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TITLE NEWS

Official Publication

THE AMERICAN TITLE ASSOCIATION



VOLUME XXVIII

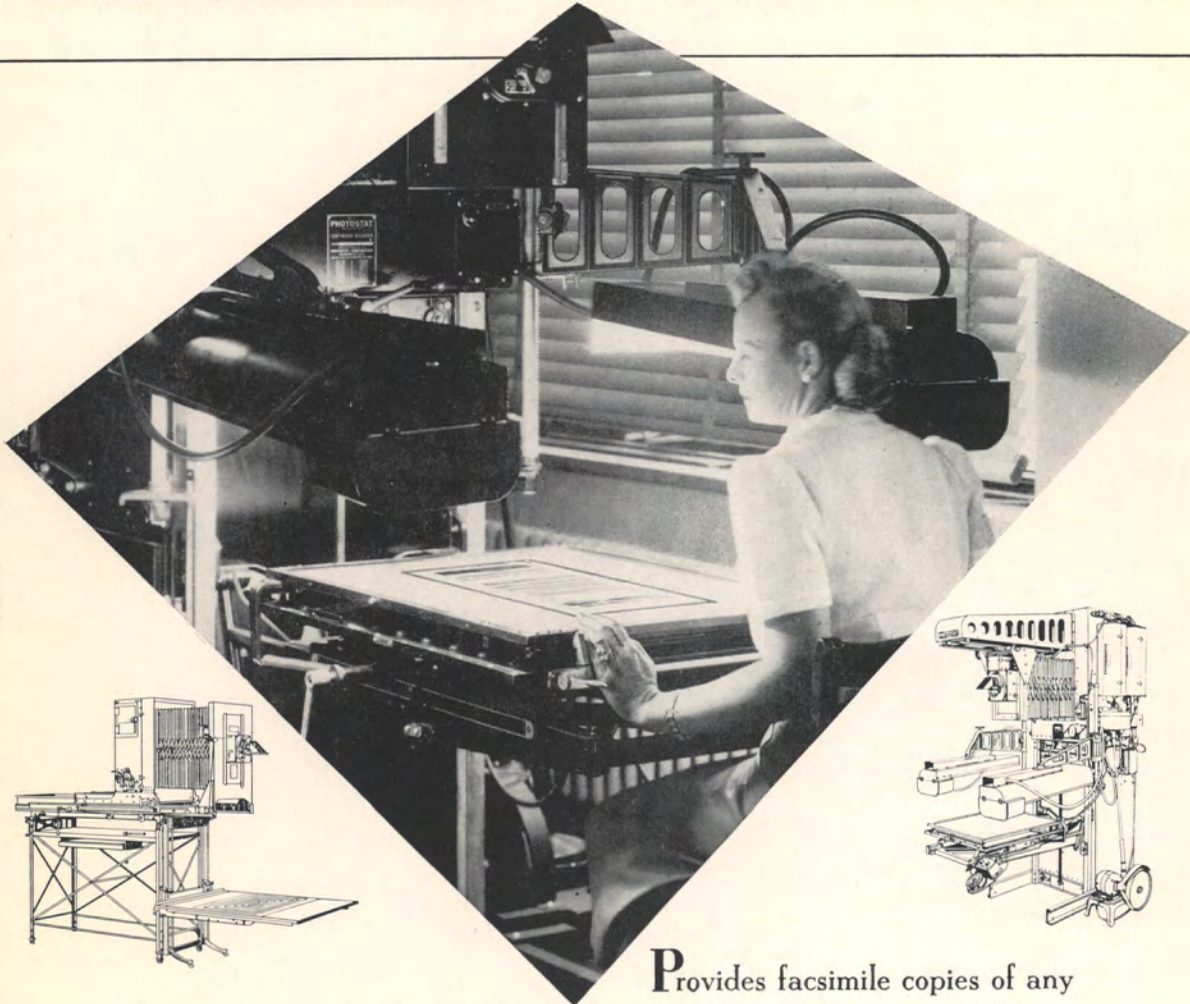
DECEMBER, 1949

NUMBER 5

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3608 Guardian Building — Detroit 26, Michigan

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Photography for the Daily Take Off and Office Aids

(An address at 1949 Convention)

JOHN B. BELL, *President*

The Title Insurane Co., Boise, Idaho

I have been asked to discuss with you Mechanical Methods and I have taken the speaker's prerogative to change, not only the subject, but the content. Instead of a discussion, it will be a sermon and its topic, "Can we justify ourselves in being in this business?"

For those of you who have competition, the problem is simple. All you have to do is a better job than your competitor. The pressure of competition should force you into a process of constantly improving your service.

For those who have no competition, the problem is not so simple. It seems to me, that those of us in this category must try to achieve a standard of **service forever better than that which our most critical customer expects of us.**

Factors

From a standpoint of economics, a monopoly in our business is somewhat justified on the simple basis of "first in business," giving thereby, regard to capital already invested with the thought of preserving it from the effects of destructive competition. As Dan Gage points out on page 150 of his excellent book, "Land Title Assuring Agencies in the United States," ours is a business having many of the characteristics of a natural monopoly. In order to qualify as such, three factors must be present:

"(1) The commodity or service rendered must be of such a nature that a small difference in price will lead buyers to purchase from one producer rather than another.

"(2) The business must be of such a nature as to make the creation of a large number of competing plants economically wasteful. Either because the business is one in which special advantages attach to large scale production or because there are actual physical difficulties in the way of multiplication of competing plants, there must be fairly definite limits to the possible increase of the number of plants among which the business might be divided.

"(3) The proportion of fixed to variable expenses of production must be high.

Now let a comparison be made of the title-assuring business to the points above. As to (1), buyers of title proof will patronize the agency that offers the lowest price, if it is assumed that there is no difference in the character of the service; as to (2), the creation of multiple title plants is

economically wasteful, and as to (3), there is a high proportion of fixed to variable costs in the operation of a title plant.

Ever Changing Costs

But because of the changes in methods of plant construction, it seems to me, that the only safe argument for us to use to support a monopoly is that of "best able to serve" and whether or not you agree that this argument is our only justification, let me indicate what modern mechanical methods have done to our old safeguard against competition by reducing the cost of construction of title plants. Years ago, my good friend, Charlton Hall, told me that his experience and that of others with whom I talked proved plants to cost in the neighborhood of \$100 to \$125 a volume of county records. This included a General Index, but as little arbing as the complexity of the record required. Today, by the same hand methods then used, this cost would be at least doubled, possibly trebled, but with photography and mechanical sorters, the Dakota Microfilm Service will contract to build a plant for anyone at \$25 a volume, plus the cost of filming of about \$7.00, or a total of \$32. This does not include a G.I. and is only a rough sort to 40 acres, but it does get you in business.

Different and New Methods

Using a slightly different method, which I'll discuss later, we rebuilt from scratch the plant of one of our subsidiaries for \$60 per volume. This included the filming, indexing to a conventional lot book, a complete G.I. and all of the difficult sections completely arbed. More recently, using a geographical sort, rather than tract book system, for an agent of ours, we built a plant from scratch for \$40 per volume. This cost included a complete G.I. and the whole county was completely arbed. I'm not sure that it couldn't be done even cheaper, or, rather, less expensively by using a combination of the methods used by Dakota Microfilm Service and those we used. If we ever have to do it again, we may try it.

We got into this plant building business in an attempt to bring to modern standards the plants we bought in Idaho and Montana and those of our more than 50 agents. If we can do it and the Dakota boys can do it, don't think others can't do it! If you're not moved by my sociological argument

that your monopoly can only be justified by proving yourself "best able to serve," then don't hide your head in the sands. The old economic argument of society's reluctance to destroy your capital investment in support of your position is gone! It simply doesn't cost as much to get into our business.

Lagging Production

In 1946, many of us were far behind in our work and production schedules and, in many instances, unjustifiably. It is true that they were behind in Seattle, Portland, San Francisco, Los Angeles, Chicago and in other large cities, which others of us used as an excuse for our deflection from duty. However, in those cities, they were never as far behind as in some of the smaller offices and without regard for cost or profit, they caught up their work. Did you? Don't tell me you couldn't get help! Adequate personnel was hard to find, but in Los Angeles, they took people in off the street by radio and newspaper ads and somehow they got the job done and when I tell you that their take-off was running 3,500 to 5,000 instruments a day, with heavy days even larger, you are better able to understand the magnitude of their problem! And even though they did better than most of us, I know they're none too proud of the job they did!

And if it occurs to you that it doesn't affect you when I get behind, you haven't talked to Jim Sheridan recently.

Turning from issues upon which we could disagree ideologically, let's discuss plant procedures with references to our aim of rendering our clients faster service with, at least, the same degree of accuracy. The problem is answered, it seems to me, by answering the question—**when shall I spend my money in processing this order?** Shall I do it from day to day as the instruments are filed, or shall I wait till I get the order!

Let me explain. It is theoretically possible to produce an accurate abstract with no plant at all. Of course, it might take a little time and lots of money to read every instrument, suit and probate on record, but all of the work could be done **after** the order is received. Such a system might work if our clients were willing to pay for it and had more patience than any I know of, but I think we can all agree such a system would be far too expensive and not practical.

Quick Delivery

We all do some of the work of processing an order long before we get the order, but we do disagree upon how much of the work we should do in advance. While it's the topic for another paper, I'm sure it could be demonstrated by figures that the company rendering the best service to their clients and at the same time making the highest net profit is the one spending the most money on plant refinements to eliminate as nearly as possible ALL of the work devoted to processing after the order is entered. **This is my creed and it is my ambition to evolve system and operate a plant affording 15-minute service to my customers. I KNOW it can be done!**

To Be Specific

The first place to improve plant procedure is to install a general index showing, in one index, all miscellaneous matters affecting titles, which cannot be posted to a tract book because of lack of particular description. I know from sad experience that most of us abstracters have no such Index. Nearly all of us have an Index on some of this material, but nearly all rely on a Court House name run for part of it. If your searching procedure requires any search of any court house index, other than taxes, you're wasting time and money.

There are various excellent systems. One of the finest is that used by Washington Title Insurance Company and I'm sure Mr. Hall's interest in you and his generosity would compel him to assist you to the extent of explaining its preparation and installations. The Chicago Title and Trust has evolved another system, which is sound and has many advantages. All are discussed in a recent article in Title News.

Soundex

We use a modification of the Soundex System, which has the advantage of being less expensive to install and permits policing the system of dead material. Each entry is slipped to a 4x5½ slip, sorted to code and placed in small ring binders. Thus the slips become the index and when a judgment or other entry is dead, because of release or otherwise, the slip is pulled and destroyed. We have built five. One in Lane County, Oregon, a county of then 75,000 population, at a cost of \$5,000. Another in Ada County, Idaho, a county of approximately the same population for \$3,500. The others were for smaller counties: 2,000 population for \$375 and 12,000 population at a cost of \$700. If we weren't convinced it paid in time and money saved, we shouldn't have done it. Enough for that.

Progressive Arbitraries

There is no single plant improvement which pays off so handsomely as a system of progressive arbitraries for indexing metes and bounds descriptions or those describing less than a quarter-quarter. No other method of searching has yet been devised which makes searching of unplatted tract descriptions as simple and fast as though

they were platted property in which the ownerships conformed to the dedicated lots. There are many such systems—none of them nearly so complicated as you might think. You will find an article on one such system in ATA proceedings for 1943. By all means, if you would improve your service and profits and increase the value of your plant for sale purposes, install a G.I. and some sort of an arb system.

Because the topic of "Mechanical Methods" was assigned to me and because my time is not used up, I suppose I better spend the rest of it on that topic. I'll divide it into two categories—means of mechanically accomplishing the take-off and means of mechanically producing the finished product. Let us first discuss production.

Ozolid

It is possible to quickly furnish, in lieu of an abstract, a mechanically reproduced copy of the record, but in the overall view of our client's problem, it helps him little to speed up our end of the transaction only to make the examining process so tedious as to drive the examining attorney to drink. Moreover, our per hour charge is less than that of attorneys. It could be done photostatically or photographically from film (with any of the commercial machines). The cheapest and most practical of all duplication machinery to my knowledge is the Ozolid process. With its use your take-off should be done on a translucent sheet exactly the same as it would appear in an abstract and filed loose leaf. Individual copies can then be reproduced at the rate of 300 per hour and for an overall cost of 1½c labor, paper, depreciation, electricity, chemicals, etc. Don't be disturbed by loose filing? What if you do lose an occasional page. The court house is still available and your tract book will disclose to you the loss. Of course your take-off costs more! The transparent sheet itself costs 2.2c and the labor of abstracting each instrument is expensive, but that cost is ultimately inherent in any system requiring an abstract of that instrument.

