

Fidelity National Title Group, Inc.

Form S-1/A

August 18, 2005

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As filed with the Securities and Exchange Commission on August 17, 2005

Registration Number 333-126402

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

**Amendment No. 1 to
Form S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933**

Fidelity National Title Group, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

6361
*(Primary Standard Industrial
Classification Code Number)*

16-1725106
*(I.R.S. Employer
Identification Number)*

**601 Riverside Avenue
Jacksonville, Florida 32204
(904) 854-8100**

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive
Offices)*

**Raymond R. Quirk
Chief Executive Officer
Fidelity National Title Group, Inc.
601 Riverside Avenue
Jacksonville, Florida 32204
(904) 854-8100**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

**Peter T. Sadowski
General Counsel
Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, Florida 32204
(904) 854-8100**

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125 West 55th Street
New York, NY 10019-5389
(212) 424-8000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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FIDELITY NATIONAL FINANCIAL, INC.
601 Riverside Avenue
Jacksonville, Florida 32204

, 2005

Dear Fidelity National Financial Stockholders:

On May 16, 2005, the board of directors of Fidelity National Financial, Inc. (FNF) approved a restructuring that will result in FNF contributing its title insurance businesses to a newly formed holding company, Fidelity National Title Group, Inc. (FNT). In connection with the restructuring, a pro rata distribution of shares of FNT Class A Common Stock representing 17.5% of the outstanding common stock of FNT will be made to FNF stockholders.

As a result of the distribution, FNF stockholders will receive .175 shares of FNT Class A Common Stock for each share of FNF common stock held at the close of business on the distribution record date, currently expected to be on or about , 2005. On , 2005, shares of FNT Class A Common Stock will be quoted on the New York Stock Exchange under the symbol FNT. Shares of FNF common stock will continue to be listed on the New York Stock Exchange under the symbol FNF.

Immediately after the distribution is completed, FNF will own shares of Class B Common Stock of FNT representing the remaining 82.5% of the shares of FNT common stock. FNT Class B Common Stock will have ten votes per share and Class A Common Stock will have one vote per share. As a result, FNF will hold 97.9% of all voting power of FNT common stock immediately after the distribution. Upon completion of the distribution, FNF will also continue to own its other operating subsidiaries, including its majority-owned subsidiary Fidelity National Information Services, Inc., a leading provider of technology solutions and processing and information services to the financial services and real estate industries, and its wholly-owned subsidiary Fidelity National Insurance Company, which operates various specialty lines of insurance. Separating the businesses that comprise FNF into distinct public companies should provide improved transparency for the investment community and a simpler means of valuing FNF. We also believe that using an independent operating subsidiary strategy will allow us to focus on continuing to improve the operations of each subsidiary while maximizing long-term shareholder value.

No action is required on your part to receive your FNT Class A Common Stock. FNF stockholders will not be required to pay anything to FNF or FNT for the new stock or to surrender any certificates representing shares of FNF stock. **The receipt of the stock of FNT in the distribution will be a taxable event to you for U.S. federal income tax purposes.**

The enclosed prospectus describes the distribution of shares of FNT Class A Common Stock and contains important information about FNT and its business. I suggest that you read it carefully. If you have any questions regarding the distribution, please contact FNT's transfer agent, .

Very truly yours,

William P. Foley, II

Chief Executive Officer and Chairman of the Board
Fidelity National Financial, Inc.

Chairman of the Board
Fidelity National Title Group, Inc.

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[FNT Letterhead]

, 2005

Dear Fidelity National Title Stockholder:

We are delighted to welcome you as a stockholder of Fidelity National Title Group, Inc. (FNT). FNT was recently formed as the holding company for the title insurance businesses of Fidelity National Financial, Inc. (FNF).

As an FNF stockholder, you will receive .175 shares of our Class A Common Stock for each share of FNF common stock that you held at the close of business on the distribution record date, currently expected to be on or about , 2005. Immediately after the distribution, FNF will own shares of our Class B Common Stock representing 82.5% of the outstanding shares of our common stock and 97.9% of the voting power of our common stock. Our Class A Common Stock will be publicly traded for the first time on , 2005 under the symbol

FNT. The receipt of the stock of FNT in the distribution will be a taxable event to you for U.S. federal income tax purposes.

We will conduct our title insurance business through our title insurance underwriters Fidelity National Title, Chicago Title, Ticor Title, Security Union Title and Alamo Title which together comprise the largest title insurance company in the United States.

We are enthusiastic about what the future holds for FNT. We believe that the formation of FNT as a separate publicly traded title company will enhance our efforts to improve our operating businesses and expand our leadership in the title insurance industry, while allowing us to continue to pursue growth opportunities in our industry.

Congratulations on becoming one of the founding stockholders of FNT.

Very truly yours,

Raymond R. Quirk

Chief Executive Officer
Fidelity National Title Group, Inc.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be distributed until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

(Subject to Completion) Issued August 17, 2005

PROSPECTUS

**Shares
(FNT LOGO)
CLASS A COMMON STOCK**

We are currently a wholly-owned subsidiary of Fidelity National Financial, Inc. (FNF). In the distribution described in this prospectus, FNF will distribute shares of our Class A Common Stock representing 17.5% of the outstanding shares of our common stock on a pro rata basis to the holders of FNF common stock. The shares being distributed represent 100% of the outstanding shares of our Class A Common Stock. Immediately after the distribution is completed, FNF will own 100% of our outstanding Class B Common Stock, representing 82.5% of the shares of our common stock.

In the distribution, you will receive .175 shares of Class A Common Stock for each share of FNF common stock that you held at the close of business on the distribution record date, currently expected to be on or about 2005. Immediately following the distribution, we will be an independent, publicly traded company.

We are sending you this prospectus to describe the distribution. We expect the distribution to occur on or about 2005. You will receive your proportionate number of shares of Fidelity National Title Group, Inc. (FNT) Class A Common Stock through our transfer agent s book-entry registration system. These shares will not be in certificated form. Following the distribution, you may request to receive your shares of FNT Class A Common Stock in certificated form.

No stockholder action is necessary for you to receive your shares of FNT Class A Common Stock. This means that:

you do not need to pay anything to FNT or FNF; and

you do not need to surrender any of your shares of FNF s common stock to receive your shares of FNT Class A Common Stock.

In addition, a stockholder vote is not required for the distribution to occur.

The distribution is expected to be taxable to FNF shareholders.

We have applied for the listing of our Class A Common Stock on the New York Stock Exchange under the symbol FNT.

As you review this prospectus, you should carefully consider the matters described in Risk Factors beginning on page 7.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We expect the shares to be delivered on or about 2005.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock.

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PROSPECTUS SUMMARY

This summary highlights some of the information about FNT contained elsewhere in this prospectus and may not contain all of the information that may be important to you. In this prospectus, FNT, we, and our refer to Fidelity National Title Group, Inc. and its subsidiaries, unless the context suggests otherwise. References to FNF are to Fidelity National Financial, Inc. References in this prospectus to dollars or \$ are to the lawful currency of the United States of America, unless the context otherwise requires. You should read the following summary together with the entire prospectus, including the more detailed information in our financial statements and related notes appearing elsewhere in this prospectus. You should carefully consider, among other things, the matters discussed in Risk Factors.

Company Overview

We are the largest title insurance company in the United States. Our title insurance underwriters Fidelity National Title, Chicago Title, Ticor Title, Security Union Title and Alamo Title together issued approximately 30.5% of all title insurance policies issued nationally during 2004, as measured by premiums *per the Demotech Performance of Title Insurance Companies 2005 Edition*. Our title business consists of providing title insurance and escrow and other title-related products and services arising from the real estate closing process. Our operations are conducted on a direct basis through our own employees who act as title and escrow agents and through independent agents. In addition to our independent agents, our customers are lenders, mortgage brokers, attorneys, real estate agents, home builders and commercial real estate developers.

The Distribution

We are currently a wholly-owned subsidiary of FNF. After the distribution of the shares covered by this prospectus, FNF will beneficially own 100% of the shares of our Class B Common Stock, representing 82.5% of our outstanding common stock and 97.9% of all voting power of our common stock. Upon completion of the distribution, FNF will also continue to own its other operating businesses, including its majority-owned subsidiary Fidelity National Information Services, Inc. (FIS), and its wholly-owned subsidiary Fidelity National Insurance Company (FNIC).

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 the leading provider of title insurance and escrow services for real estate transactions. We have approximately 1,500 locations throughout the United States providing our title insurance services.

Established relationships with our customers. We have strong relationships with the customers who use our title services. We also benefit from strong brand recognition in our five FNT 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 FNT brands.

Strong value proposition for our customers. We provide our customers with 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. 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.

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Competitive cost structure. We have been able to maintain operating margins that we believe are among the best in the industry. When compared to other industry competitors, we also believe that our management structure has fewer layers of managers which allows us to operate with lower overhead costs.

Commercial title insurance. 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.

Corporate principles. A cornerstone of our management philosophy and operating success is the five fundamental precepts upon which FNF was founded:

Bias for action

Autonomy and entrepreneurship

Employee ownership

Minimal bureaucracy

Close customer relationships

Strategy

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 each of our five title brands independently. We believe that in order to maintain and strengthen our title insurance customer base, we must leave the Fidelity National Title, Chicago Title, Ticor Title, Security Union Title and Alamo Title brands intact and operate these brands independently.

Consistently deliver superior customer service. We believe customer service and consistent product delivery are the most important factors in attracting and retaining customers. 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.

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.

Maintain values supporting our strategy. We believe that continuing to focus on and support our long-established corporate culture will reinforce and support our business strategy. Our goal is to foster and support a corporate culture where our agents and employees seek to operate independently and profitably at the local level while forming close customer relationships by meeting customer needs and improving customer service.

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 to help us to better maintain our operating margins.

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Challenges

We face challenges in maintaining our strengths and implementing our strategies, including but not limited to the following:

Further downgrades in our ratings could negatively affect our business. After FNF announced this distribution, A.M. Best Company, Inc. (A.M. Best) downgraded the financial strength ratings of our principal insurance subsidiaries to A- (Excellent). As the ratings of our insurance subsidiaries have significant influence on our business, a future downgrade could have a material adverse effect on our results of operations.

We are dependent on our subsidiaries to pay dividends. As a holding company, we are dependent on distributions from our subsidiaries and our ability to declare and pay dividends may be adversely affected if distributions from our subsidiaries are materially impaired. Our title insurance subsidiaries must comply with state and federal laws requiring them to maintain minimum amounts of working capital, surplus and reserves and placing restrictions on the amount of dividends that they can distribute to us.

Changes in real estate activity may adversely affect our performance. While our title insurance revenues have benefited in recent years from record lows in mortgage interest rates and record highs in both volume and average price of residential real estate, if any of these trends change we may experience a decline in our revenues.

We will be controlled by FNF as long as it owns a majority of the voting power of our common stock. While FNF controls us, FNF will control decisions relating to the direction of our business, financing and the payment of dividends. In addition, FNF will be able to elect all of our directors and determine the outcome of any actions requiring stockholder approval.

We face competition in our title business from traditional title insurers and from new entrants with alternative products. The competitors in our principal markets include larger companies such as The First American Corporation, LandAmerica Financial Group, Inc., Old Republic International Corporation and Stewart Information Services Corporation, as well as numerous smaller title insurance companies and independent agency operations at the regional and local level. Competition among the major title insurance companies, expansion by smaller regional companies and any new entrants with alternative products could affect our business operations and financial condition.

We and our subsidiaries are subject to extensive regulation by state insurance authorities in each state in which we operate. The regulations imposed by state insurance authorities may affect our ability to increase or maintain rate levels and may impose conditions on our operations.

For additional challenges and risks relating to our business, see Risk Factors.

Company History

The predecessors to FNT have primarily been title insurance companies, some of which have been in operation since the late 1800s. Many of these title insurance companies have been acquired in the last two decades. During the 1990s, FNF acquired Alamo Title, Nations Title Inc., Western Title Company of Washington and First Title Corp. In 2000, FNF completed the acquisition of Chicago Title Corp. and in 2004, FNF acquired American Pioneer Title Insurance Company, which now operates under our Ticor Title brand. Our businesses have historically been operated as wholly-owned subsidiaries of FNF.

Our principal executive offices are located at 601 Riverside Avenue, Jacksonville, Florida 32204, and our telephone number is (904) 854-8100.

