TITLE News

MARCH • APRIL 1990

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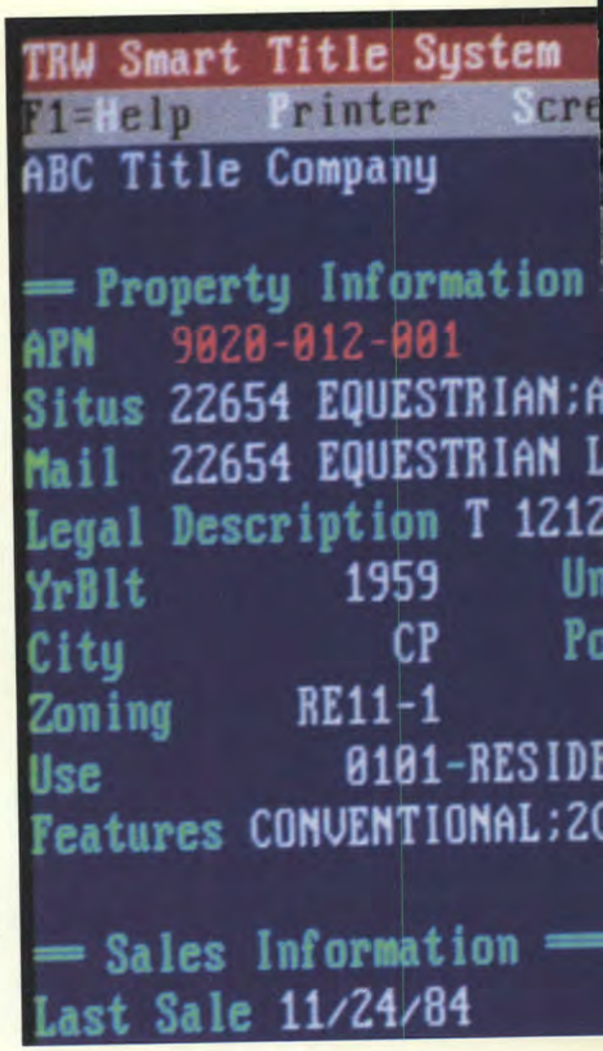

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TITLE *News*

MARCH • APRIL 1990

Volume 69, Number 1

Editor: Adina Conn

On the Cover: *Video games, indicative of the 1980s, exemplify forces consuming the title industry. With Japan as a strong economic force, what will be the next move for those in the industry?*
Cover Illustration by Mark Stutzman. *An East Coast illustrator, Mr. Stutzman has become a contributing illustrator to* ***Title News****. He is the recipient of numerous awards in the advertising and communications field.*

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MESSAGE FROM THE ABSTRACTER AND AGENT CHAIRMAN

For many years I've been an admirer of the great Irish playwright John B. Keane. He begins his *Self Portrait* as follows:

"I was born on the 21st day of July, 1928 in the town of Listowel, in County Kerry. Apart from my birth, it was an uneventful year, free of plague, war and famine."

What a wonderful choice of verbiage!

Since this is my first of hopefully several future communications, perhaps I should paraphrase the above wordsmith with a bit of my background.

I survived intussesception when I was 9 month old. At the ripe age of 6, I was kidnapped in Gary, Indiana. My first illegal job was making lists of names appearing on gravestones of all those who had recently died. Then, these individuals dutifully voted in the next elections. My first legal job was hoeing tomatoes along with German Afrika Corps prisoners of war during WW II (as Archie Bunker would say). When I was 15, I spent half a summer in a fire tower in the Idaho panhandle and the other half on a sheep ranch in the Madison range of Montana. I loyally served my tour of duty during the Korean War which was followed by a joyful marriage and the raising of our family. Last year, in addition to becoming a grandfather twice, my beloved spouse Kitty had to have open heart surgery. Her recovery was phenomenal so we decided to go on vacation. I took her to San Francisco for ALTA's Convention and have not quite finished shaking yet!

The lovable and homespun Garrison Keillor always began his monologue on *A Prairie Home Companion* with "It's been a quiet week in Lake Wobegone." I hope our future will be as tranquil as both Mr. Keane's and Mr. Keillor's may have been or imagined.

The principal comment I would like to discuss with you is "involvement." This Association thrives because of the hundreds of truly dedicated individuals giving of their time and wisdom to make ours a better profession. We all have a wonderful opportunity to serve on the various committees in both ALTA and our affiliated state associations. I encourage each of you to become involved in those areas in which you may feel most comfortable. I know that you will find a deeper understanding of your profession and Association. One of the wonderful spinoffs is the opportunity to meet so many new and interesting people—individuals who later become lifelong friends.

Involvement need not be limited to our chosen profession. Try to become active in your various civic associations, in your home communities—your local church, temple, PTA, etc. You'll all feel a lot better from the positive results of your collective involvement in both your professional and local environments.

Many years ago I had the opportunity to guide canoe trips in the Canadian bush. An unwritten rule was "Always leave your last campsite in better condition than you found it." That's not bad advice for both our professional and personal lives.

Dick Oliver

The 80's—Economic Prologue To What?

by Dr. Nelson R. Lipshutz

Losses, con men, insolvencies of lenders and title underwriters, collapse of the housing industry, debt-swollen conglomerates eating up the independent titleman and then expiring of financial indigestion, the final triumph of a resurgent Japan, the end of the world, right?

Yes.

And no.

Trying to make sense of the past decade is particularly difficult in an era in which the cacophony of the mass media lifts form to the status of substance and buries rational discourse in a sea of froth and hype. Newspaper headlines make lousy economic history; 20-second sound bites are even worse.

It is fashionable among popular commentators to decry the present and bemoan the future based on a madly shifting perspective, always adjusted to place the worst possible construction on today's big event, whatever it is. But understanding the economic position of the title industry at the start of a new decade demands that we reject such gloom-mongering and take a longer view. To understand where we are, we must also ask where we've been, and see where we might go.

Economic Climate

The 80's were actually a decade of growth and consolidation, not of collapse and decay. For the country as a whole, GNP grew from $2.7 trillion in 1980 to almost $5 trillion in 1989. A trillion dollars is a lot of money, even these days. The inflation rate dropped from over 9% to under 4%, so that real GNP growth over the decade was in excess of 30%. At the same time, the U.S. population grew from 227 million to 249 million, or less than 10%, so that real GNP per capita increased almost 20%. Simultaneously, the unemployment rate dropped from over 9% to under 5%. To paraphrase Mark Twain, reports of the demise of the American economy are greatly exaggerated.

This sustained expansion has been shared by the title insurance industry. Over the decade, gross title insurance revenues have risen from about $1.3 billion to about $4 billion, a much larger percentage increase than that of the economy as a whole. This robust growth in volume was not, unfortunately, accompanied by a corresponding growth in industry profits. Indeed, the 80's were a veritable profitability roller-coaster; tremendous operating losses in the first few years of the decade were followed by moderate profits through 1987 and a collapse of profitability at the end of the decade.

Operating Costs

There were a variety of reasons for the disappointing profit performance of the title insurance industry during the 80's. One, of course, was deteriorating loss experience (of which more later). Another was the general labor market tightness that drove up the cost of clerical labor that is the biggest element of the title insurance company's costs. A third was the need for the industry to absorb the expense of widespread computerization.

Paradoxically, these last two reasons for industry unprofitability suggest that there is much hope for the future. Rising labor costs were the stimulus for the response of widespread industry computerization. It is particularly striking for an outside observer who has been watching the industry for almost 20 years to see the remarkable level of computer sophistication that now characterizes even the smallest title offices. Further, the explosive growth in the number of vendors offering title insurance software and systems, from closing packages to title plants, is providing the industry with a rapidly improving price structure. The title insurance industry is much better positioned to control its clerical costs today than it was 10 years ago.

Losses

At the end of the 70's, overall loss experience in the U.S. title insurance underwriting business was running at around 5% of title revenue. By the end of the 80's, losses were running at around 9% of revenue.