In our own office such a take-off, if we used it, which we don't, would cost for labor 19c plus the paper cost. The Ozolid machine costs \$1,500 and the paper costs 9/10c.

Others

Other methods of duplication may be preferred. There are many—Photostat, Dextragraph, mimeograph, multilith, photograph to mention a few. None appear to me to have the advantages of the Ozolid.

Typewriter Shorthand

I have questioned others who use a system of typewriter-shorthand and some other short cuts and they give me system of typewriter-shorthand and the figure of 12c, 17.8c to 35c, all of which may be taken with much salt, because I'm sure they're not based upon any sort of an accurate system of cost-accounting. No matter how you figure it, it's expensive and with any volume,

is slow. If it takes a day to take-off, it would be two days after recording that your plant would be posted, and without a special court house search, orders turned out today would have to be dated two or three days back.

While it is possible to take-off and post at night, eliminating some if not all of this delay, there are other much faster ways of doing it. Turning for the moment to operation problems.

Key Punch Equipment

Either Remington Rand or I.B.M. key-punch equipment and tabulators could be used in the searching procedure and, I might add, are used. I have personal knowledge of 5 plants so set up and no doubt there are others. However, it seems to me, that the cost of getting the information on the cards and the cost of the equipment puts the process beyond the reach of most of us, even if it were demonstrably better, which I don't think it to be. For building or rebuilding a plant, it has its best use—not in day to day operation.

Title Insurance

I want, if possible, to avoid discussion of controversial issues, but in my own opinion, the most reliable tool you can use in production to render superior service to your clients is a contract with a title insurance company. It will afford them faster and better coverage and **at the same time**, not only increase your gross revenue, but increase the **ratio of net to gross**. If I were you, I should choose a company, which, on some basis or another, would permit you to write the policy from an office examination, obviating the necessity of the preparation of an abstract and referring it to an out-to-the-office examining attorney. This is the system used on the Pacific Coast and, while I respect the intelligence and the right to opinion of the other school of thought, it appears to me that the tedious process of requiring an abstract to be produced and referred to counsel is ridiculous.

Photographic reproduction of one sort or another lends itself most conveniently in our overall process to the take-off, but none of these mechanical gadgets are a cure-all. The introduction of a simplified process at one stage of production almost universally introduces a complication at another stage. The best illustration of what I mean is the graduated income tax. You will recall that the principal argument in favor of the constitutional amendment was that with this tool the Federal Government would be adequately financed without resort to other forms of revenue taxation. Well—I think you'll agree that, not only has it failed to eliminate or wipe out other taxes, but has introduced a whole basket full of problems of its own. No—no gadget will make ours an Utopian operation, but at the same time, we should be quick to adopt the modern systems to the extent of their convenient application. I have attempted to illustrate this problem graphically. Wasn't it

Aloysius II who said "one picture is worth 1,000 words"?

Do you all have a copy of our golf course?

Photography

Even though photography compounds the problem by requiring all of your typists to be abstracters and thus increases your problems of production over a take-off in the form in which it appears in your abstract, it is still, after the G.I. and arb system, the improvement which most of us should consider. In the first place, most of us don't use the full abstract form take-off. Moreover, many go to opposite extreme of a take-off for posting purposes only, relying on the county records from which the abstract is ultimately made. Secondly, it has the additional advantages of speed, cost and absolute accuracy. Speaking of accuracy, have you ever watched a team of comparers without their knowing it? I did! The copy holder was manicuring her nails and when I looked closer she didn't even have before her the same instrument the reader was reading! Could this have ever happened in your office?

In discussing photography, I can do no better than to quote from ATA Bulletin No. 273 of July, 1949. My friend, John A. Harvey, of Santa Anna, California, speaking:

"Our company has used standard microfilm for a number of years. We have liked the relative ease with which we have been able to secure high-fidelity copies of documents and other papers on long-lasting film with a minimum of expense and storage space. Used as reference files or as a basis for photographic enlargements, such roll film has been excellent, but has left a great deal to be desired from the standpoint of a day-by-day working record.

Limitations

The main limitations to microfilm heretofore have arisen out of the combination that the film image is small, and that the film itself comes in rolls. I mention small size as a problem, even though that very quality is in other ways one of the system's most outstanding advantages, because it has made the film difficult to locate, index and view. Experiments have been conducted in cutting the film roll into segments and mounting the individual photos in holders, placing them in transparent envelopes, cutting the films into short strips, and, even, laboriously splicing related segments together. However, all of these methods have exhibited drawbacks which have kept them from being widely adopted. From a practical standpoint, users of microfilm have run up against the basic physical fact that commercial microfilm generally comes in 100-foot rolls (good for approximately 1,600 separate pages of record material in the 35mm. size), and that, as in the case of the scroll employed by the ancients, you are go-

ing to have to do a lot of unrolling and rolling back if you want to use the information set out on it."

Harvey then discusses his own solution of this "film in the roll" problem.

Another solution presented by Wynn Crew of the Dakota Microfilm Service is that of cutting the film in convenient length strips and filing in a glassine envelope. Another company cuts the film and sorts to an envelope filed geographically. More about this later.

Microfilm

The take-off can also be accomplished with a photocopy or by making prints from microfilm. Last year we heard from a member from Philadelphia using this photocopy, who told us that not only did his take-off cost 35c per instrument, but after it was sorted and filed, they microfilmed the file and destroyed the original in order to save space—back to microfilm again.

The two problems inherent in using a print, either photocopy or from film are cost and space for filing.

Most photocopy or print paper is so thick and heavy as to result in far greater bulk than that normally used for a hand take-off. More recently, however, lighter papers have been developed which compare favorably with the bulk of 16 lb. rag stock. But even so, with the records increasing from day to day, some method of saving space must be resorted to or a larger building constructed.

Costs

As to cost figures for photocopy process. The lack of uniformity will surprise you. The figures I have heard run from 2c per sheet to 35c per instrument. As a matter of fact, one of my friends told me in response to inquiry: "I bought my camera a long time ago and even if I could remember what it cost, that figure would not be valid now. I have misplaced the invoice for the last shipment of paper and I can't remember what the figure was. Labor cost? Well, you see my son does the work and since I'd have to support him anyway, I figure labor costs me nothing." From this I deduce that he figures his take-off costs him nothing, but mind you, this is only slightly under the 2c figure quoted me by a salesman during the progress of a sales presentation of his equipment.

The most valid cost figures I have been able to get indicate this:

Comparative Costs

In Billings, Montana—using Rem Rand Dexograph.....15c per instrument
In Yakima, Washington—using same equipment7.3c per instrument
In Eugene, Oregon—using a print from film15.3c per instrument
In San Francisco, California—using a print from film9.95 per instrument
The cost of the equipment? All the manufacturers are exhibiting here. Why not ask them?
Tom Morton in San Francisco built his own equipment except for cameras

and I understand he uses a Recordak Model E. Camera, which cost about \$1,600. His developer, printer and dryer stand him about \$10,000.

The film and labor cost for the same take-off, i.e., front and back of one instrument or a 2-page shot is 1.1c using 35 mm. film. Sounds good, doesn't it, but consider where it leads. Unless you adopt some method of cutting the film you have at least 3 books to a 100-foot roll and you just tell me how much it will cost you to have your examiners or abstractors find that single frame to be examined or abstracted in that 100-foot roll. My own experience indicates that they'll take the time and effort to do it if it's a short chain, say 4 or 5 instruments, but if it's a longer chain involving a dozen or more they are apt to say "to hell with it and you" and go over to the Court House. They probably wanted a cup of coffee anyway!

Moreover, with film you have to buy viewers—and have space in your office to use them. Enough of them, moreover, so that there will be no bottleneck in production schedules.

Developing

Developing presents the same problem with either microfilm or photocopy with this difference: with microfilm it's simpler to arrange with the local photographer for him to do the job.

Because of the foregoing and other reasons, we concluded that until we could find or devise a system in which our examiner or abstractor would handle **only** the single frame of microfilm his search indicated and in some form convenient for handling, we'd leave photography strictly alone. While leaving it alone, we did a lot of thinking about it and considerable experimentation and had developed such a system when we heard that Film 'N File had perfected all the gadgets needed to get the single frame in a card. Later the camera and viewer were designed to our specifications so now we have what we consider an ideal system. Before discussing it, I should like to point out that it's a microfilm system, designed throughout for the title business by a (more or less) practical title man.

Take Off Costs

Our costs for take-off are 3.9c for materials and labor per 2 side instrument including depreciation of all equipment at 60 months. Let's itemize it so you'll know it's all there:

Cards (100% rag).....	1.1
Film6
Film labor and chemicals.....	.5
(taking and developing)	
Mounting and identifying.....	1.5
Depreciation2
	3.9c

True, we need viewers which are not needed if you make prints, but I just can't convince myself of the sense of making a print of a negative you are only going to look at twice. Once,

when it's indexed and again to examine or abstract.

Housing Costs

Do we save space? Our typed take-off in Boise—using some abbreviations, requires 350 linear feet of shelf space to store. The same take-off—complete photo reproduction of their record in cards would fill 2 counter-high filing cabinets. Moreover, at least 1/3 of the examiner's time is saved in eliminating the pulling of books and finding pages. A \$60 clerk (she now gets \$120) pulls the cards and hands him a completed

chain of title. He has only to feed them into the viewer and examine and we're working on a magazine attachment which, when a lever is pushed the next card moves into place for viewing, thus doing for the title business with microfilm what Samuel Colt did for the frontiersmen with his so-called "Equalizer."

It is this "film in a card" method we employed in building and refining the plants I spoke of earlier.

As much work as we have done and as satisfied as we are with the results

of our system, we are convinced of but one thing—the last word in the adaptation of mechanical methods to the title business has not yet been heard. However, the title man who didn't hear the first word isn't going to be there to hear the last one. Unless we develop our technique to the point where production schedules can be rapidly expanded to care for a greatly expanded volume of business on a current basis, we're asking for trouble and inviting governmental experiments in substitute methods of title assurance.

Report of Planning Committee (1949 Convention)

Since arriving at this Convention, the members of the Planning Committee have met and have reviewed our previous reports, with a view of ascertaining:

1st—What has been done by our Association with reference to putting into effect the recommendations of the Committee.

2nd—What additional items of the Reports should now be adopted, and

3rd—Should the Committee at this time make additional recommendations.

May I again remind you that the Association activity previously suggested, was intended to be and is, a long range program. While we do not believe the insistence is necessary, nevertheless we urge the officers of the Association, the Board of Governors, officers of various sections, Committees and you ladies and gentlemen, to keep constantly in mind, that a very ambitious and constructive program has been adopted and we should continue our efforts to put the remainder of the program into effect gradually and steadily as conditions and finances permit.

The Committee believes we now have a more effective Association and a continuance of our efforts will see a still better one.

We are pleased with the progress being made and while the results accomplished may be of an intangible nature, rest assured that your Association is making progress.

The office of the Executive Secretary contains much valuable technical statistical and other information which is of no value to our members unless used. Please submit your request for any information to him, and if he does not have it, he will get it for you.

Time does not permit an enumeration of detailed operations, I believe it is suffice to say, that while we have already had a good Association, we are making additional satisfactory progress.

WILLIAM GILL, SR., *Chairman*

*Executive Vice-President
American-First Trust Co.
Oklahoma City, Okla.*

The Report of the Constitution and By-Laws Committee, which you have just heard, will carry out a prior recommendation of the Planning Committee and the amendment suggested, we believe, should be adopted.

And, ladies and gentlemen, we respectfully urge the Board of Governors, with the advice and Counsel of



WILLIAM GILL, SR.

the officers of the Association and the Finance Committee, to endeavor to devise ways and means for the publication of a monthly magazine for our Association; that such publication carry short, well selected articles of interest to our members, as well as

news items of general information regarding the activities of State Title and Regional Associations, and important National Association Committees, as well as general information of closely allied Associations.

We believe this will tend to keep our members better posted on title problems and happenings throughout the nation.

I think it appropriate to point out that the Report of April 17, 1946, under the heading of "Legal Section," suggested, and I quote:

"One of the functions of the Legal Section could well be a review of cases, State and Federal, relating to title insurance, guaranteed titles and abstract companies, and furnish briefs, or copies of briefs on various other subjects of interest."

If information of this nature could be obtained it would be of great benefit.

I wish to make it plain, that while I do not discount the value of the many splendid bulletins which we have been receiving, and which should be continued when needed, I personally feel there is sufficient desire for a monthly publication, coming from enough of our members, to justify further serious consideration of some ways or manner of providing this additional service.

We express our appreciation for the untiring efforts of our official family—which includes, of course—and it's underscored—our efficient, capable and congenial Executive Secretary, Jim Sheridan, from that vast, barren area of Michigan, and we also include the various Association Committees and our many members who are looking after our interests and who are working and worrying about the problems of the title industry.