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Summary of the Distribution

The Distribution	The distribution is part of a restructuring whereby FNT will become a separate publicly traded company.
Reason for the Distribution	The distribution should enhance the ability of the financial markets to evaluate the individual operations of the title business which were previously valued as part of FNF's operations. A separate publicly traded title company will also allow investors who prefer title company operations to that of the broader operations of FNF to own an investment directly in FNT. Moreover, separate incentive compensation plans for key employees will provide incentives that are more directly related to the performance of the title insurance business.
Distributing Company	FNF. After the distribution, FNF will own 100% of FNT's Class B Common Stock, comprising approximately 82.5% of FNT's outstanding common stock. FNF has indicated it currently has no plans to dispose of its common stock interest in FNT.
Securities to be Distributed	Approximately _____ shares of the Class A Common Stock of FNT, representing 100% of the outstanding Class A Common Stock of FNT and approximately 17.5% of FNT's outstanding common stock. Immediately following the distribution, approximately _____ stockholders of record will hold shares of the Class A Common Stock, although some of the shares may be registered in the name of a single stockholder who represents a number of stockholders.
Distribution Ratio	Each stockholder of FNF common stock will receive .175 shares of Class A Common Stock of FNT for each FNF share held on the distribution record date.
Voting Rights	Holders of Class A Common Stock are entitled to one vote per share held on all matters submitted to a vote of FNT stockholders. Holders of Class B Common Stock are entitled to ten votes per share held on all matters submitted to a vote of stockholders.
Distribution Record Date	Expected to be _____, 2005 (close of business)
Distribution Date	Expected to be _____, 2005
Distribution Agent	
Registrar and Transfer Agent	
Use of Proceeds	Because this is not an offering for cash, there will be no proceeds to FNT from the distribution.
Dividend Policy	We currently intend to pay an annual dividend of \$1.00 per FNT common share payable quarterly to FNT stockholders of record, beginning in the _____ quarter of 2005. Any determination to pay cash dividends will be made at the discretion of our board of directors.
Proposed NYSE Symbol	We have applied to list our Class A Common Stock on the New York Stock Exchange under the symbol FNT.

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Tax Consequences	The receipt of the stock of FNT in the distribution will be a taxable event to FNF stockholders for U.S. federal income tax purposes. See United States Federal Income Tax Considerations.
Distribution of Shares	On or shortly after the distribution date, beneficial owners of shares of FNF common stock on the distribution record date should have credited to their brokerage, custodian or similar account through which they own their FNF common stock, the number of shares of our Class A Common Stock to which they are entitled in the distribution.
Relationship with FNF after the Distribution	We expect to enter into certain agreements with FNF which will address various matters such as corporate services, taxes, employee matters, registration rights and intellectual property, among other things. See Our Arrangements with FNF. The number of shares of our common stock identified above as outstanding after this distribution does not include options that we will grant to our employees and directors in connection with this distribution. In connection with this distribution, we will grant employees and directors options to purchase an aggregate of approximately shares of our Class A Common Stock at an exercise price equal to the closing price of our Class A Common Stock on the NYSE on the date of the distribution. See Management Omnibus Incentive Plan.

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The following table sets forth our summary historical financial information. The summary historical financial information as of December 31, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2004 has been derived from our combined financial statements and related notes, which have been audited by KPMG LLP, an independent registered public accounting firm. The audited combined financial statements as of December 31, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2004 are included elsewhere in this prospectus. The summary historical financial information as of June 30, 2005 and for the six months ended June 30, 2005 and 2004 has been derived from our unaudited condensed combined financial statements, which are included elsewhere in this prospectus. You should read this financial information in conjunction with the audited and unaudited combined financial statements included elsewhere in this prospectus and the information under

Management's Discussion and Analysis of Financial Condition and Results of Operations. Our historical combined financial information has been prepared from the historical results of the operations transferred to us and gives effect to allocations of certain corporate expenses to and from FNF. Our summary historical combined financial information may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a stand-alone entity during the periods presented. Our results of interim periods are not necessarily indicative of results for the entire year.

	Six Months Ended		Year Ended December 31,		
	June 30,				
	2005(1)	2004(1)	2004(1)	2003(1)	2002
STATEMENT OF EARNINGS DATA					
(in thousands)					
Total title premiums	\$ 2,321,596	\$ 2,335,449	\$ 4,718,217	\$ 4,700,750	\$ 3,547,727
Escrow and other title-related fees	543,465	514,019	1,039,835	1,058,729	790,787
Other income	87,372	66,780	131,361	211,236	128,816
Total revenue	2,952,433	2,916,248	5,889,413	5,970,715	4,467,330
Total expenses	2,561,607	2,478,236	5,006,486	4,878,795	3,697,966
Earnings before income taxes and minority interest	390,826	438,012	882,927	1,091,920	769,364
Income tax expense	146,637	160,312	323,598	407,736	276,970
Earnings before minority interest	244,189	277,700	559,329	684,184	492,394
Minority interest	1,292	455	1,165	859	624
Net earnings	\$ 242,897	\$ 277,245	\$ 558,164	\$ 683,325	\$ 491,770

**As of
June 30, 2005**

BALANCE SHEET DATA (in thousands)

Cash and cash equivalents	\$	614,555
Total assets		5,973,378
Total long-term debt		7,802
Minority interest		4,643
Total equity		3,044,615

(1) Effective January 1, 2003, we adopted the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation, using the prospective method of adoption in accordance with SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, and as a result recorded stock compensation expense of \$3.4 million and \$3.0 million for the years ended December 31, 2004 and 2003, respectively, and \$5.4 million and \$2.1 million for the six months ended June 30, 2005 and 2004, respectively.

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RISK FACTORS

An investment in our common stock involves a number of risks. Each stockholder of FNT common stock should carefully consider the following information about these risks, together with the other information contained in this prospectus. These risks could materially affect our business, results of operations or financial condition and cause the trading price of our common stock to decline.

Risks Relating to Our Business

If adverse changes in the levels of real estate activity occur, our revenues will decline.

Title insurance revenue is closely related to the level of real estate activity which includes sales and mortgage refinancing. The levels of real estate activity are primarily affected by the average price of real estate sales, the availability of funds to finance purchases and mortgage interest rates. We have found that residential real estate activity generally decreases in the following situations:

when mortgage interest rates are high or increasing;

when the mortgage funding supply is limited; and

when the United States economy is weak.

While prevailing mortgage interest rates have declined to record lows in recent years and both volume and average price of residential real estate transactions have experienced record highs, these trends may not continue. If either the level of real estate activity or the average price of real estate sales decline it could adversely affect our title insurance revenues.

Because we are dependent upon California for over twenty-two percent of our title insurance premiums, our business may be adversely affected by regulatory conditions in California.

California is the largest source of revenue for the title insurance industry and in 2004, California-based premiums accounted for 49.2% of premiums earned by our direct operations and 2.6% of our agency premium revenues. In the aggregate, California accounted for 22.4% of our total title insurance premiums for 2004. A significant part of our revenues and profitability are therefore subject to our operations in California and to the prevailing regulatory conditions in California. Adverse regulatory developments in California, which could include reductions in the maximum rates permitted to be charged, inadequate rate increases or more fundamental changes in the design or implementation of the California title insurance regulatory framework, could have a material adverse effect on our results of operations and financial condition.

Our subsidiaries engage in insurance-related businesses and must comply with additional regulations. These regulations may impede, or impose burdensome conditions on, our rate increases or other actions that we might seek to increase the revenues of our subsidiaries.

Our insurance businesses are subject to extensive regulation by state insurance authorities in each state in which we operate. These agencies have broad administrative and supervisory power relating to the following, among other matters:

licensing requirements;

trade and marketing practices;

accounting and financing practices;

capital and surplus requirements;

the amount of dividends and other payments made by insurance subsidiaries;

investment practices;

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rate schedules;

deposits of securities for the benefit of policyholders;

establishing reserves; and

regulation of reinsurance.

Most states also regulate insurance holding companies like us with respect to acquisitions, changes of control and the terms of transactions with our affiliates. State regulations may impede or impose burdensome conditions on our ability to increase or maintain rate levels or on other actions that we may want to take to enhance our operating results, and could affect our ability to pay dividends on our common stock. In addition, we may incur significant costs in the course of complying with regulatory requirements. We cannot assure you that future legislative or regulatory changes will not adversely affect our business operations. See Business Regulation.

Regulatory investigations of the insurance industry may lead to new regulation and legal uncertainty, which could negatively affect our results of operations.

In the fall of 2004, the California Department of Insurance began an investigation into reinsurance practices in the title insurance industry and in February 2005 FNF was issued a subpoena to provide information to the California Department of Insurance as part of its investigation. This investigation paralleled similar inquiries of the National Association of Insurance Commissioners, which began earlier in 2004. The investigations have focused on arrangements in which title insurers would write title insurance generated by realtors, developers and lenders and cede a portion of the premiums to a reinsurance company affiliate of the entity that generated the business. Other state insurance departments and attorneys general also have made formal or informal inquiries of us regarding these matters.

We recently negotiated a settlement with the California Department of Insurance with respect to that department's inquiry into captive reinsurance programs in the title insurance industry. Under the terms of the settlement we will refund approximately \$7.7 million to those consumers whose California property was subject to a captive reinsurance arrangement and we will pay a penalty of \$5.6 million.

We have been cooperating and intend to continue to cooperate with the other ongoing investigations. We have discontinued all reinsurance agreements of the type the investigations cover. The total amount of premiums we ceded to reinsurers was approximately \$10 million over the existence of these agreements. These investigations are at an early stage and as a result we are unable to give any assurance regarding their consequences for the industry or for us.

State regulation of the rates we charge for title insurance could adversely affect our results of operations.

Our subsidiaries are subject to extensive rate regulation by the applicable state agencies in the jurisdictions in which we operate. Title insurance rates are regulated differently in the various states in which we operate, with some states requiring our subsidiaries to file rates before such rates become effective and some states promulgating the rates to be charged by our subsidiaries. In almost all states in which we operate, our rates must not be excessive, inadequate or unfairly discriminatory.

The California Department of Insurance has recently announced its intent to examine levels of pricing and competition in the title insurance industry in California. New York and Colorado insurance regulators have also announced similar inquiries and other states could follow. At this stage, we are unable to predict what the outcome will be of this or any similar review.

State regulators may use their rate-regulation oversight authority to take steps to cause us to reduce our rates, or block our attempts to increase our rates. Such actions by regulators could adversely affect our operating results.

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If the rating agencies further downgrade our company our results of operations and competitive position in the industry may suffer.

Ratings have always been an important factor in establishing the competitive position of insurance companies. Our insurance companies are rated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P), Moody's Corporation (Moody's), Fitch Ratings, Inc. (Fitch), A.M. Best and Demotech, Inc. (Demotech). Ratings reflect the opinion of a rating agency with regard to an insurance company's or insurance holding company's financial strength rating, operating performance, and ability to meet its obligations to policyholders and are not evaluations directed to investors. In connection with the announcement of this distribution, S&P placed our A-financial strength rating on CreditWatch negative, Moody's affirmed our A3 financial strength rating although the rating outlook was changed to negative and Fitch placed our financial strength rating on Rating Watch Negative. In addition, A.M. Best downgraded the financial strength ratings of our principal insurance subsidiaries to A-. Our ratings are subject to continued periodic review by those entities and the continued retention of those ratings cannot be assured. If our ratings are reduced from their current levels by those entities, our results of operations could be adversely affected. The relative position of each of our ratings among the ratings assigned by each rating agency is as follows:

the seventh highest rating of twenty-one ratings for S&P;

the seventh highest rating of twenty-one ratings for Moody's;

the seventh highest rating of twenty-four ratings for Fitch;

the fourth highest rating of fifteen ratings for A.M. Best; and

the first and second highest ratings of five ratings for Demotech.

As a holding company, we depend on distributions from our subsidiaries, and if distributions from our subsidiaries are materially impaired, our ability to declare and pay dividends may be adversely affected.

We are a holding company whose primary assets are the securities of our operating subsidiaries. Our ability to pay dividends is dependent on the ability of our subsidiaries to pay dividends or repay funds to us. If our operating subsidiaries are not able to pay dividends or repay funds to us, we may not be able to declare and pay dividends to our stockholders.

Our title insurance subsidiaries must comply with state and federal laws which require them to maintain minimum amounts of working capital, surplus and reserves and place restrictions on the amount of dividends that they can distribute to us. Compliance with these laws will limit the amounts our regulated subsidiaries can dividend to us. During the remainder of 2005, our title insurance subsidiaries can pay dividends or make distributions to us of approximately \$89.1 million without prior regulatory approval.

