In The Title CORNER

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OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY

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A laminated copy of the revised Lien Table is available from your Agency rep.

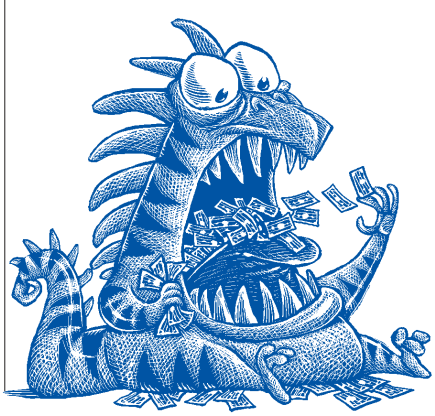
Are You Supporting Your Competition?

Scott Pierce, Southeast Region Manager

Retail shops, direct operations, company-owned offices - whatever the name, underwriter closing offices competing for the same customers as their agents have been around for some time. Some bear the name of the underwriter while others operate under a more local name. Over the last two years there has been an abundance of business, so no one appeared to mind this competition. Now that the refinance business has slowed, the situation has changed. Competition is more noticeable, as are some of the tactics.

Within the last two months, a number of agents have called to relay stories and complain that one or more of their developer/builder customers have been approached by an underwriter closing office offering a rebate of the premium in order to get the business. In one case, the agent related that the builder would get 30% of the premium. Needless to say, the agent could not afford to close transactions for only 40% of the premium they would normally receive.

In another circumstance, an attorney agent who handled a developer's commercial business received a call from his client. The client said that an underwriter direct closing branch was willing to rebate back to him 50% of the premium on the residential transactions now being closed by another agent if he would switch the commercial business from our attorney agent to that underwriter branch. If he did that, they would also rebate to the developer 50% on the commercial business.



Although perhaps somewhat appalling, such activity is allowed due to the Supreme Court's decision in the *Butler* case. However, the issue here is more than just the fact that an underwriter has deeper pockets and a "30% edge" to begin with. That's always been the case. My concern is, "What does such rebating and special pricing say about justifying our rate structure?" If this becomes the norm, the agents have more to worry about than just competition from underwriters. The rate structure itself could be in serious jeopardy.

In 2002, four national underwriters in Florida reported to the NAIC that over 25% of their Florida premium came from either Direct Offices or Affiliated Agents in which the underwriter owned 10% or more interest in that agency. The numbers for 2003 will be made public in a few months and we will pass them on.

Agents do have a choice as to which underwriter's policy to issue. Please remember that when you see your underwriter's sales rep coming out of your customer's door as you are going in.