To the Members of the Planning Committee and to all of you—for your co-operation, I say "Thanks a lot."



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Report of Committee on Public Relations

(1949 Convention)

A few weeks ago, the following syndicated article appeared in the San Francisco Call-Bulletin under the by-line of Leslie Gould:

"What is needed is a streamlining of mortgage lending, so that a working man can get a 4 or 4½ per cent amortizing mortgage, a simpler and cheaper method of making the legal Search of titles and the drafting of papers. The present method of title search is a legal racket, costing home buyers many unnecessary dollars every year. It probably runs into millions every year.

"There should be a system whereby a certificate covering the last search on the property is issued by the county clerk, with a short and inexpensive search from that date to the time of the transfer of title.

"A search today will cost anywhere from \$125 to \$250 for a small property and if it is sold within a year or two, the same expense is incurred. It is nothing but a racket.

"This is something the bar association could do, if, as and when they get up their courage to clean house."

When this article first came to my attention my first reaction was to reflect, after all, what does Mr. Gould know about our business—certainly such wild statements can have no real foundation and therefore, Mr. Gould is mistaken. I was disturbed and thought something should be done about it. I didn't like the characterization he gave to our business when he referred to it as a "racket." That word and its connotation strike me as a corrosive impingement upon the high esteem in which I have always been wont to hold our high and honorable estate.

In order to soothe my injured feelings I wrote the members of the Committee and enclosed a copy of Mr. Gould's article, at the same time calling their attention to a similar article by Drew Pearson a few years ago.

The replies I received were to the effect that such publicity is to be deplored, but at the same time there are perhaps incidents occurring in various sections of the country, out of the ordinary perhaps, but which for one reason or another are permitted to go unexplained, the result being that the industry as a whole receives an indictment.

You will note he is speaking of "small property" and states the cost

JAMES R. FORD, *Chairman*
Executive Vice-President
Security Title Ins. & Guarantee Co.
Los Angeles, California

for search of title is "anywhere from \$125.00 to \$250.00." I consider "small property," as Mr. Gould terms it, to mean property costing from \$7,500.00 to as much as \$15,000.00. Taking this bracket as an example, keeping in mind that we are speaking of "mortgage lending," I am of the opinion that the average title fee for such service is considerably below the amounts stated.

I can see where Mr. Gould may be quoting figures that include appraisal, commissions, escrow and recording fees, of which items the title search fees may not be more than approximately one-half. But, for the sake of argument, let us concede his figures are correct and take a look at our own individual business. We are all fair and open minded and as experience through the years has proven, we are constantly striving to perfect and extend our services and coverage, and all without additional cost to the public. We know all about our progress in this connection such as new forms, extended coverage and what not, but does the public know it?

Better Public Relations

Perhaps we are not doing enough selling. It is unfortunate that so much of our business is by remote control, so to speak. Title orders originate through various sources, which sources are not particularly interested in advancing our cause by explaining charges and services we render. This condition poses a problem to the entire industry. How to meet it, is a problem that challenges our very best efforts. It is a condition fruitful of misinformation, and gives rise to publicity unfavorable to our industry, such as the article just read. What is the answer, you ask?

Public Relations at Home

I wish I had the answer to give you—one that would end all our troubles—but I do not. Rather, I view this as an individual matter for each member to think over seriously. Think of your own practices, analyze them, and by such appraisal determine if there may be room for improvement in any department of your service.

It does us good to inventory frequently all the good and bad features of our respective service, adding to and discarding such practices as may tend toward improvement. No busi-

ness or company is perfect. That is axiomatic. But nevertheless, there are ideals, and we must all have ideals toward which we strive. As we seem to be approaching our objective we find the horizon widens and beckons us on. This is Public Relations in action.

It becomes increasingly important as business grows more complex and competition keener. If you have a better mousetrap, your public wants to know about it. That mousetrap may be in the form of friendly, efficient service. People like to do business where they are made to feel that their business is important and really needs special attention, which your particular firm can give better and faster than your competitor. All of which may seem to be a lot of bologna, but it is not bologna if you have the goods to back it up, and that you must have. Sincerity is essential. For one thing is sure—an abused confidence is unforgiveable and never forgotten.

Limitless Possibilities

This public relation business is something that is never ending in its possibilities. There are so many ways it can be approached that I do not have time to mention even a few. But if I merely remind you today or perhaps in some small way bring to you a new or old idea, then this spot on the program has served its purpose. Public Relations is really the religion of our business and like preaching the gospel, it makes no difference how you say it, it all adds up to the same thing. Make friends, and to do that you must be one. Serve them well, make your service worth its hire, and when you have done that, we will have no more publicity such as Mr. Gould and Mr. Pearson have seen fit to give our industry.

Now let me for just one moment make an observation in connection with the future of our business. I am a confirmed optimist and believe that the American way of life, free enterprise and the freedoms we have so much enjoyed the past 160 years are going to survive all of the foreign ideologies with which we are at present beset. I, therefore, am taking a long range view of the future in general and of our business in particular. That is why I am so much interested in the subject of public relations. Building for the future with a friendly and sympathetic approach to the needs of our industry and our public; trying to be informed on our business and service that we may be able to sell it at every opportunity.

It is not sufficient that the executive head be well briefed on public rela-

tions, but, indeed, it is the office of every individual who in any sense serves the public. Above all, try to look at the bright side.

The Sunny Side

The past year or two we have tried our best to talk ourselves into a depression. On every hand the word was passed around that things were bound to be cheaper; that building cost, as an illustration, had reached its peak and you could build cheaper in a few months. Just hold off, was the sentiment. Never has there been greater need for just a little optimism. It spreads sunshine where the pessimist has left a cloak of gloom. If your attitude is depressed your patrons notice it. In many cases they are apt to be affected and act accordingly. As for me, I believe that business is going to be fairly good. If you will take the averages of the past ten years and compare them with your present day business, you may find a very pleasant surprise. Anyhow, it's good for your disposition to think in terms of optimism. It helps more than you know in the relationship with your public.

"THERE WAS A MAN who lived by the side of the road and

he sold hot dogs. He was hard of hearing so he had no radio. He



JAMES R. FORD

had trouble with his eyes so he read no newspapers. But he sold

good hot dogs. He put up signs on the highway, telling how good they were. He stood on the side of the road and cried, 'Buy a hot dog, mister?'

"And people bought. He increased his meat and bun orders. He bought a bigger stove to take care of his trade. Finally he got his son home from college to help him. But then something happened. His son said, 'Father, haven't you been listening to the radio? Haven't you been reading the newspapers? There's a big depression on. The European situation is terrible. The domestic situation is worse. Everything's going to pot.' Whereupon the father thought, 'Well, my son's been to college, he reads the papers, and he listens to the radio, and he ought to know.' So the father cut down on his meat and bun orders, took down his advertising signs, and no longer bothered to stand out in the highway to sell his hot dogs. And his hot dog sales fell almost overnight. 'You're right, son,' the father said to the boy. 'We certainly are in the middle of a great depression.'"

Report of Federal Legislative Committee (1949 Convention)

The 81st Congress convened at noon on Monday, January 3, 1949, and immediately there began an avalanche of proposed new legislation. Several hundred bills were introduced on the first day and were referred to committees for consideration. Through July 31st measures, including bills, joint resolutions, concurrent resolutions and simple resolutions, were introduced in the House and Senate to the number of 9,240.

However, in a session that looks as though it will be the longest since war-emergency days, Congress has passed only a fraction of the program recommended.

During the course of the session, your Federal Legislative Committee has tried to keep aware of the legislation as it was introduced in the Senate and in the House of Representatives and to sift out any that would relate to real property titles, and in which the title industry might have particular interest, in order that appropriate report might be made to the American Title Association for any action the association might see fit to take.

Some of the Senate bills examined by the members of the Federal Legislative Committee are the following:

S. 3—Introduced on January 5, 1949, by Senator McCarran to grant full faith and credit to divorce decrees. Under the provisions of this bill divorce decrees must be given full faith

JAMES J. McCARTHY, *Chairman*
Vice-President
New Jersey Realty Title Insurance Co.
Newark, New Jersey

and credit by other states provided: (1) the decree was final and valid in the state where granted; (2) the decree stated that jurisdictional requirements of that state had been met; and (3) the granting state was last state where husband and wife lived together or that the defendant in divorce action was under that state's jurisdiction or personally appeared in the proceedings.

This bill is similar to a bill at the preceding session of Congress but which did not become law.

This bill was referred to the Committee on the Judiciary, where it is at present.

S. 10—Introduced on January 5, 1949, by Senator O'Mahoney to provide for issuance of certificates of statutory compliance with certain national standards to certain corporations, trade associations, and labor organizations engaged in or affecting commerce.

This bill was referred to the Committee on Interstate and Foreign Commerce.

S. 14—Introduced on January 5, 1949, by Senator McCarran to improve the administration of justice and elim-

inate overlapping functions of Federal agencies.

This bill was referred to the Committee on the Judiciary.

S. 17—Introduced January 5, 1949, by Senator McCarran to authorize the Secretary of Interior to issue patents for lands to certain settlers in Indian reservation in Nevada.

S. 138—Introduced January 5, 1949, by Senator Ellender to establish a national housing objective and the policy to be followed in the attainment thereof, to provide Federal aid to assist slum-clearance projects and low-rent public housing projects initiated by local agencies, to provide for financial assistance by the Secretary of Agriculture for farm housing, and for other purposes.

This bill was referred to the Committee on Banking and Currency.

S. 155—Introduced January 5, 1949, by Senator Knowland to confirm and establish the titles of the States to lands beneath navigable waters within State boundaries and natural resources within such lands and waters and to provide for the use and control of said lands and resources.

This bill was referred to the Committee on Interior and Insular Affairs.

S. 328—Introduced January 10, 1949, by Senator Morse to amend the Act of July 8, 1943 (57 Stat. 388), entitled "An Act to authorize the Secretary of Agriculture to adjust titles to

lands acquired by the United States which are subject to his administration, custody, or control."

This bill was referred to the Committee on Agriculture and Forestry.

S. 434—Introduced January 13, 1949, by Senator Myers to continue rent control until June 30, 1951, and for other purposes.

This bill was referred to the Committee on Banking and Currency, as well as other bills having to do with house and rent control.

S. 894—Introduced February 10, 1949, by Senator Miller to enable the Secretary of Agriculture to extend financial assistance to homestead entrymen, and for other purposes.

This bill was referred to the Committee on Agriculture and Forestry.

S. 923—Introduced February 10, 1949, by Senator O'Mahoney to promote the development and conservation of certain resources in the submerged coastal lands adjacent to the shores of the United States.

This bill was referred to the Committee on Interior and Insular Affairs.

together with S. 155 and S. 1545 are Senate bills relating to the tidelands problem.

S. 938—Introduced February 14, 1949, by Senator McCarran to amend an Act entitled "An Act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and Acts amendatory thereof and supplementary thereto.

This bill was referred to the Committee on the Judiciary.

S. 1606—Introduced April 18, 1949, by Senator Watkins to authorize the Secretary of the Interior to determine the validity of titles to lands acquired in the administration of the reclamation laws.

This bill was referred to the Committee on Interior and Insular Affairs.

S. 1707—Introduced April 18, 1949, by Senator Langer to establish a Federal Waterlands Reserve and to provide for aid to the public schools with a portion of the receipts therefrom.

This bill was referred to the Committee on Interior and Insular Affairs.

S. 1809—Introduced May 9, 1949, by Senator McClellan to simplify the procurement, utilization, and disposal of Government property, to reorganize certain agencies of the Government, and for other purposes.

This bill was referred to the Committee on Expenditures in the Executive Departments.

S. 1944—Introduced May 26, 1949, by Senator Gillette to protect the public with respect to the practice of the law, by those other than duly licensed attorneys and counselors at law, before the United States Government departments, bureaus, commissions, and agencies and in the United States tax courts.

This bill was referred to the Committee on the Judiciary.

S. 2153—Introduced June 28, 1949, by Senator O'Mahoney, relating to the rights of the several States in lands beneath inland navigable waters and to the recognition of equities in submerged coastal lands adjacent to the shores of the United States, and for other purposes.

This bill was referred to the Committee on Interior and Insular Affairs.

S. 2174—Introduced June 30, 1949, by Senator Tydings to authorize the Departments of the Army, Navy, and Air Force to participate in the transfer of certain real property or interests therein, and for other purposes.

This bill was referred to the Committee on Armed Services.

Among the bills introduced in the House of Representatives that were examined by the Federal Legislative Committee are the following:

H. R. 5—Introduced January 3, 1949,



JAMES J. MCCARTHY

by Representative Patman, relating to certain discriminatory pricing practices affecting commerce.