We face competition in our title business from traditional title insurers and from new entrants with alternative products.

The title insurance industry is highly competitive. According to Demotech, the top five title insurance companies accounted for 90.2% of net premiums collected in 2004. Over 40 independent title insurance companies accounted for the remaining 9.8% of the market. The number and size of competing companies varies in the different geographic areas in which we conduct our business. In our principal markets, competitors include other major title underwriters such as The First American Corporation, LandAmerica Financial Group, Inc., Old Republic International Corporation and Stewart Information Services Corporation, as well as numerous smaller title insurance companies and independent agency operations at the regional and local level. These smaller companies may expand into other markets in which we compete. Also, the removal of regulatory barriers might result in new competitors entering the title insurance business, and those new competitors may include companies that have greater financial resources than we do and possess other competitive advantages. Competition among the major title insurance

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companies, expansion by smaller regional companies and any new entrants with alternative products could affect our business operations and financial condition.

Our historical financial information may not be representative of our results as a consolidated, stand-alone company and may not be a reliable indicator of our future results.

Our historical financial statements may not be indicative of our future performance as a consolidated, stand-alone company. We were incorporated on May 24, 2005 in anticipation of the distribution. Prior to the distribution, FNF will contribute to us the various FNF subsidiaries that conduct our business. Our historical financial statements reflect assets, liabilities, revenues and expenses directly attributable to our operations. Accordingly, they exclude certain of our expenses that have been allocated to other operations of FNF and of FIS, and they reflect an allocation to us of a portion of the compensation of certain senior officers and other personnel of FNF who will not be our employees after the distribution but who have historically provided services to us. These allocations are expected to in general continue after the distribution under the corporate services agreements to be entered into in connection with the distribution. Further, our financial statements reflect transactions with related parties, which were not negotiated on an arms-length basis. Our historical financial statements presented in this prospectus do not reflect the debt or interest expense we might have incurred if we had been a stand-alone entity. In addition, we will incur other expenses, not reflected in our historical financial statements, as a result of being a separate publicly traded company. As a result of these and other factors, our historical financial statements do not necessarily reflect what our financial position and results of operations would have been if we had been operated as a stand-alone public entity during the periods covered, and may not be indicative of future results of operations or financial position.

Risks Relating to the Distribution

We will be controlled by FNF as long as it owns a majority of the voting power of our common stock and our other stockholders will be unable to affect the outcome of stockholder voting during this time.

As long as FNF continues to hold a majority of the voting power of our outstanding stock, FNF will be able to elect all of our directors and determine the outcome of all corporate actions requiring stockholder approval. After the completion of this distribution, FNF will own 100% of our Class B Common Stock, representing approximately 82.5% of our outstanding common stock, and 97.9% of all voting power of our outstanding common stock. In order to consolidate the results of our operations for tax purposes, FNF is generally required to own at least 80% of our outstanding common stock and as a result FNF may be unlikely to decrease its ownership below 80%. The Class B Common Stock entitles FNF to ten votes per share on all matters submitted to stockholders until converted to Class A Common Stock.

While it controls us, FNF will control decisions with respect to:

our business direction and policies, including the election and removal of our directors;

mergers or other business combinations involving us;

the acquisition or disposition of assets by us;

our payment of dividends;

our financing; and

amendments to our certificate of incorporation and bylaws.

This could make it more difficult for us to raise capital by selling stock or using our stock as currency in acquisitions. This concentrated ownership also might delay or prevent a change in control and may impede or prevent transactions in which stockholders might otherwise receive a premium for their shares. In addition, we will enter into a registration rights agreement with FNF requiring us, under certain circumstances, to register FNT shares beneficially owned by FNF following this distribution. See Our

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Arrangements with FNF Registration Rights Agreement. If FNF exercises these registration rights, the market price of our common stock could be adversely affected.

We could have conflicts with entities remaining with FNF, and the chairman of our board of directors will also be both the chief executive officer and chairman of the board of directors of FNF and FIS.

Conflicts may arise between entities remaining with FNF and us as a result of our ongoing agreements and the nature of our respective businesses. We will seek to manage any potential conflicts through our agreements with FNF and other FNF entities and through oversight by independent members of our board of directors. However, there can be no assurances that such measures will be effective or that we will be able to resolve all potential conflicts with entities remaining with FNF, and even if we do, the resolution may be less favorable to us than if we were dealing with an unaffiliated third party.

Some of our executive officers own substantial amounts of FNF and FIS stock and options because of their relationships with FNF and FIS prior to this distribution. Such ownership could create or appear to create potential conflicts of interest involving fiduciary duties when directors and officers are faced with decisions that could have different implications for our company and FNF or FIS.

Mr. Foley is the chairman of our board of directors and will continue to be the chief executive officer and chairman of the board of directors of FNF and chief executive officer and chairman of the board of directors of FIS following this distribution. As an officer and director of multiple companies, he will have obligations to us as well as FNF and FIS and may have conflicts of interest with respect to matters potentially or actually involving or affecting us. Matters that could give rise to conflicts include, among other things:

our past and ongoing relationships with FNF and other entities of FNF, including tax matters, employee benefits, indemnification, and other matters;

the quality and pricing of services that we have agreed to provide to entities remaining with FNF or that those entities have agreed to provide to us; and

sales or distributions by FNF of all or part of its ownership interest in us.

Provisions of our certificate of incorporation may prevent us from receiving the benefit of certain corporate opportunities.

Because FNF and FIS may engage in the same activities in which we engage, there is a risk that we may be in direct competition with FNF and FIS over business activities and corporate opportunities. To address these potential conflicts, we have adopted a corporate opportunity policy that has been incorporated into our certificate of incorporation. Among other things, this policy provides that FNF has no duty not to compete with us or to provide us with corporate opportunities of which it becomes aware. The policy also limits the situations in which one of our directors or officers, if also a director or officer of FNF, must offer corporate opportunities to us of which such individual becomes aware. These provisions may limit the corporate opportunities of which we are made aware or which are offered to us. See Description of Capital Stock Provisions of our Certificate of Incorporation and Resolutions Relating to Corporate Opportunities. Moreover, our ability to take advantage of certain corporate opportunities may be limited by FNF's voting control over us.

Risks Relating to our Common Stock

You may experience fluctuations in the prices of our common stock or the common stock of FNF as a result of this distribution.

Prior to this distribution, there has not been a market for our common stock. Our common stock will be traded on the NYSE after the distribution. We cannot predict the prices at which our common stock may trade after the distribution. After the distribution, FNF common stock will continue to be listed and traded on the NYSE. As a result of the distribution, the trading price of FNF common stock will likely be

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lower than the trading price of FNF common stock immediately prior to the distribution. The combined trading prices of FNF common stock and FNT common stock after the distribution may be less than, equal to or greater than the trading prices of FNF common stock immediately prior to the distribution. Until the market has fully analyzed the operations of FNF separate from the operations of FNT and the operations of FNT separate from the operations of FNF, the prices at which both FNT and FNF common stock trade may fluctuate.

The price of our common stock may be volatile and may be affected by market conditions beyond our control.

Our share price is likely to fluctuate in the future because of the volatility of the stock market in general and a variety of factors, including:

quarterly variations in actual or anticipated results of our operations;

changes in financial estimates by securities analysts;

actions or announcements by our competitors;

regulatory actions;

changes in the market outlook for the lending and real estate industries;

departure of our key personnel; and

future sales of our common stock, including by FNF.

These market fluctuations could result in volatility in the price of our shares of common stock, which could cause a decline in the value of your investment. You should also be aware that price volatility may be greater if the public float and trading volume of our shares of common stock is low.

Provisions in our charter documents, Delaware law and state insurance laws may delay or prevent a change in control and may therefore prevent stockholders from receiving the benefit of potential control transactions.

Our certificate of incorporation, bylaws and the laws of Delaware contain provisions that may delay, deter or prevent a takeover attempt that some stockholders might consider in their best interests. For example, our organizational documents provide for a classified board of directors with staggered terms, prevent stockholders from taking action by written consent, prevent stockholders from calling a special meeting of stockholders, provide for supermajority voting requirements to amend our certificate of incorporation and certain provisions of our bylaws and provide for the filling of vacancies on our board of directors by the majority of the directors then in office. These provisions will render the removal of the incumbent board of directors or management more difficult. In addition, these provisions may prevent stockholders from receiving the benefit of any premium over the market price of our common stock offered by a bidder in a potential takeover. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

Before a person can acquire control of a U.S. insurance company, prior written approval must be obtained from the insurance commissioner of the state where the domestic insurer is domiciled. Prior to granting approval of an application to acquire control of a domestic insurer, the state insurance commissioner will consider such factors as the financial strength of the applicant, the integrity and management of the applicant's board of directors and executive officers, the acquiror's plans for the insurer's board of directors and executive officers, the acquiror's plans for the future operations of the domestic insurer and any anti-competitive results that may arise from the consummation of the acquisition of control. Generally, state statutes provide that control over a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities of the domestic insurer. Because a person acquiring 10% or more of our common shares would indirectly control the same percentage of the stock of our title insurance subsidiaries, the insurance change of control laws would likely apply to such a transaction.

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THE DISTRIBUTION

History

We are currently a wholly-owned subsidiary of FNF. We were incorporated in Delaware on May 24, 2005 in connection with a restructuring by FNF of its title insurance business. In the restructuring, FNT will become the holding company for FNF's title insurance business. The distribution will result in FNT's title insurance business becoming a separate public company, distinct from FNF's information services business and specialty insurance business.

Benefits of the Distribution

We believe that we can realize significant benefits from the distribution. These benefits include:

having a separate public company which will enable financial markets to better evaluate the individual operations of the title business apart from FNF;

having a separate management and ownership structure for our company which will provide equity based compensation that is more closely related to the business in which our employees work; and

placing us in a better position to focus on the title insurance business and maintain our competitiveness in a consolidating title insurance market.

Actions to be Taken Prior to the Distribution

Currently, FNF directly owns various subsidiaries engaged in the title insurance business. FNF will contribute the stock or other securities of these entities to its subsidiary Chicago Title and Trust Company (CTT). As a result of this contribution, these entities and their subsidiaries will become direct or indirect subsidiaries of CTT. Following this contribution, FNF will contribute the stock of CTT to FNT. Following this contribution, the entities comprising FNF's title business will be direct or indirect subsidiaries of FNT. This reorganization is subject to the prior approval of insurance and other regulators in several states.

Prior to the distribution of FNT common stock to the stockholders of FNF, we will enter into certain agreements in connection with the distribution. These agreements include:

a separation agreement between us and FNF that sets forth agreements relating to our provision of financial information to FNF and cross-indemnification;

corporate services agreements under which we will provide corporate and other support services to FNF and to FIS, and under which FNF will provide certain services to us;

a tax matters agreement which covers our responsibilities with respect to tax liabilities and refunds, tax attributes, tax contests and other matters relating to income tax;

a services agreement between us and FIS under which FIS will provide IT and other technology support services to us; and

various other agreements covering employee matters, intellectual property, and other matters.

The separation agreement provides that both FNT and FNF will have access to financial information of each other and that FNT will provide to FNF all financial information and other data that will allow FNF to consolidate our results of operations and financial position or account for FNF's investment in our company under the equity method of accounting. In addition, each of FNT and FNF have agreed to indemnify the other in connection with the liabilities each assumes and any breach by it of the agreements entered into as a result of this distribution. For more detailed descriptions of the above agreements, see Our Arrangements with FNF.

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In addition, prior to the distribution we currently intend to:

Issue \$500 million principal amount of notes to FNF, with terms that mirror FNF's existing public debt; and

Enter into a new credit facility, borrow \$150 million under that facility and pay it to FNF in satisfaction of a \$150 million intercompany note issued by one of our subsidiaries to FNF in August 2005.

These intended changes in our capital structure may be modified prior to the distribution. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.

Manner of Effecting the Distribution

FNF will effect the distribution by delivering shares of Class A Common Stock of FNT representing 17.5% of the outstanding shares of FNT common stock to _____, which will serve as the distribution agent for the distribution, for a pro rata distribution to the holders of record of FNF as of the close of business on the record date of _____, 2005. The distribution of FNT Class A Common Stock will be made on the basis of a distribution ratio of .175 shares of FNT Class A Common Stock for every share of FNF common stock held as of the close of business on the record date. The actual total number of shares of FNT Class A Common Stock to be distributed depends on the number of shares of FNF common stock outstanding as of the record date. The distribution agent will credit the brokerage accounts of FNF stockholders, or if requested, will mail FNT Class A Common Stock certificates to FNF stockholders, on _____, 2005.