Much of this worsening of loss experience was attributable to fraud linked to the unmonitored expansion of the newly deregulated thrift industry into markets it had neither the resources nor the experience to manage competently. With the collapse of the thrift bubble and the re-emergence of responsible regulation, some portion of this problem may turn out to have been transient. But there is no question that a general decline in private business morality besets the nation, and the deep pocket of the title industry has been discovered by the scam artists.

Another substantial contributor to the unfavorable trend in loss experience was the continuing expansion in the courts' construction of the limits of underwriter liability, a continuation of the consumerist trend that dates back to the 1960's. While the rate of expansion of the boundaries of liability may moderate, there is little chance that the limits will retreat behind their current position.

So losses are bad—but how bad? Surprisingly, from an underwriting perspective, not as bad as one might think. This is not the first time that industry losses have surged in response to a building boom. Remember the construction boom of the mid-70's? Industry loss ratios in 1974 and 1975 were just about as high as they were at the end of the 80's, with hot spots of trouble.

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Colorado loss ratios in the mid-70's looked like Texas loss ratios in the late 80's. But two things were different about the experience of the 80's.

First, the increase in losses was not simply a transient surge—it was a secular shift. Higher losses are here to stay.

Second, the absolute dollar magnitude of title losses has exploded to the point that a particular loss ratio percentage means something entirely different in terms of title industry solvency than it did 10 years ago.

Through the 70's, the ratio of annual losses to industry assets was about 6-1/2%. But the 80's saw a sustained upward trend in this ratio to about 15% by the end of the decade. In terms of equity, the situation was even more extreme: a ratio of losses to surplus of 10% in the 70's had risen to 35% by the end of the 80's. In other words, the title industry has pressed its capital base, and particularly its equity base, harder and harder to support an increasing volume of premiums, to the point at which a moderate fluctuation in losses can threaten the stability of an underwriter. For the small underwriter, a given percentage surge in losses, which surplus used to be adequate to absorb, will now drive an underwriter into insolvency.

The title insurance industry is in the early stage of a transition from a loss-preventing to a loss-paying line of insurance. Now, that is not a reason for weeping and wailing and gnashing of teeth—loss-paying lines of insurance have operated for the past 4,000 years, from ancient Phoenicia to the modern U.S. What the 80's have taught is that a loss-paying line with a volatile loss profile needs a much bigger capital base than the title industry currently possesses.

Ratemaking

The title insurance ratemaking environment changed markedly during the 80's, but without establishing any clear trend. Rating Bureaus, whose growth had been the dominant ratemaking theme of the 70's, vanished almost overnight in response to the anti-trust challenge posed by the Federal Trade Commission complaint, suggesting that individual companies would become the dominant force in keeping responsive to changing economic and market conditions. At the same time, a countervailing movement developed with the strengthening of the role of state promulgated rates in the overall rating mix. State promulgation of title insurance rates, closely following the Texas model, was enacted and implemented in New Mexico, and the pre-existing promulgated rate system in Florida became significantly more active.

Ownership

Over the decade of the 80's, public policy caught up with the results of recent decades of economic research, resulting in a benign eye being turned on mergers and acquisitions that allowed larger firms to exploit the economies of scale that are now known to pervade the economy. Perhaps the "big is good" idea has been pushed a bit far; perhaps the LBO techniques that have been used to finance some of these consolidations have not been sufficiently prudent. But there is little question that consolidation in many sectors of the economy made good economic sense.

The title insurance industry has taken some part in this process, with several old familiar names fading away with their mergers into larger and stronger firms. But a more interesting development has been the entry of new types of investors into the title insurance underwriting business. Gone is the dominance of banks, trust companies, and insurance holding companies as title insurance company parents. The past decade has seen the entry of diversified industrial companies, private investors, information services companies, and even consortia of title company employees into an ownership role in the industry. This multiplicity of capital sources augurs well for the future.

Issues for the 90's

Someone once said "It is difficult to make predictions—especially about the future." Nonetheless, it seems clear that certain issues will dominate title insurance over the next decade.

The need for additional capacity, both to repair the overall writings to surplus ratio and to insure "mega-projects," will be the key issue of the 90's. While a hungry reinsurance market will accept more of the industry's risk than it does today, reinsurance alone will not meet the industry's capacity needs. Continuing industry consolidation will make it possible for individual companies to retain larger risks, and can lead to improved profitability that can expand the industry's total capital base through earnings retention. But internal funds generation will not provide all the capital the industry will need. New capital infusions will be needed from outside the present boundaries of the title insurance industry, and the industry must keep an open mind when new players appear on the horizon.

Capital attraction requires profitability. Profitability, in turn, requires rate adequacy. While the industry is in a better position to control and predict its costs now than it was at the beginning of the decade, it cannot become profitable unless it maintains rates adequate to cover these costs. The 90's will require increasing concentration on rate issues, and a concomitant re-examination of the rate regulatory environment. In states in which the rate regulatory framework cannot ensure rate adequacy, the industry will need to work actively to change it. The prospects for success in this effort are bright. Legislative and regulatory bodies have recognized the reality of the threat of insolvency that contemporary financial institutions face when their profits decline, and have become acutely aware of insolvency's costs to the public.

In many ways, the 90's will bring a return to traditional business values—financial conservatism and bottom-line realism—and the elimination of much of the smoke and mirrors. It will not be an easy decade, but the title industry can expect to emerge leaner, stronger, and smarter, and ready for the new millennium.

The author is president and founder of the Regulatory Research Corporation, located just outside Boston, Massachusetts. Prior to founding his own firm in 1977, Dr. Lipshutz worked with the staff of Arthur D. Little, Inc. During that time, he worked with the ALTA Research and Accounting Committees in the development of the first Uniform Statistical and Financial Reporting System adopted by the title industry.

The author has earned a doctorate from the University of Chicago, and has served on the faculty at Duke University before moving to the staff of the Management and Behavioral Science Center at Wharton School, where he holds an MBA in Finance.

Megabucks and Reinsurance

by Janice D. Walton

The Megabuck transactions . . . The dollars are mind-boggling!

Two years ago, you heard about the leveraged buy-out of R.H. Macy & Co. for more than $2.5 billion. This debt was secured in good measure by mortgages on 70 of the Macy's and other stores owned by the company. During the past 12 months alone, a small sample of major transactions produced title insurance liabilities totaling more than $2.2 billion. The transactions involved the sale/leaseback of the Kroger Grocery Stores (130 sites, $595 million) and loans on the Trump Taj Mahal in Atlantic City ($575 million), the old Madison Square Garden in New York City (more than $600 million), and the Peachtree Center in Atlanta ($408 million). The 1988 Campeau LBO, which is again in the news, was in excess of $1 billion and involved 60 sites.

To protect insureds, most states have adopted statutes restricting the amount of liability title companies may retain on a single risk. Also, the assets of an individual title insurer cannot support the insurance liability on the large transactions occurring today. Based on these facts, how do the megabuck title insurance deals get "done?" The answer is simple—title reinsurance.

Although reinsurance is a critical element of the title insurance business, it is often regarded as arcane and outside the mainstream. The discussion that follows provides a nuts and bolts look at title reinsurance and takes you through a sample transaction.

What is reinsurance?

In a reinsurance transaction, the company issuing the title insurance policy, the ceder, assumes primary liability for the policy amount. However, the ceder then "lays off" a portion of the risk, generally, on one or more other title companies who, for a price, agree to indemnify the ceder for the amount of the risk assumed. The ceder determines how much of the total liability it can retain based on self-imposed risk retention limits, customer-imposed retention limits, and state-imposed retention limits. "Facultative" reinsurance is contracted for on a case-by-case basis and is used by the large title insurer for large transactions. Smaller scale reinsurance can be performed on a "treaty" basis whereby a regional title insurer will "lay off" a portion of its risk on *all* transactions over a certain amount with another specific regional or national title insurer.

Reinsurance differs from coinsurance. Coinsurance is used by the insured to spread a single risk between two or more title companies. Each issues a title insurance policy in its allocated amount; each is primarily liable on its own policy although a coinsurer may turn around and purchase reinsurance on a portion of its share of the transaction. Both reinsurance and coinsurance protect the insured and the title insurer by recognizing the possibility that claims could occur on several large transactions within a short period. Reinsurance is favored by title insurers because it allows them to minimize their primary liability. Unlike other lines of insurance, reinsurance is handled within the title industry. Other lines utilize outside sources, such as Lloyds of London.