This bill was referred to the Committee on the Judiciary.

H. R. 95—Introduced January 3, 1949, by Representative Nixon to amend the Servicemen's Readjustment Act of 1944, as amended, and for other purposes.

This bill was referred to the Committee on Veterans' Affairs.

H. R. 272—Introduced January 3, 1949, by Representative Reed to amend Section 60 of an Act entitled "An Act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, as amended.

This bill was referred to the Committee on the Judiciary.

H. R. 333—Introduced January 3, 1949, by Representative Boggs to establish a national housing objective and the policy to be followed in the at-

tainment thereof, to facilitate sustained progress in the attainment of such objective, and for other purposes.

Referred to the Committee on Banking and Currency, and other housing and rent control bills.

H. R. 388—Introduced January 3, 1949, by Representative Engle to permit the mining, development, and utilization of the mineral resources of all public lands withdrawn or reserved for power development, and for other purposes.

This bill was referred to the Committee on Public Lands.

H. R. 395—Introduced January 3, 1949, by Representative Gathings to require the Administrator of the Farmers Home Administration to execute and deliver to present owners of real property quit claim deeds to the interest in the minerals in or under such property reserved by the United States pursuant to the Bankhead-Jones Farm Tenant Act in those cases in which such interest has only a nominal value.

This bill was referred to the Committee on Agriculture.

H. R. 453—Introduced January 3, 1949, by Representative Keogh to provide that a general assignment for benefit of bankruptcy unless connected with some other act of bankruptcy.

This bill was referred to the Committee on the Judiciary.

H. R. 461—Introduced January 3, 1949, by Representative Lane to make the Smaller War Plants Corporation a peacetime agency of the Government with power to make loans to small business concerns and to insure loans made to such concerns by banks.

The bill was referred to the Committee on Banking and Currency.

H. R. 1240—Introduced January 10, 1949, by Representative Mansfield to amend an Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October 15, 1914 (38 Stat. 730), as amended.

This bill was referred to the Committee on the Judiciary.

H. R. 3576—Introduced March 16, 1949, by Representative Peterson to repeal certain obsolete laws and parts of laws relating to the sale of public lands.

This bill was referred to the Committee on Public Lands and committed to the Committee of the Whole House on the State of the Union and ordered to be printed.

H. R. 3757—Introduced March 23, 1949, by Representative Stockman to permit Commodity Credit Corporation to acquire real property for the purpose of providing storage for agricultural commodities close to farms where such commodities are grown.

This bill was referred to the Committee on Banking and Currency.

H. R. 3761—Introduced March 23, 1949,

by Representative Young to readjust the tax rates applicable to corporation net incomes in order to impose a lesser tax burden on small corporations.

This bill was referred to the Committee on Ways and Means.

H. R. 5047—Introduced June 7, 1949, by Representative Rankin to extend for two years the authority of the Administrator of Veterans' Affairs respecting leases and leased property.

This bill was referred to the Committee on Veterans' Affairs.

Some 27 bills relating to the tidelands title problem introduced in the House appear on the House Judiciary Committee calendar.

Like the prospective remedial legislation that was introduced at the session of the 80th Congress these bills in varying form and in varying degree of similarity have been introduced because of the decision of the United States Supreme Court in the case of United States of America vs. State of California, decided June 23, 1947, in which the United States Supreme Court held that California is not the owner of the three-mile marginal belt along its coast.

During the session of the 80th Congress Senate Bill 1988, to confirm and establish tidelands titles in the several States, was one of several such bills introduced in the Congress. This bill had the approval of the American Title Association, and its enactment was vigorously urged on behalf of the As-

sociation at the joint congressional committee hearings on the subject. It also had the vigorous support of the attorneys general of the several States, the American Bar Association and others. Nevertheless, the bill failed of enactment into law, and no remedial tidelands legislation was enacted by the 80th Congress.

There is little likelihood that any remedial tidelands title legislation will be enacted by the 81st Congress, and even if the Congress were to enact legislation restoring title to the several States, there is strong probability that the President would veto the act.

A House subcommittee has held hearings on two tidelands bills, H. R. 5991, a States compromise bill, and H. R. 5992, a Federal government compromise bill. These bills were drawn up during a series of conferences of various Federal and State officials in an effort to resolve the controversy. No subcommittee action has occurred on either bill.

H. R. 5991 provides, among other things, that except to the extent that it is exercised in a manner inconsistent with Federal laws, the police power of each coastal State may extend to that portion of the continental shelf which would be within the boundaries of such State if extended seaward to the outer margin of the continental shell; it establishes jurisdiction over the continental shelf; it provides for leasing; exchanging State leases for Federal leases; waiver of liability for past op-

erations by States; reserving powers to the United States; confirming State title to lands beneath inland waters; establishing the seaward boundary of every coastal State at three geographical miles from its coast line, or at such distance as existed at the time the State became a member of the Union; and providing too that any right granted before the effective date of the act by any State, or political subdivision thereof, to construct, maintain, use or occupy any dock, pier, wharf, jetty, or any structure in the marginal belt, is recognized and confirmed by the United States.

This bill was introduced Aug 15th in the House of Representatives by Mr. Walter of Pennsylvania, and has been referred to the Committee on the Judiciary.

A copy of H. R. 5991 accompanies this report, and your committee recommends that it be referred to the Legal Committee, or some other appropriate committee of the Association, for further study and recommendation of what action, if any, the Association should take regarding the bill.

Chairman O'Mahoney, of Wyoming, of the Interior Committee, announced a series of hearings beginning October 4th on S. 2153 and all other bills before the committee relating to the tidelands issue. He said he did not know who would be the first witness but that Solicitor General Perlman, Attorney General McGrath, and Interior Secretary Krug will be asked to appear.

Report of Committee on Constitution and By-Laws (1949 Convention)

SEDGWICK A. CLARK, *Chairman*
Solicitor
Title Guarantee & Trust Company
New York

Your Board has referred to this committee certain amendments to the constitution as hereinafter set forth. These amendments were proposed and recommended to the Board of Governors by the Planning Committee at its meeting in Atlantic City on September 29, 1949. At the annual meeting of the Board of Governors at Atlantic City on September 30, 1949, said recommendations were approved by the Board and a resolution passed that the constitution be amended in the manner following and that these resolutions of the Board be submitted at this meeting of the Association for approval subject to such action by this association at their next annual meeting as provided by the constitution. This committee recommends that these amendments be approved at this meeting and acted upon at the next annual convention.



SEDGWICK A. CLARK

Sections 2 and 4 of Article VII of the constitution be amended to read as follows:

Section 2. The Board of Governors shall consist of the President, Vice President, Treasurer, Chairman of the Finance Committee, the retiring President for a term of one year, the Chairman of each section and fifteen elective members. The Board shall appoint an Executive Vice President, a Secretary and such other officer or officers as said Board may deem necessary and shall prescribe their duties, compensation and term of employment.

This amendment substitutes an Executive Vice President for the present Executive Secretary whose duties shall be the same as those presently of the Executive Secretary, and making a new office of Secretary and giving the Board the power of creating other offices as it may deem necessary.

Section 4. Each of the officers named and each of the section officers, except the Executive Vice President, Secretary and such other officer or officers as the Board may deem necessary, must be an

active member or accredited representative of an active member of this Association and shall hold office for one year commencing with the last day of the convention meeting during which he is selected and until his successor has been selected and assumed office.

That section 3 of Article VIII of the

constitution be amended to read as follows:

Section 3. The Executive Vice President shall have charge of the Association office and correspondence, keep accurate record of all meetings, collect all monies due and remit the same to the Treasurer on or before the first day of

each month following receipt thereof and perform such other duties as may be necessary for the proper conduct of the business of this Association.

NOTE: Final action on the above will be taken at the 1950 Convention of the Association.—Ed.

Title Plant Valuation

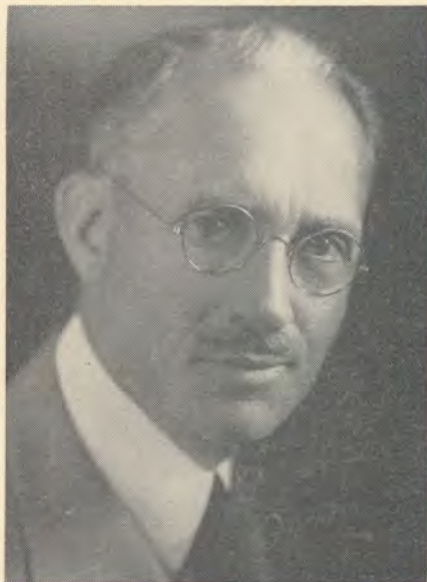
By WILLIAM WEST

*President, Commonwealth Title Company
of Philadelphia, Philadelphia, Pa.*

field in which it could be used, is so limited.

Even the approach from the replacement valuation point of view is difficult in view of the fact that wages and materials have advanced so tremendously since most of the operating plants have been built.

I feel that we should qualify the word plant. By it I am referring to a complete duplication of the County records supplemented by the actual briefs prepared and title examinations pre-



WILLIAM WEST

viously completed. I am handicapped inasmuch as my knowledge of the subject is limited to the locality in which we are operating. In that locality there are two complete plants. One company is carrying on its statements its plant as an asset of \$1,500,000 net. Without adding to this figure, they have during the last two years thoroughly modernized the records for the better operation at the cost of in excess of \$500,000. Maintenance thereof costs annually \$64,864.

As it is the heart of the whole system of the business, it would be impossible to name a reasonable figure as the efficient means of producing income through its use.

Reproduction Value

The reproduction value of this plant, if possible under today's conditions, which means the recopying of all the records from William Penn down and incorporating them into a workable plan, would entail the expenditure of between two and one-half and three and one-half million dollars. Whether this expenditure would be warranted on an income basis is another approach that would have to be studied.

Elements

The large city plant as we know it has nine major component parts:—1) Locating maps; 2) Block plans; 3) Registry books, under our new plan now little used; 4) Abstracts; 5) Surveys; 6) Liens; 7) Judgments; 8) Back title; 9) Miscellaneous.

In an effort to arrive at the importance of the various component parts we considered these nine as one hundred per cent. We have had a careful examination and analysis made by five men who have intimate knowledge of plant operations and experience in operating title plants.

We requested a report from the five men in question without consultation or collaboration with each other. As another evidence of the difficulty in determining plant value, the following is the considered judgment of the five in question of the percentage in the importance of each component part in relation to plant operation. 1) Locating maps, fluctuation in value was from one to fifteen per cent; 2) Block plans from four to twenty per cent; 3) Registry books from eighteen to forty-two per cent; 4) Abstracts from one to five per cent; 5) Surveys from one-half of a per cent to four per cent; 6) Liens from seven and one-half to ten per cent; 7) Judgments from seven and one-half to thirty-seven per cent; 8) Back title records from three to thirty-five per cent; 9) Miscellaneous from one to three and one-half per cent.

It will be seen, even with experts who have knowledge of the plant and the method of operation, that there was a tremendous difference in the value put upon the various functions involved. Taking the five composite opinions, however, we would arrive at the conclusion that the registry books were first in value, followed by accumulated back titles, and judgment records were

Endeavoring to intelligently discuss the subject of plant valuation, we are met with a subject that cannot be handled entirely on a factual basis. In the first place, anyone who is interested in evaluation of a title plant would be confronted with the consideration as to its use, volume and output. This itself is again determined by its location, as unquestionably a title plant located in a large city would be more productive in point of income than one in a small town, and by the same token a plant in a large city would be many times more expensive to establish and to maintain in view of the volume of transactions noted in the courts and through the recording system. We are also confronted with the question as to whether the valuation is made for merger purposes, and if so, the value it might have in conjunction with the plant of the merging company. As a matter of fact, if it is a duplication of the plant of the company with which it is merging, it might very well happen, as did when two Philadelphia Cos. merged that there was no market whatever for one of the plants involved; that its use to the merged companies was very limited and that in the suit to secure tax allowance on the basis of absolescence no allowance whatever was secured as the Federal Court decided there was no functional depreciation, and that it was a needless duplication by reason of voluntary consolidation.

On a Bid

Yet, to the other extreme is the sale of the metropolitan plant where although the plant was carried on the asset side of a dollar, it was reported, and we have *and* been able to substantiate this by any definite reliable information, the plant as part of the sale to the successful bidder, was included at considerably in excess of \$1,000,000.

Liquidation

Yet the third approach, in case of liquidation of tangible assets where the corporation was terminating its business, the question of the value of such a plant although costing immense sums to build and maintain, would be most questionable. As a matter of fact, it would be valueless unless it happened that there might be an operating company who could use portions of it in their operations, and the market for this type of asset, as we all know because of the comparatively restricted

third. From there the percentage varied with the least important portion of this particular plant being the survey records.