No Fractional Shares

No fractional shares of FNT Class A Common Stock will be issued to FNF stockholders as part of the distribution. Instead, all fractional shares will be aggregated and sold in the public market by the distribution agent, and the aggregate cash proceeds will be distributed proportionately to stockholders otherwise entitled to fractional shares. The distribution agent in its sole discretion will determine how and through which broker-dealer and at what price to make the sales of the aggregated fractional shares. Neither the distribution agent nor the broker-dealer will be an affiliate of FNF or FNT. If you would otherwise be entitled to a fractional share, you will receive a check or a credit to your brokerage account in an amount equal to the value of the fractional shares as soon as practicable after the distribution.

Results of the Distribution

After the distribution, FNT will be a publicly traded company, with FNF owning 100% of our Class B Common Stock, representing 82.5% of FNT's outstanding common stock and 97.9% of the voting power of our common stock. FNF will continue to be a publicly traded company. In addition, immediately after the distribution the number and identity of stockholders of record of FNT will be the same as the number and identity of stockholders of record of FNF on _____, 2005, the record date for the distribution. As of the record date, FNF had approximately _____ stockholders of record and _____ shares of common stock outstanding. The distribution will not affect the number of outstanding shares of FNF common stock or the rights of FNF stockholders. On _____, 2005, shares of FNT Class A Common Stock will be quoted on the NYSE under the symbol FNT. Shares of FNF common stock will continue to be listed on the NYSE under the symbol FNF.

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FORWARD-LOOKING STATEMENTS

Some of the statements under Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and elsewhere in this prospectus include forward-looking statements which reflect our current views with respect to future events and financial performance. These statements include forward-looking statements both with respect to us specifically and the businesses in which we are engaged generally. Statements that include the words expect, intend, plan, believe, project, anticipate, will and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. These factors include:

- adverse changes in real estate activity;
- regulatory conditions in California;
- regulation by state insurance authorities;
- regulatory investigations involving title insurance;
- rate regulation by state authorities;
- downgrades by our rating agencies;
- dependence upon our subsidiaries for dividend payments;
- competition from traditional title insurers and new entrants; and
- other factors described under Risk Factors.

We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

USE OF PROCEEDS

Because this is not an offering for cash, there will be no proceeds from the distribution.

DIVIDEND POLICY

We currently intend to pay an annual dividend of \$1.00 per FNT common share payable quarterly to FNT stockholders of record, beginning in the quarter of 2005. Any determination to pay cash dividends will be at the discretion of our board of directors and will be dependent upon various factors then existing, including:

- our financial condition, operating results and current and anticipated cash needs;
- general economic and business conditions;
- our strategic plans and business prospects;
- regulatory restrictions on the ability of our subsidiaries to pay dividends to us to provide us with cash for the payment of dividends to our stockholders;
- any legal or contractual restrictions on our ability to pay dividends to our stockholders; and
- other factors that our board of directors may consider to be relevant.

Our U.S. insurance subsidiaries are regulated by the insurance laws and regulations of their respective states of domicile regarding dividends and distributions to us. During the remainder of 2005, our title insurance subsidiaries can pay dividends or make distributions to us of approximately \$89.1 million without prior regulatory approval. For a more detailed discussion of the regulatory restrictions on dividends from our title insurance subsidiaries, see Business Regulation.

Table of Contents**CAPITALIZATION**

The following table describes our cash and cash equivalents and capitalization as of June 30, 2005 on an actual basis, and on an as-adjusted basis to give effect to the distribution, the debt we will incur immediately prior to the distribution, the payment of dividends by one of our insurance subsidiaries to FNF and our estimated distribution expenses. The information presented below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our combined financial statements and the related notes included elsewhere in this prospectus.

	As of June 30, 2005	
	Actual	As Adjusted
	(In thousands)	
Cash and cash equivalents	\$ 614,555	
Total long-term debt	7,802	
Stockholders' equity		
Common stock, \$0.0001 par value		
Additional paid-in capital		
Investment by FNF	3,096,617	
Accumulated other comprehensive loss	(52,002)	
Total	3,044,615	
Total capitalization	\$ 3,052,417	

The actual and as-adjusted information set forth in the table:

excludes shares of common stock issuable upon the exercise of stock options to be granted under our omnibus incentive plan as of completion of this distribution, at an exercise price equal to the closing price of our Class A Common Stock on the NYSE on the date of the distribution; and

excludes shares of common stock available for future issuance under our omnibus incentive plan. For a description of this plan, see Management's Omnibus Incentive Plan.

The as adjusted information set forth in the table:

includes the payment of a dividend of \$145 million in July 2005 to FNF by one of our insurance subsidiaries.

includes \$150 million of borrowings under a new credit facility to repay a \$150 million principal amount promissory note dividended in August 2005 to FNF by one of our insurance subsidiaries; and

includes our planned issuance of \$500 million principal amount of notes to FNF, with terms that mirror FNF's existing public debt;

Our capital structure is subject to conditions at the time of the distribution and to finalizing our discussions with the rating agencies and may be modified prior to the distribution. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.

Table of Contents**SELECTED HISTORICAL FINANCIAL INFORMATION**

The following table sets forth our selected historical financial information. The selected historical financial information as of December 31, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2004 has been derived from our combined financial statements and related notes, which have been audited by KPMG LLP, an independent registered public accounting firm. The audited combined financial statements as of December 31, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2004 are included elsewhere in this prospectus. The selected historical financial information as of June 30, 2004 and December 31, 2002 and as of and for the years ended December 31, 2001 and 2000 has been derived from our unaudited combined financial statements not appearing herein. The selected historical financial information as of June 30, 2005 and for the six months ended June 30, 2005 and 2004 has been derived from our unaudited condensed combined financial statements, which are included elsewhere in this prospectus. You should read this financial information in conjunction with the audited and unaudited combined financial statements included elsewhere in this prospectus and the information under Management's Discussion and Analysis of Financial Condition and Results of Operations. Our selected historical financial information has been prepared from the historical results of the operations transferred to us and gives effect to allocations of certain corporate expenses to and from FNF. Our selected historical financial information may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a stand-alone entity during the periods presented. Our results of interim periods are not necessarily indicative of results for the entire year.

	Six Months Ended June 30,		Year Ended December 31,				
	2005(2)	2004(2)	2004(2)	2003(2)	2002	2001(1)(3)	2000(1)
(In thousands)							
Statement of Earnings Data							
Direct title insurance premiums	\$ 1,017,396	\$ 987,019	\$ 2,003,447	\$ 2,105,317	\$ 1,557,769	\$ 1,252,656	\$ 786,588
Agency title insurance premiums	1,304,200	1,348,430	2,714,770	2,595,433	1,989,958	1,441,416	1,159,205
Total title premiums	2,321,596	2,335,449	4,718,217	4,700,750	3,547,727	2,694,072	1,945,793
Escrow and other title related fees	543,465	514,019	1,039,835	1,058,729	790,787	656,739	496,435
Total title and escrow	2,865,061	2,849,468	5,758,052	5,759,479	4,338,514	3,350,811	2,442,228
Interest and investment income	45,430	28,163	64,885	56,708	72,305	88,232	80,407
Realized gains and losses, net	21,922	17,044	22,948	101,839	584	946	4,605
Other income	20,020	21,573	43,528	52,689	55,927	50,476	27,434

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Total revenue	2,952,433	2,916,248	5,889,413	5,970,715	4,467,330	3,490,465	2,554,674
Personnel costs	904,603	838,063	1,680,805	1,692,895	1,260,070	1,036,236	765,319
Other operating expenses	451,093	422,113	849,554	817,597	633,193	558,263	457,476
Agent commissions	1,005,121	1,046,601	2,117,122	2,035,810	1,567,112	1,131,892	906,043
Depreciation and amortization	49,389	44,193	95,718	79,077	53,042	100,225	88,033
Provision for claim losses	150,677	125,010	259,402	248,834	175,963	134,527	97,161
Interest expense	724	2,256	3,885	4,582	8,586	15,695	15,460
Total expenses	2,561,607	2,478,236	5,006,486	4,878,795	3,697,966	2,976,838	2,329,492
Earnings before income taxes and minority interest	390,826	438,012	882,927	1,091,920	769,364	513,627	225,182
Income tax expense	146,637	160,312	323,598	407,736	276,970	205,965	97,053
Earnings before minority interest	244,189	277,700	559,329	684,184	492,394	307,662	128,129
Minority interest	1,292	455	1,165	859	624		
Cumulative effect of accounting change						5,709	
Net earnings	\$ 242,897	\$ 277,245	\$ 558,164	\$ 683,325	\$ 491,770	\$ 301,953	\$ 128,129

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- (1) Effective January 1, 2002, we adopted SFAS No. 142 *Goodwill and Other Intangible Assets* and as a result, have ceased to amortize goodwill. Goodwill amortization in 2001 and 2000 was \$33.2 million and \$47.5 million, respectively.
- (2) Effective January 1, 2003, we adopted the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, using the prospective method of adoption in accordance with SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*, and as a result recorded stock compensation expense of \$3.4 million and \$3.0 million for the years ended December 31, 2004 and 2003, respectively, and \$5.4 million and \$2.1 million for the six months ended June 30, 2005 and 2004, respectively.
- (3) During 2001, we recorded a \$5.7 million, after-tax charge, reflected as a cumulative effect of a change in accounting principle, as a result of adopting Emerging Issues Task Force No. 99-20, *Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets*, (EITF 99-20).

	As of June 30,		As of December 31,				
	2005	2004	2004	2003	2002	2001	2000
(In thousands)							
Balance sheet data (at end of period)							
Investments	\$ 3,424,810	\$ 2,791,713	\$ 2,819,489	\$ 2,510,182	\$ 2,337,472	\$ 1,705,267	\$ 1,579,790
Cash and cash equivalents	614,555	497,653	268,414	395,857	433,379	491,709	214,398
Total assets	5,973,378	5,262,282	5,074,091	4,782,664	4,494,716	3,848,300	3,542,307
Notes payable	7,802	36,946	22,390	54,259	107,874	176,116	148,858
Reserve for claim losses	984,290	977,926	980,746	932,439	887,973	881,053	907,292
Minority interests	4,643	3,448	3,951	2,488	1,098	239	204
Equity	3,044,615	2,531,127	2,676,756	2,469,186	2,234,484	1,741,387	1,593,509
Other non-financial data: (unaudited) (in whole numbers)							
Direct operations orders opened(1)	1,577,164	1,689,219	3,142,945	3,771,393	2,953,797	2,496,597	1,267,407
Direct operations orders closed(1)	1,048,931	1,165,864	2,249,792	2,916,201	2,141,680	1,685,147	911,349
Fee per closed file(1)	\$ 1,447	\$ 1,257	\$ 1,324	\$ 1,081	\$ 1,099	\$ 1,120	\$ 1,387

(1)

These measures are used by management to judge productivity and are a measure of transaction volume for our direct title businesses. An order is opened when we receive a customer order and is closed when the related real estate transaction closes, which typically takes 45-60 days from the opening of an order.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the combined financial statements and the notes thereto and selected historical financial information included elsewhere in this prospectus. The discussion below contains forward-looking statements that are based upon our current expectations and are subject to uncertainty and changes in circumstances. Our actual results may differ materially from these expectations due to changes in global, political, economic, business, competitive and market factors, many of which are beyond our control. See

Forward-Looking Statements.

Overview

We are the largest title insurance company in the United States. Our title insurance underwriters Fidelity National Title, Chicago Title, Ticor Title, Security Union Title and Alamo Title together issued approximately 30.5% of all title insurance policies issued nationally during 2004, as measured by premiums. Our title business consists of providing title insurance and escrow and other title-related products and services arising from the real estate closing process. Our operations are conducted on a direct basis through our own employees who act as title and escrow agents and through independent agents. In addition to our independent agents, our customers are lenders, mortgage brokers, attorneys, real estate agents, home builders and commercial real estate developers. We do not focus our marketing efforts on the homeowner.

Our Historical Financial Information

We were incorporated in Delaware on May 24, 2005 in connection with a restructuring of our title insurance operations. Prior to the distribution FNF will contribute to us the subsidiaries relating to our business and operations as described in this prospectus.