The reinsurance agreement

The contract whereby the reinsurer, for consideration, agrees to indemnify the ceder against any loss sustained under its title insurance policy is known as a reinsurance agreement. The form most often used is known as the ALTA Facultative Reinsurance Agreement (10-21-87). This agreement contains direct access provisions which enable the insured to obtain payment from the reinsurers directly in the event of a claim in excess of the ceder's primary liability.

Liability under a reinsurance agreement is layered. For example, the first layer of the risk is retained by the ceder as primary liability. The balance of the liability is usually placed on the secondary level. Of the secondary liability, the ceder may retain an additional amount and cede the balance to other title insurers. There is also a tertiary agreement and a quaternary agreement which follow these same principles and layer the liability in three and four layers, respectively. A tertiary agreement is generally used for transactions with a single risk in excess of approximately $275 million and a quaternary agreement is generally used when the risk exceeds $600 million. The sum of the ceder's primary liability and its share of the secondary, tertiary and quaternary liability is known as its "retention."

When there is a loss in excess of the underwriter's primary liability, the secondary liability pool members are liable for a share of the loss based on the ratio of their individual amounts of secondary liability to the aggregate of secondary liability. When tertiary agreements are used this process is carried through a third level and quaternary agreements have four levels. Before moving to the next level, the entire level's liability must be exhausted. It is important to note that each company is liable for its proportionate share of a loss.

Retention limits

Many large institutional lenders review each title insurer's NAIC Form 9; title insurance companies file these annual statements in every state where they are licensed to do business. The lenders' reviews entail detailed analyses of assets and liabilities to make their own determinations of a title insurer's liquidity. The retention limits set by these lenders are usually more restrictive than limits set by state statutes and the ceder's self-imposed retention limit.

A ceder's self-imposed risk retention limit is usually based on

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The author is vice-president—reinsurance for Lawyers Title Insurance Corporation, Richmond, VA. She joined Lawyers Title in 1985 at its national headquarters as reinsurance administrator, and was promoted to assistant vice-president—reinsurance in 1989.

Ms. Walton graduated magna cum laude from the University of Richmond, in Richmond, VA, with a bachelor of applied studies degree.

She is a member of the reinsurance committee of the American Land Title Association.

Sample Reinsurance Transaction

Description of the transaction

The reinsurance department has been requested to reinsure an owner's policy insuring Brodkey and Goode Enterprises, a Virginia corporation, in the amount of $105,000,000.00 and a $95,000,000.00 mortgage policy insuring Beasley Bank, N.A. The maximum single title risk is $105,000,000.00. The property is an existing office bulding located in Richmond, Virginia. The lender has requested zoning and usury coverages.

The insureds do not have a retention limit on Title Company A nor have they specified any reinsurers. However, the lender's counsel has required that any reinsurance purchased is to be on the ALTA Facultative Reinsurance Agreement (10-21-87) which includes direct access provisions.

The risk distribution

In the State of Virginia, which is the location of the property and Title Insurance Company A's state of incorporation, the company's 1989 statutory retention limit is $93,000,000. For this transaction, Title Company A's self-imposed retention limit of $35,000,000 is the most restrictive limitation and will therefore govern.

Title Company A will retain $5,000,000 as primary liability and $30,000,000 as secondary liability; their total retention is $35,000,000. The balance of the liability is placed with the following companies: Title Insurance Company B—$25,000,000; TItle Insurance Company C—$18,500,000; Title Insurance Company D—$18,500,000; and Title Insurance Company E—$8,000,000.

Calculation of reinsurance costs (Rates are for purposes of illustration only; reinsurance rates are set by individual reinsurers and may vary from the levels set forth in the illustration.)

Even though the issuing branch only charged the insureds for the zoning coverage, the reinsurers expect to be paid for both the usury and zoning coverages. The reinsurance rate which Title Company A is willing to pay is $0.50 per thousand dollars of liability assumed by each reinsurer plus an additional $0.10/$1000 for the two extra-hazardous risks, usury and zoning.

The reinsurance expense is calculated as follows:

Title Insurance Company B—$25,000,000 × $0.60/$1000 =	$15,000.00
Title Insurance Company C—$18,500,000 × $0.60/$1000 =	$11,100.00
Title Insurance Company D—$18,500,000 × $0.60/$1000 =	$11,100.00
Title Insurance Company E— $8,000,000 × $0.60/$1000 =	$4,800.00
Total Reinsurance	$42,000.00

Payment of a claim

There has been a loss sustained of $6,000,000 from a claim filed by the owner. Under the terms of the reinsurance agreement, Title Insurance Company A is solely responsible for the payment of the first $5,000,000, the cedar's primary liability. Based on each company's proportionate share of the total secondary liability, the next $1,000,000 is paid as follows:

Company	Share of Secondary Loss Risk	Amount of Loss In Excess of $5,000,000		Amount of Loss to be paid to Insured
Title Insurance Company A	.30000	$1,000,000.00	=	$300,000.00
Title Insurance Company B	.25000	$1,000,000.00	=	$250,000.00
Title Insurance Company C	.18500	$1,000,000.00	=	$185,000.00
Title Insurance Company D	.18500	$1,000,000.00	=	$185,000.00
Title Insurance Company E	.08000	$1,000,000.00	=	$ 80,000.00
				$1,000,000.00
		Primary Paid by the Cedar	=	$5,000,000.00
		Total Loss Paid	=	$6,000,000.00

TITLE INSURANCE COMPANY A

SCHEDULE 1 (to be attached to ALTA Facultative Reinsurance Agreement)

1. The parties hereto are:

   (a) TITLE INSURANCE COMPANY A, a corporation of the State of Virginia having its principal office in Richmond, Virginia as Ceder, and

   (b) EACH REINSURER named in 3 (b) herein.

2. Ceder's Policy, identified herein and reinsured hereby, assumes a title insurance risk in the aggregate amount of $105,000,000.00. The land described in the Policy is located in: Richmond, VA.

POLICY NO.	INSURED	TYPE OF POLICY	POLICY AMOUNT
XX-XXX-XXXX	Brodkey and Goode Enterprises, a Virginia cooperation	Owners	$105,000,000
00-000-0000	Beasley Bank, N.A.	Mortgages	$ 95,000,000

3. The distribution of the title insurance risk is:

	PRIMARY LOSS RISK		SECONDARY LOSS RISK Amount	Share
(a) RETAINED BY CEDER	$ 5,000,000	and	$30,000,000	.30000

   (b) CEDED TO, REINSURED WITH, AND ASSUMED BY

REINSURER	STATE OF INCORPORATION	SECONDARY LOSS RISK Amount	Share
Title Insurance Company B Los Angeles, CA	CA	25,000,000	.2500
Title Insurance Company C Chicago, IL	MO	18,500,000	.18500
Title Insurance Company D Santa Ana, CA	CA	18,500,000	.18500
Title Insurance Company E Philadelphia, PA	PA	8,000,000	.08000

4. This schedule 1 is part of and incorporates the provisions of the American Land Title Associate Facultative Reinsurance Agreement (10-21-87).

IN WITNESS WHEREOF, the undersigned each has caused this Agreement to be executed as of the date set forth below:

CEDER	REINSURER
By ______________________	By ______________________
TITLE INSURANCE COMPANY A 1234 Main Street Richmond, Virginia 54321	
Date of Execution: ____________	Date of Execution: ____________
Reinsurance File No. ____________	Reinsurance File No. ____________
Title Order/Case No. ____________	

An Oasis in the Information Standards Desert

by Frederick H. Hemphill, Jr.

When title people gather after hours at regional and national meetings and begin to swap "war stories," watch their expressions carefully. Behind the genuine enjoyment in this yarn-spinning is often an unspoken, "How odd! That's not how it's done in my part of the country," or "That's different; we call it ______."

And the differences are real, for there is wide geographic variance in the factors which influence the title to and transfer of real property. The way in which property is described, the laws governing ownership, and the procedures for its transfer are influenced by the history of the region and its antecedent legal system.

