



Despite these bright spots, 2009 was a difficult year for the TitlePLUS program, as it was for all title insurers. Most reported reduced gross written premiums in both 2008 and 2009 (in comparison to the boom year of 2007). Although policy sales are not back to record levels of 2007, the TitlePLUS program posted a small \$300,000 increase in gross written premiums in 2009 when compared to 2008.

Subscribers such as Metlej and Olschewski contributed to a six per cent increase in the TitlePLUS subscriber base, to more than 4,600 lawyers and about 100 Quebec notaries. About 760 lenders across Canada used TitlePLUS policies in 2009.

These results indicate that our vision of real estate practice continues to gain traction: The higher level of legal expertise and professionalism we expect from both our users and our TitlePLUS staff sets us apart from other providers and continues to win over lawyers and notaries.

TitlePLUS Vice President Ray Leclair points out that “in the kind of tight real estate markets that we saw in much of Canada last year, any kind of growth is a positive sign. Certainly we’re disappointed that we lost a bit of ground in terms of our share of the purchase market nationally – despite the great results we saw in regions outside Ontario.

“But rather than dwell on what we could not change – the volatile real estate market – we continued to build for the long haul, as the number of subscribers and lenders shows.”

A mainstay of TitlePLUS marketing strategy continues to be the personal touch. In 2009, the team of TitlePLUS consultants called on more than 2,300 firms that were not already consistently using the TitlePLUS program, encouraging them to get on board. They also visited more than 1,200 firms to help law clerks and lawyers

make better use of the online TitlePLUS system through training and technology demos. TitlePLUS staff also showcased the system and the unique advantages of the TitlePLUS program to about 100 groups of law firms, lenders and realtors, and participated at more than 200 conferences, trade shows and other events for lawyer, Quebec notary, lender and real estate professional groups.



Richard Olschewski

This strategy to focus on building the subscriber base, and encouraging low-volume users to make TitlePLUS coverage a mainstay of their real estate practices, is yielding results. Early results for 2010 show that TitlePLUS policy volumes are growing, even exceeding forecasts in some regions and product lines. “We’ve got a strong subscriber base on which to continue to build the program as real estate markets rebound and consumer confidence in the economic recovery takes hold,” says Ray.

## TitlePLUS<sup>®</sup> claims:

# Reining in compliance costs

*An integral part of building the TitlePLUS program for the long haul is expert claims handling that helps resolve claims such as the following experienced by some TitlePLUS policyholders.*

### Claim A

*Shortly after closing, the buyer brought in a contractor to do some work on his new home. The contractor immediately noticed*

*a number of deficiencies; subsequent investigation revealed that considerable work had been done to the home without a building*

permit – and in fact the home was not safe to live in. The TitlePLUS program paid out just under \$200,000 to help complete the needed repairs – with the required permits and inspections.

### Claim B

Shortly after taking possession, the buyers noticed a steady leak in the addition to the home they had bought. Investigation revealed that no permit had been issued for the addition. These TitlePLUS policyholders settled for just over \$110,000 – the estimated cost to properly address the building deficiency.

For consumers such as those profiled above, a TitlePLUS policy is the best investment they have ever made.

For them, the coverage provided by their TitlePLUS policy came to the rescue when the unexpected threatened to derail their dreams and provided exactly what it promised: Protection against unknown or undetectable issues that affect their ownership of the home.

For their lawyers, that protection brings with it the peace of mind that comes from knowing they have done right by their clients.

But providing that protection comes at a cost: As graph 6 shows, both the numbers of claims reported and the costs of those claims are rising steadily. That's due in part to the fact that thousands more homeowners each year have TitlePLUS protection.

But our claims analysis also shows that one expensive area of claims – building compliance-related issues – is significantly affecting the program. Between 2000 and 2009, policyholders reported more than 700 compliance-related claims, which we estimate will cost the program about \$11 million. So although only 22 per cent of TitlePLUS claims by count arise from this area of coverage, building compliance claims account for about 44 per cent of claims costs. Addressing compliance-related issues, such as lack of building permits, outstanding work orders or non-compliance with building codes, is often a costly proposition: Costs of \$100,000 or more are not unusual.

### Majority of claims cost less than \$10,000

Concerning as these numbers are, the fact remains that more than 90 per cent of TitlePLUS claims are resolved for less than \$10,000, with the average indemnity payment being about \$4,200. An important measure of the program's success – and specifically of the TitlePLUS team's solid underwriting and claims management expertise — is our claims paid ratio (ratio of claims paid to premiums collected) which, over the history of the TitlePLUS program, stands at 37 per cent.

The legal expertise and experience of the TitlePLUS team is again being put to the test. In 2009, vigilant analysis of risk profiles resulted in a decision to decline 40 subscriber applicants; as well, the underwriting team declined to issue

TitlePLUS policies on 19 transactions suspected for fraud or grow house activity.

The TitlePLUS underwriting team is now working on ways to better detect building compliance risks before a policy is approved. As well, the claims team is focusing additional efforts on recovery initiatives where a past property owner should be bearing responsibility for the problem, as well as on salvage opportunities.

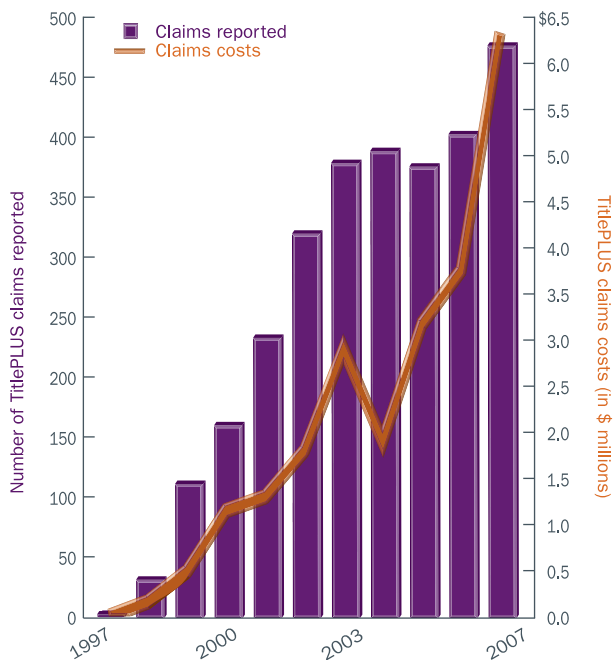
The result, acknowledges TitlePLUS VP Ray Leclair, will be more stringent underwriting measures that, he says, will be in the long-term best interests of the bar.

"We're trying to help lawyers identify issues earlier in the transaction – so that neither they nor their clients end up with problems after closing.

"If we, through our expertise, can identify trouble spots and help lawyers address these problems, we accomplish several things. We reinforce the extra value that a TitlePLUS lawyer brings to the transaction – because the lawyer raised an issue that is or could become a major problem for the client. And we help consumers reduce the risk of having to deal with a claim – especially a major building compliance claim which makes the house unsafe to live in, or means a desired addition has to be torn down.

"Of course, not even the best underwriting can help identify all trouble spots – and that's why lawyers need to continue recommending the comprehensive protection a TitlePLUS policy offers."

### 6. TitlePLUS claims



As at February 28, 2010