Obsolescence

That portion of the plant in which we search judgments, liens, ordinarily known as the name portion of the plant, has recently been changed to the Soundex system which required the substitution of approximately 650,000 cards instead of a number of large heavy books. This change alone has meant the reduction of employees by

more than one-half and the space used by exactly one-half. I throw this in as evidence of the difficulty at arriving at valuation, in view of the fact that this portion of the plant with which I am most familiar was practically scrapped for a new system. To a great extent this has also happened to that portion of the plant in which we have invested in what we term our registry books. Under our modernized arrangement it is only necessary to use these in twenty per cent of our plant operations.

We admit that the particular plan under discussion, operating in a city whose records go back to 1682 and wherein the County average, according to the last two years, has been six hundred instruments per day and the maximum close to nine hundred, is possibly not an average case and if this discussion is for the purpose of determining cost of building a plant it would have very restricted value nor would it have a great value in its application to existing plants in other localities whose problems are quite different.

Title Insurance

Practical Problems of the Title Insurer

A PANEL DISCUSSION (1949 Convention)

MEMBERS OF PANEL:

Mr. James R. Ford, *Executive Vice-President*, Security Title Insurance and Guarantee Company, Los Angeles, California.

Mr. J. F. Hunt, *President*, Northwestern Title Co., Spokane, Washington.

Mr. Ray L. Potter, *Vice-President*, Burton Abstract & Title Co., Detroit, Michigan.

Mr. William M. West, *President*, Commonwealth Title Co. of Philadelphia, Philadelphia, Pennsylvania.

Mr. Mortimer Smith, *Moderator, Vice-President and Manager*, Oakland Title Insurance and Guaranty Company, Oakland, California.

The Members of the Panel will be introduced by either the Chairman or the Moderator.

Moderator:

Mr. Chairman and Ladies and Gentlemen:

This Panel is composed of the Members of the Executive Committee of The Title Insurance Section of our American Title Association. We are going to talk, today, about those various and sundry problems which are presented to you and to us every day, and sometimes many times a day, for your and our on the job decisions. We want this to be a shop talk with all of you joining in at any time to give us your views upon what your answer is to any of the questions under discussion, at any time that you do not feel that the views expressed by any Panel Member are correct. Although we of the Panel are a little on the shop-worn side as it is, I guess a little more shop stuff won't do us too much harm.

And so to work.

MODERATOR: Mr. Ford (Jim), you told me that you wanted to say something about the A.T.A. policy. This is a good time to do that.

A. T. A. Form

MR. FORD: That is a good idea. What I really want to do, however, is not to SAY something about the A.T.A. pol-

icy, but rather to ASK several questions about procedures brought about through the use of that form of policy. As we all know, and this, I guess, comes under the heading of review for all of us, the A.T.A. policy was devised originally to meet the demand of investors who were lending at long distances from their home offices, principally Eastern Life Insurance Companies, for substantially a full coverage policy insuring the lien of a mortgage or deed of trust. It is not, of course, a policy designed to insure owners. It insures only the lender and in its original form would insure only one mortgage or deed of trust.

In the past, most local lenders have been satisfied to accept our standard form of policy rather than the A.T.A. form. I think that there were several reasons for this, one being that they were not as aware of the potential hazards as Eastern Life Insurance Counsel, another being the element of competition for loans. However, in recent months, we have had tremendous impetus in the orders for A.T.A. policies, arising largely from the requirement of F.N.M.A. for A.T.A. policies on loans assigned, or which have a possibility of being assigned

to that Agency. Some lenders even require the A.T.A. policy on constructive loans.

Continuing in review, you are familiar with the scope of the A.T.A. policy as compared to a standard form policy. The first page of the A.T.A. policy insured not only everything that is in the standard form policy but, further, insured the validity of the lien. It insured the validity of any assignments that are shown in the policy; and it further insures against proposed assessments for street work where the street work is under construction. In addition, it insures against any mechanics' liens which may arise from any work under construction even though no liens have been filed.

Evidences of Completion

Now, to start the ball rolling, and I hope some one here will grab the ball and run with it, I would like to find out how some of your companies protect themselves against a situation which arises when you are required to issue an A.T.A. policy upon completion of construction insuring an encumbrance covered by a standard policy at the time of recording and you do so in reliance upon the required statutory

evidences of completion (such as recording a notice of completion) complied with by the builder. How can we be sure that such statutory requirements were not PREMATURELY complied with so that any lien period as a matter of actuality is prolonged beyond what the public record shows it to be?

MODERATOR: Mr. Potter (Ray). What would you do with such a case?

MR. POTTER: In such a case, immediately that the encumbrance is recorded, and a standard form policy issued, the plant lot books or card account could be posted with a warning for the plant posters to watch for the future filing of any completion notice or other statutorily required evidence of completion. When any such is filed, immediately that information can then be relayed to an inspector who can readily ascertain by an actual inspection whether or not the building is completed as a fact. It seems to me that would be sufficient protection.

MODERATOR: The lender usually notifies the title company when the improvement is complete and the A.T.A. policy is desired. Now, Ray's thought is that by keeping account of the time when the statutory evidence of completion is filed or recorded, an inspector can be sent out immediately and can verify accurately the actual date of completion. Otherwise, if you wait until the policy is requested, which may be a month, or more, after the recording of the notice, it is quite difficult at the time to determine when the building actually was completed.

MR. WEST, do you have something on this subject?

MR. WEST: Well, as a matter of fact, I have two ideas. I think that we all recognize the fact that these statutory notices are often filed prematurely. If one is suspicious of a certain individual following such a practice, communication can be had with the lending institution that made the construction loan and in most cases it can be determined when the final payment was made or other information obtained confirming the actual completion date.

Also, I know of some lending institutions which, when they make a final inspection upon completion, furnish the builder with a certificate of inspection which the builder takes to the title company. The title company then knows the actual completion and can govern itself accordingly. Personally, I like that procedure.

MR. HUNT: Mr. Moderator, how about me getting in this argument?

MODERATOR: Joe, consider yourself in.

Substantial Completion

MR. HUNT: I think that about all we can expect in these matters is a SUBSTANTIAL completion. There will always be some minor item of work to be done, some article to be replaced, a little repainting, or perhaps some landscaping work. There is no absolute test that can be applied as to

what constitutes completion in every case.

MR. FORD: I'd like to hear from the fellows who don't want to know whether the statutory requirements on completion are good as a matter of fact, so that they don't have to take the chance of losing a deal or at least ruffling the feathers of a good customer.

MODERATOR: Were you looking at any one in particular, Jim?

MR. FORD: No, I'm looking around the whole room.

MODERATOR: And I'll bet you won't get too many answers, either. However, Jim, here is a question sent in which calls for our opinion, and if you will, you can be the doctor.

Encroachments

If an A.T.A. construction loan policy is issued prior to commencement of work, is the insurer liable in the event that upon completion it is found



MORTIMER SMITH

that the improvements on the land insured encroach upon adjoining lands or upon easements on the land insured?

MR. POTTER: And if the insurer is liable, what measures should be taken to protect against such a contingency?

MR. FORD: One at a time, please.

As far as we are concerned, we have felt that when we issue an A.T.A. policy prior to construction work, we were only insuring as of that date, not as to any future violations or encroachments.

MODERATOR: Mr. Hunt (Joe)?

MR. HUNT: In my book, no liability by the terms of the policy.

MODERATOR: I think you are right, that is unless an endorsement had been demanded and attached to the policy when it was issued, insuring against, for instance, an encroachment over an existing easement. What then—Ray?

Accurate Surveys

MR. POTTER: Then, a survey should be required as soon as the foundation is in, and a very detailed examination would have to be made of the plans of the building. Caution would be most necessary to make certain that plans can be redrawn or foundations realigned if it becomes necessary to do so to prevent a violation which would result in loss.

Relationship of Mortgage to Value

MR. WEST: I have a question which I think might interest all of us. It is this:

In issuing either a standard policy or an A.T.A. policy insuring a loan, how many of us base our decision to either eliminate or show a possible title defect or off the record risk, upon the relationship that the amount of the loan bears to the value of the property being encumbered?

MODERATOR: Jim, will you take on that one, please?

MR. FORD: Very definitely I feel that the relationship of a loan to the value of the property has a very merited bearing upon our decisions in title matters. Certainly, nothing of a serious nature which might bounce back to harass a client should be eliminated unless the parties are familiar with what is being done, but after they are advised and consent, many matters can be overlooked as pre-meditated risks when small loans are involved which could not be overlooked if an owner has no equity to protect.

MODERATOR: Joe, what do you think about this?

MR. HUNT: I think that this relation of the value of the property to the amount of the loan is an important consideration in making many decisions as to insurability. Especially is this true in connection with recent improvements. If you have a \$5,000.00 loan on a home that is worth \$10,000.00 and it is owner occupied and you have work consisting of remodeling to cost, say, \$500.00, it is quite obvious that the owner is not going to lose his property just because of liens arising from that work.

MR. POTTER: And furthermore, in all probability, under the terms of the encumbrance being insured, in the case Joe gave, the lender could advance the money to pay the \$500.00 for the work, if it became a lien, and the money advanced would be secured by the encumbrance.

Mr. Moderator, I have a question which I think probably will build a fire under a lot of discussion both among the Members of the Panel, and from the floor. Here it is:

Off-Record Matters

When issuing an owner's standard form policy in conjunction with an A.T.A. policy, do you show any off-record matters which are referred to in the A.T.A. policy in the owner's policy as well? If not, would you obtain the purchaser's approval of the off-record matters before closing?

MODERATOR: Whew! That is a

question, Ray, and what a question; and now just like the fellow who makes a motion to appoint a committee, and then gets appointed as chairman of that committee, would you mind letting us have your own thoughts on that subject so as not to catch the other gentlemen unprepared and give them a little time before they have to answer?

MR. POTTER: There are several aspects of this problem. If you report one off-record matter to a purchaser and ask him to approve it, are you then responsible for other off-record matters that you fail to detect and didn't report to him, even though you are writing only a standard form policy insuring him as purchaser, under which you assume no liability? It seems to me that there is a tremendous amount of public relations involved in this particular situation.

MODERATOR: Jim, you are raring up there, what say you?

MR. FORD: I happen to come from the Great State of California—

MODERATOR: I hope that all of us will be able to go back to our own respective states and not end up in a State of Confusion after this one—

MR. FORD: As I was saying before I was rudely interrupted, I—

MODERATOR: My apologies—

MR. FORD: Well, in that Great State of California, and, no doubt, in many other Great States, a considerable portion of the title insurance business is connected with and handled by the title insurance company which handles the escrow also. Therefore, we have to think of two distinct liabilities when this problem is considered, one as a title insurer, and one as an escrow holder.

When the title company is also the escrow holder, it generally looks to the real estate broker as the source of considerable business. If a broker, either rightly or wrongly, gets the impression that the activities of the title company means the reporting of a lot of odds and ends to his purchaser, which may in effect kill his deal, it might be that he will find some other way of closing his transaction.

I am wondering if there is any liability on an escrow holder as a limited agent to impart such notices to a purchaser?

MODERATOR: Mr. West, can you help out Mr. Ford?

Insurer and Escrow Holder

MR. WEST: I'll try. You are acting both as a title insurer issuing a policy, and as an escrow holder. I doubt whether your status as a title insurer obligates you, legally, to tell the purchaser about the matters you discover in connection with the issuance of your A.T.A. policy. Under-

stand, I say legally. Morally, I believe that our whole approach to this problem must be to treat that purchaser as you, yourself, would want to be treated were you in his shoes. Perhaps your position as an escrow holder is different. I doubt it. I would like to hear from Mr. Hunt on this.

MODERATOR: Joe.

MR. HUNT: Personally, I think that the moral aspect of this thing is the real approach and will cause less trouble in the long run. I hearken back to Ray Potter's idea of the amount of public relations involved in this thing. I'm for that. Let's not place stumbling blocks in the way of making deals if we can help it, but on the other hand, if we are to protect the public we must do what we are paid to do, protect them.

MR. WEST: Mr. Interlocutor.

MODERATOR: Yes, Mr. West.

Inheritance Taxes

MR. WEST: We insured a sale out of an estate recently. No Federal or State Estate or Inheritance taxes had been paid and the attorneys for the estate and all the other parties insisted upon our policy insuring against any loss because of the non-payment of those taxes. What do some of the others do in cases of that kind?

MODERATOR: Ray, are they set up in your alley to take on that one?

MR. POTTER: What to do in a case of that kind is, of course, a matter of the policy of each individual company, and, in most localities, that policy is the outgrowth of practices which have grown over a period of time and either enlarged upon or curbed depending upon the degree of conservation under which an organization works, the stability of those upon whose statements reliance must be had in determining what to do, and, in a large measure, competitive efforts along the same lines.