These same differences are often used to support the argument that there cannot be information standards in the title industry. Never mind that many years ago the Department of Housing and Urban Development produced the HUD Form 1, which the industry seems to have adapted to nationally. Or, that the national title underwriters somehow make sense of differing regional characteristics in running their businesses.

Remarkable!

Ignore, too, the latest attempt to establish an industry automated information standard: the ALTA Agent-to-Underwriter Generic Reporting Form. But wait! That form, approved with little fanfare in April, 1989, by the ALTA Board of Governors, represents a remarkable achievement. During the course of its development, through the Association Land Title Systems Committee, the many differences in the information needs of title underwriters were identified and discussed, and the challenges to agents in trying to meet those diverse needs with a single automated system became obvious. The spirit of cooperation among both underwriter and agent members of the Systems Committee was readily apparent. This is particularly true in light of the fact that each underwriter representative was absolutely compelled to protect the enormous investment his company has in existing computer software built around data structures which, if not unique, are still different in many respects from everyone else's. The fact that the committee task group agreed to a standard at all was tantamount to finding an oasis in the desert of information standardization. For underwriters, and for multiple and mechanized agents, the Generic Reporting form is truly a major breakthrough.

The end product of this effort, like the product of most committees, is probably not perfect for anyone, but is acceptable to all. In approval of the form, the indication is that the underwriter members of ALTA have concurred that they can accept data presented in the generic format and adapt it to their internal needs.

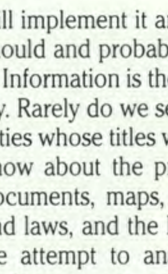
Can—Will

Big deal, you say! Saying that they *can* do it is not the same as saying they *will* do it. No agent in his right mind will spend the first dollar toward modifying his computer system if there is no underwriter with a computer system ready to receive the generic report. But consider this: no businessman interested in surviving and prospering should continue to report the same information in different ways if he can avoid it, and he should naturally and actively seek cost-saving procedures.

Will all or most of the ALTA member underwriters use the generic format? I cannot speak for the others, but I can tell you why Lawyers Title Insurance Corporation will implement it and why our competitors should and probably will.

Information is the lifeblood of our industry. Rarely do we see or stand on the properties whose titles we insure; everything we know about the property is derived from documents, maps, surveys, local customs and laws, and the like. Furthermore, when we attempt to analyze and manage our businesses, we narrow our view of the property still further.

Each of the millions of property transactions conducted annually in the title industry is reduced to a few meaningful statistics, which can be equally important to the small, independent businessperson and to the large national underwriter in determining their market profile and their profitability by segment. And these statistics, which become more critical to business decision-making as profit margins narrow, claims in-



The author is senior vice-president—administration and information systems of Lawyers Title Insurance Corporation. He is assigned to Lawyers Title's National Headquarters, in Richmond, VA.

The author joined Lawyers Title in 1984 as senior vice-president—information systems and was elected to his current position in 1989. Prior to joining Lawyers Title, he was vice-president—management information systems for Continental Financial Services, in Richmond. He previously had served for 22 years in the U.S. Marine Corps, where he attained the rank of colonel.

A graduate of Yale University with a bachelor of engineering degree, Mr. Hemphill received a master of science degree in computer science from the U.S. Naval Postgraduate School, in Monterey, CA, and is a graduate of the U.S. Naval War College, in Newport, RI.

A member of the Land Title Systems Committee of the American Land Title Association (ALTA); the author is also chairman of the ALTA subcommittee representing the organization's interests on the Mortgage Bankers Association's Data Standards Task Force.

Electronic Data Interchange

EDI: No, it's not Star Wars but it is not unrelated, either. EDI stands for Electronic Data Interchange and is the term used to describe the exchange of information between computers using any of a variety of communication techniques, to include telephone lines and satellite transmission.

Technically, there's nothing unusually challenging about EDI; although there are many different computer and communication technologies, making any specific group work together for a specific application not too difficult. What is more challenging, however, is devising standards that have broad application. That is the real thrust of EDI development.

The Mortgage Bankers Association of America is coming to grips with the problem of information standards. From the initial loan application, through the ordering of credit reports, appraisals, mortgage insurance, title insurance, and hazard insurance, to the packaging and sale of a mortgage, there exist many requirements to transmit the same basic information from one business entity to another. The MBA created a Data Standards Task Force to develop an information standard which would support information exchange for the purposes described above, as well as being adaptable for future applications.

The Data Standards Task Force has wisely followed the lead of other industries in adopting the American National Standards Institute's (ANSI) X.12 Data Interchange Standards. X.12 provides a set of rules for formulating and exchanging information. Furthermore, since it is a standard in the public domain, it offers the advantage of having numerous fields of commonly-used information already defined and in use by other industries.

The ALTA has representation on the MBA Data Standards Task Force. A subcommittee of the Land Title Systems Committee was formed to work with the MBA in defining a generic title insurance order form for information exchange between the two industries. The goal of this subcommittee is to develop such a generic order form for approval by the ALTA Board of Governors so that the title insurance industry's interests are represented in our dealings with our mortgage banking industry partners.

crease, and expenses continue to rise, are based on the pieces of information the underwriters have always required their agents and direct operations to produce. Some appear on the policy itself (e.g., liability amount, policy type, etc.) while others are derivational (e.g., premium amount, agent-underwriter commission split, etc.). Some are mandated by various governmental agencies. All share the common characteristic of being known at the policy issuing source because they are based on the particular characteristics of each transaction. Therefore, the logical place to assemble and verify that information is at that source.

"Extra" Work?

Some agents, however, have viewed the separate reporting of that information as "extra" work, partly because they do not see any direct benefit derived from the report they are required to prepare. And, when they write for more than one underwriter, therefore having to report the same information in different formats, it does become extra work. On the other hand, the underwriters argue that, with thousands of locations producing hundreds of thousands of policies annually, the only effective and efficient way to gather accurate information in summary form is at the source of policy issuance. As the underwriters point out, some information is scattered throughout the policy, some is in the file but not on the policy, and some is based on information in the agent's contract or even negotiated for a particular transaction. Only the person with the complete file and full knowledge of the transaction can produce the report.

Win-Win

The ALTA Agent-to-Underwriter Generic Reporting Form provides a win-win solution. The agent can now use his automated equipment to produce required reports for all his underwriters with little effort—once he has made the one-time modification to his program. His system will now format the information already in the case file in the generic format. In other words, producing those reports really does become incidental to doing the "real" work of developing and producing the title insurance policy. And, the underwriter now gets the information he needs—keyed, verified, and corrected at the source, ready for direct entry in electronic form in his or her computer. Automating this process gives both participants the benefits of increased speed and accuracy and the reduced labor costs of duplicate keying of information. Of course, there will continue to be errors but there should be fewer clerical errors. Most discussions between agent and underwriter will focus on more meaningful business issues (e.g., "Why did you use that rate on this particular type transaction?").

What is interesting are the additional benefits that accrue to both parties from automating the reporting process. In responding to the need for generic reporting software, automation vendors are offering the capability to their users of using the statistics for mix-of-business/mix-of-revenue analysis, just as the underwriters do. Agreement on a single format has made it feasible for vendors to offer an automated solution to the reporting problem, where before, the many different formats made it economically unworkable to develop reporting software. Thus, automation users can now reduce the labor costs of producing the reports.

The underwriter also benefits from the reduced keying effort required. It can now concentrate its resources on the more difficult and important task of verifying the consistency and accuracy of the information.

Today's Buzzword—Tomorrow's Reality

As we pursue automated information solutions, perhaps the most interesting and useful long-range benefit to the parties involved is the establishment of an electronic link. Electronic Data Interchange (EDI) may be perceived as just the latest buzzword today, but in fact it is tomorrow's reality. The Mortgage Bankers Association of America is fully immersed in the development of data standards for information exchange and they hope that their business trading partners, including the title insurance industry, will embrace the electronic exchange of information. ALTA is participating in this joint effort. What we learn from our initial excursion into the field will prepare us not only to meet and accept that particular challenge, but, more importantly, to develop and apply new uses for information to achieve greater accuracy, greater speed, reduced costs, and greater profitability. Other industries are already committed to EDI; the impact on our industry will arrive sooner than we think.

