

Title Insurance and the Real Estate Business  
Donald Kennedy – Chairman of the Board  
First American Corporation

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First American Corporation began in 1889, the year that Orange County broke loose from Los Angeles County. The gross revenue projected for 2003 is \$5.5 billion, however it is expected to fall in 2004 as the refinance boom is expected to subside.

The company started, by Mr. Kennedy's grandfather and twelve investors, when researchers were sent to Los Angeles to obtain all the recorded land records for land that would be in the new county. It took the researchers 2 years to complete the research task and after over 100 years of researching title information, only 2 mistakes have been found in this original research. Completing research at the county recorder's office is a difficult task as all information is indexed by name. In the title insurance plant the same records are reindexed by land parcel, thereby shortening the time that is necessary to research a parcel of land and produce a policy of title insurance.

In 1959, with the help of his mother, Mr. Kennedy convinced the board of directors to expand beyond Orange County. Up until recently all of the participants in most real estate transactions were local people. These included buyers, sellers, brokers, lenders, appraisers, title insurers, etc. Expansion was accomplished by buying companies. By 1987, First American Corporation was the largest title insurer in the United States. Today it is also that largest title insurer in Canada and Great Britain as well. It also has office in Australia, South Korea, Guam and Mexico.

The computer age changed the way information was accessed and stored. Today First American completes 20.0% of all transaction research in India. The reasoning is simple when one considers the time difference between out two countries. The real question is where will the computer revolution and the uses of technology lead the real estate industry in the future?

Money makes the real state industry go, and today the source of most funds comes not from the traditional sources (banks, etc) but from Wall Street sources. All of the title insurers, Wall Street brokerage houses, and the large banks (and most of the small ones), are listed as public companies on the New York Stock Exchange.

How do you satisfy the constant demand for growth? One way is to borrow money, and another is to go into related fields. Larger companies can service customers faster and on a broader scale. The way First American has accomplished this growth is through vertical integration. They now provide flood data reporting and home warranty services, trust services, banking, credit management, appraisal, credit reporting agencies, real estate and other types of data suppliers, vehicle, boat and other types of specialty title insurance.