Our historical financial statements include assets, liabilities, revenues and expenses directly attributable to our operations. Our historical financial statements reflect allocations of certain of our corporate expenses to FNF and FIS. These expenses have been allocated to FNF and FIS on a basis that management considers to reflect most fairly or reasonably the utilization of the services provided to or the benefit obtained by those businesses. These expense allocations to FNF and FIS reflect an allocation to us of a portion of the compensation of certain senior officers and other personnel of FNF who will not be our employees after the distribution but who historically provided services to us. Our historical financial statements do not reflect the debt or interest expense we might have incurred if we had been a stand-alone entity. In addition, we will incur other expenses, not reflected in our historical financial statements, as a result of being a separate publicly traded company. As a result, our historical financial statements do not necessarily reflect what our financial position or results of operations would have been if we had been operated as a stand-alone public entity during the periods covered, and may not be indicative of our future results of operations or financial position.

FIS was established as a separate subsidiary of FNF in connection with a restructuring that was effective as of November 1, 2004 and prior to that time, FIS's businesses were either subsidiaries of FNF, or were operated as divisions of certain companies that will be our subsidiaries. Historical references to FIS in this prospectus include assets, liabilities, revenues and expenses directly attributable to FIS's operations, including where those operations were conducted as a division of one of our subsidiaries.

Related Party Transactions

Our historical financial statements reflect transactions with other businesses and operations of FNF not being transferred to us, including those being conducted with FIS.

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A detail of related party items included in revenues is as follows:

	2004	2003	2002
	(In millions)		
Agency title premiums earned	\$ 106.3	\$ 284.9	\$ 53.0
Rental income earned	8.4	7.3	6.7
Interest revenue	1.0	0.7	0.5
 Total revenue	 \$ 115.7	 \$ 292.9	 \$ 60.2

A detail of related party items included in operating expenses is as follows:

Agency title commissions	\$ 93.6	\$ 250.7	\$ 46.7
Data processing costs	56.6	12.4	
Data processing costs allocated		(5.4)	(5.8)
Corporate services allocated	(84.5)	(48.7)	(28.6)
Title insurance information expense	28.6	28.2	24.3
Other real-estate related information	\$ 9.9	\$ 11.4	\$ 3.7
Software expense	5.8	2.6	1.3
Rental expense	2.8	0.5	
 Total expenses	 \$ 112.8	 \$ 251.7	 \$ 41.6
 Total pretax impact of related party activity	 \$ 2.9	 \$ 41.2	 \$ 18.6

Included as a reduction of our expenses for all periods are amounts allocated to FNF and FIS relating to the provision by us of corporate services to FNF and to FIS and its subsidiaries. These corporate services include accounting, internal audit and treasury, payroll, human resources, tax, legal, purchasing, risk management, mergers and acquisitions and general management. For the years ended December 31, 2004, 2003 and 2002, our expenses were reduced by \$9.4 million, \$9.2 million and \$7.0 million, respectively, related to the provision of these corporate services by us to FNF and its subsidiaries other than FIS and its subsidiaries. For the years ended December 31, 2004, 2003 and 2002, our expenses were reduced by \$75.1 million, \$39.5 million and \$21.6 million, respectively, related to the provision of corporate services by us to FIS and its subsidiaries.

We also do business with the lender outsourcing solutions segment of FIS, which includes title agency functions whereby an FIS subsidiary acts as the title agent in the issuance of title insurance policies by a title insurance underwriter owned by us and in connection with certain trustee sales guarantees, a form of title insurance issued as part of the foreclosure process. As a result, our title insurance subsidiaries pay commissions on title insurance policies sold through FIS. For 2004, 2003, and 2002, these FIS operations generated \$106.3 million, \$284.9 million and \$53.0 million of revenues for us, which we reflect as agency title premium. We paid FIS commissions at the rate of 88% of premiums generated, equal to \$93.6 million, \$250.7 million and \$46.7 million for 2004, 2003 and 2002 respectively.

We also historically have leased equipment to a subsidiary of FIS. Revenue relating to these leases was \$8.4 million, \$7.3 million and \$6.7 million in 2004, 2003 and 2002, respectively. The title plant assets of several of our title insurance subsidiaries are managed or maintained by a subsidiary of FIS. The underlying title plant information and software continues to be owned by each of our title insurance underwriters, but FIS manages and updates the information in return for either (i) a cash management fee or (ii) the right to sell that information to title insurers, including title insurance underwriters that we own and other third party customers. In most cases, FIS is

responsible for keeping the title plant assets current and fully functioning, for which we pay a fee to FIS based on our use of, or access to, the title plant. For 2004, 2003 and 2002, our expenses to FIS under these arrangements were \$28.9 million, \$28.2 million and \$24.3 million, respectively. In addition, since November 2004, each applicable title insurance underwriter in turn receives a royalty on sales of access to its title plant assets. For the year ended December 31, 2004, the revenues from these title plant royalties were \$0.3 million. Prior to 2004, there was no royalty

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agreement in place, but if it had been, we would have earned approximately \$2.9 million and \$2.7 million in additional revenue from FIS for 2003 and 2002, respectively. In addition, we have entered into agreements with FIS that permit FIS and certain of its subsidiaries to access and use (but not to re-sell) the starters databases and back plant databases of our title insurance subsidiaries. Starters databases are our databases of previously issued title policies and back plant databases contain historical records relating to title that are not regularly updated. Each of our applicable title insurance subsidiaries receives a fee for any access to or use of its starters and back plant databases by FIS. We also do business with additional entities within the information services segment of FIS that provide real estate information to our operations. We recorded expenses of \$9.9 million, \$11.4 million and \$3.7 million in 2004, 2003 and 2002, respectively.

Included in our expenses for 2004 and 2003 are amounts paid to a subsidiary of FIS for the provision by FIS to us of IT infrastructure support, data center management and related IT support services. For 2004 and 2003, the amounts included in our expenses to FIS for these services were \$56.6 million and \$12.4 million respectively. Prior to September 2003, we performed these services ourselves and provided them to FIS. During 2003 and 2002, we received payments from FIS of \$5.4 million and \$5.8 million relating to these services that offset our other operating expenses. In addition, we incurred software expenses relating to an agreement with a subsidiary of FIS that amounted to \$5.8 million, \$2.6 million and \$1.3 million in 2004, 2003 and 2002, respectively.

Our financial statements for 2004 and 2003 reflect allocations for a lease of office space to us for our corporate headquarters and business operations.

We believe the amounts earned by us or charged to us under each of the foregoing arrangements are fair and reasonable. Although the commission rate paid on the title insurance premiums written by the FIS title agencies was set without negotiation, we believe it is consistent with the average rate that would be available to a third party title agent given the amount and the geographic distribution of the business produced and the low risk of loss profile of the business placed. In connection with the title plant management and maintenance services provided by FIS, we believe that the fees charged to us by FIS are at approximately the same rates that FIS and other similar vendors charge unaffiliated title insurers. The IT infrastructure support and data center management services provided to us by FIS are priced within the range of prices that FIS offers to its unaffiliated third party customers for the same types of services. However, the amounts we earned or were charged under these arrangements were not negotiated at arm's length, and may not represent the terms that we might have obtained from an unrelated third party.

Amounts due from FNF to us as of December 31, 2004 and December 31, 2003 were as follows:

	As of December 31,	
	2004	2003
	(In millions)	
Notes receivable from FNF	\$ 22.8	\$ 26.6
Taxes due from FNF	63.6	44.1

We have notes receivable from FNF relating to loans by our title underwriters to FNF. These notes amounted to \$22.8 million and \$26.6 million at December 31, 2004 and 2003, respectively. As of December 31, 2004, these notes bear interest at 2.66%. We earned interest revenue of \$1.0 million, \$0.7 million and \$0.5 million relating to these notes during 2004, 2003 and 2002, respectively.

We are included in FNF's consolidated tax returns and thus any income tax liability or receivable is due to/from FNF. As of December 31, 2004 and 2003, we have recorded a receivable from FNF relating to overpayment of taxes of \$63.6 million and \$44.1 million, respectively.

Certain of the foregoing related party arrangements are set forth in agreements between us and FNF or FIS that will remain in effect for specified periods following the distribution. For a description of these agreements, see **Certain Relationships and Related Transactions** **Historical Related-Party Transactions**. Other items described above in respect

of which amounts have been allocated to or by us will be

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the subject of agreements to be entered into by us with related parties at or prior to the time of the distribution. These new agreements and certain other agreements we will enter into at the time of the distribution are described in Our Arrangements with FNF.

Prior to the distribution we intend to issue two \$250 million intercompany notes payable to FNF, with terms that mirror FNF's existing \$250 million 7.30% public debentures due in August 2011 and \$250 million 5.25% public debentures due in March 2013. Proceeds from the issuance of the 2011 public debentures were used by FNF to repay debt incurred in connection with the acquisition of our subsidiary, Chicago Title, and the proceeds from the 2013 public debentures were used for general corporate purposes. Following the issuance of the intercompany notes, we may make an exchange offer in which we would offer to exchange the outstanding FNF notes for notes we would issue having substantially the same terms and deliver the FNF notes received to FNF to reduce the debt under the intercompany notes. Our capital structure is subject to conditions at the time of the distribution and finalizing our discussions with rating agencies and may be modified prior to the distribution. See Liquidity and Capital Resources.

Recent Developments

Our Recent Acquisitions

On March 22, 2004, we acquired American Pioneer Title Insurance Company (APTIC) for \$115.2 million in cash. APTIC is a title insurance underwriter licensed in 45 states with significant agency operations and computerized title plant assets in the state of Florida. APTIC now operates under our Ticor Title brand.

On July 29, 2005, the Company acquired Service Link, L.P. (Service Link), a national provider of centralized mortgage and residential real estate title and closing services to major financial institutions and institutional lenders. The acquisition price was approximately \$110 million in cash.

Business Trends and Conditions

Title insurance revenue is closely related to the level of real estate activity and the average price of real estate sales. Real estate sales are directly affected by the availability of funds to finance purchases, predominantly mortgage interest rates. Other factors affecting real estate activity include, but are not limited to, demand for housing, employment levels, family income levels and general economic conditions. In addition to real estate sales, mortgage refinancing is an important source of title insurance revenue. We have found that residential real estate activity generally decreases in the following situations:

when mortgage interest rates are high or increasing;

when the mortgage funding supply is limited; and

when the United States economy is weak.

Because commercial real estate transactions tend to be driven more by supply and demand for commercial space and occupancy rates in a particular area rather than by macroeconomic events, our commercial real estate title insurance business can generate revenues which are countercyclical to the industry cycles discussed above.

Because these factors can change dramatically, revenue levels in the title insurance industry can also change dramatically. For example, beginning in the second half of 1999 and through 2000, steady interest rate increases caused by actions taken by the Federal Reserve Board resulted in a significant decline in refinancing transactions. As a result, the market shifted from a refinance-driven market in 1998 to a more traditional market driven by new home purchases and resales in 1999 and 2000. However, beginning in January 2001 and continuing through June of 2003, the Federal Reserve Board reduced interest rates by 550 basis points, bringing interest rates down to their lowest level in recent history, which again significantly increased the volume of refinance activity. Beginning in mid-June 2003 and continuing through most of 2004, the ten-year treasury bond yield increased from a low of nearly 3.0% to more than 4.5%, causing mortgage interest rates to rise, which decreased the volume of refinance activity.

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Notwithstanding the increase in interest rates, home prices appreciated strongly in many markets in 2004, benefiting our revenues. Through the second quarter of 2005, refinance activity has continued to decrease, but real estate activity continues at a high rate and the appreciation of home prices remains high. The decreased refinance activity is evidenced by the Mortgage Bankers Association's (MBA) statistics showing that approximately 43.3% of new loan originations in the first six months of 2005 were refinance transactions as compared with approximately 48.8% in the first six months of 2004. In July 2005 the ten-year treasury rate moved above 4.25%, but the MBA's Mortgage Finance Forecast estimates a \$2.738 trillion mortgage origination market for 2005, which would be a 6% increase from 2004.

Historically, real estate transactions have produced seasonal revenue levels for title insurers. The first calendar quarter is typically the weakest quarter in terms of revenue due to the generally low volume of home sales during January and February. The fourth calendar quarter is typically the strongest in terms of revenue due to commercial customers desiring to complete transactions by year-end. Significant changes in interest rates may alter these traditional seasonal patterns due to the effect the cost of financing has on the volume of real estate transactions.