It's Up To You

Will the ALTA Agent-to-Underwriter Generic Reporting Form be accepted quickly? No. Will it be accepted universally? No. How about inevitably? Yes. So the choice is to lead, follow, or get out of the way. We choose to lead. What is your choice?


P. Steiner

The Makings of an Interview

by Adina Conn

> *"**A** sense of humor is helpful in all situations —and an absolute necessity for the worst case scenarios."*

Many times at conventions, I'm stopped by members interested in chatting about the interviews appearing in **Title News**. There are several questions which are most frequently asked. The first centers around the nature and personality of the individual interviewed; example—"Is David Brinkley as intimidating as he seems on TV?", of "Is Mark Shields as funny during an interview as he is when addressing an audience?" "How did you come up with your list of questions?", is yet another point of interest to readers.

A good interviewer never gives away trade secrets. There are, however, certain behind-the-scenes accounts—all of which go into the "makings of an interview." Keep in mind, that a sense of humor is helpful in all situations—and an absolute necessity for the worst case scenarios.

On the importance of keeping one's composure when all else fails—especially the tape recorder . . .

One of my first interviews for the Association was with 60 Minutes Co-Editor Ed Bradley. I was ecstatic to have secured an interview with Bradley. Months were spent in preparation—I even called a friend of mine who worked with Bradley in Vietnam.

The day of the interview came. I was instructed to phone Bradley at exactly 7:15 am. He was addressing the General Session at 9:30, and would leave for the airport immediately following.

Prior to the interview, my compulsive nature had me checking the tape recorder dropping in brand new batteries and tearing open a package of fresh tapes. The machine was tested no less than a dozen times to ensure its working capability. Everything was in order.

The interview went smoothly. During the General Session I decided to listen to the interview. I played the tape and heard nothing. Thinking I had fast forwarded the tape, I started to rewind it. The only "audible" sound was a voice akin to that of the **Excorcist**. What to do? Ken Abbinante, the convention photographer and my calming force, sat down with me, trying to recall the answers to Bradley's questions.

In a *brief* moment of lucidity, it occurred that the interview could be reshot en route to the airport with the use of a borrowed recorder—providing of course, Bradley agreed. He wasn't thrilled about the "double interview," but he was indeed a good sport.

There we sat, cabbing it to the SeaTac Airport. The noise from "cab control" made us feel part of **Adam Twelve**. The interview was more candid and relaxing than the prior one. Oddly enough, it was also more personal. And despite all, he still offered to pay for the cab—a sign of a real professional and a true gentleman.

The effect of hotel housekeeping on the media . . .

My interviews during the Toronto Convention were scheduled with foreign correspondent Pierre Salinger, and **Washington Week in Review's** Paul Duke.

The night before the Salinger interview, I had returned to my room, to find my pile of papers, background information, and questions missing. Housekeeping had gone above and beyond the call of duty. In fact, they cleaned me right out of my notes and research. And—Salinger had just called to ask if I wanted to do the interview that evening.

Luckily, I was able to call someone who had a draft of the questions.

The moral of the story? Cleanliness is not always next to godliness!

On the importance of research . . .

By far, one of the most challenging interviews was with **Newsweek** columnist Jane Bryant Quinn. Even her husband says she's a tough nut to crack. I had felt there was more to this person than a hard-working business woman.

While researching one day, I happened upon a little piece of trivia—Quinn happens to be a great admirer of South American art and culture. I had minored in Andean civilization. A perfect combination. She was mad about the Mayans, and I was crazy about the Incans—a healthy swapping of information. And so it was, at that particular moment during the interview, the tough exterior came down, and a different person emerged. It was a memorable moment and certainly a turning point in the interview.

"The Mata Hari Escapade" (or, on being in the right place at the wrong time) . . .

Mid-Year Convention in Washington 1989—ABC Host David Brinkley was slotted for an interview. This convention was in Washington's majestic Mayflower Hotel

> "The certainty in any situation is the unpredictability of events."

(located directly across the street from ABC). Little did we know we would be sharing our meeting space with Israeli Prime Minister Yitzhak Shamir. The Mayflower proved to be a strategic location for Shamir, who had just finished an interview at ABC. Several hours before his press conference, hundreds of members of the press corps were lined up in the hotel lobby to pass through security. The scene resembled a maximum security clearance at a major international airport.

Fifteen minutes before my scheduled interview with Brinkley, Ken and I left the building to cross to ABC. Once outside, we noticed blockades, armed policemen and secret service, who eagerly "escorted" us (and I use the term kindly) back to the hotel. I informed them of our meeting with Brinkley. They just laughed. I explained to them that I was not Mata Hari, but rather, an innocent journalist just trying to do her job. They were not to be deterred—but neither were we. We went out another door, "casually" headed in the direction of ABC, where I was quite literally picked up by another secret service man, and taken back into the hotel. I was furious at Shamir for cutting into my interview time. Just as we got clearance into ABC, the blockades were lifted. I entered the interview feeling positively miserable and agitated. Because everything happened so quickly, I remember very little of the actual interview—but I do remember Brinkley's gracious nature and his willingness to grant us extra time.

"Gone with the Wind" (or, I left my notes in San Francisco) . . .

San Francisco, October 1989. I was thoroughly looking forward to interviewing our Convention speakers, former CIA Director Admiral Stansfield Turner, and Washington political journalist Hodding Carter. After returning from a wonderful lunch with a friend and fellow Association member, I headed upstairs to complete research for the next morning's interview with Admiral Turner. It was a lovely day, and I decided to work outdoors on the terrace.

I took a break to place a phone call. My interview notes were left on the terrace chair. My phone call was interrupted by a sonic blast—the infamous October 17, 1989, 5:04 pm earthquake. My notes on Admiral Turner were quite literally gone with the wind—the interview, seized by the 7.1 on the Richter Scale. Papers to ashes, notes to dust, the long-awaited interview was nothing short of a bust.

An epilogue . . .

All of the above vignettes only reinforce the fact that the best-laid plans often go astray. These are indeed the times that try a journalist's soul. The interview gremlins, overzealous chambermaids, secret service, or natural disasters will always ensure that the certainty in any situation is the unpredictability of events.

TIPAC Kicks Off "Campaign 1990"

by Robin K. Santangelo
TIPAC Executive Secretary

From as far away as Alaska and as close as Maryland, nearly 30 Board and State Trustees of the Title Industry Political Action Committee (TIPAC) recently met in Washington, DC, for one of the most successful political gatherings in the history of the title insurance industry. Led by TIPAC Chairman Bert Massey, The Brown County Abstract Company, the Trustees began their session with private receptions and dinners with Members of Congress on the important House Banking Committee, which has jurisdiction over banking and insurance legislation.

In three separate locations at the Washington Court Hotel on Capitol Hill, TIPAC Trustees hosted events with Representatives Frank Annunzio (D-IL), David Dreier (R-CA), and Bruce Vento (D-MN). By all accounts, these events were the highlight of the session. Much of the time spent during the dinners focused on why banks should not expand into the title insurance business—a crucial subject in light of ALTA's two lawsuits against the Comptroller of the Currency and the Association's continued state legislative battles over this issue. The congressmen received intense lobbying by title insurance executives about these and other industry concerns. The Committee is expected sometime during the second session of the 101st Congress to consider a banking bill that will address the entry of banks into the insurance industry.

Congressman Frank Annunzio (D-IL) (left), chairman of the Subcommittee on Financial Institutions Supervision, Regulation and Insurance, voices his support for efforts to restrict banking expansion into the title insurance industry with TIPAC Chairman Bert Massey.

Congressman Dreier joined the Trustees after a personal meeting with President George Bush at which the President informed Mr. Dreier that he would incorporate some of his initiatives in the State of the Union address the following day. Congressman Dreier was delighted—his excitement was evident to the Trustees at his dinner. Dreier was also interested in the conflict of interest problems when a bank would insure the titles on its own mortgage loans. Some of the dinner discussion also focused on the Congressman's recently completed excursion to the Berlin Wall and other locations in Eastern Europe. About the wall he reported, "In fact there were so many people at the Wall that it became apparent that the hammer and sickle had been traded for the hammer and chisel!"

