

Fidelity National Financial, Inc.

Form 10-K

March 01, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)**
For the Fiscal Year Ended December 31, 2009
- or
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)**

Commission File No. 1-32630

Fidelity National Financial, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

16-1725106
(I.R.S. Employer Identification No.)

601 Riverside Avenue
Jacksonville, Florida 32204
(Address of principal executive offices, including zip code)

(904) 854-8100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.0001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting
company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the shares of the common stock held by non-affiliates of the registrant as of June 30, 2009 was \$2,965,778,449, based on the closing price of \$13.53 as reported by the New York Stock Exchange.

As of January 31, 2010, there were 227,388,702 shares of Common Stock outstanding.

The information in Part III hereof is incorporated herein by reference to the registrant's Proxy Statement on Schedule 14A for the fiscal year ended December 31, 2009, to be filed within 120 days after the close of the fiscal year that is the subject of this Report.

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PART I

Item 1. *Business*

We are a holding company that is a provider, through our subsidiaries, of title insurance, specialty insurance, claims management services, and information services. We are the nation's largest title insurance company through our title insurance underwriters—Fidelity National Title, Chicago Title, Commonwealth Land Title, Lawyers Title, Ticor Title, Security Union Title, and Alamo Title—which collectively issued more title insurance policies in 2008 than any other title insurance company in the United States. We also provide flood insurance, personal lines insurance and home warranty insurance through our specialty insurance subsidiaries. We are a leading provider of outsourced claims management services to large corporate and public sector entities through our minority-owned affiliate, Sedgwick CMS Holdings (Sedgwick) and a provider of information services in the human resources, retail, and transportation markets through another minority-owned affiliate, Ceridian Corporation (Ceridian).

On December 22, 2008, we completed the acquisition of LandAmerica Financial Group, Inc.'s (LFG) two principal title insurance underwriters, Commonwealth Land Title Insurance Company (Commonwealth) and Lawyers Title Insurance Corporation (Lawyers), as well as United Capital Title Insurance Company (United) (collectively, the LFG Underwriters). The results of operations of the LFG Underwriters acquired are included in our results of operations from December 22, 2008 forward. For more information on this acquisition, see note B of Notes to Consolidated Financial Statements.

Prior to October 24, 2006, we were known as Fidelity National Title Group, Inc. (FNT) and were a majority-owned subsidiary of another publicly traded company, also called Fidelity National Financial, Inc. (Old FNF). On October 24, 2006, Old FNF transferred certain assets to us in return for the issuance of 45,265,956 shares of our common stock to Old FNF. Old FNF then distributed to its shareholders all of its shares of our common stock, making FNT a standalone public company (the 2006 Distribution). On November 9, 2006, Old FNF was then merged with and into another of its subsidiaries, Fidelity National Information Services, Inc. (FIS), after which we changed our name to Fidelity National Financial, Inc. (FNF). On November 10, 2006, our common stock began trading on the New York Stock Exchange under the trading symbol FNF.

We currently have three reporting segments as follows:

Fidelity National Title Group. This segment consists of the operations of our title insurance underwriters and related businesses. This segment provides core title insurance and escrow and other title-related services including collection and trust activities, trustee's sales guarantees, recordings and reconveyances.

Specialty Insurance. This segment consists of certain subsidiaries that issue flood, home warranty, homeowners', automobile and other personal lines insurance policies.

Corporate and Other. This segment consists of the operations of the parent holding company, certain other unallocated corporate overhead expenses, other smaller operations, and our share in the operations of certain equity method investments, including Sedgwick, Ceridian, and Remy International, Inc. (Remy).

Competitive Strengths

We believe that our competitive strengths include the following:

Leading title insurance company. We are the largest title insurance company in the United States and a leading provider of title insurance and escrow and other title-related services for real estate transactions. During 2008, our insurance companies, which include the LFG Underwriters, had a 45.7% share of the U.S. title insurance market, according to the *Demotech Performance of Title Insurance Companies 2009 Edition*, an annual compilation of financial information from the title insurance industry that is published by Demotech Inc., an independent firm (Demotech).

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Established relationships with our customers. We have strong relationships with the customers who use our title services. Our distribution network, which includes over 1,600 direct residential title offices and almost 7,500 agents, is among the largest in the United States. We also benefit from strong brand recognition in our seven title brands that allows us to access a broader client base than if we operated under a single consolidated brand and provides our customers with a choice among brands.