Critical Accounting Estimates

The accounting estimates described below are those we consider critical in preparing our Combined Financial Statements. Management is required to make estimates and assumptions that can affect the reported amounts of assets and liabilities and disclosures with respect to contingent assets and liabilities at the date of the Combined Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. See Note A of Notes to the Combined Financial Statements for a more detailed description of the significant accounting policies that have been followed in preparing our Combined Financial Statements.

Reserve for Claim Losses. Title companies issue two types of policies since both the buyer and lender in real estate transactions want to know that their interest in the property is insured against certain title defects outlined in the policy. An owner's policy insures the purchaser for as long as he or she owns the property and a lender's policy insures the priority of the lender's security interest over the claims that other parties may have in the property. The maximum amount of liability under a title insurance policy is generally the face amount of the policy plus the cost of defending the insured's title against an adverse claim. While most non-title forms of insurance, including property and casualty, provide for the assumption of risk of loss arising out of unforeseen future events, title insurance serves to protect the policyholder from risk of loss from events that predated the issuance of the policy.

Unlike many other forms of insurance, title insurance requires only a one-time premium for continuous coverage until another policy is warranted due to changes in property circumstances arising from refinance, resale, additional liens, or other events. Unless we issue the subsequent policy, we receive no notice that our exposure under our policy has ended and as a result we are unable to track the actual terminations of our exposures.

Our reserve for claim losses includes reserves for known claims (PLR) as well as for losses that have been incurred but not yet reported to us (IBNR), net of recoupments. Each known claim is reserved for based on our review of the estimated amount of the claim and the costs required to settle the claim. Reserves for claims that are IBNR are estimates that are established at the time the premium revenue is recognized and are based upon historical experience and other factors, including industry trends, claim loss history, legal environment, geographic considerations, and the types of policies written. We also reserve for losses arising from escrow, closing and disbursement functions, due to fraud or operational error.

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The table below summarizes our reserves for known claims and incurred but not reported claims.

	As of December 31, 2004	%	As of December 31, 2003	%
(in thousands)				
PLR	\$ 223,202	22.8%	\$ 207,909	22.3%
IBNR	757,544	77.2%	724,530	77.7%
Total Reserve	\$ 980,746	100.0%	\$ 932,439	100.0%

Although most claims against title insurance policies are reported relatively soon after the policy has been issued, claims may be reported many years later. By their nature, claims are often complex, vary greatly in dollar amounts and are affected by economic and market conditions and the legal environment existing at the time of settlement of the claims. Estimating future title loss payments is difficult because of the complex nature of title claims, the long periods of time over which claims are paid, significantly varying dollar amounts of individual claims and other factors.

We continually update loss reserve estimates by utilizing both internal and external resources. Management performs a detailed study of loss reserves based upon the latest available information at the end of each quarter and year. In addition, an independent actuarial consulting firm assists us in analyzing our historic loss experience and developing statistical models to project ultimate loss expectancy. The actuaries prepare a formal analysis of our reserves at December 31 each year. Management examines both the quantitative data provided by the actuaries and qualitative information derived from internal sources such as our legal, claims, and underwriting departments to ultimately arrive at our best reserve estimate. Regardless of technique, all methods involve significant judgment and assumptions. Management strives to improve its loss reserve estimation process by enhancing its ability to analyze loss development patterns and we continually look for ways to identify new trends to reduce the uncertainty of our loss exposure. However, adjustments may be required as experience develops unexpectedly, new information becomes known, new loss patterns emerge, or as other contributing factors are considered and incorporated into the analysis.

Predicting ultimate loss exposure is predicated on evaluating past experience and adjusting for changes in current development and trends. The external actuaries incorporate two primary statistical models, both of which examine past loss experience on a paid and incurred basis. The loss development method forecasts ultimate losses for each policy year based on historic emergence patterns of the Company. Older policy year experience is applied to newer policy years to project future development. When new trends surface, the loss development factors are adjusted to incorporate the more recent development phenomena. Changes in homeownership patterns, increased property turnover rates, and a boom in refinance transactions all are examples of current events that reduce the tail exposure of the loss pattern and warrant these adjustments.

The second technique combines the loss development approach with expected loss ratios. These ratios are derived from an econometric model of the title insurance industry incorporating various economic variables including interest rates as well as industry related developments such as title plant automation and defalcations, which are misappropriations of funds from escrow accounts, to arrive at an expected loss ratio for each policy year. The product of the loss ratio and written premium equals the exposure base for each policy year. The same loss development factors calculated in the first method are used to determine the portion of ultimate losses already reported in order to arrive at the incurred but not yet reported losses. More weight is placed on this second method since it not only incorporates our own loss experience but also factors other macroeconomic circumstances that closely correlate the title industry into its projections.

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The table below presents our loss development experience for the past three years. As can be seen in the table, the variability in loss estimates over the past three years has ranged from favorable development in an amount equal to 0.9% of title premiums to adverse development of 0.2% of title premiums with the average being favorable development of 0.3% over the three year period. Assuming that variability of potential reserve estimates is + or - 0.3%, the effect on pretax earnings would be as presented in the last line of the table.

	2004	2003	2002
	(in thousands)		
Beginning Balance	\$ 932,439	\$ 887,973	\$ 881,053
Reserve Assumed	38,597	4,203	
Claims Loss provision:			
Current year	275,406	237,919	207,290
Prior year	(16,004)	10,915	(31,337)
Total provision	259,402	248,834	175,953
Claims paid, net of recoupment			
Current year	(19,095)	(11,591)	(10,058)
Prior year	(230,597)	(196,980)	(158,975)
Total paid, net of recoupments	(249,692)	(208,571)	(169,033)
Ending Balance	\$ 980,746	\$ 932,439	\$ 887,973
Title Premiums	\$ 4,718,217	\$ 4,700,750	\$ 3,547,727
Provision for claim losses as a percentage of title insurance premiums:			
Current Year	5.8%	5.1%	5.8%
Prior Years	(0.3)%	0.2%	(0.9)%
Total Provision	5.5%	5.3%	5.0%
Sensitivity Analysis (.30% Loss Ratio Change) ¹ :			
Ultimate Reserve Estimate +/-	\$ 14,155	\$ 14,102	\$ 10,643

¹ 0.3% has been selected as an example; actual variability could be greater or less.

Our analysis of our reserves as of December 31, 2004 demonstrates management's continued efforts to improve its loss reserve estimate. For the first time, a separate analysis of mega claims (defined as claims with incurred amounts greater than \$500,000) was performed. Prior to this analysis these large claims have influenced the loss development factors used in both actuarial methods by creating a multiplicative effect for newer policy years' loss projections. The mega claims are handled by specific attorneys and may have different emergence patterns that must be projected in isolation from the other claims.

In addition, adjustments were made to reflect the reduced tail exposure of fairly recent policy years due to unprecedented refinancing activity and property turnover rates. Our hypothesis supported by recent data is that a lower percentage of policies from prior years remain in force due to the substantial turnover in property mortgages. Furthermore, it is our belief that refinance transactions develop differently than resale transactions in that there appears to be an acceleration of claim activity as claims are reported more quickly. As a result, we have incorporated the effect of these assumptions on our loss projections.

Valuation of Investments. We regularly review our investment portfolio for factors that may indicate that a decline in fair value of an investment is other-than-temporary. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include: (i) our ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value; (ii) the duration and extent to which the fair value has been less than cost; and (iii) the financial condition and prospects

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of the issuer. Such reviews are inherently uncertain and the value of the investment may not fully recover or may decline in future periods resulting in a realized loss. Investments are selected for analysis whenever an unrealized loss is greater than a certain threshold that we determine based on the size of our portfolio. Fixed maturity investments that have unrealized losses caused by interest rate movements are not at risk as we have the ability and intent to hold them to maturity. Unrealized losses on investments in equity securities and fixed maturity instruments that are susceptible to credit related declines are evaluated based on the aforementioned factors. Currently available market data is considered and estimates are made as to the duration and prospects for recovery, and the ability to retain the investment until such recovery takes place. These estimates are revisited quarterly and any material degradation in the prospect for recovery will be considered in the other than temporary impairment analysis. We believe that continuous monitoring and analysis has allowed for the proper recognition of other than temporary impairments over the past three year period. Any change in estimate in this area will have an impact on the results of operations of the period in which a charge is taken. During 2004, 2003 and 2002, we recorded other than temporary impairments totaling \$6.6 million, \$0.0 million and \$30.4 million, respectively.

Goodwill. We have made acquisitions in the past that have resulted in a significant amount of goodwill. As of December 31, 2004 and December 31, 2003, goodwill was \$959.6 million and \$920.3 million, respectively. The majority of our goodwill as of December 31, 2004 and 2003 relates to our Chicago Title acquisition. The process of determining whether or not an asset, such as goodwill, is impaired or recoverable relies on projections of future cash flows, operating results and market conditions. While we believe that our estimates of future cash flows are reasonable, these estimates are not guarantees of future performance and are subject to risks and uncertainties that may cause actual results to differ from what is assumed in these impairment tests. In evaluating the recoverability of goodwill, we perform an annual goodwill impairment test based on an analysis of the discounted future cash flows generated by the underlying assets. We have completed our annual goodwill impairment tests in each of the past three years and have determined that we have a fair value in excess of our carrying value. Such analyses are particularly sensitive to changes in estimates of future cash flows and discount rates. Changes to these estimates might result in material changes in fair value and determination of the recoverability of goodwill which may result in charges against earnings and a reduction in the carrying value of our goodwill.

Long-Lived Assets. We review long-lived assets, primarily computer software, property and equipment and other intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indicators of impairment are present, we estimate the future net cash flows expected to be generated from the use of those assets and their eventual disposal. We would recognize an impairment loss if the aggregate future net cash flows were less than the carrying amount. We have not recorded any material impairment charges in the past three years. As a result, the carrying values of these assets could be significantly affected by the accuracy of our estimates of future net cash flows, which cannot be estimated with certainty, similar to our goodwill analysis.

Revenue Recognition. Our direct title insurance premiums and escrow and other title-related fees are recognized as revenue at the time of closing of the related transaction as the earnings process is then considered complete, whereas premium revenues from agency operations and agency commissions include an accrual based on estimates using historical information 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. In the second quarter of 2005, we began to compile data that illustrated the correlation of direct and agency premiums. Prior to the end of the quarter we determined that we had gathered sufficient data and concluded that we should enhance our lag accrual methodology to utilize the additional data. Accordingly, we refined our method of estimation for accruing agency title revenues and commissions to take into account trends in direct premiums in addition to the historical information about agency premiums and commissions previously considered. This refinement resulted in our recording approximately \$50.0 million in additional agency revenue in the second quarter of 2005 than we would have under our prior method. After related accruals for commissions and other associated expenses, the impact on net earnings of this change was approximately \$2.0 million. We are likely to

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continue to have changes to our accrual for agency revenue in the future, but as demonstrated by this second quarter adjustment, the impact on net earnings of changes in these accruals is very small, equal to approximately four percent of the change in revenues.

Comparisons of Six Months ended June 30, 2005 and 2004
Results of Operations

	Six Months Ended June 30,	
	2005	2004
	(In thousands)	
Direct title insurance premiums	\$ 1,017,396	\$ 987,019
Agency title insurance premiums	1,304,200	1,348,430
Total title insurance premiums	2,321,596	2,335,449
Escrow and other title-related fees	543,465	514,019
Interest and investment income	45,430	28,163
Realized gains and losses, net	21,922	17,044
Other income	20,020	21,573
Total revenue	2,952,433	2,916,248
Personnel costs	904,603	838,063
Other operating expenses	451,093	422,113
Agent commissions	1,005,121	1,046,601
Depreciation and amortization	49,389	44,193
Provision for claim losses	150,677	125,010
Interest expense	724	2,256
Total expense	2,561,607	2,478,236
Earnings before income taxes and minority interest	390,826	438,012
Income tax expense	146,637	160,312
Earnings before minority interest	244,189	277,700
Minority interest	1,292	455
Net Earnings	\$ 242,897	\$ 277,245
Orders opened by direct title operations(1)	1,577,164	1,689,219
Orders closed by direct title operations(1)	1,048,931	1,165,864

(1) These measures are used by management to judge productivity and are a measure of transaction volume for our direct title businesses. An order is opened when we receive a customer order and is closed when the related real estate transaction closes, which typically takes 45-60 days from the opening of an order.

Total revenues for the first six months of 2005 increased \$36.2 million to \$2,952.4 million as compared to the first six months of 2004. This increase was primarily the result of a change in accounting estimate relating to agency title premiums, increased direct title premiums, escrow and other title-related fees and interest and investment income. During the second quarter of 2005, we re-evaluated our method of estimation for accruing agency title revenues and commissions and refined the method which resulted in our recording approximately \$50.0 million in additional agency revenue in the second quarter and six month period than we would have under our prior method. The impact on net earnings of this adjustment was approximately \$2.0 million.

