

A Return to Earth

Boosting the share price of a title insurance company isn't easy. Investors see it for what it is and treat it like a public utility or, at best, a pre-war bank.

But for a heady dozen years the major title insurers had it better. A once-in-a-century combination of soaring property values, low rates, and a world thirsty for U.S. mortgage securities pushed title insurance revenues out of sight. Title policies came churning out at a 12- to 15-million annual clip. As housing prices soared, so did premiums. With labor costs steady, profits rose.

Inevitably, the major insurers began to look like growth stocks, like players. Each reacted differently.

Stewart, cautious and thrifty, opted to remain cool. Old Republic, a holding of a reclusive insurer with its own problems, clung to its zones of comfort. LandAmerica, while it lasted, liked the idea of playing but had chosen a real-estate-transactions-only focus which turned out to have limited strategic possibilities. And then it was on to auction rate securities.

That left Fidelity National and First American.

Fidelity National's chairman, William P. Foley, II, a compulsive acquirer, was in his element, buying companies like cigars. Some were the kind of thing one learns about late at night in bars – already broke, out-of-the-mainstream line of work, weird concept, or all of the above. Leave it to Mr. Foley to see the value and make them work. If they were a fit, fine, he'd fit them in. If not, they were cleaned up, brushed off, whacked down to size, made profitable, and made ready to be dealt, something Mr. Foley never hurries. The ones which fit were agglomerated into clusters, mainly providing services and apps for lenders. Mr. Foley will tell you he knows nothing about computers. Don't believe him; he knows enough.

First American, born in the county every title company would die to be born in, disdained computers as the automation age accelerated but when they finally caught on they caught on, moving swiftly from the least automated major to the most. Chairman Parker Kennedy set a mission to control title industry information. Recorded documents, images of them, indexes of them, title plants of them, were early projects. Then databases of all kinds became the mission, first of title information and then those needed by landlords, employers, merchants. Sophisticated analytics followed and are these now-independent units' distinguishing focus today.

Why this history? Their tech units spun off, these title companies are title companies once again. 'Growth stocks' and 'players' they no longer are. True, the SEC and the media recognize no constituency other than shareholders, all of whom are presumed to be profit-seeking investors – day-traders, even – and demand they be catered to as such.

But, maybe, just maybe, these fine old companies will defy all that and start remembering their roots and that ancient time when other constituencies were also important. The big broad real property universe which depends on them so heavily for stability, character, and intelligent growth. Customers, employees, policyholders. Communities. ♣

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