



Your Subscription

SEARCH



OCTOBER RESEARCH



STORE

WELCOME emorgan

LOGOUT

# THE TITLE REPORT

Market Intelligence for the Title Insurance Industry



NEWS BY TOPIC

NEWS BY EDITION

SPECIAL REPORTS

RESOURCES

E-NEWS UPDATES

ABOUT

STORE

The Title Report &gt; News &gt; Attorneys Title rethinks underwriting, policy-issuing business model

## Attorneys Title rethinks underwriting, policy-issuing business model

Share Email Printer Friendly Text 1 comments

Monday, January 07, 2013

By: **Chris Crowell**

Exclusive

When LDD Corp. took an interest in Attorneys Title Guaranty Fund (ATGF) of Colorado in 2010, the company was feeling the full impact of the economic turmoil that started in 2007: the mortgage market collapse, the spike in claims, the rise of defalcations. It was an environment that begged for new ideas and Maurizio Romanin, president and chief executive officer of LDD, and his team made a conscious decision to change everything that didn't make sense throughout the ATGF business model — without having a negative impact on the independent agent base.

"We can't afford to have people scanning and trying to match \$100 checks to policies," he said, "The administrative and back office overhead of running this type of business was prohibitive. If you're going to spend money in your business, you want it to bring you more revenue; you don't want to spend it in back office administration."

These weren't new revelations for Romanin who had been chairman of the real property section of the Ontario Bar Association in Toronto, Canada. He had created a more automated title underwriting process in Canada 10 years earlier that is still being used to this day. The implementation of that process in Canada had a dramatic impetus as well. As Romanin recalls, Canada essentially had no title insurance system until First American came in to develop one in 1995. The title business escalated quickly. The top lenders in the country controlled about 75 percent of the mortgage market and when they shifted to title insurance, away from the traditional attorney-based work, it left Romanin looking for answers.

"About 500,000 refinance transactions were off the plate of attorneys," Romanin said. "We were in a state of shock here because there was a wholesale shift and it happened quickly because of the concentration of the business."

This led to the creation of TitlePLUS, Canada's attorney-based title insurance product. During the research process, Romanin and his team started to identify parts of the popular business model that didn't make sense to them — specifically with the underwriter's back office and administrative functions.

"I was struggling with how they did it in the U.S.," he said. "How can they get a \$300 premium, take all of that risk on and have human beings handle it? The minute you have a human handle a file for you, where do you make money unless they all make \$3 an hour?"

Romanin worked on a system that removed much of that back office element and TitlePLUS has used it ever since its 1997 implementation. When Romanin, now chairman of the board of ATGF,

**\$35 Deeds.**

title transfers simplified since 1997

- ✓ UPL Compliant.
- ✓ 1-Hour Service Available.
- ✓ State & County Forms.

& ALTA'S BEST PRACTICES

One Source... Many Solutions

(click for more information)

**MORTGAGE DISCLOSURE FORMS TRAINING**

**WEBINAR SERIES**

**\$30 SAVINGS** When you order the series

Sponsored by

### Take our current Poll

How do you typically read TheTitleReport.com?

- Smartphone
- Tablet
- Desktop/Laptop

**OCTOBER STORE**  
octoberstore.com

Recent Webinar

### Regulatory Outlook 2014:

Compliance, Enforcement and Pressure Points

This in-depth training featured two top

gained controlling interest in the company in late 2010, his team used its Canadian system as a blueprint and created a new version of its web-based Electronic Policy Insurance Capability (EPIC).

A quick number that illustrates the virtues of the system from ATGF's perspective: From 2009 to 2012, there has been a 47 percent reduction in personnel expenses.

### The automation capabilities of EPIC

EPIC is an automated system that distributes the policies and underwrites the product at the same time. Title agents and underwriters are both accessing the same web-based system that ATGF hosts and configures to minimize as much of the back office human interaction as possible. The hope is to not only reduce their fixed expenses but also improve their agent service, underwriting, agency base and reduce the overall risks inherent in doing business.

The only way for an agent to open a file and get an ATGF policy is through the system, and the built-in rules and algorithms of the system police the process — a system that mainly relied on policy numbers to police the process wasn't enough. An early version of EPIC was a jacket system, but there was still a lot of manual work and there wasn't any insight into what the agents were doing on their desktops.