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Total title insurance premiums for the six-month periods were as follows:

	Six Months Ended June 30,			
	2005	% of Total	2004	% of Total
	(In thousands)			
Title premiums from direct operations	\$ 1,017,396	43.8%	\$ 987,019	42.3%
Title premiums from agency operations	1,304,200	56.2%	1,348,430	57.7%
Total	\$ 2,321,596	100.0%	\$ 2,335,449	100.0%

Title insurance premiums decreased 0.6% to \$2,321.6 million in the first six months of 2005 as compared with the first six months of 2004. A decrease of \$44.2 million or 3.3% in premiums from agency operations was offset by an increase of \$30.4 million or 3.1% in direct premiums. The decrease in agency premiums was offset by approximately \$50.0 million in additional agency premiums accrued in the second quarter of 2005 due to the change in estimate for accruing agency revenues noted above. The increased level of direct title premiums is a direct result of an increase in the average fee per file offset by a decline in closed order levels as compared with the prior year. The drop experienced in closed orders reflects a slowing refinance market as evidenced by the MBA statistics showing that approximately 43.3% of new loan originations in the first six months of 2005 were refinance transactions as compared with approximately 48.8% in the first six months of 2004. The increase in fee per file is the result of the decreased levels of refinance-driven activity, which typically have lower fees, in the first six months of 2005 as compared with the same period of the prior year, as well as the appreciation of home prices over the past year. The decrease in agency revenues relates to the fact that the first six months of 2004 benefited from the continued strong refinance volumes of 2003, which were at an all-time high, while in the first six months of 2005 there was a weaker refinance environment. The 2004 period included \$74.5 million in revenue from FIS's title agency business, which benefited from refinancings, while the 2005 period only included \$42.8 million in revenue from FIS's title agency business.

Trends in escrow and other title-related fees are primarily related to title insurance activity generated by our direct operations. Escrow and other title-related fees during the six-month periods ended June 30, 2005 and 2004 fluctuated in a pattern generally consistent with the fluctuation in direct title insurance premiums and order counts. Escrow and other title-related fees were \$543.5 million and \$514.0 million for the first six months of 2005 and 2004, respectively.

Interest and investment income levels are primarily a function of securities markets, interest rates and the amount of cash available for investment. Interest and investment income in the first six months of 2005 was \$45.4 million, compared with \$28.2 million in the first six months of 2004, an increase of \$17.2 million, or 60.9%. The increase in interest and investment income in the first six months of 2005 is due primarily to an increase in our fixed income asset base during the current year period and the increasing interest rate environment.

Net realized gains for the first six months of 2005 were \$21.9 million compared with net realized gains of \$17.0 million for the corresponding period of the prior year.

Operating expenses consist primarily of personnel costs and other operating expenses, which are incurred as orders are received and processed, and agent commissions which are incurred as revenue is recognized. Title insurance premiums, escrow and other title-related fees are generally recognized as income at the time the underlying transaction closes. As a result, direct operations revenue lags approximately 45-60 days behind expenses and therefore gross margins may fluctuate. The changes in the market environment and mix of business between direct and agency operations have impacted margins and net earnings. We have implemented programs and have taken necessary actions to maintain expense levels consistent with revenue streams. However, a short time lag does exist in reducing short-run fixed costs and certain long-run fixed costs are incurred regardless of revenue levels.

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Personnel costs include base salaries, commissions, benefits and bonuses paid to employees, and are one of our most significant operating expenses. Personnel costs totaled \$904.6 million and \$838.1 million for the six months ended June 30, 2005 and 2004, respectively. Personnel costs, as a percentage of total direct title premiums and escrow and other title-related fees, were 58.0% in the first six months of 2005, and 55.8% for the first six months of 2004. The increase of \$66.5 million or 7.9% in personnel costs primarily relates to an increase in revenues from direct operations of 3.9% and higher costs incurred in 2005 due to the competitive environment.

Other operating expenses consist primarily of facilities expenses, title plant-related charges, premium taxes (which insurance underwriters are required to pay on title premiums in lieu of franchise and other state taxes), postage and courier services, computer services, professional services, advertising expenses, general insurance and trade receivable allowances. Other operating expenses totaled \$451.1 million and \$422.1 million for the six months ended June 30, 2005 and 2004, respectively. The increase of \$29.0 million or 6.8% primarily relates to the increase in revenues from direct operations.

Agent commissions represent the portion of premiums retained by agents pursuant to the terms of their respective agency contracts. Agent commissions and the resulting percentage of agent premiums we retain vary according to regional differences in real estate closing practices and state regulations.

The following table illustrates the relationship of agent premiums and agent commissions:

Six Months Ended June 30,

	2005		2004	
	Amount	%	Amount	%
	(In thousands)			
Agent title premiums	\$ 1,304,200	100.0%	\$ 1,348,430	100.0%
Agent commissions	1,005,121	77.1%	1,046,601	77.6%
Net margin	\$ 299,079	22.9%	\$ 301,829	22.4%

Net margin from agency title insurance premiums increased as a percentage of total agency premiums due to our writing a higher percentage of policies in states where we pay lower commission rates.

The provision for claim losses includes an estimate of anticipated title and title-related claims, and escrow losses. The estimate of anticipated title and title-related claims is accrued as a percentage of title premium revenue based on our historical loss experience and other relevant factors. We monitor our claims loss experience on a continual basis and adjust the provision for claim losses accordingly. The claim loss provision for title insurance was \$150.7 million in the first six months of 2005 as compared to \$125.0 million in the first six months of 2004. Our claim loss provision as a percentage of total title premiums was 6.5% and 5.4% in the first six months of 2005 and 2004, respectively. The increase is attributable to higher than expected payment levels, especially for individually significant claims, and a return to a more normalized environment with the volume of resale transactions exceeding the refinance transactions.

Interest expense was \$0.7 million and \$2.3 million in the first six months of 2005 and 2004, respectively.

Income tax expense as a percentage of earnings before income taxes was 37.5% for the first six months of 2005 and 36.6% for the first six months of 2004. Income tax expense as a percentage of earnings before income taxes changes due to the characteristics of pre-tax earnings, such as the percentage of earnings from operating income, investment income and state tax apportionment, year to year.

Table of Contents**Comparisons of Years ended December 31, 2004, 2003 and 2002****Results of Operations**

The following table presents certain financial data for the years indicated:

	Year Ended December 31,		
	2004	2003	2002
	(In thousands)		
Direct title insurance premiums	\$ 2,003,447	\$ 2,105,317	\$ 1,557,769
Agency title insurance premiums	2,714,770	2,595,433	1,989,958
Total title premiums	4,718,217	4,700,750	3,547,727
Escrow and other title-related fees	1,039,835	1,058,729	790,787
Interest and investment income	64,885	56,708	72,305
Realized gains and losses, net	22,948	101,839	584
Other income	43,528	52,689	55,927
	5,889,413	5,970,715	4,467,330
Personnel costs	1,680,805	1,692,895	1,260,070
Other operating expenses	849,554	817,597	633,193
Agent commissions	2,117,122	2,035,810	1,567,112
Depreciation and amortization	95,718	79,077	53,042
Provision for claim losses	259,402	248,834	175,963
Interest expense	3,885	4,582	8,586
	5,006,486	4,878,795	3,697,966
Earnings before income taxes and minority interest	882,927	1,091,920	769,364
Income tax expense	323,598	407,736	276,970
Earnings before minority interest	559,329	684,184	492,394
Minority interest	1,165	859	624
Net earnings	\$ 558,164	\$ 683,325	\$ 491,770
Orders opened by direct title operations	3,142,945	3,771,393	2,953,797
Orders closed by direct title operations	2,249,792	2,916,201	2,141,680

Total revenue in 2004 decreased \$81.3 million to \$5,889.4 million, a decrease of 1.4% compared to 2003. Total revenue in 2003 increased \$1,503.4 million, or 33.7% to \$5,970.7 million from \$4,467.3 million in 2002. Although the mix of direct and agency title premiums changed from 2003 to 2004, total title premiums and escrow and other title-related fees remained fairly consistent in 2004 as compared with 2003. The increase in total revenue in 2003 is due in part to increases in real estate and refinance activity as a result of decreasing interest rates. Further, increased realized gains on investments also contributed to increased revenue in 2003 compared to 2002.

Title insurance premiums were \$4,718.2 million in 2004, \$4,700.8 million in 2003 and \$3,547.7 million in 2002. Direct title premiums decreased from 2003 to 2004 while agency title premiums increased during the same period. The decrease in direct title premiums is primarily due to a reduction in refinancing activity experienced in 2004 as

compared with 2003 and was partially offset by an increase in the average fee per file. The average fee per file in our direct operations was \$1,324, \$1,081 and \$1,099 in 2004, 2003 and 2002, respectively. The increase in direct title premiums in 2003 was due primarily to increases in resale and refinance activity as a result of the decline in interest rates through mid-year 2003. The increase in resale and refinance activity in 2003 was partially offset by a decrease in the average fee per file. The increase in the fee per file in 2004 and the decrease in fee per file in 2003 is consistent with the overall level of refinance activity experienced during 2004 and 2003. The fee per file tends to increase as mortgage

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interest rates rise, and the mix of business changes from a predominately refinance-driven market to more of a resale-driven market.

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

	Year Ended December 31,					
	2004		2003		2002	
	Amount	%	Amount	%	Amount	%
	(In thousands)					
Direct	\$ 2,003,447	42.5%	\$ 2,105,317	44.8%	\$ 1,557,769	43.9%
Agency	2,714,770	57.5	2,595,433	55.2	1,989,958	56.1
Total title insurance premiums	\$ 4,718,217	100.0%	\$ 4,700,750	100.0%	\$ 3,547,727	100.0%

In 2004, our mix of direct and agency title premiums changed, with agency premiums increasing to 57.5% of total premiums compared with 55.2% in 2003. Agency premiums increased in 2004 by \$119.3 million, which was primarily attributed to an increase in agency premiums of \$193.5 million due to our acquisition of APTIC in March 2004 that was offset by a decrease in the amount of agency revenue provided by FIS's title agency operations. Agency business in general is not as profitable as direct business. Our mix of direct and agency title insurance premiums changed in 2003 as compared with 2002, primarily as a result of our acquisition of ANFI, Inc. (ANFI) in March 2003, and the inclusion of ANFI's title insurance premiums as direct title insurance premiums in 2003. In 2002, ANFI's title insurance premiums were included in agency title insurance premiums. Agency revenues from FIS title agency businesses were \$106.3 million, \$284.9 million and \$53.0 million in 2004, 2003 and 2002, respectively.

Trends in escrow and other title-related fees are primarily related to title insurance activity generated by our direct operations. Escrow and other title-related fees during the three-year period ended December 31, 2004, fluctuated in a pattern generally consistent with the fluctuation in direct title insurance premiums and order counts. Escrow and other title-related fees were \$1,039.8 million, \$1,058.7 million and \$790.8 million, respectively, during 2004, 2003 and 2002.

Interest and investment income levels are primarily a function of securities markets, interest rates and the amount of cash available for investment. Interest and investment income in 2004 was \$64.9 million compared with \$56.7 million in 2003 and \$72.3 million in 2002. Average invested assets in 2004 increased 14.8% to \$3,226.2 million, from \$2,811.5 million in 2003. The tax equivalent yield in 2004, excluding realized gains and losses, was 2.7% as compared with 2.5% in 2003 and 3.3% in 2002. Interest and investment income decreased \$15.6 million, or 21.6% in 2003 to \$56.7 million from \$72.3 million in 2002.

Net realized gains and losses for 2004, 2003 and 2002 were \$22.9 million, \$101.8 million and \$0.6 million, respectively. Net realized gains in 2003 includes a \$51.7 million realized gain as a result of IAC InterActive Corp.'s acquisition of Lending Tree Inc. and the subsequent sale of our IAC Interactive Corp. common stock and a realized gain of \$21.8 million on the sale of New Century Financial Corporation common stock.

Net realized gains in 2002 included a \$0.1 million gain recognized on our investment in Santa Barbara Restaurant Group, Inc. (SBRG) common stock as a result of the merger between SBRG and CKE Restaurants, Inc. (CKE) and a \$2.6 million loss on the sale of a portion of our CKE common stock in the second quarter of 2002. Net realized gains in 2002 were partially offset by other-than-temporary impairment losses of \$5.1 million on CKE recorded during the fourth quarter of 2002 and \$3.3 million recorded on MCI WorldCom bonds in the second quarter of 2002.