At another dinner with Congressman Annunzio and his assistant Curt Prins, staff director of the Financial Institutions Supervision, Regulation and Insurance Subcommittee of the House Banking Committee, TIPAC learned of hearings planned in the near future that will discuss a bill to allow affiliation of banks with all types of financial and nonfinancial companies. It would also allow banks to own companies that engage in the securities, real estate and insurance industries. TIPAC expects to be an especially active supporter of Congressman Annunzio in the upcoming election due to his support of ALTA's position on the restriction of banks entering the title insurance business.

The third dinner with Congressman

Vento also featured a discussion of banking issues before Congress. Mr. Vento chairs a Subcommittee Task Force charged with monitoring the Resolution Trust Corporation, which replaced the Federal Savings and Loan Insurance Corporation under the thrift industry legislation passed last year. The congressman expressed his concerns about the failure of the RTC to formulate and execute policies to assist the thrift industry bailout. A senior member of the Banking Committee, his views on banking and insurance issues are of vital importance to ALTA. The Association appreciates his continuing support for the title insurance industry's position on these issues.

The Trustees began the next day with a breakfast briefing from James Shanahan, partner at Price Waterhouse, consultants to ALTA. As the President had just submitted his fiscal 1991 budget proposals to Congress on January 29, two days before the breakfast, Trustees were treated to a Washington "insider's" discussion of the budget's impact and chances for survival in a Congress with a Democratic majority. The proposed capital gains exclusion was of particular interest to the Trustees.

Political analyst Charlie Cook next presented a state-by-state breakdown of the year's most watched elections—information that will be considered as TIPAC looks at where to best invest title industry contributions in 1990. And, TIPAC consultant Bob Boege's nuts-and-bolts "fundraising fundamentals" session covered the role of the State Trustee, and the many ways to encourage participation in TIPAC through direct mail solicitations and at state conventions. For the first time, the "training" session was audio taped and sent to all Trustees, along with a detailed syllabus of the presentation.

Much appreciation for the success of the Washington meeting goes to Chairman Massey and the TIPAC Board of Trustees: Charles Foster, Jr., Lawyers Title Insurance Corporation; Joseph Gottwald, California Counties Title Company; D.P. Kennedy, First American Title Insurance Company; Gerald Lawhun, Western Title Company, Inc.; C.J. McConville, Title Insurance Company of Minnesota; Richard Pollay, Chicago Title Insurance Company; and, Herbert Wender, Commonwealth Land Title Insurance Company. For more information on "Campaign 1990," or for a free copy of the TIPAC information brochure, contact Legislative Assistant Sherri-Lynn Minor, Suite 705, 1828 L Street, N.W., Washington, DC 20036; 202/296-3671.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1. Oklahoma State Trustee and Former ALTA President John Cathey (from left) shares a light moment with Congressman Bruce Vento (D-MN) and Board Trustee C. J. McConville.

2. Congressman David Dreier (R-CA) (right) reflects on the House Banking Committee's legislative agenda with Board Trustee Don Kennedy.

3. New TIPAC Board Trustee and ALTA Government Affairs Committee Chairman Jerry Lawhun (right) with Price Waterhouse Partner Jim Shanahan.

4. Board Trustee Richard Pollay (from left) with Curtis Prins, staff director on the House Banking Committee's Financial Institutions Subcommittee, New Board Trustee Charlie Foster and New Illinois State Trustee Jim Weston, before dinner with Illinois Congressman Annunzio.

NAMES IN THE NEWS


Kantosky


Clark


Mancz

Chicago Title Insurance Company announces the following elections: **James D. Aprile**, Indiana area manager for **Chicago Title** in Indianapolis, has been elected vice president of the company, announced Richard L. Pollay, **Chicago Title** president; **William H. Kantosky**, Southwest Ohio area manager for **Chicago Title** in Dayton, has been elected vice president of the company.

Chicago Title and Trust Company is pleased to announce the following promotions: **Neil A. Clark**, appointed resident vice president and C&I executive, Manhattan, NY; **Stuart Finkle**, appointed regional claims manager, Pacific Northwest Region, and manager, Claims Salvage Administration, and remains associate general counsel, Chicago, IL; **Edward D. Hayman**, resident vice president and remains Cleveland title operations manager, Cleveland, OH; **Dennis Hines**, appointed resident vice president and remains Kentucky/West Virginia area manager, Louisville, KY; **Julia J. Kirby**, appointed area manager, Upstate New York, and remains resident vice president, White Plains; **Janett B. Lowes**, resident vice president and remains county operations manager, Indianapolis, IN; **Brian Mancz**, appointed resident vice president and remains branch manager, Cincinnati, OH; **William E. Meade**, appointed resident vice president, Akron, OH; **Greg Pool**, appointed regional claims manager, Gulf Central Region, and remains associate general counsel, Chicago; **Linda H.


Sands


Jones


O'Driscoll

Rosencranz**, appointed title officer, Chicago; **Curtiss Ross**, appointed resident vice president and remains regional accounting officer, Cleveland; **Paul T. Sands Jr.**, appointed Ohio state manager and remains vice president, Cleveland; **Steven E. Stark**, appointed assistant vice president, Cleveland; **Jacob Yonkman**, appointed resident vice president and remains branch manager, Crown Point, IN.

The Board of Directors of **Title Insurance Company of Minnesota (Minnesota Title)** has announced the promotion of **Cheryl A. Jones** to vice president of personnel, Minneapolis, MN; **Martin R. Haller**, associate title counsel for **Minnesota Title** has been elected to the additional office of assistant vice president, Boston, MA; **Edward D. Lee** has been named New Mexico state manager, Albuquerque; **Tari M. Pekar-Willits**, vice president, has been named central division manager, Cleveland, OH; **Sue Reddy** has been elected to the position of assistant vice president and Indiana/Kentucky State manager; **Charles Solms, III**, a partner in the law firm of Eaton, Solms, Mills and McIninch in Manchester, New Hampshire, has been retained as counsel by **Minnesota Title**; **Harvey W. Webster, Jr.**, has been named Florida agency manager, Tampa.

John J. O'Driscoll was promoted to vice chairman of **Industrial Valley Title Insurance Company (IVT)**, Philadelphia, PA. Previously a senior vice president of **IVT**, he was also appointed to the Board of


Barrera


Baily


Coca


Conroy


Huber


Keffer

Continental Title Insurance Company, Haddonfield, NJ, an affiliate of **IVT**.

Martha B. Barrera has been appointed senior vice president, responsible for all phases of personnel administration at **Ticor Title**, including human resource policies, employee benefits, communications, employee relations and practices, records and national recruitment.

Commonwealth Land Title Insurance Company announces the following appointments: **Clara Louise Baily**, promoted to assistant vice president, Colorado Springs, CO; **Richard Christensen** has joined **Commonwealth** as county manager in the company's new Fresno, California branch; **Catherine J. Coca** has been promoted to assistant vice president, Colorado Springs; **Stephen M. Conroy** has been promoted to vice president, based in the company's Philadelphia headquarters; PA; **Richard D. Grab** has been promoted to assistant vice president, based in the company's St. Louis, MO office; **Earl Holzer** has been promoted to assistant vice president, Pittsburgh, PA; **Joseph W. Huber** has been promoted to assistant vice president, based in the company's Allegheny County office, Pittsburgh; **Monica Jacovelli** has been promoted to assistant title officer, based in the company's Patterson, NJ office; **Charles J. Keffer Jr.** has been promoted to vice president. **Keffer**, who is also the Pittsburgh, Pennsylvania branch manager, is responsible for all company operations in Allegheny


Mellion


Pew

County. **Michael B. Mellion** has joined **Commonwealth** as Rhode Island State counsel. Based in the company's Providence office, **Mellion** is responsible for claims administration and underwriting activities for agency and direct operations throughout the state; **Lawrence W. Pew** has been promoted to assistant vice president, based in the company's Colorado Springs office. **Pew** is responsible for the Colorado Springs title plant and production. He also serves as assistant branch manager.