Strong value proposition for our customers. We provide our customers with title insurance and escrow and other title-related services that support their ability to effectively close real estate transactions. We help make the real estate closing more efficient for our customers by offering a single point of access to a broad platform of title-related products and resources necessary to close real estate transactions.

Proven management team. The managers of our operating businesses have successfully built our title business over an extended period of time, resulting in our business attaining the size, scope and presence in the industry that it has today. Our managers have demonstrated their leadership ability during numerous acquisitions through which we have grown and throughout a number of business cycles and significant periods of industry change.

Competitive cost structure. We have been able to maintain competitive operating margins in part by monitoring our businesses in a disciplined manner through continual evaluation and management of our cost structure. When compared to our industry competitors, we also believe that our structure has fewer layers of management which allows us to operate with lower overhead costs.

Commercial title insurance. While residential title insurance comprises the majority of our business, we believe that we are the largest provider of commercial real estate title insurance in the United States. Our network of agents, attorneys, underwriters and closers that service the commercial real estate markets is one of the largest in the industry. Our commercial network combined with our financial strength makes our title insurance operations attractive to large national lenders that require the underwriting and issuing of larger commercial title policies.

Corporate principles. A cornerstone of our management philosophy and operating success is the six fundamental precepts upon which we were founded, which include:

Autonomy and entrepreneurship;

Bias for action;

Customer-oriented and motivated;

Minimize bureaucracy;

Employee ownership; and

Highest standard of conduct.

These six precepts are emphasized to our employees from the first day of employment and are integral to many of our strategies described below.

We believe that our competitive strengths position us well to take advantage of any improvements in the real estate market in future years.

Strategy

Fidelity National Title Group

Our strategy in the title insurance business is to maximize operating profits by increasing our market share and managing operating expenses throughout the real estate business cycle. To accomplish our goals, we intend to:

Continue to operate multiple title brands independently. We believe that in order to maintain and strengthen our title insurance customer base, we must operate our strongest brands in a given marketplace independently of each other. Our national and regional brands include Fidelity National

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Title, Chicago Title, Commonwealth Land Title, Lawyers Title, Ticor Title, Security Union Title and Alamo Title. In most of our largest markets, we operate two, and in a few cases as many as five brands, including the brands acquired with the LFG Underwriters. This approach allows us to continue to attract customers who identify with one brand over another and allows us to utilize a broader base of local agents and local operations than we would have with a single consolidated brand.

Consistently deliver superior customer service. We believe customer service and consistent product delivery are the most important factors in attracting and retaining customers. Our ability to provide superior customer service and provide consistent product delivery requires continued focus on providing high quality service and products at competitive prices. Our goal is to continue to improve the experience of our customers, in all aspects of our business.

Manage our operations successfully through business cycles. We operate in a cyclical business and our ability to diversify our revenue base within our core title insurance business and manage the duration of our investments may allow us to better operate in this cyclical business. Maintaining a broad geographic revenue base, utilizing both direct and independent agency operations and pursuing both residential and commercial title insurance business help diversify our title insurance revenues. We continue to monitor, evaluate and execute upon the consolidation of administrative functions, legal entity structure, and office consolidation, as necessary, to respond to the continually changing marketplace. We maintain shorter durations on our investment portfolio to mitigate our interest rate risk and, in a rising interest rate environment, to increase our investment revenue, which may offset some of the decline in premiums and service revenues we would expect in such an environment. A more detailed discussion of our investment strategies is included in Investment Policies and Investment Portfolio.

Continue to improve our products and technology. As a national provider of real estate transaction products and services, we participate in an industry that is subject to significant change, frequent new product and service introductions and evolving industry standards. We believe that our future success will depend in part on our ability to anticipate industry changes and offer products and services that meet evolving industry standards. In connection with our service offerings, we are continuing to deploy new information system technologies to our direct and agency operations. We expect to improve the process of ordering title and escrow services and improve the delivery of our products to our customers.

Maintain values supporting our strategy. We believe that our continued focus on and support of our long-established corporate culture will reinforce and support our business strategy. Our goal is to foster and support a corporate culture where our employees and agents seek to operate independently and profitably at the local level while forming close customer relationships by meeting customer needs and improving customer service. Utilizing a relatively flat managerial structure and providing our employees with a sense of individual ownership supports this goal.

