium	80%	
Title Insurance Endorsements	80%	
Mortgage Certificates		100%
Closing Protection Coverage		100%
Courier Fees		100%
Bank Wire Fees		100%



Title Matters Identified and Cured Prior to Policy Issuance

Instrument Filing	113
Grantor-Mortgagor Matters	113
Tax Reconciliations	113
Materialmen Matters	111
Multiple Indebtedness Mortgage Matters	26
Tax and Lien Matters	2
Cancellation of Collateral Mortgage	16
Release of Judgment	3
Release of Second Judgment	1
Cancellation of Mortgages	63
Chain of Title Matters	14
Release of Mortgage, UCC Filing or Judgment	4
Donation	1
Act of Distinction of Judgment	3



Conclusion

The preliminary analysis of 114 Louisiana HUD-1s indicated that 70% of the expenses associated with Title insurance charges, Section 1100 on a HUD-1, would have been classified as loss adjustment expense if expanded during the investigation of a Property or Casualty claim.

We believe Title insurance financial reporting requirements should be revised to reflect the fact that Title insurance policies and P&C insurance policies are unique as to their coverage periods.



Upcoming

Second Theory of Success

– Forge & Execute

Your Leadership Strategy

Main Ballroom Starting at 1:30