In conjunction with the recent increase in company ownership by local management, **Landmark Title, Inc.** has elected four new Board of Directors. **Landmark** President and Chief Executive Officer **Michael Massey**, attorney **Michael Ryan** and **Robert Anderson**, vice president, Stewart Title Guaranty Company, have been joined on the company's Board of Directors by **Roger Archambault**, vice president, Fleet Bank; **Peter Rotch**, partner, McLane, Graf, Raulerson and Middleton; **Scott Sutherland**, president, Colonial Capital Corporation; and **Rand Zimmerman**, vice president, First New Hampshire Exeter Banking Company.

American Realty Title Assurance Company (ARTA) is pleased to announce the promotion of **William S. Evans** to vice president, agency division, Columbus, OH. **Evans** will assume the overall management of the agency division, which includes eight states and over 5.3 million dollars in sales.

Gilbert Lebovitz has


Taylor


Steele


Champagne


VanBuskirk


Walker


Matranga

been promoted to regional counsel in New England for **First American Title Insurance Company**. **Lebovitz** has been Connecticut state counsel for almost four years. He now has the added responsibility for Rhode Island. **Rowan H. Taylor Jr.** has been appointed vice president-state manager in Mississippi for **First American**.

Lawyers Title Insurance Corporation announces that its wholly owned subsidiary, **Lawyers Title Agency, Inc.**, has been made a branch of the company. **Mark A. Steele** has been appointed branch manager, Fredericksburg, VA.

Lawyers Title Insurance Corporation announces the appointment of **Philip M. Champagne** as commercial transaction counsel in the company's Rhode Island state office, Providence; **Frank T. McCormick** as Virginia state manager, assigned to the company's Virginia state office, Richmond; **W.E. Mullens** has been appointed manager of the company's branch in Atlanta, GA; **Lisa K. Tully** has been appointed title attorney in the company's branch office in Richmond, VA; **Debra J. VanBuskirk** has been appointed regional quality control coordinator. She transferred from the company's Richmond, Virginia branch to its national headquarters, also in Richmond, to assume her new position. **J. Robert Walker** has been appointed vice-president-marketing operations, assigned to national headquarters.

Larry Joe Matranga and **Al Chittick** have been appointed to top executive positions in the


Chittick


Broffman


Ferguson

Orange County office of **World Title Company**. **Matranga**, a founder and corporate vice president of the company, was named Orange County sales manager and will oversee all sales activities at **WTC** headquarter's. **Chittick** was promoted to a corporate vice president of the company and will continue as a sales executive in Orange County.

Fidelity National Title Insurance Company has named **William M. Broffman** of Newport Beach to the position of vice president, human relations and risk management, Irvine, CA; **Barbara Ferguson** has been promoted to vice president, banking administration for the company, Irvine.

Judi S. Gonshak has joined **Fidelity National Title Agency of Maricopa County** in the escrow department of its North Scottsdale office, Phoenix, AZ. **Joy Vanderluit** and **Linda Barkus** have been given expanded responsibilities at **Fidelity's North Scottsdale** office. Both **Vanderluit** and **Barkus** have been with **Fidelity** since June of 1988.

Virginia M. Cross has been named vice president, southwest region, by **Attorneys' Title Insurance Fund, Inc.** She will oversee the company's regional title information and title insurance operations for 15 Florida counties. **Charles Garner** has been named manager of **Attorneys' Title** Volusia County branch office. As branch manager, **Garner** will be responsible for directing the operation of the Volusia County Branch.

NEW ALTA MEMBERS

(The names listed in parentheses are recruiters who have now qualified for membership in the ALTA President's Club.)

ACTIVE

Alabama

Titlechek, Inc., Birmingham, (Paul Dickard, Jr., Transamerica Title Ins. Agency, The Woodlands, TX)

California

Southern California Title Company, Encino, (Louis Balocca, Continental Land Title Co., Van Nuys, CA)

District of Columbia

Attorneys Title Corp., (Paul Dickard, Jr., Transamerica Title Ins. Agency, The Woodlands, TX)

Florida

Acadian Research, Inc., Riverview

First Title & Abstract of the Florida Keys, Inc., Key West, (J. Herman Dance, Goldcoast Title Company, Boca Raton, FL)

Girard Title Co., Homestead (William Randol, National Title Ins. Co., Miami, FL)

Okee-Tantie Title Co., Inc., Okeechobee (Bobby L. Anderson, T.A. Title Ins. Co., Palm Harbour, FL)

Terra Title Company, Miami (Paul Dickard, Jr., Transamerica Title Inc. Agency, The Woodlands, TX)

Illinois

Near North National Title Corporation, Chicago, (James Costello, First American Title Ins. Co., Chicago, IL)

Maryland

Marantha Title Services, Inc., Crofton

Massachusettes

Carole A. Moore, Waquoit

Michigan

Muskegon Metropolitan Title Co., Muskegon, (Mary Isham, Michigan Land Title Association, Lansing, MI)

The Land Company of America, Gaylord, (Mary Isham, Michigan Land Title Association, Lansing, MI)

Minnesota

Titleworks, Inc., Arden Hills, (Michael J. Fonder, Commonwealth Land Title Ins. Co., Minneapolis, MN)

New York

All County Land Services, Inc., Williamsville, (Thomas F. Clark, Stewart Title Ins. Co., Syracuse, NY)

Capital Abstract & Title Agency, Inc., Syracuse, (Michael D. Doty, Pentagon Abstract & Title Agency Co., Ltd., Syracuse, NY)

Erie-Niagara Agency, Inc., Buffalo, (Robert D. Dacey, Lawyers Title Ins. Corp., White Plains, NY)

Maier Abstract Corp., Fleischmanns, (Harold Schwarz, First American Title Ins. Co., Garden City, NY)

New Mexico

Landmark Title, Inc., Clovis, (Dave Lanier, New Mexico Land Title Association, Albuquerque, NM)

Oregon

Fidelity National Title Co. of Oregon, Portland

Tennessee

First Cumberland Title Co., Crossville, (Robert Croley, Tennessee Valley Title Ins. Co., Knoxville, TN)

Texas

Kerrville Title Co., Kerrville, (Richard P. Toft, Chicago Title Ins. Co., Chicago, IL)

Utah

Coalition Title Agency, Inc., Park City

Virginia

Guardian Title Company, Fairfax, (John Waters, Commonwealth Land Title Insurance, Fairfax, VA)

Real Estate Information Service, Herndon

Wisconsin

Richland County Abstract & Title, Inc., Richland Center

ASSOCIATE

California

Jamin Hawks, San Francisco (Jack A. Marino, Jr., Ticor Title Ins., New York, NY)

Ted C. Radosevich, San Francisco (Susan Ried, Esq. Landels, Ripley & Diamond, San Francisco, CA)

Iowa

Johannah K. Kline, West Des Moines (Sidney Ramey, Peoples Abstract Co., Des Moines, IA)

REINSURANCE
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the nature of the risk and the aggregate amount of liability. For example, if the property is located in an area where the risk of a claim by an Indian tribe is high, then the amount of liability which will be retained will be less than the "normal" retention. If the transaction has an aggregate liability of $400 million, then the ceder is likely to retain more liability than "normal" because its overall share of any loss is not as great as when the entire liability is retained on a $20 million transaction.

For each transaction the reinsurance department must review the laws of the state where the insured property is located, the laws of its state of incorporation, and the customer's imposed retention limit to determine how much liability the ceder will retain and how much reinsurance to purchase.

Aggregate liability

Determining the maximum aggregate single risk is often difficult. Situations which could cause a multiple site transaction to be considered a single risk for the purpose of calculating the maximum liability include a single credit agreement, a blanket loan document, cross-collateralizing properties, a leveraged buyout, an interest rate-swap agreement, multiple parcels with a common chain of title, non-imputation of knowledge coverage and/or a tie-in (also known as cluster or spreader) endorsement.

Multiple policies issued for a single site should be reviewed to determine the ceder's aggregate liability. For example, a fee owner's policy for $20 million and a leasehold mortgagee policy in the amount of $20 million have an aggregate liability of $40 million because there is no non-cumulative provision between fee and leasehold policies as there is between owner's and mortgagee policies which insure interests in the same property. A $20 million first lien mortgagee policy issued in 1987 and a $20 million second lien mortgage policy issued today will have an aggregate liability of $40 million.