If an attorney for an estate which is large enough to bring about a substantial Federal and State tax is a citizen respected in the community, a man of integrity, and most of them are, his statement in letter form can be relied upon for the information as to the condition of the estate, its assets and liabilities, its liquidity, and a rather accurate estimate of what any such taxes will be. In some cases where no complete appraisal has been filed this may be the only information available.

Impound Funds

A title insurance company is perfectly safe, it seems to me, if it impounds funds to protect itself against those taxes. Naturally the estimate of the amount to be held will be liberally computed and if that is done, the chances of a loss are rather remote.

MR. WEST: As a further protection in addition to the impound of funds, it is probably advisable to require an agreement from the Executor of the Estate and if possible to obtain an agreement from the principal heirs that all such taxes will be paid in full. This will protect in case that the amount held has not been computed to provide enough money to pay.

Delivery

MR. HUNT: Mr. Moderator, I have a question which I know must be presented to all of us many times. It is the old question of the delivery of a deed.

Say, for instance, that our examination of title discloses the fact that the deed to our present vestee is from her husband, that it is dated in 1942 and was recorded in 1947. Our examination of title also reveals that there was a probate of the husband's estate which shows us that the husband, the grantor in that deed, passed away prior to the date of the recording of the deed. The distributees in the husband's estate include persons in addition to the grantee in the deed. Our title examiners talk to the lady, and she practically tells them that although it was the thought of her husband that she have the property, he never actually handed the deed to her but that, after his death, she found the deed with other papers in his desk drawer.

As the final word in your office, you are requested to ignore this conversation between your examiner and the good lady and vest title in her and pass title out of her without questioning the delivery of the deed to her. What can be done?

MODERATOR: Jim, can you help out the lady?

MR. FORD: Probably we would do something for her. However, before we passed the matter of delivery in such a case, we would do considerable checking. The first thing that we would want to know is what about either a gift tax or estate or inheritance taxes on the property caused by the deed. Maybe the matter of the deed was cared for in the probate. If so our problem is lessened.

We would check with the other distributees of the estate. We would be sure that all creditors of the husband were paid out of the estate. In the end, we might pass that question of delivery.

MR. POTTER: In other words, if no one could possibly be hurt, you would expedite the transaction on a common sense basis?

MR. FORD: That is correct.

MODERATOR: We hope that the common sense approach is used on all of our problems.

The Camera in an Abstract Office

FACTUAL REPORT BY MEMBERS

Graflex Photorecorder 35mm

By T. M. CLEMENT

Owner Clement Abstract Company,
Perryville, Missouri

First I want to say that in my own opinion, based on my observations, at the present time there is no photographing equipment now available that is especially designed for the abstractor's needs in his work. All photographing equipment now offered by the manufacturers, that I have studied, is either constructed for large scale photography operation, all automatically operated and consequently costing a prohibitive amount for the average abstract plant, or, is on the smallest scale and demanding all manual labor plus endless time to operate and in the end is equally as costly as the former method.

I am operating and abstracting, via the use of the photography system, namely 35 mm microfilm, and film readers. The system I am employing is a combination of several makes of equipment that I have purchased to best suit my needs in abstracting. So I will outline the material set-up of my plant and its operation and the camera that I am employing.

Recordak

In May, 1947, I rented a large microfilm camera from the Recordak Corporation in St. Louis to microfilm all the Deed records in the recorder's office. I was able to get 2½ books, each averaging 640 pages on each 100 feet of non-perforated 35 mm microfilm. This was done by taking two pages at each exposure at the greatest possible diameter. For the total job I used 80 rolls, each of 100 feet, and microfilmed all Deed records in the recorder's office, plus Surveyors plat books, Surveyor's field notes, and all plats. This was accomplished in 30 days' time.

Glaflex

For my daily take off, I am now using a Graflex 35 mm Photorecord camera. This camera takes the perforated film in 100 feet rolls. It is a portable unit, but my experience has proved to me that it is the best to set it up, align it, and adjust it for your work, then leave it as a permanent fixture. I find the proper lighting for an even distribution of light for a good meter reading is rather difficult to obtain, which is a decided disadvantage in the moving or transporting of the camera as a portable unit.

The camera comes in a kit that makes up into a carrying case. The assembly is simple, other than the lighting as mentioned above. There are five basic parts, (1) the base; a

vertical column that holds that camera unit and the lights; (2) the lights and light brackets; (3) the camera arm; (4) camera, which is made up of the lens, shutter, magazine, and "light house"; (5) the Pneumatic system foot-pedal, that activates the camera. A detailed instruction booklet is with each machine that should be thoroughly digested and religiously followed in the operation of the camera.

Material to be microfilmed may be copied on a single frame (25 x 19 mm) such as single deed record page 14" x 18" or a double frame (25 x 33 mm) or an 8½" x 11" single paper; or by raising the camera arm, a two page deed book can be copied. I use the single frame at the largest possible exposure (25 x 19 mm.)

Operation

To determine the best focus to use upon a copy, the light house, with ground glass lens, is placed on the lens and shutter arm. Then the focusing knob is adjusted, until the lines on the ground-glass are brought into sharp definition on the copy and arrive at the best focus.

I find the diaphragm openings are best determined by making several tests at various openings on different types of copy that you may be microfilming, then keeping this information at hand for future reference.

The loading of the camera is very simple if you follow the instructions as set forth in the instruction booklet. The camera is activated by the pneumatic foot pedal, both the advancing of the film and the shutter action. An electrically operated foot pedal is optional at extra cost. The camera can be operated by a manual lever on the side of the camera.

After focusing the lens and obtaining the proper diaphragm reading, the loaded camera is placed on the camera arm containing the lens and shutter, and the operation of microfilming the copy is begun by operating the foot pedal.

Rate Per 100 Feet

Eight hundred single images can be obtained on 100 feet of film, 1600 double images on 100 feet. Single frame cost is about 1c each.

I am not covering the indexing of the film, as each of you have your own system of indexing.

I think the camera I now am using is best suited for my plant, a small plant dealing with 10 to 15 daily entries of instruments. I will cover my daily take-off operation later on. The camera costs under \$400.00 complete, film cost is \$7.24 per 100 feet developed. One person operates the camera and can easily photograph 500 to 700 images per hour if necessary. The images produced are excellent, both in

making facsimiles and in use on the reader. I am well satisfied and feel that no better images can be obtained with any other camera.

In 18 months of operation the only camera casualties have been a defective shutter, repaired at no cost to me by the manufacturer. As to the durability and stability of the film, as to use and age, I cannot make any comment other than that in the 18 months that I have employed it, I have no complaints.

Why I Choose Microfilm

I chose the micro-film because it is easy to handle, does not put me in the film or facsimile developing and processing business, which is expensive, as it requires a lot of time plus a lot of additional expensive equipment; however, if necessary I can make facsimiles of any desired size from my negative film. I have already made facsimiles of the Surveyors Plat Books, plats in general and city additions.

Equipment

The photographing and microfilming equipment I am using is as follows: 160 rolls of film, both types, non-perforated and perforated (80 rolls negative film stored as an insurance against loss of plant or Deed Recorders office by fire or disaster—80 rolls of positive film for daily use), 1 Griswold slicer, 1 set rewinds, one 100 roll capacity cabinet to store film in for daily use, two Recordak readers, 1 Graflex 35 mm Photorecord camera, and a few other small supplies such as extra reels, etc.

Daily take-offs can be handled in any number of methods, either daily, weekly, monthly or quarterly. The volume of traffic business in the recorders office will best determine the most suitable method to employ.

Splicing

On receiving the film, after being developed, I splice it to the respective roll for each book. I find splices in the negative are just as durable as the original film. After a 100 foot roll has been spliced and completed I have a positive roll made, and store the negative.

As to the advantages of abstracting from microfilm, I endorse it, both as a labor-saving and time-saving procedure. As to accuracy, that answer lies in the method or system employed in the use of the microfilm.

Depreciation

In closing, I want to say that in my opinion the Graflex Photorecorder is the most inexpensive, but best suited camera for my plant. My depreciation is set up on a 10-year plan, and the camera is depreciated at \$40.00 per year, or a fraction over 1c per day.

Operational casualties for 18 months were negative. The camera requires closer attention and more manual adjustments than the more expensive competitive cameras. The finished image is excellent, although fewer images can be obtained on 100 feet of perforated film (800), than on the non-perforated film.

In this talk I have tried to give you both the advantages and disadvantages of the camera that I am now using.

Practical Use of Photography in the Abstract Field

By WILLIAM B. BOYD

*Junior Member, Boyd and Boyd,
Fulton, Missouri*

Last year at this convention Mr. Joe Meredith spoke to the people who were from "The Stills in the Hills" and I wish to make this speech as a reply because I claim to be one of those to whom he spoke: my qualifications being: I have gone barefoot in summer, felt frosty cobs on cold mornins and I have observed mighty queer contravances a smokin on the sides of the hollers but being as us hill folks don't be a gettin nosy, I never keerfully investigated to see just exactly what they were. In fact if you will just look at the jugs in the spring at the foot of the hill you won't keer what all the smoke up thar is all about.

I wish to speak this morning to those of you who are of my kin. If ye be furriners and by that I mean if you are from counties that record more than ten deeds per day, I be not a talkin to you. I just want to tell the other small abstracters the advantages of the mechanized plant.

Now our pappies took us out to polecat ridge, where we passed the jug, lit our pipes and while awaitin for the dogs to find a track they told us to make our abstract plants and thereby make a complete set of county records and then using the same system for makin our daily take-offs. Now pappy and grandpappy were right, because in their day that was the best way to do it; but now them city fellas have a better system. They do it quicker and cheaper and weuns had just a better take heed of how they do it.

In Pappy's Day

Now under pappy's system we learned we saved by having a copy of everything in the court house in our office, we make this saving because we are better organized, can give speedier assignments and assistance to our employees, keep a better feeling with the court house workers, escape much of the noise and hubbub that often occurs in court houses save ourselves several trips back and forth between the office and court house, save our customers the trouble of hunting us and in the whole thing we are saving ourselves and impressing our customers by having a complete set of

records in our office. However, that thing I said about saving customers the trouble of hunting us can be discarded, because Saturday morning my morning cup of coffee was rudly interrupted by a call back to the office because one of our new customers wanted to ask Mr. Boyd which doctor in town (we have more than one) was the best to take care of the spotted baby that he was holding. Now if any of you see red spots before your eyes this morning, you don't have to blame it on the "Stills in the Hills." I think that the baby had been sleepin' under the woodpile with the hounds and just had a good case of flea bites.

Costs

In figuring take-off costs with you this morning, I am going to leave out such expenses as rent, electricity, heat and janitor, because I cannot see any change in these items whether we make take-offs or not. Also I am going to discard expenses like typewriters, paper and furniture because all totaled up they amount to less than one cent per instrument. I believe that most of you will agree with me on that figure. That leaves only our highest and most important cost in abstracting, namely: "Labor." Now to figure labor, I am going to use these arbitrary figures: Pay at \$27.50 per 40-hour week, this is what several of you are paying your typists. To go further let us say that this girl gets \$5.50 per 8-hour day and in this eight hours she will type 50 instruments. This figures out eleven cents per instrument that you file away in your office. Now let me repeat those figures: \$27.50 per week or \$5.50 per day and typing 50 instruments. Are those figures too far out of line for any of you?

If they are not, then you are paying 11 cents per instrument for taffe-offs or for copies of your court house record. That is one way of figuring what it will cost you to replace your plant. Also most of you will agree that it will cost you another 11 cents per instrument to index and post this instrument in your tract book. This means that you are now paying about 22 cents per instrument before you get it completed for abstracting.

Costs with Photography

Now photography is a system that cuts that first 11 cents down, especially if you are rebuilding your old plant or if you are building a new plant.

Here are the figures: By buying a 35 milimeter camera you can reproduce every instrument in the court house for less than 2 cents apiece. However, this figure does not include the initial cost of the camera. I do not include this because complete camera outfits can be obtained from \$60.00 on up to several thousand dollars depending upon your personal tastes. I do not have time to discuss cameras with you in this speech, but I am willing to advance all the limited information that I have on them to those of you who are individually interested.

The two-cent figure that I gave you a minute ago is based on film, labor and readers. Labor will cost you, at \$27.50 per week, just over a cent per minute during which time you can take as high as 60 pictures or 120 instruments and the film will cost you about 6 mills per picture or 3 mills per instrument.

The Reader

After getting a set of film records you will also need a reader. This machine will cost you less than 21 cents per day and I can safely include it in my first figure of 2 cents per instrument.

In other words we save more than 9 cents per recorded instrument with the mechanized plant. By the old system we pay about 11 cents and by photography we pay less than 2 cents.