Effectively manage costs based on economic factors. We believe that our focus on our operating margins is essential to our continued success in the title insurance business. Regardless of the business cycle in which we may be operating, we seek to continue to evaluate and manage our cost structure and make appropriate adjustments where economic conditions dictate. This continual focus on our cost structure helps us to better maintain our operating margins.

Specialty Insurance

Our strategy in the specialty insurance business is to provide an efficient and effective delivery mechanism for property and casualty insurance policies placed directly and through independent agents. We are positioned to be a

low expense provider, while continuing to strictly adhere to pricing and underwriting disciplines to maintain our underwriting profitability.

We offer coverage under the U.S. National Flood Insurance Program (NFIP) through our three underwriters, Fidelity National Insurance Company, Fidelity National Property and Casualty Insurance Company and Fidelity National Indemnity Insurance Company, which provide flood insurance in all

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50 states. We are the largest provider of NFIP flood insurance in the U.S. through our independent agent network.

We provide an efficient methodology for obtaining insurance on newly acquired homes, whether new construction or upon resale. We have an easy to use fully integrated website, which our agents use as a completely paperless and fully automated quoting and policy delivery system. This system is in use for all of our property and casualty products.

Our underwriting practice is conservative. Catastrophe exposure is closely managed on a real time basis. We also purchase reinsurance to assist in maintaining our profitability and protecting our surplus.

Possible Acquisitions, Dispositions, Minority Owned Operating Subsidiaries and Financings

With assistance from our advisors, on an ongoing basis we actively evaluate possible strategic transactions, such as acquisitions and dispositions of business units and operating assets and business combination transactions, as well as possible means of financing the growth and operations of our business units or raising funds, through securities offerings or otherwise, for debt repayment or other purposes. In the current economic environment, we may seek to sell certain investments or other assets to increase our liquidity. Further, our management has stated that we may make acquisitions in lines of business that are not directly tied to or synergistic with our core operating segments. There can be no assurance, however, that any suitable opportunities will arise or that any particular transaction will be completed.

Acquisitions

Strategic acquisitions have been an important part of our growth strategy. We made a number of acquisitions over the past three years to strengthen and expand our service offerings and customer base in our various businesses, to expand into other businesses or where we otherwise saw value.

Acquisition of the LFG Underwriters. On December 22, 2008, we completed the acquisition of the LFG Underwriters. The total purchase price was \$258.9 million, net of cash acquired of \$5.9 million, and was comprised of \$153.9 million paid by two of our title insurance underwriters, Fidelity National Title Insurance Company and Chicago Title Insurance Company, a \$50 million subordinated note due in 2013 (see note I of Notes to Consolidated Financial Statements), \$50 million in FNF common stock (3,176,620 shares valued at \$15.74 per share at the time of closing), and \$5 million in transaction costs.

Acquisition of Equity Interest in Ceridian. On November 9, 2007, we and Thomas H. Lee Partners, L.P. (THL), along with certain co-investors, completed the acquisition of Ceridian for \$36 in cash per share of common stock, or approximately \$5.3 billion. We contributed approximately \$527 million of the total \$1.6 billion equity funding for the acquisition of Ceridian, resulting in a 33% ownership interest by us, which we account for using the equity method of accounting for financial statement purposes. Ceridian is an information services company, servicing the human resources, transportation, and retail industries. Specifically, Ceridian offers a range of human resources outsourcing solutions and is a payment processor and issuer of credit, debit, and stored-value cards.

Property Insight, LLC. On August 31, 2007, we completed the acquisition of Property Insight, LLC (Property Insight), a former FIS subsidiary, from FIS for \$95 million in cash. Property Insight is a leading provider of title plant services for us, as well as various national and regional underwriters. Property Insight primarily manages, maintains, and updates the title plants that are owned by us. Additionally, Property Insight manages title plant construction activities for us.

ATM Holdings, Inc. On August 13, 2007, we completed the acquisition of ATM Holdings, Inc. (ATM), a provider of nationwide mortgage vendor management services to the loan origination industry, for \$100 million in cash. ATM s primary subsidiary is a licensed title insurance agency which provides centralized valuation and appraisal services, as well as, title and closing services to residential mortgage originators, banks, and institutional mortgage lenders throughout the United States.