Special coverages

Certain coverages under the underlying title insurance policy, such as endorsements for shared appreciation, interest rate swaps, and variable mortgage interest rates with negative amortization, increase the liability above the amount listed in Schedule A of the policy by a specified amount. These additional amounts are included in the maximum single risk total. For example, a loan policy in the amount of $20 million which has a shared appreciation endorsement with an additional amount of insurance of $1.5 million has a total single risk of $21.5 million.

Extra-hazardous risks which usually require additional reinsurance fees include endorsements for revolving credit, a change in partnership (Fairway), usury, zoning, non-imputation of knowledge, navigational servitude assignments of beneficial interests, and doing business. In addition, the cost of reinsurance varies based on the title companies used as reinsurers. One company has begun to require additional payment for option coverage included in a loan policy, and there is no consistency in the computation of the cost for the 150 percent commercial inflation coverage.

Mechanics of obtaining reinsurance

The fax machine has really benefited title insurance reinsurance operations. For example, before the advent of the fax, a ceding company in a megabuck deal would have to telephone over 25 companies to tell them the terms of the deal in a timely fashion. This could sometimes take days. With the fax machine, the terms of a deal can be distributed automatically in a fraction of the time.

More and more frequently, ceders are faxing a uniform reinsurance offer that has been developed and is being refined by the ALTA Reinsurance Committee.

It cannot be emphasized enough that the amounts of liability retained and ceded, as well as underwriting issues, need to be disclosed to prospective reinsurers well before the closing. Too often important issues which have been the subject of numerous discussions and negotiations between the ceder's underwriting staff and the customer are not relayed to the ceder's reinsurance department and then to the reinsurers until the "money is on the wire." When that happens, valuable time may be lost if a reinsurer objects to any coverage or other aspect of the transaction.

In practice, reinsurance departments either are alerted to transactions requiring reinsurance by agents or branch offices prior to the issuance of the basic title insurance policy or by the department's review of title orders. In some instances, reinsurance is purchased after the issuance of the underlying policy. However, the goal for a ceder is to purchase reinsurance as close in time as possible to the sale of a policy so that the cost of the reinsurance can be netted against the premium income from the sale of the policy. Without such matching, there could be distortions in agency or branch income. However, in large sophisticated transactions, the customers, the lenders involved, require the reinsurance agreements, or at least marked-up binders, to be on the table at closing.

The evolution of reinsurance

As we head toward the twenty-first century, we might see changes in title reinsurance. A very few transactions have used the quaternary level of reinsurance as the size of transactions continues to escalate; some companies are exploring reinsurance outside the title industry as another source of capacity. What will continue to remain constant is the important role that reinsurance plays in the title business.

1990 AFFILIATED ASSOCIATION CONVENTIONS

April

19-21 Arkansas, Holiday Inn & Convention Center, West Memphis, AR

19-21 Oklahoma, Marriott Hotel, Oklahoma City, OK

May

3-6 Texas, Wyndham Hotel, Corpus Christi, TX

6-8 Iowa, Gateway Convention Center, Ames, IA

11-13 Virginia, Kings Mill on the James, Williamsburg, VA

16-19 California, Hyatt Regency, Monterey, CA

17-19 New Mexico, Hilton Inn, Las Cruces, NM

18-20 Palmetto, Kiawah Inn, Kiawah Island, SC

June

3-5 New Jersey, Marriott's Seaview Country Club Resort, Absecon, NJ

7-8 South Dakota, Golden Hills Resort & Convention Center, Lead, SD

7-9 Tennessee, Omni Hotel, Memphis, TN

10-12 Pennsylvania, Sheraton Lancaster Golf Resort, Lancaster, PA

14-17 New England, Samoset Resort, Rockport, ME

15 Alaska, (has not been chosen), Anchorage AK

21-23 Colorado, Village of Breckenridge, Breckenridge, CO

21-23 Oregon, The Riverhouse, Bend, OR

21-24 Illinois, Adams Mark Hotel, St. Louis, MO

July

12-14 Utah, Homestead, Midway, UT

18-20 Michigan, Grand Hotel, Mackinac Island, MI

19-21 Wyoming, (has not been chosen), Evanston, WY

August

2-4 Idaho, Templins Resort, Post Falls, ID

9-12 North Carolina, Great Smokies Hilton, Asheville, NC

16-18 Montana, Copper King Inn, Butte, MT

17-19 Kansas, Holidome, Salina, KS

23-25 Minnesota, Radisson Hotel, Duluth, MN

September

6-8 Dixie, Westin Canal Place, New Orleans, LA

6-9 Missouri, Adams Mark Hotel, St. Louis, MO

9-11 Ohio, New Market Hilton Hotel, Canton, OH

13-14 Wisconsin, Paper Valley Hotel, Appleton, WI

13-15 North Dakota, Comfort Inn & Elks Lodge, Wahpeton, ND

14-16 Maryland, Sheraton, Ocean City, MD

15-18 Indiana, Omni-Severin Hotel, Indianapolis, IN

16-19 New York, The Sagamore on Lake George, Bolton Landing, NY

23-26 Washington, The Inn at SEMI-AH-MOO, Blaine, WA

26-28 Nebraska, Ramada Inn, Kearney, NE

Mid-late September Nevada, (date and site has not been chosen), Mesquite, NV

November

1-3 Arizona, (has not been chosen), Scottsdale, AZ

14-17 Florida, Buena Vista Palace, Orlando, FL

December

7 Louisiana, Meridian Hotel, New Orleans, LA

District of Columbia—not yet scheduled

AN EVENT FOR EXPERIENCED TITLE PROFESSIONALS

WHAT: Educational Course—Advanced Issues in Title Insurance Underwriting Sponsored by American Land Title Association/Maryland Land Title Association

WHEN: Thursday afternoon and Friday morning, May 3 and 4, 1990

WHERE: Baltimore Marriott Inner Harbor Hotel, Baltimore, Maryland

MORE INFORMATION? Call or write Patricia L. Berman, ALTA, 1828 L Street, N.W., Suite 705, Washington, D.C. 20036, (202-296-3671)

A TITLEPROFILE

Jeffrey M. Dreifuss,
Executive Vice President

Rosemary G. Hall
Settlement Coordinator
Linda O. Crawford
Chief Processor

Company: The Sentinel Title Corporation
Location: Columbia, Maryland Branch
Executive: Jeffrey M. Dreifuss
Education: J.D., University of Baltimore
Favorites:
Author: J.D. Salinger
Sport: Skiing and Golf
Vacation: Any ski resort in Colorado
Family: Wife, Susan, and children, Joshua, Daniel, and Sarah
Hobby: Camping
Computer System: TITLEPRO
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CALENDAR OF MEETINGS

1990

April 4-6 ALTA Mid-Year Convention, Hotel Inter-Continental, New Orleans, Louisiana

April 22-24 Title Counsel Group, Washington Duke Inn, Durham, North Carolina

April 29-May 1 ALTA Eastern Regional Title Insurance Executives Meeting, The Greenbrier, White Sulphur Springs, West Virginia

June 6 ALTA Board of Governors, The Broadmoor, Colorado Springs, Colorado

June 7-8 ALTA Southwest Regional Title Insurance Executives, The Broadmoor, Colorado Springs, Colorado

September 30-October 3 ALTA Annual Convention, Hyatt Regency, Chicago, Illinois

1991

January 14 ALTA Board of Governors, Quail Lodge, Carmel, California

April 10-12 ALTA Mid-Year Convention, San Diego Marriott Hotel and Marina, San Diego, California

September 25-28 ALTA Annual Convention, The Westin Copley Place, Boston, Massachusetts

1992

March 25-27 ALTA Mid-Year Convention, The Mayflower Hotel, Washington, DC

October 14-17 ALTA Annual Convention, Hyatt Regency and Maui Marriott, Maui, Hawaii

1993

March 24-26 ALTA Mid-Year Convention, The Westin Peachtree Plaza, Atlanta, Georgia

1990
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APRIL 4-6, 1990
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Travel Advisors

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