

The Destruction of the Title Industry

I hope the title of this article doesn't cause anyone too much distress. I also hope that we don't ignore what's going on in different parts of our country.

It appears that at least three states, possibly more, are considering the implementation of a government-run title entity. Different proposals exist: a government-run title entity that would compete with the existing traditional private sector title industry; or an operation without competition from the existing private sector.

Most of these proposals favorably reference the "Iowa Plan" as proof that a state-run title insurance entity can work. Unfortunately, while these states like to reference the Iowa Plan, none of them appear to pay any attention to the comments from Iowa about title insurance in Iowa. In 1947, the Iowa legislature banned the sale of commercial title insurance within the state. In 1985, 38 years after the ban was put in place, the Iowa State Title Guaranty was created to fill a needed void, according to John Eisenman, president of the Iowa Land Title Association. His point, which is significant when discussing the Iowa system, is that the Iowa State Title Guaranty wasn't created to replace the private sector. It's that fact why Eisenman stresses "The Iowa System works for us, but it cannot work successfully anywhere else." Even the head of the Iowa Title Guaranty, Lloyd Ogle, states that it is not practical to ban title insurance and create Iowa-like systems in other states.

We can't ignore the attempts by government to threaten our industry by unfairly competing with us or putting us out of business. If government can put a healthy private sector industry out of business, then what industry is next? Where does the line get drawn?

The information used to support these proposals is not accurate nor is it complete. There is no discussion of the startup cost that will impact state finances; and the need to hire and manage staff (and the results on private sector employment). These proposals do not address the loss of tax revenue (unless the state is intent on taxing itself). There is no provision in these proposals that addresses the need to have claims handling capability and reserves in place to actually pay claims.

Our industry needs to be in the forefront of this debate ... not because we are afraid of competition. In fact, we welcome it. Our industry has an opportunity to take a proactive and positive role to educate legislators and policy makers about the title insurance business and all the good that it creates for homeowners and the economy. We cannot remain silent and watch idly as the future of our industry is jeopardized.

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