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Equity Interest in Remy. We held an investment in Remy's Senior Subordinated Notes (the "Notes") with a total fair value of \$139.9 million until December 6, 2007, at which time Remy implemented a pre-packaged plan of bankruptcy under Chapter 11 of the Bankruptcy Code. Pursuant to the plan of bankruptcy, the Notes were converted into 4,935,065 shares of Remy common stock and rights to buy 19,909 shares of Remy Series B preferred stock. Upon execution of the plan of bankruptcy, we purchased all 19,909 shares of the preferred stock for \$1,000 per share, or a total of \$19.9 million, and then on the same date sold 1,000 of those shares to William P. Foley, II, our Chairman of the Board, for \$1,000 per share, or a total of \$1.0 million. As of December 31, 2009, we held a 46% ownership interest in Remy, made up of 4,935,065 shares of Remy common stock with a cost basis of \$64.3 million and 18,909 shares of Remy Series B preferred stock with a cost basis of \$19.5 million. We account for our investment in Remy using the equity method of accounting for financial statement purposes. As a result of the exchange of the Notes for the shares of common and preferred stock, we reversed the unrealized gain of \$75.0 million that had previously been recorded in accumulated other comprehensive earnings in relation to the Notes. Remy, headquartered in Anderson, Indiana, is a leading manufacturer, remanufacturer and distributor of Delco Remy brand heavy-duty systems and Remy brand starters and alternators, locomotive products and hybrid power technology.

Title Insurance

Market for title insurance. While we have seen declines from 2007 to 2009 in the title insurance market in the United States, the market remains large and grew significantly from 1995 until 2005. Demotech Inc. ("Demotech"), an independent firm providing services to the insurance industry, publishes an annual compilation of financial information from the title insurance industry called *Demotech Performance of Title Insurance Companies*. According to this publication, total operating income for the entire U.S. title insurance industry grew from \$4.8 billion in 1995 to \$17.8 billion in 2005 and then decreased to \$17.6 billion in 2006, \$15.2 billion in 2007, and to \$11.3 billion in 2008. Growth in the industry is closely tied to various macroeconomic factors, including, but not limited to, growth in the gross domestic product, inflation, unemployment, the availability of credit, consumer confidence, interest rates and sales of and prices for new and existing homes, as well as the volume of refinancing of previously issued mortgages.

Most real estate transactions consummated in the U.S. require the use of title insurance by a lending institution before the transaction can be completed. Generally, revenues from title insurance policies are directly correlated with the value of the property underlying the title policy, and appreciation in the overall value of the real estate market helps drive growth in total industry revenues. Industry revenues are also driven by factors affecting the volume of residential real estate closings, such as the state of the economy, the availability of mortgage funding, and changes in interest rates, which affect demand for new mortgage loans and refinancing transactions. Both the volume and the average price of residential real estate transactions have experienced significant declines in many parts of the country, and it is uncertain how long these trends will continue. In 2008 and 2009, the sharply rising mortgage delinquency and default rates caused negative operating results at a number of banks and financial institutions and, as a result, have significantly reduced the level of lending activity. Multiple banks have failed during this time and others may fail in the future, further reducing the capacity of the mortgage industry to make loans. Our revenues in future periods will continue to be subject to these and other factors which are beyond our control and, as a result, are likely to fluctuate.

The U.S. title insurance industry is concentrated among a handful of industry participants. According to Demotech the top four title insurance companies accounted for 92.1% of net premiums written in 2008. Over 30 independent title insurance companies accounted for the remaining 7.9% of net premiums written in 2008. Over the years, the title insurance industry has been consolidating, beginning with the merger of Lawyers and Commonwealth in 1998 to create LFG, followed by our acquisition of Chicago Title in March 2000. Then, in December 2008, we acquired LFG's two principal title insurance underwriters, Commonwealth and Lawyers, as well as United. Consolidation has created opportunities for increased financial and operating efficiencies for the industry's largest participants and should continue to drive profitability and market share in the industry.

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Title Insurance Policies. Generally, real estate buyers and mortgage lenders purchase title insurance to insure good and marketable title to real estate and priority of lien. A brief generalized description of the process of issuing a title insurance policy is as follows:

The customer, typically a real estate salesperson or broker, escrow agent, attorney or lender, places an order for a title policy.

