

Adapting in the Face of Uncontrollable Forces: A Discussion of Dynamics in the Florida Real Estate market and the World of Title Insurance

1 hour CE (Ethics),

1 hour CLE (General, Real Estate, Technology, Professionalism)

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CE Course Number: 130729

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David Sinclair

President and CEO

Alliant National Title Insurance Company

David Sinclair joined Alliant National Title Insurance Company in 2011 and became President and CEO in 2019. During his time with the company, David has helped grow Alliant National from supporting a handful of independent agents to serving thousands of title professionals in 32 states and the District of Columbia.

With nearly 30 years of experience in strategic technology and operational management, David guides and implements Alliant National's corporate strategic plan and develops new capabilities to support the company's expansion. He leads with a commitment to authentic and collaborative leadership.

David's dedication to leadership and mentorship extended into academia as a lecturer at the University of Colorado at Boulder, where he taught the Socially Responsible Enterprise (SRE) course in the MBA core curriculum.

David holds a Bachelor of Arts degree in Business Administration from the State University of Buffalo and a Master of Business Administration degree from the University of Notre Dame. Additionally, he has an Authentic Leadership Certificate from Naropa University and has served on the Technology Committee for the American Land Title Association.

David resides in Boulder, Colorado, and enjoys photography, hiking, and traveling the world.



OVERVIEW

Name of Provider: Alliant National Title Insurance Company

Name of Course: Adapting in the Face of Uncontrollable Forces: A Discussion of Dynamics in the Florida Real Estate market and the World of Title Insurance.

Targeted audience: Florida Title Insurance Agents and other Title Insurance Professionals

Course Objectives:

The real estate market is undergoing turmoil and disruption. It is the basis of the title insurance industry and understanding the forces at play can help to alleviate the uncertainty and provide a foundation for adapting. Many individuals struggle with the complexity and finding a structure to evaluate and act on our anxiety helps to ensure that we provide an optimal real estate transaction experience for consumers while meeting our regulatory obligations.

Course Relevance:

This course will provide an overview of the five market forces outlined in Michael Porter's seminal work. It will address the concepts of the pace of change and how our obligations root us and give us confidence in the value of title insurance. Concepts relating to AI, technical advancements, M&A, fraud, and other new tools will be explored. Understanding and preventing fraud is a key focus of this presentation and will be given much attention. Finally, the need for robust partnerships across the value chain and how the underwriter-agency relationship is crucial for adapting will also be discussed throughout.

Study Method: Classroom



OUTLINE

- | | |
|--|-------------------|
| I. Introduction, Overview, and Partnership | 10 Minutes |
| II. Key Elements Framed as Porter's 5 Forces | 45 minutes |
| • Force: New Entrants | |
| › 2nd force: Power of Suppliers | |
| › 3rd force: Power of Buyers | |
| › 4th force: Substitute Products | |
| › 5th force: Competitive Rivalry | |
| • Other forces: Unique to Title Insurance | |
| › Regulatory changes | |
| › Fraud | |
| › AI | |
| III. Questions & Answers | 5 minutes |

Total Instruction Time - **60 minutes**



INTRODUCTION, OVERVIEW, AND PARTNERSHIP

- What we do, and what we don't do

624.608 "Title insurance" is:

1. Insurance of owners of real property or others having an interest in real property or contractual interest derived therefrom, or liens or encumbrances on real property, against loss by encumbrance, or defective titles, or invalidity, or adverse claim to title; or
2. Insurance of owners and secured parties of the existence, attachment, perfection, and priority of security interests in personal property under the Uniform Commercial Code.

627.786 Transaction of title insurance and any other kind of insurance prohibited.

1. An insurer may not transact title insurance and any other kind of insurance in this state.

- Pace of change is accelerating
- Accepting that change is natural:
 - › Every day is different from the day before and different from tomorrow
 - › Artificial Intelligence (AI) and automation technologies will replace certain types of work
 - › Incorporate the Infinite Game
- Highlight and summarize Porter's 5 competitive forces that shape a market and drive the need to adapt:
 - › New entrants
 - › Power of suppliers
 - › Power of buyers
 - › Substitute products
 - › Competitor Rivalry
 - › Adding a 6th category of "Other Pressures"



- Likely 3 postures in the face of those forces:
 - › Putty that is shaped only by exterior forces
 - › Stone that is inflexible and rigid
 - › Water that can easily navigate
- Consider the importance of “Adaptability”
 - › Organizations
 - › Individuals
 - » Resistance to change
 - » Temperaments, Skills, Education, and Mindset
 - › Teamwork, partnership, and community to accelerate and adapt quickly
- Partnering with Alliant National on this journey
 - › Building enduring relationships with independent agents
 - › Providing tools designed with you in mind
 - › Servicing to our agents in the ways that are helpful
 - › Advocating for the title industry and independent agents
 - › Honoring our values of Care + Competency + Commitments to build Trust
 - › Clearly understanding that services provided by agents are different from underwriters, although they may be enabled by the underwriter.