About the camera, I will tell you just what any other business man will tell you. You do not see your neighborhood grocery or drug store buying a 10-ton truck to make deliveries in or do you see the large wholesale house buying one little pickup truck. If you are wishing to make several thousand pictures, get a big camera. If you wish to just make a small number of pictures for daily take-offs, get the little camera.

In the event that you have a complete set of court house records in good condition and do not anticipate replacing them for several years do not worry about needing a high priced camera.

Recordak

We bought a Recordak camera (or should I say a big camera) to picture 425 books and their indexes and feel that we did a good thing. However, now we do not use that camera because it is too big for practical use in our limited number of daily take-offs. We are now working on a set-up that will cost us around \$100.00 and will be adapted to take-offs.

We will next use our big camera to make complete copies of all of the abstracts we have made and copies of our future abstracts. The savings in storage space in doing this is a significant figure, you use about a tenth of the space for storing films that you do for written work. In other words, we put all of our 425 books in 3 file drawers. Surveys and plats can be made by photography and placed in your abstracts for less than 20 cents per copy, depending on the kind of paper you prefer to use. Duplicate copies can be obtained of photographic records for the original cost of the film or about 3 mills per instrument. You can think of that when you go to replace your present records. We will replace our photographic records for less than 3 mills per instrument.

Multigraph

Mr. Meredith also mentioned the multigraph which at that time we had had for about 3 months and were already so well pleased with it that we had the salesman bring a display model

to the convention last year. We have not utilized the multigraph to its full extent, but it has already paid for itself in the first year that we owned it. From now on it will make us an extra \$500.00 a year.

The same girl that types 50 pages a day can type 50 stencils in one day and print them on the next day. The stencils cost about 7½ cents apiece and a little time is involved in filing the printed copies and in wasted paper, so you can reasonably say that you can type out about 3 instruments for what the first instrument on the multigraph costs you. But the multigraph gives you the second, third, twentieth, sixtieth and one hundredth copy free.

It is easy for us to find use for these extra copies. For example, on the north side of Fulton one of our local real estate firms has made a large addition to the town. An abstract to this addition costs \$60.00, the second and all other abstracts costs \$30.00 (our county has not as yet started to get away from the idea of charging half price for copy work). We knew that we would need several abstracts to this addition so we made 30 abstracts in three days. Now, if necessary, we can give 10-minute service on an abstract to this addition. All we have to do is put the lot number on the caption, date and sign the certificate.

Another example is, in Fulton there is one particular chain covering several blocks, this chain includes 3 estates. To make this part of an abstract we save typing time by pulling the 16 pages covering these 3 estates out of a file drawer and inserting them in the abstract. In the past year we have used this estate about 30 some-odd times and figure we save over 2 hours labor every time we do it. This is just one of several similar estates in the county. You all have big estates in your counties that you will be glad to have copies already made and will be more glad to know that they cost you nothing to have them made.

Office Forms

Also at the same time we make a weekly dirt sheet for the county recorder and as you saw in Jefferson City last year we can, if we wish, make all of our forms, letterheads and advertising matter on the multigraph. However, because of other outside arrangements with some of the local job printers, we don't. In other words, we spent \$550 on a multigraph and got it all back by just using it on what went in and out of the front door.

We also have the soundcriber described by Mr. Meredith here last year and are ready to concede that it has many working possibilities. However, we have not gotten our money's worth out of ours. We have had it 18 months and it is still trying to gain its initial costs. We do not recommend it for the small office for standard conditions.

We do not have the electric type-

writer and cannot report on it, but we understand that Phil Simpich has one and is using it with success.

Before we mechanized our plant we were keeping 4 typewriters in our office and 4 at the court house, we were employing 6 full-time workers and 2 for part-time. Now, we keep 2 typewriters at the court house, one of which is on loan to the recorder and the other is uncovered about once a week. We still have our 4 typewriters at the office where 4 of us spend most of our time making more abstracts than we ever made before.

Now if you say that the small plant can't do this, well, our recorder from January to September of this year averaged 6 deeds per working day and we believe that with this small amount of potential we can further mechanize and further cut operating costs.

In the event you are interested in how a small plant works under a mechanized system we invite you to come and visit us at any time. If you have questions to ask we will be here for the rest of the convention and will be glad to talk to you. We are always glad to have visiting abstracters come to our plant and we will answer any and all letters written to us concerning this matter.

Mechanized Abstracting

By JOSEPH RADICAN

Radican Abstract Company, Dexter, Missouri

This is based upon my experience in building a new plant and its operation for less than one year in a rural county with a population of approximately 35,000. Present costs are used.

I photographed all records in the office of Recorder of Deeds and all indices in the office of courts of record on 35 mm Recordak micro-file safety film with a rented Recordak Model "C" camera. The model "E" camera is preferable because of rental cost and ease of handling. Three volumes were photographed on each roll of film. The following prices are based upon each 1,000 instruments. In my county there are an average of 500 instruments per volume of 640 pages each and 300 volumes in office of Recorder of Deeds.

Processed film	\$ 4.66
Duplicate film	4.66
Labor Photographing...	2.00
Rental of Camera.....	.69
Incidental (rent, utilities, postage, etc.).....	1.50

This means a total cost of\$13.50 for film

I.B.M.

I contracted the indexing to the "Dakota Microfilm Service" of Vermillion, South Dakota, and recommend them very highly. They use the I. B.

Oscar W. Gilbert



RESOLUTION

WHEREAS, Oscar W. Gilbert, who was a member of this Board of Governors, was involved in an automobile accident, and as a result, departed this life early in the month of December, 1948, and

WHEREAS, Mr. Gilbert was an active member of both, the Florida Title Association, and the American Title Association, and

WHEREAS, Mr. Gilbert was a pioneer in his profession, loved and respected by all who had the privilege of coming in contact with him. He was a man with unusual judgment, always ready to lend of his time and his ability to further matters which would be for the good of his fellow-men.

Mr. Gilbert was a real American, and a perfect gentleman, and his untimely passing will be felt both directly and indirectly by those of us left to carry on the work, in which he had such an interest.

NOW, THEREFORE, BE IT RESOLVED, that in the passing of Mr. Oscar W. Gilbert, the Title Industry as a whole, has lost one of its staunchest, and capable workers, and those of us who were closely associated with him have lost a faithful friend, and a loveable companion.

BE IT FURTHER RESOLVED, that this Resolution be made a part of the Minutes of this meeting, and that the Secretary of this Association be instructed to forward a copy of this Resolution to the members of his immediate family.

Resolution adopted unanimously at the Annual Convention at Atlantic City.

M. System (with improvements). Their base price is \$25.00 per M. instruments;

plus \$10.00/M miscellaneous postings
plus \$5.00/M postings to alphabetical index and
plus \$10.00/M entries requiring references to other documents for land descriptions.

The indexing at present prices, amounts to \$63.00 per thousand instruments or approximately \$37.50 per liber.

I visited a number of mechanized plants in Tennessee, Missouri and Illinois. Mr. Ray Trucks, of Baldwin

Michigan, was consulted and his advice respected.

Costs

The two model "C" Recordak Readers (Serial Nos. 4062 and 4068) cost about \$650.00 each and are the best readers I could find for 35 mm film. A "Hobart" steel filing cabinet with two tiers of contains 300 filmed volumes. The entire drawers 9" x 12" with a depth of 3" cabinet requires 6.6 cubic feet of space and costs approximately \$25.00. Four new "Royal" typewriters are in use by four employees.

Another firm has all available space in county court house occupied. My

office is several miles from the county seat. That matters not. Employees not physically able to handle record books can place a roll of film on reader and select the instruments to be abstracted in less than two minutes. Additional instruments on that roll are found in less than 20 seconds. Several chains of title can be worked on at the same time, eliminating the changing of film to a great degree. We work in privacy at any hour of any day and local examining attorneys find it convenient to use our records.

I will be very glad to answer any correspondence regarding this method as well as to have visitors examine my plant thoroughly.

Reinsurance and Coinsurance

A PANEL DISCUSSION (1949 Convention)

MEMBERS OF PANEL:

H. Stanley Stine, *Moderator: Vice President*, Washington Title Insurance Co., Washington, D. C.

Andrew G. Holl, *Director*, Lawyers-Clinton Title Insurance Company, Newark, New Jersey

William Gill, Sr., *Vice President*, American-First Trust Co., Oklahoma City, Oklahoma

Ervin J. Brandt, *Manager Title Insurance Dept.*, Commercial Standard Insurance Company, Fort Worth, Texas

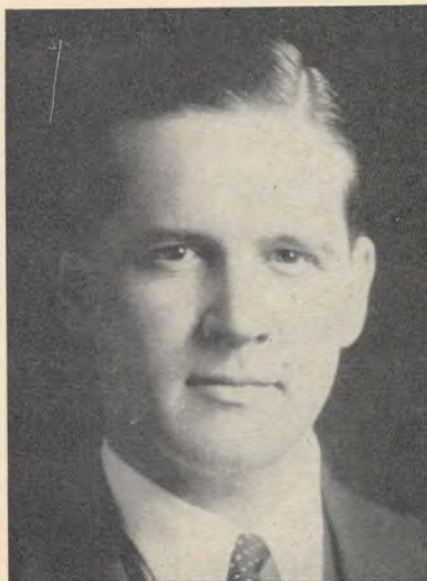
ANDREW G. HOLL

In recent years the need for the ready availability of coinsurance and reinsurance of large title risks is self-evident and recurring. Many companies have as a matter of company policy reinsured risks over a fixed amount, others have considered it sound to write a single policy in excess of its corporate assets. In some instances the customer has required that he receive title assurance from several insurers. It sometimes takes the form of reinsurance; sometimes coinsurance. We know that these terms are not definitive. From the standpoint of the customer's protection, coinsurance, a direct contract between the insurer and the insured, represents the ultimate form of protection. Reinsurance, of course, may afford the same protection if by agreement it inures to the benefit of the insured. See *Lawrence v. Fox*.

Some Preliminaries

During my tenure as a title company representative, we were called upon to furnish title insurance in the amount of \$11,000,000.00 to be issued by a group of companies with assets equal to or exceeding the amount of the insurance, each company writing a portion of the risk not to exceed capital resources. The insurance contracts were not to involve a primary retention provision; each company being a

coinsurer on any losses sustained. There was not at that time, to my knowledge, any developed practice in New Jersey on coinsurance in the form of existing treaty or contract among



ANDREW G. HOLL

insurers. Nine companies were selected, five from Newark, one from Camden, one from Atlantic City, one from New York City and one doing a national business. Financial statements and

specimen form of policies of each company were submitted to the attorney for the applicant. Each company indicated the maximum amount it would be willing to write. After negotiation, the amount of insurance to be written by each company was agreed upon.

Collateral Agreement

After conference between the representatives of the several title companies and the attorney for the applicant, a form of collateral agreement to be entered into by the participating insurers and the insured was adopted dealing with procedure on loss and other necessary provisions. A uniform form of title policy was also agreed upon.

The title examination had been completed by the staff of my company in connection with a prior transaction and photostat copies of the title searches together with all copies of assembled collateral data were furnished to each company.

By Mutual Agreement

In order to obtain uniformity of treatment and avoid wasteful duplication of labor, one attorney acceptable to all participants, was selected to read the title and confer with me on the preparation of a title report or binder. In due course, the title report was prepared on my company's form and each company thereupon issued a letter to

the applicant adopting the title report as its report. The title was closed in New York City, the participating companies in some instances sending their own representatives and in others being represented by the attorney previously selected to read the title. By pre-arrangement, the companies presented at closing and before the passing of the deed and consideration, a letter addressed to the applicant removing all exceptions from the report save those which my mutual agreement were to appear in the title policy and committing itself to insure. Thereafter, policies were issued in due course.

You will fully appreciate the magnitude of the task as well as the implications. If we were unable to complete the matter because our minds would not meet, it would be a setback for title insurance—a deal too big to handle. We had to meet a fixed closing date, agree upon procedures, form of collateral contract, title policy and title exceptions. We were confronted with a variety of individual company forms and practices, all of which had to be molded to uniformity. This required compromise, understanding and cooperation which each company gave to the fullest extent.

A Pattern

It was considered that the procedure adopted in this case might well form the pattern on future coinsurance applications. It might well form the nucleus of an agreement or treaty among title insurers. The establishment of a treaty, formulation of rates, adoption of uniform forms and procedures would represent a standing commitment of the participating companies. Any member company could rely upon the treaty and be in a position to inform an applicant about the who, the how, the when, and the how much. That is title insurance in action.

WILLIAM GILL, SR.

I would like to include in my brief remarks another interpretation of Reinsurance and Coinsurance.

