

# FeeSimpleHosting:

## Objections, Questions, and Comments; Working Group Responses

### **1. Our company is already doing what FSH proposes.**

Many companies, large and small, underwriter and agent, save and index prior policies, and occasionally share them. But no single company's prior policy system, no matter how extensive or ingenious or expensive, can produce more than a small fraction of the benefits FeeSimpleHosting produces.

### **2. We're a big company, we've been in business a long time, and we have a lot of back policies. We'd get very little benefit from FSH.**

This is not true. As a matter of fact, the more business a company does the more it benefits.

FSH will make available the last policy issued on every property in America, something of enormous value and something far beyond the capability of any company in the nation, regardless of size.

A company's likelihood of having issued the last policy on a given property is roughly the same as its market share. At a 25% market share a company has a 25% chance, one chance in four, of having issued the last policy. FSH will make available to that company the *entire* store of "last policies," four times as many, the entire 100%, in a system much faster, more reliable, and more automated.

Armed with a steady stream of "last policies," the vast majority of new searches will be one-owner searches, finding nothing new of record. This is a highly significant statement with vast implications. Even veteran title people will have to sit down and carefully analyze what it means, how it will change their business and their industry and their ability to serve customers.

### **3. FSH is not in our strategic direction.**

FSH has nothing to do with strategic direction. FSH reduces production costs. That's it. What company would argue that reducing costs is inconsistent with its objectives? What company would argue that keeping costs high is part of its business plan?

On the other hand, FSH is very much in the strategic interests of the title industry as a whole. The country is demanding that it modernize. Reducing the amount of human labor required to process

title insurance is critical. FeeSimpleHosting is the single most significant opportunity to reduce human labor the industry has ever been offered.

#### **4. Won't the Justice Department and the FTC disapprove of FSH?**

Quite the contrary. The FSH Working Group examined this subject before embarking on the development of the FeeSimpleHosting concept. Anti-trust counsel has the opinion the Justice Department and the Federal Trade Commission will not only approve FSH, they will actively embrace and encourage it. FSH is precisely the kind of open, industry-wide "exclusive facility" now being built in many industries. Critical to this result was the Working Group's determination to make FSH open to all title insurers on the same basis.

#### **5. We use back policies to recruit new agents, thereby increasing our market share. FSH would nullify that advantage.**

Market share gains derived from sharing policies, a practice engaged in by virtually every underwriter, are invariably local and temporary, and last only until competitors follow suit. Recent campaigns by very large underwriters have been copied almost immediately. Policies made available are few when compared with FSH, many are old, and all are in outmoded file formats.

Looked at from a global and long term perspective, FSH's benefits far outweigh the benefits any single company can obtain by sharing its files.

#### **6. We have lower costs than our competitors. FSH would level a playing field currently tilted in our favor.**

A correct statement would be that FSH adjusts the playing field downward for everyone, and equally. FSH has an arithmetical effect on costs, lowering title production costs by a fixed amount. If your production costs are lower than your competitor's before FSH, they'll be lower after FSH, and by about the same amount.

#### **7. FSH would make it too easy for new competitors to enter the business.**

The fear that a flood of new players will enter the title business is totally unfounded. Individuals enter the title business because they control sources of business, not because one component of their production costs will be lower than it used to be, and the same for them as for existing companies.

FSH will make a very difficult business less difficult, more streamlined, and with lower risks. It's the kind of modernization every industry expects on a regular basis and is long overdue in the title industry.

## **8. Why should we contribute our millions of prior files for our tiny competitors to use while they contribute almost nothing themselves?**

What you ask sounds logical but it is exactly backwards. You will get much more benefit from your competitors' files than they will get from yours. You will use FSH to earn millions more in profits while they earn much less. They are the ones who could have cause to complain.

Here's why. The benefits of FSH come in two ways. First, from retrieving prior policy files, thereby reducing production costs. Each retrieval confers a cash benefit on the retriever. The more files a company retrieves the more cash benefits it receives. A company doing 100 deals a day receives a hundred times more benefit than a company doing one deal a day.

You complain because you believe your competitor gets something of value when he obtains *access* to your files. He does not. He gets a benefit only when he *retrieves* one and *uses* it. Mere access has no cash value of any kind.

So, put simply, the more business you do the more you benefit. The more business you do the more of your competitors' files you use. In reality you will be taking advantage of your small competitors much more than they will be taking advantage of you. You will use hundreds of their policies each month while they will each use only a handful of yours.

Again, the bigger the company, whether underwriter or agent, the more benefit it derives from FSH.

Also keep in mind that your obligation to load policies under FSH applies only to go-forward policies. If you believe your millions of back files are so valuable, don't post them.

If you don't post them, however, you will be denying yourself the second benefit of FSH, which comes from being paid for files you post when retrieved by others. A million good files posted by you has the possibility of giving you \$10 million in policy information fees. Ten million good files, not a high number in today's environment, might bring you \$100 million.

## **9. We have doubts about the \$100 per file cost savings which FSH claims.**

It's a good number. Yes, it's an average with wide variations on either side. Yes it's an estimate, but it's a thoughtfully considered one.

Beyond the basic cost-reducing effect of a prior policy, this number takes into account FSH's ease of archiving, its retrieval speed, its machine-readable text format, its automatable nature, its integratability with other systems, its elimination of existing archiving systems, and the fact that when mature it will deliver the last issued policy every time.

## **10. The \$28 retrieval fee is too high.**

The FSH pricing formula is carefully designed to be even-handed and fair, to create incentives for participation while preserving very large process savings for issuing offices.

Note that \$20 of the \$28 fee is re-circulated right back into the industry, rewarding issuing offices and underwriters for posting policies. For older firms with large collections of back policies and high market shares, these payments will be a considerable stream of income.

So the actual net cost to operate the vast FSH system will be \$8.00 per file. Note, too, that offices pay only that \$8.00 for retrieving policies they themselves posted.

Note, too, that retrieval is always optional: an office which believes it has a better way to get a particular job done is free to use it. FSH is confident that over the long term it will prove superior to all other systems, and prevail.

And, last, the \$28 fee is well within the range of fees charged for prior policies in those local markets where formal automated file sharing systems are in place today.

### **11. FSH would bring big dollar benefits to us but also to our competitors. We object to anything that would help our competitors.**

This is a case where everyone will have to benefit if anyone is to benefit. There is no other way. FSH is structured to distribute its benefits fully, fairly, and equitably to everyone, big and small, underwriter and agent.

FSH calls for the same progressive and cooperative outlook that led to common policy forms sixty years ago, joint title plants thirty years ago, and the numerous instances of cooperation among competitors commonly seen today.

**FSH Working Group, LLC**