Company personnel note the specifics of the title policy order and place a request with the title company or its agents for a preliminary report or commitment.

After the relevant historical data on the property is compiled, the title officer prepares a preliminary report that documents the current status of title to the property, any exclusions, exceptions and/or limitations that the title company might include in the policy, and specific issues that need to be addressed and resolved by the parties to the transaction before the title policy will be issued.

The preliminary report is circulated to all the parties for satisfaction of any specific issues.

After the specific issues identified in the preliminary report are satisfied, an escrow agent closes the transaction in accordance with the instructions of the parties and the title company's conditions.

Once the transaction is closed and all monies have been released, the title company issues a title insurance policy.

In a real estate transaction financed with a mortgage, virtually all real property mortgage lenders require their borrowers to obtain a title insurance policy at the time a mortgage loan is made. This lender's policy insures the lender against any defect affecting the priority of the mortgage in an amount equal to the outstanding balance of the related mortgage loan. An owner's policy is typically also issued, insuring the buyer against defects in title in an amount equal to the purchase price. In a refinancing transaction, only a lender's policy is generally purchased because ownership of the property has not changed. In the case of an all-cash real estate purchase, no lender's policy is issued but typically an owner's title policy is issued.

Title insurance premiums paid in connection with a title insurance policy are based on (and typically a percentage of) either the amount of the mortgage loan or the purchase price of the property insured. Applicable state insurance regulations or regulatory practices may limit the maximum, or in some cases the minimum, premium that can be charged on a policy. Title insurance premiums are due in full at the closing of the real estate transaction. The lender's policy generally terminates upon the refinancing or resale of the property.

The amount of the insured risk or face amount of insurance under a title insurance policy is generally equal to either the amount of the loan secured by the property or the purchase price of the property. The title insurer is also responsible for the cost of defending the insured title against covered claims. The insurer's actual exposure at any given time, however, generally is less than the total face amount of policies outstanding because the coverage of a lender's policy is reduced and eventually terminated as a result of payment of the mortgage loan. A title insurer also generally does not know when a property has been sold or refinanced except when it issues the replacement coverage. Because of these factors, the total liability of a title underwriter on outstanding policies cannot be precisely determined.

Title insurance companies typically issue title insurance policies directly through branch offices or through title agencies which are subsidiaries of the title insurance company, or indirectly through independent third party agencies unaffiliated with the title insurance company. Where the policy is issued through a branch or wholly-owned subsidiary

agency operation, the title insurance company typically performs or directs the title search, and the premiums collected are retained by the title company. Where the policy is issued through an independent agent, the agent generally performs the title search (in some areas searches are performed by approved attorneys), examines the title, collects the premium and retains a majority of the premium. The remainder of the premium is remitted to the title insurance company as compensation, part of which is for bearing the risk of loss in the event a claim is made under the policy. The percentage of the premium retained by an agent varies from region to region and is sometimes regulated by the states. The title insurance company

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is obligated to pay title claims in accordance with the terms of its policies, regardless of whether the title insurance company issues policies through its direct operations or through independent agents.

Prior to issuing policies, title insurers and their agents attempt to reduce the risk of future claim losses by accurately performing title searches and examinations. A title insurance company's predominant expense relates to such searches and examinations, the preparation of preliminary title reports, policies or commitments, the maintenance of title plants, which are indexed compilations of public records, maps and other relevant historical documents, and the facilitation and closing of real estate transactions. Claim losses generally result from errors made in the title search and examination process, from hidden defects such as fraud, forgery, incapacity, or missing heirs of the property, and from closing related errors.

Residential real estate business results from the construction, sale, resale and refinancing of residential properties, while commercial real estate business results from similar activities with respect to properties with a business or commercial use. Commercial real estate title insurance policies insure title to commercial real property, and generally involve higher coverage amounts and yield higher premiums. Residential real estate transaction volume is primarily affected by macroeconomic and seasonal factors while commercial real estate transaction volume is affected primarily by fluctuations in local supply and demand conditions for commercial space.

Direct and Agency Operations. We provide title insurance services through our direct operations and through independent title insurance agents who issue title policies on behalf of our title insurance companies. Our title insurance companies determine the terms and conditions upon which they will insure title to the real property according to their underwriting standards, policies and procedures.