An example of how the new version of EPIC automates the process: ATGF requires an E&O policy from all of its agents. The policy expiration date of each agent's policy is tied to the account. Leading up to the expiration they get reminders that they need to renew their policy and update ATGF with the new information. If ATGF isn't alerted of a new policy, that agent can no longer open up new files within the system. The same automated system applies to licensing and other requirements. ATGF then has an agent base that meets its requirements without the need for an administrative follow-up. The process also plays into today's broader risk-reduction/vetting/regulation conversations.

"We can change, for instance, their policy limits so that once that limit is exceeded the policy application is moved to a manual review," Romanin said. If an agent has a certain number of issued files open and is falling behind in remittances, that's another manual review trigger. Those triggers are all customizable by ATGF for each agent.

Another example of the automation: a title agent gets into the system and enters information about the transaction. All of those pieces of information trigger decisions regarding the effective date of the policy, the adjustments, requirements and exceptions, and all other underwriting judgments that can be automated based on the initial data.

"If you try to issue a commitment with no requirements or exceptions, it's going to trigger a manual review," Romanin said. "You'll have to explain to our analysts why you are doing it. We can impose whatever levels of underwriting analysis we want to impose."

The next phase of the system is creating risk algorithms for each agent that track all kinds of habits and usage data. Also, ATGF will look to direct debits instead of checks for remittances. In Canada, they no longer take manual payments.

"This is all made easily available once we're all working on the same system. The agent has direct access to underwriters, analysts and productivity enhancing tools right from EPIC," he said.

### Title agents

For title agents, they must overcome the decades spent doing things a different way and face yet another request from an underwriter to change up the way business is done. But just as ATGF felt the business need to overhaul their previous way of operation, title agents today also understand the volatile business environment. Between the consumer financial protection bureau, industry consolidation, remittance requirements and now third-party vetting companies, the role of the independent title agent is in a precarious position. A solution like EPIC might just be what the doctor ordered to steady the title agent waters. Title insurance rating firm Demotech had a similar thought about the technology, which is why it specifically called it out when affirming the company's rating.



compliance attorneys who educated participants on significant regulations impacting the mortgage, title and settlement services industries in 2014.

PUBLICATIONS | WEBINARS | SPECIAL REPORTS

"Independent agents have to start to understand for their own sake that they need to find ways to streamline this process," Romanin said. "They can't just say 'I don't want to change' because they'll find themselves out of business. EPIC was introduced to help maintain the role of independent agents."

ATGF management was concerned about how such a widespread migration would work. Many of ATGF's agents resisted the changes at first, but there are some noticeable improvements in workflow. EPIC can aid in document preparation and issue policies with a minimum level of interaction from an underwriter. The web-based system means less of a hosting/IT burden on the agent.

Another aspect of EPIC is the ability to facilitate agent interaction with larger organizations, including financial institutions and vetting companies.

"If this vetting thing moves forward, ATGF will meet with the vetting companies and say, 'Here is what all of our agents have. Here's your checklist. We can guarantee they all have these coverages,'" Romanin said. "I don't care how big you are, you can't do better from a service level than a small business guy. ... By using the combined might of all our agents, this gives us economies of scale to be a real player in this business for our agents."

#### Related Articles

[Technology as a Compliance Tool special report available for free download](#)

[Fitch outlook sees a boost for U.S. homebuilding in 2014](#)

[ALTA names director of government affairs](#)

[Title Alliance launches internal cloud-based portal](#)

[Demotech co-founder named one of 20 People to Know in Insurance](#)

Your Rating: ☆☆☆☆☆

#### Popularity:

This article has been viewed **1780** times.



#### COMMENT BOX DISCLAIMER:

October Research is not responsible for the comments posted on its websites by readers. We will do our best to remove comments that include profanity or personal attacks or other inappropriate comments.

#### Comments:

Monday, January 07, 2013 by lweltzer@heritagetco.com

The theory behind bar related title insurance has been that the involvement of an attorney in a real estate transaction (which can have profound effects on the legal rights and obligations of the parties) would afford greater protection to the parties. In addition, it would also serve to make the whole process seem more "professional." That seemed to be true, at least to some extent, until recently. For the past 10-15 years, though, ATGF has changed its business model to such a degree that it is now indistinguishable from other large underwriter. Automation and personnel reduction is rapidly decreasing the professionalism of the entire title insurance industry.

Leave your comment

CAPTCHA Validation