PORTER'S FIVE FORCES

1st Force: New Entrants

- Theoretical Factors:
 - › Economies of scale
 - › Government regulations
 - › Barriers to entry
- Consolidation of Underwriters (TRG acquisition of Doma/NATIC)
- Captive Underwriters
- Real Estate Brokers
- Lenders
- Builders

2nd Force: Power of Suppliers

- Theoretical Factors:
 - › Number of suppliers
 - › Uniqueness of their products
 - › Level of switching costs
- Core technology tools are consolidating
 - › AccuTitle acquisition of Closers' Choice and Landtech
 - › ORT acquisition of E-Closing in addition to RamQuest
 - › Qualia acquisition of Resware



- Quick, digital access to public records is consolidated and limited
 - › Property Insight owned by Fidelity
 - › DataTrace owned by First American
- New technology tools that are complex and difficult to operate as a holistic system
 - › E-signing
 - › Remote On-line Notarization
 - › Buyer/Seller verification
 - › Anti-phishing
 - › Encrypted communication
- A method to evaluate, select, and implement the best tools to navigate forward

3rd Force: Power of Buyers

- Theoretical Factors:
 - › Number of buyers:
 - » Population trends
 - » Housing starts
 - » Single-family home inventory
 - › Level of switching costs
 - » A method to encourage lender, broker, and consumer stickiness
 - › Availability of substitutes



- › Preferences and expectations:
 - » Digital first
 - » Quick, easy, or cheap (pick 3)

4th Force: Substitute Products

- Theoretical Factors:
 - › Price of substitutes
 - › Quality of substitutes
- No title insurance
 - › HELOC below \$250,000
 - › Refinance after 5 years of ownership
- Attorney Opinion Letters

627.784 *Casualty title insurance prohibited. A title insurance policy or guarantee of title may not be issued without regard to the possible existence of adverse matters or defects of title.*

- United Wholesale Mortgage (#1 mortgage lender in U.S. through brokers)

5th Force: Rivalry among Competitors

- Theoretical Factors:
 - › Number of competitors
 - › Degree of differentiation



- A method to differentiate when the final product is identical
 - › **Marketing Team**
 - » Website
 - » Social media posting, following, chatbot, other interaction
 - » Videos
 - » Using known data: Resale and referral opportunities
 - › Where, how, and when the customer demands
 - › Faster, Cheaper, and Better
- A story of Innovating with the University of Colorado to research AI tools
 - › Localized short-term real estate outlook
 - › Title pre-commitment (getting a high-level preview)
 - › Support our underwriting team to answer questions more quickly
 - › Understanding the national market for independent title agents

6th Force: Other known Pressures

- Review a competitive market map
- Natural disasters are looming (**HR/Agency Teams**) – let's quickly look at a summary from NOAA
- Loss of expertise as generational changes occur
 - › Underwriting Associates Program
- Federal reserve rate setting
- Cost of property insurance
- NAR settlement impacting order flow



- Challenges to title insurance rates
 - › **Agency and Underwriting Teams:** We love to advocate for independent title agencies. It's in our bones. Our own Rodney Anderson just completed his term as President of the Texas Land Title Association (TLTA), KC West is the current President of the Oklahoma Land Title Association (OLTA), Jeff Stein is the prior President of the Florida Land Title Association (FLTA) and Margaret Cook is the prior President of the Land Title Association of Colorado (LTAC).
- Compliance Team:
 - › Regulatory Reporting
 - » FinCEN GTO are expanding
 - » CFPB RFI
 - › NAIC cyber-security requirements
- Technologies are rapidly changing, and AI is everywhere
 - › AI prompt-engineering refers to how to ask questions and get good answers
 - » *What are the functions of a title insurance agency that are likely to be displaced by AI?*
 - » *What are the 3 key steps to take to encourage people to use AI?*
 - » *Write a draft AI policy focusing on security, protection of personal information, and risks of non-compliance with government rules.*
- Fraud is costly both financially and reputationally.
 - › Fraud (or misappropriation) by a title agency

627.786 *Transaction of title insurance and any other kind of insurance prohibited.*

(3) *...a title insurer [may] provid[e] instruments to any prospective insured, in the form and content approved by the office, under which the title insurer assumes liability for **loss due to the fraud** of, dishonesty of, misappropriation of funds by, or failure to comply with written closing instructions by, its contract agents, agencies, or approved attorneys in connection with a real property transaction for which the title insurer is to issue a title insurance policy.*



- › Fraud in the transaction

626.8473 Escrow; trust fund.

(6) In the event that the department promulgates rules necessary to implement the requirements of this section pursuant to s. 624.308, the department shall consider reasonable standards necessary for the protection of funds held in trust, including, but not limited to, **standards for accounting of funds, standards for receipt and disbursement of funds, and protection for the person or persons to whom the funds are to be disbursed.**

- › Anticipating the future where all transactions run through:
 - » ID verification using advanced tools.
 - » Automated bank account verification.
 - » Secure communications with a wide range of parties.
- › Some tools including CertifID, Intellicheck, ClosingLock
- › Our Secure My Transaction tool is ready for service
- › Be sure you have appropriate insurance and the policies and procedures to ensure coverage (**Risk Team**)

QUESTIONS AND SUMMARY

- Porter's 5 forces are always at play
- The wildcard of the 6th group is dynamic
- Recognize and work with your own resistance to change
- Call on the resources at Alliant National to help