Direct Operations. In our direct operations, the title insurer issues the title insurance policy and retains the entire premium paid in connection with the transaction. Our direct operations provide the following benefits:

- higher margins because we retain the entire premium from each transaction instead of paying a commission to an independent agent;

- continuity of service levels to a broad range of customers; and

- additional sources of income through escrow and closing services.

We have over 1,600 offices throughout the U.S. primarily providing residential real estate title insurance, including approximately 400 offices which were added with the acquisition of the LFG Underwriters on December 22, 2008. During 2009 and 2008, as title insurance activity has slowed, we closed and consolidated a number of our offices. We continuously monitor the number of direct offices to be in line with our Company strategy and the current economic environment. Our commercial real estate title insurance business is operated almost exclusively through our direct operations. We maintain direct operations for our commercial title insurance business in all the major real estate markets including New York, Los Angeles, Chicago, Atlanta, Dallas, Philadelphia, Phoenix, Seattle and Houston.

Agency Operations. In our agency operations, the search and examination function is performed by an independent agent or the agent may purchase the search and examination from us. In either case, the agent is responsible to ensure that the search and examination is completed. The agent thus retains the majority of the title premium collected, with the balance remitted to the title underwriter for bearing the risk of loss in the event that a claim is made under the title insurance policy. Independent agents may select among several title underwriters based upon their relationship with the underwriter, the amount of the premium split offered by the underwriter, the overall terms and conditions of the agency agreement and the scope of services offered to the agent. Premium splits vary by geographic region, and in some states are fixed by insurance regulatory requirements. Our relationship with each agent is governed by an agency

agreement defining how the agent issues a title insurance policy on our behalf. The agency agreement also sets forth the agent's liability to us for policy losses attributable to the agent's errors. An agency agreement is usually terminable without cause upon 30 days notice or immediately for cause. In determining whether to engage or retain an independent agent, we consider the agent's experience, financial condition and loss history. For each agent with whom we

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enter into an agency agreement, we maintain financial and loss experience records. We also conduct periodic audits of our agents and periodically decrease the number of agents with which we transact business in an effort to reduce future expenses and manage risks. We transact business with approximately 7,500 agents, including approximately 3,000 which were added with the acquisition of the LFG Underwriters.

Fees and Premiums. One method of analyzing our business is to examine the level of premiums generated by direct and agency operations.

The following table presents the percentages of our title insurance premiums generated by direct and agency operations:

	Year Ended December 31,					
	2009		2008		2007	
	Amount	% (a)	Amount	%	Amount	%
	(Dollars in millions)					
Direct	\$ 1,475.3	37.6%	\$ 1,140.3	42.3%	\$ 1,601.8	42.1%
Agency	2,452.3	62.4	1,554.7	57.7	2,198.7	57.9
Total title insurance premiums	\$ 3,927.6	100.0%	\$ 2,695.0	100.0%	\$ 3,800.5	100.0%

- (a) The mix of agency premiums as a percentage of total title insurance premiums increased in 2009 due to the acquisition of the LFG Underwriters in December 2008, which historically had a higher agency business.

The premium for title insurance is due in full when the real estate transaction is closed. We recognize title insurance premium revenues from direct operations upon the closing of the transaction, whereas premium revenues from agency operations include an accrual based on estimates of the volume of transactions that have closed in a particular period for which premiums have not yet been reported to us. The accrual for agency premiums is necessary because of the lag between the closing of these transactions and the reporting of these policies to us by the agent, and is based on estimates utilizing historical information.

Geographic Operations. Our direct operations are divided into approximately 180 profit centers, which include 35 added with the acquisition of the LFG Underwriters. Each profit center processes title insurance transactions within its geographical area, which is usually identified by a county, a group of counties forming a region, or a state, depending on the management structure in that part of the country. We also transact title insurance business through a network of approximately 7,500 agents, primarily in those areas in which agents are the more prevalent title insurance provider. This includes approximately 3,000 agents which were added with the acquisition of the LFG Underwriters.

The following table sets forth the approximate dollar and percentage volumes of our title insurance premium revenue by state.