Reinsurance

Reinsurance exists where one company alone issues its policy and afterwards obtains coverage from another company for a part of the risk, the second company not being liable directly to the beneficiary but only to the issuing company.

Co-Insurance

Coinurance exists where two or more companies join in issuing policies so that each has direct liability to the insured or where, after issuance of a policy by one company, another company assumes part of the risk by a contract which, among other things, makes it also directly liable to the insured.

During the past 15 years Title Insurance and Title Guaranty Companies have witnessed the average amount of owners, leasehold and mortgage poli-

cies rapidly "sky rocket." Prior to World War II and since, we have become quite familiar with, and accustomed to, the use of figures running into "millions" and "billions." Yes, we have jumped from "peanut financing" into "big money." The magnitude of the hugeness of deals now handled, a few years ago, to most of us, would have been staggering and visionary financing. Today we find existing an actuality instead of something visionary in the field of real estate investments and mortgage lending.

Safety

Along with the rapid growth of this Nation and the continued growing demand for title insurance, title companies believe it proper not to carry the full amount of the many large risks demanded. Out of an abundance of caution, not to impair its capital structure, and believing the public should have the fullest protection, many title companies in recent years began to secure both reinsurance and coinsur-



H. STANLEY STINE

ance. We have witnessed and will continue to see more demand, not only from the investor, but the title companies as well as this type of additional coverage.

Why do I believe this to be true?

Certain areas of the United States are beginning to witness industrial development not heretofore seriously contemplated. There is a quite noticeable trend toward industrial decentralization. I know this trend will continue and areas not previously considered too suitable for industry will find, and have already found, industry coming into those communities.

I do believe the many F.H.A. 608 projects, as well as other transactions requiring unusually large owners and mortgagee policies, which have been handled satisfactorily with reinsurance and coinsurance are re-occurring transactions.

Financings

If the real estate and mortgage markets remain staple or otherwise, we may see more fantastic financing yet developed. Certainly, the limits of "sound financing" have been exceeded—but that does not mean that an ill-advised Congress, prodded by influences which term themselves "liberals and progressives," may not be successful in securing legislation which will shock the present generation to an extent even greater than our forefathers would be shocked were they familiar with some of our present practices. Long ago I passed the point where I could be surprised.

Should we go into a "tail spin" and witness another deluge of foreclosures or go through a period of refinancing—it matters not which—there will always remain with us these so-called "larger risks" and reinsurance and coinsurance will still be in demand. We have not yet scratched the surface of the field of reinsurance and coinsurance.

In the operation of the American-First Trust Company, we have deemed it advisable to and have placed with other companies a portion of a number of large risks. We have in turn joined with other companies in carrying a portion of their larger risks. I know that had the members of the American Title Association not been farsighted enough to provide this service some of those deals would have been closed with the abstract and attorneys opinion.

I repeat—I do not believe we have yet scratched the surface.

H. STANLEY STINE, Moderator

Mr. Brandt, members of the panel, ladies and gentlemen of the Convention:

It's New

Reinsurance and coinsurance, as most of you know, is something relatively new to the title industry. The subject matter being strange to us title people, naturally, very little has been written about it, and it certainly has not had its share of discussion by us as a whole. If my memory serves me correctly, the only time we pursued this matter thoroughly and as completely as time allowed, was in the Convention at Kansas City, two years ago. There, those of us who attended were privileged to hear a most thorough paper, as splendidly prepared as it was delivered, on Excess Title Reinsurance by Henry J. Davenport of New York City. We also had the good fortune to hear a comprehensive report of the Committee on Reinsurance and Coinsurance by the Chairman, Benjamin J. Henley of San Francisco, which was replete with interesting statistics as to what procedures certain companies are following and what some other companies think ought to be done. Then, as I recall, followed a lively discussion from the floor.

Divergent Views

As I review those proceedings certain

things are self-evident to me. It would appear that the use of reinsurance and coinsurance is looked upon by people of our industry, other than those of us who practice it, as being in the experimental stage—as well it may be—and accompanied by the thought that “He who plays with fire gets burned.” Yet reinsurance has been in use among other forms of insurance for many years and continues to be a day-to-day practice among them. It further appears to me that, in the main, there exists in our industry no general program for the use of these facilities, nor has there been any general interest displayed in this field. What disturbs me more intensely is the wide divergence of views among us, which naturally has precluded any thought of uniformity in our procedures. Why there should be such diversity of thought is beyond my comprehension, for we are all exposed to the same risks, common to the title business and why one of us should think his problems are any different from those of the rest of us is beyond the vision of my mind. Perhaps, our seeming general apathy to this subject matter is not wholly our fault. A number of us have been lulled into what may be termed as a false sense of security when some state laws permit us to write individual policies up to ten times of the capital, surplus and undivided profits of the issuing company—and most jurisdictions have no limit at all. And, to top this, the majority of our insured are willing to accept our policies in any amount, regardless of the financial structure of the insuring company or its ability to pay in event of total loss. If my guess is correct, the day of reckoning is ahead of us; and either sound business practice will permeate our thinking to the extent that we will voluntarily reinsure or coinsure any single risk written in an amount which exceeds the net quick worth of the insuring company, or governmental regulation will do it for us. I hope other members of the panel will further develop this topic.

Definitions

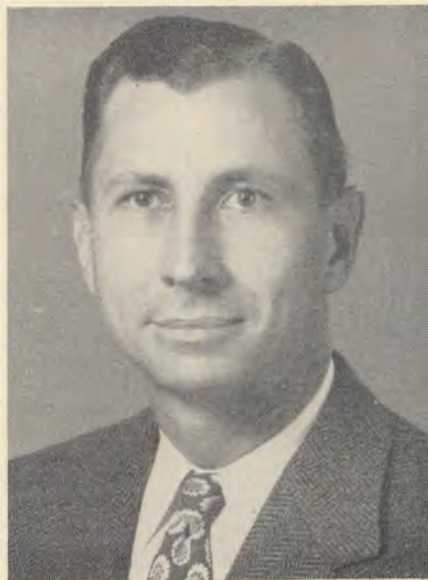
In order that there should be no doubt in your minds as to what constitutes reinsurance and coinsurance, and for clarity in the discussion which will follow, let me refresh your memory on the definitions as we use them here. As we speak of it, reinsurance means that one title insurance company will write and issue a title insurance policy for the full amount of the transaction involved and then be reinsured by one or more other title insurance companies for a portion of the risk. Coinsurance, as we speak of it, means that two or more title insurance companies join in writing one or separate policies so that each company has a direct liability to the insured. In reinsurance, the issuing company has and retains the full liability to the insured; and in coinsurance each company has and retains a direct liability

to the insured for its portion of the risk.

Some companies have for a number of years been engaged in the practice of reinsuring and coinsuring their large risks with apparent harmony and uniform success. These companies, however, are relatively few, considering the number of title insurance companies engaged in the industry. But the practice among those companies in the very recent years has become most intense due to no less a cause than the astronomical figures contained in underwritings involved in what is commonly known as FHA 608 loans.

Procedure

The history of the practice shows a development of a procedure that is so simple it is practically automatic. Let's take an example of reinsurance: Title Insurance Company A writes to title companies W, Y and Z, or more and says it has just issued a policy of title insurance in the amount of “X” dol-



ERVIN J. BRANDT

lars, which is above its desired amount of retention and requests said companies to reinsure it for a definite fraction of the risk over and above a primary retention by the originating company of, usually, the sum of \$50,000. Title Insurance Companies W, Y and Z reply in the affirmative. The reinsurance contract, which has just about become standard in form, then follows for execution by all companies. Modern, stream-lined and good business methods, however, has reduced the time element in this transaction to the stage where foresaid Company A merely writes aforesaid Company W informing them that they are sending the reinsurance agreement to it (copies for each company) for execution and to be forwarded to Companies Y and Z for execution by them. All of the companies execute the agreement and the originating company is protected in its risk above the amount which sound business acumen dictates the originat-

ing company should retain. Coinsurance has been worked along the identical line, for example: Title Insurance Company A receives an order for a policy of title insurance in the amount of “X” dollars. This amount by far exceeds the title company's desired amount of retention and in many cases is in excess of its total assets. More often than not, the insured requires policies of other title insurance companies to adequately cover the risk. Title Company A writes, wires or phones Title Companies W, Y and Z, inviting them to participate in coinsuring the risk in a proportionate amount over and above a primary retention of usually \$50,000.00. Companies W, Y and Z immediately reply by phone, wire or letter advising of their willingness to so participate. Individual policies of each company are then issued to the insured for the proportion of the risk assumed by each company. Note here again, that I have said this procedure is almost automatic. This is so because each of the companies requested to reinsure or coinsure have implicit faith and confidence in the originating company's method of title examination, professional ability, experience and business methods of underwriting. If there is any reluctance on the part of any company to reinsure or coinsure on the basis of the title work of the originating company any practical plan of the industry in this field is immediately defeated. There is no question that these companies who are willing to place full faith in the originating company, pioneers though they may be, are attracting more and more serious thought by other title insurance men. As a matter of fact, I know of several companies of large capital structure who have not only recently explored this field of reinsurance and coinsurance, but have actually participated in it, whereas a very few years ago they were only mildly interested, if not outright opposed to it.

Automatic

The title industry has advanced at least one step further in this subject. There is in effect today, one reinsurance agreement which is really automatic. It is known as a treaty for excess title reinsurance and is executed by five title insurance companies. The form of the agreement is substantially the same as the one distributed at the convention in Kansas City. For those of you who are not familiar with it, suffice it to say that the agreement provides generally that the originating company cedes to the four reinsuring companies all risks insured by it in excess of “X” dollars. The four reinsuring companies agree to reinsure in the proportions defined in the treaty. The procedure is as simple as it is effective. The originating company issues its policy of title insurance, sends copies thereof to the reinsuring companies together with a check for the agreed premium and the ceding company is immediately reinsured. And

the beautiful part of it is that the insured is perfectly happy with the arrangement.

Loss Experience

You may properly ask, at this point, "What is your loss experience in your practice of reinsurance and coinsurance?" I can only answer by saying there has been no loss experience so far. It is not expected that there will be any disastrous losses for history teaches us that in all the era of the title insurance industry, losses have been limited to items which are relatively small compared to the amount of the policy written. And then, usually, transactions involving the astronomical figures with which we are becoming more and more familiar each day, are handled with more particular care by all parties concerned, and therefore should be less perilous than the run of mine titles. But, be that as it may,

let not the history of our experience predicate what may happen in the future. There have been total losses under a title insurance policy and there probably will be other total losses yet to come. It would follow, then that reinsurance or coinsurance of risks above the net quick worth of the issuing company would appear to be good, sound business for prudent title insurance executives.

Reinsurance v. Co-Insurance

Does reinsurance have any advantages over coinsurance or is it vice versa? You pick any side of the question and you and I could argue until the oceans freeze over and probably never reach a satisfactory conclusion. I am hoping the general discussion following this will shed some light on the feelings of the majority on this topic. For instance, take one of the many large risks my company recently orig-

inated. We had seven other title companies participate in coinsurance. Upon review of the file I found it required 42 letters and uncounted telephone calls to complete the transaction. Had we handled the transaction with reinsurance we would have issued our policy for the full amount and all of this work would have been eliminated. But then, on the reinsurance basis, we would have had to set up a reserve and pay a tax on the full amount of the premium received and then pay out the cost of the reinsuring premium. Quare: Would this amount have more than compensated for the additional work entailed in the detail of coinsurance? Your guess is as good as mine. Perhaps you may find the best answer to this question in the remarks of executives of several large title insurance companies when they say that they would rather sell reinsurance and purchase coinsurance.

CODE OF ETHICS

FIRST:—We believe that the foundation of success in business is embodied in the idea of service, and that Title Men should consider first, the needs of their customers, and second the remuneration to be considered.

SECOND:—Accuracy being essential in the examination of titles, Title Men should so arrange their records as to eliminate the possibility of mistakes.

THIRD:—Ever striving to elevate the title business to a plane of the highest standing in the business and professional world, the Title Man will always stand sponsor for his work and make good any loss, occasioned by his error, without invoking legal technicalities as a defense.

FOURTH:—The examination of title being to a large extent a personal undertaking, Title Men should at all times remember that fact, and endeavor to obtain and hold a reputation for honesty, promptness and accuracy.

FIFTH:—The principal part of business, coming from real estate dealers, lenders of money and lawyers, it is obvious that relations with these men should at all times be friendly. To further this friendship we declare ourselves willing to aid them in all ways possible in meeting and solving the problems that confront them.

SIXTH:—We believe that every Title Man should have a lively and loyal interest in all that relates to the civic welfare of his community, and that he should join and support the local civic commercial bodies.

Portagraph *cuts copy costs 4 ways*



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