	Year Ended December 31,					
	2009		2008		2007	
	Amount	%	Amount	%	Amount	%
	(Dollars in millions)					

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California	\$ 691.3	17.6%	\$ 473.8	17.6%	\$ 626.0	16.5%
Texas	406.1	10.3	337.9	12.5	480.0	12.6
Florida	224.7	5.7	208.4	7.7	412.3	10.8
New York	272.5	6.9	199.2	7.4	305.2	8.0
Illinois	114.0	2.9	118.5	4.4	161.9	4.3
All others	2,219.0	56.6	1,357.2	50.4	1,815.1	47.8
Totals	\$ 3,927.6	100.0%	\$ 2,695.0	100.0%	\$ 3,800.5	100.0%

Escrow, Title-Related and Other Fees. In addition to fees for underwriting title insurance policies, we derive a significant amount of our revenues from escrow, title-related and other services, including closing

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services. The escrow and other services provided by us include all of those typically required in connection with residential and commercial real estate purchases and, refinance activities and default and appraisal services. Escrow, title-related and other fees represented approximately 23.2%, 25.2%, and 19.7% of our revenues in 2009, 2008, and 2007, respectively.

Specialty Insurance

We issue various insurance policies and contracts, which include the following:

Flood insurance. We issue new and renewal flood insurance policies in conjunction with the NFIP. The NFIP bears all insurance risk related to these policies.

Home warranty. We issue one-year, renewable contracts that protect homeowners against defects in household systems and appliances.

Personal lines insurance. We offer and underwrite homeowners insurance in all 50 states. Automobile insurance is currently underwritten in 31 states. We may expand into a limited number of additional states in 2010 where favorable underwriting potential exists. In addition, we underwrite personal umbrella, inland marine (boat and recreational watercraft), and other personal lines niche products in selected markets.

Sales and Marketing

Our sales and marketing efforts are primarily organized around our lines of business.

Fidelity National Title Group

We market and distribute our title and escrow products and services to customers in the residential and commercial market sectors of the real estate industry through customer solicitation by sales personnel. Although in many instances the individual homeowner is the beneficiary of a title insurance policy, we do not focus our marketing efforts on the homeowner. We actively encourage our sales personnel to develop new business relationships with persons in the real estate community, such as real estate sales agents and brokers, financial institutions, independent escrow companies and title agents, real estate developers, mortgage brokers and attorneys who order title insurance policies for their clients. While our smaller, local clients remain important, large customers, such as national residential mortgage lenders, real estate investment trusts and developers have become an increasingly important part of our business. The buying criteria of locally based clients differ from those of large, geographically diverse customers in that the former tend to emphasize personal relationships and ease of transaction execution, while the latter generally place more emphasis on consistent product delivery across diverse geographical regions and the ability of service providers to meet their information systems requirements for electronic product delivery.

Specialty Insurance

Specialty insurance is marketed through three distinct channels. We market our program through our in-house agency via direct mail to customers of our affiliated operations. This direct channel constituted approximately 13% of our non-flood premium writings in 2009 and 15% in 2008 and 2007. The second distribution channel is through independent agents and brokers nationwide. Approximately 86%, 83%, and 79% of our non-flood premium and the vast majority of our flood business was placed through this channel in 2009, 2008, and 2007, respectively. We currently have in excess of 19,000 independent agencies nationwide actively producing business on our behalf. The third distribution channel is through independent agents in California who represent only FNF (captive independent agents). This channel, comprised of 12 captive independent agents at the end of 2009, accounted for 1%, 2%, and 6%

of the non-flood premium volume in 2009, 2008, and 2007, respectively.

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Claims

An important part of our operations is the handling of title and escrow claims. We employ a staff of over 500 employees in our claims department, over 200 of which are attorneys. We also use the services of outside attorneys. Our claims processing centers are located in Irvine, California, Omaha, Nebraska, and Jacksonville, Florida. We also have a clearance center located in Texas, which is responsible for handling minor, technical defects. In-house claims counsels who handle larger claims are also located in other parts of the country.

Claims result from a wide range of causes. These causes generally include, but are not limited to, forgeries, misrepresentations, incorrect legal descriptions, signature and notary errors, unrecorded liens, mechanics' liens, the failure to pay off existing liens, mortgage lending fraud, mishandling or theft of settlement funds (including independent agency defalcations), mistakes in the escrow process, issuance by title agencies of unauthorized coverage, violations of creditors' rights (such as claims of preference and fraudulent conveyance