Other income represents revenue generated by other smaller real-estate related businesses that are not directly title-related. Other income was \$43.5 million in 2004, \$52.7 million in 2003 and \$55.9 million in 2002.

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Our operating expenses consist primarily of personnel costs and other operating expenses, which are incurred as orders are received and processed and agent commissions which are incurred as revenue is recognized. Title insurance premiums, escrow and other title-related fees are generally recognized as income at the time the underlying transaction closes. As a result, direct operations revenue lags approximately 45-60 days behind expenses and therefore gross margins may fluctuate. The changes in the market environment, mix of business between direct and agency operations and the contributions from our various business units have impacted margins and net earnings. We have implemented programs and have taken necessary actions to maintain expense levels consistent with revenue streams. However, a short time lag does exist in reducing variable costs and certain fixed costs are incurred regardless of revenue levels. We have taken significant measures to maintain appropriate personnel levels and costs relative to the volume and mix of business while maintaining customer service standards and quality controls. As such, with the decline in open orders on refinance transactions resulting from the increase in mortgage interest rates during the second half of 2003, we began reducing personnel costs with the reduction of approximately 22% of the title and escrow workforce from July to December of 2003 and maintained personnel at appropriate levels during 2004. We will continue to monitor prevailing market conditions and will adjust personnel costs in accordance with activity.

Personnel costs include base salaries, commissions, benefits and bonuses paid to employees, and are one of our most significant operating expenses. Personnel costs totaled \$1,680.8 million, \$1,692.9 million and \$1,260.1 million for the years ended December 31, 2004, 2003 and 2002, respectively. Personnel costs, as a percentage of direct title insurance premiums and escrow and other title-related fees, were 55.2% in 2004, compared with 53.5% in 2003 and 53.7% 2002. The increase in personnel costs as a percentage of total revenue in 2004 is attributable to the lag in reducing personnel to the appropriate level based on activity. In addition, as a result of adopting SFAS No. 123 during 2003, included in personnel costs for 2004 and 2003 is approximately \$5.4 million and \$4.9 million in stock compensation expense, respectively.

Other operating expenses consist primarily of facilities expenses, title plant-related changes, premium taxes (which insurance underwriters are required to pay on title premiums in lieu of franchise and other state taxes), postage and courier services, computer services, professional services, advertising expenses, general insurance, and trade and notes receivable allowances. Other operating expenses totaled \$849.6 million, \$817.6 million and \$633.2 million for the years ended December 31, 2004, 2003 and 2002, respectively. Other operating expenses increased as a percentage of direct title insurance premiums and escrow and other title-related fees to 27.9% in 2004 from 25.8% in 2003, which decreased from 27.0% in 2002. The increase in other operating expenses as a percentage of total direct title premiums and escrow and other fees in 2004 is consistent with the increase in personnel costs as a percentage of total direct title premiums and escrow and other fees.

Agent commissions represent the portion of premiums retained by agents pursuant to the terms of their respective agency contracts. Agent commissions and the resulting percentage of agent premiums we retain vary according to regional differences in real estate closing practices and state regulations.

The following table illustrates the relationship of agent title premiums and agent commissions:

	Year Ended December 31,					
	2004		2003		2002	
	Amount	%	Amount	%	Amount	%
	(In thousands)					
Agent title premiums	\$ 2,714,770	100.0%	\$ 2,595,433	100.0%	\$ 1,989,958	100.0%
Agent commissions	2,117,122	78.0	2,035,810	78.4	1,567,112	78.8
Net margin	\$ 597,648	22.0%	\$ 559,623	21.6%	\$ 422,846	21.2%

The provision for claim losses includes an estimate of anticipated title and title-related claims. The estimate of anticipated title and title-related claims is accrued as a percentage of title premium revenue based on our historical loss experience and other relevant factors. We monitor our claims loss experience on a continual basis and adjust the provision for claim losses accordingly.

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A summary of the reserve for claim losses is as follows:

	Year Ended December 31,		
	2004	2003	2002
(Dollars in thousands)			
Beginning balance	\$ 932,439	\$ 887,973	\$ 881,053
Reserves assumed(1)	38,597	4,203	
Claim loss provision related to:			
Current year	275,982	237,919	207,290
Prior years	(16,580)	10,915	(31,327)
Total claim loss provision	259,402	248,834	175,963
Claims paid, net of recoupments related to:			
Current year	(19,095)	(11,591)	(10,058)
Prior years	(230,597)	(196,980)	(158,985)
Total claims paid, net of recoupments	(249,692)	(208,571)	(169,043)
Ending balance	\$ 980,746	\$ 932,439	\$ 887,973
Provision for claim losses as a percentage of title insurance premiums only	5.5%	5.3%	5.0%

(1) We assumed APTIC's outstanding reserve for claim losses in connection with its acquisition in 2004. We assumed ANFI's outstanding reserve for claim losses in connection with its acquisition in 2003.

The title loss provision in 2004 reflects a higher estimated loss for the 2004 policy year offset in part by a favorable adjustment from previous policy years. The unfavorable development during 2003 reflects higher than expected payment levels on previously issued policies.

Interest expense for the years ended December 31, 2004, 2003 and 2002 was \$3.9 million, \$4.6 million and \$8.6 million, respectively.

Income tax expense as a percentage of earnings before income taxes for 2004, 2003 and 2002 was 36.6%, 37.3%, and 36.0%, respectively. The fluctuation in income tax expense as a percentage of earnings before income taxes is attributable to our estimate of ultimate income tax liability, and changes in the characteristics of net earnings year to year, such as underwriting income versus investment income. The increase in 2003 as compared with 2002 is primarily due to an increase in state income tax rates.

Selected Quarterly Financial Data

	Three Months Ended			
	March 31,	June 30,	September 30,	December 31,
(In thousands)				
2004				
Revenue	\$ 1,314,932	\$ 1,601,316	\$ 1,558,382	\$ 1,414,783

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Earnings before income taxes and minority interest	171,740	266,272	219,478	225,437
Net earnings	108,958	168,288	138,645	142,274
2003				
Revenue	\$ 1,219,346	\$ 1,518,656	\$ 1,713,943	\$ 1,518,770
Earnings before income taxes and minority interest	198,943	317,259	341,591	234,125
Net earnings	124,338	198,201	213,739	147,046

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Liquidity and Capital Resources

Cash Requirements

Our cash requirements include operating expenses, taxes, capital expenditures, business acquisitions and dividends on our common stock. We believe that all anticipated cash requirements for current operations will be met from internally generated funds, through cash dividends from subsidiaries, cash generated by investment securities and borrowings and existing credit facilities. Our short-term and long-term liquidity requirements are monitored regularly to ensure that we can meet our cash requirements. We forecast the daily needs of all of our subsidiaries and periodically review their short-term and long-term projected sources and uses of funds, as well as the asset, liability, investment and cash flow assumptions underlying these projections.

Our insurance subsidiaries generate cash from premiums earned and their respective investment portfolios and these funds are adequate to satisfy the payments of claims and other liabilities. Due to the magnitude of our investment portfolio in relation to our claim loss reserves, we do not specifically match durations of our investments to the cash outflows required to pay claims, but do manage outflows on a shorter time frame.

Our two significant sources of internally generated funds are dividends and other payments from our subsidiaries. As a holding company, we will receive cash from our subsidiaries in the form of dividends and as reimbursement for operating and other administrative expenses we incur. The reimbursements will be paid within the guidelines of management agreements to be entered among us and our subsidiaries. Our insurance subsidiaries are restricted by state regulation in their ability to pay dividends and make distributions. Each state of domicile regulates the extent to which our title underwriters can pay dividends or make other distributions to us. As of December 31, 2004, \$1,731.3 million of our net assets were restricted from dividend payments without prior approval from the relevant departments of insurance. During the remainder of 2005, our first tier title subsidiaries can pay or make distributions to us of approximately \$89.1 million without prior regulatory approval. Our underwritten title companies collect revenue and pay operating expenses. However, they are not regulated to the same extent as our insurance subsidiaries.

In July 2005 one of our insurance subsidiaries paid a cash dividend to FNF in the amount of \$145 million. In August 2005 one of our subsidiaries paid a dividend to FNF in the form of a promissory note having a principal amount of \$150 million.

Capital Expenditures

Our capital expenditures relate primarily to fixed assets and were \$70.6 million, \$80.4 million and \$64.1 million in 2004, 2003 and 2002, respectively. We do not expect future capital expenditures to increase significantly.

Financing

Prior to the distribution we intend to issue two \$250 million intercompany notes payable to FNF, with terms that mirror FNF's existing \$250 million 7.30% public debentures due in August 2011 and \$250 million 5.25% public debentures due in March 2013. Proceeds from the issuance of the 2011 public debentures were used by FNF to repay debt incurred in connection with the acquisition of our subsidiary, Chicago Title, and the proceeds from the 2013 public debentures were used for general corporate purposes. Following issuance of the intercompany notes, we may make an exchange offer in which we would offer to exchange the outstanding FNF notes for notes we would issue having substantially the same terms and deliver the FNF notes received to FNF to reduce the debt under the intercompany notes. We also plan to enter into a credit agreement in the amount of between \$200 million and \$300 million. We currently anticipate that prior to the distribution we would borrow \$150 million under this facility and pay it to FNF in satisfaction of a \$150 million intercompany note issued by one of our subsidiaries to FNF in August 2005. Our capital structure is subject to conditions at the time of the distribution and finalizing our discussions with rating agencies and may be modified prior to the distribution.

Table of Contents**Contractual Obligations**

Our long-term contractual obligations generally include our long-term debt and operating lease payments on certain of our property and equipment. As of December 31, 2004, our required payments relating to our long-term contractual obligations are as follows:

	2005	2006	2007	2008	2009	Thereafter	Total
	(In thousands)						
Notes payable	\$ 22,390	\$	\$	\$	\$	\$	\$ 22,390
Operating lease payments	109,380	94,805	75,338	51,216	28,933	19,699	379,371
Reserve for claim losses	181,617	147,037	115,761	86,806	63,108	386,417	980,746
Pension and postretirement obligations	12,309	12,287	12,575	12,811	12,777	108,936	171,695
Total	\$ 325,696	\$ 254,129	\$ 203,674	\$ 150,833	\$ 104,818	\$ 515,052	\$ 1,554,202

As of December 31, 2004 we had reserves for claim losses of \$980.7 million. The amounts and timing of these obligations are estimated and are not set contractually. Nonetheless, based on historical title insurance claim experience, we anticipate the above payment patterns. While we believe that historical loss payments are a reasonable source for projecting future claim payments, there is significant inherent uncertainty in this payment pattern estimate because of the potential impact of changes in:

future mortgage interest rates, which will affect the number of real estate and refinancing transactions and, therefore, the rate at which title insurance claims will emerge;

the legal environment whereby court decisions and reinterpretations of title insurance policy language to broaden coverage could increase total obligations and influence claim payout patterns;

events such as fraud, defalcation, and multiple property title defects, that can substantially and unexpectedly cause increases in both the amount and timing of estimated title insurance loss payments;

loss cost trends whereby increases or decreases in inflationary factors (including the value of real estate) will influence the ultimate amount of title insurance loss payments; and

claims staffing levels whereby claims may be settled at a different rate based on the future staffing levels of the claims department.

Off-Balance Sheet Arrangements

In conducting our operations, we routinely hold customers' assets in escrow, pending completion of real estate transactions. Certain of these amounts are maintained in segregated bank accounts and have not been included in the Combined Balance Sheets. As a result of holding these customers' assets in escrow, we have ongoing programs for realizing economic benefits during the year through favorable borrowing and vendor arrangements with various banks. There were no investments or loans outstanding as of December 31, 2004 related to these arrangements.

Recent Accounting Pronouncements

In December 2004, the FASB issued FASB Statement No. 123R (SFAS No. 123R), Share-Based Payment, which requires that compensation cost relating to share-based payments be recognized in FNT's financial statements. During 2003, we adopted the fair value recognition provision of Statement of Financial Accounting Standards No. 123,

Accounting for Stock-Based Compensation (SFAS No. 123), for stock-based employee compensation, effective as of the beginning of 2003. We had elected to use the prospective method of transition, as permitted by Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation Transition and Disclosure (SFAS No. 148). Under this method, stock-based employee compensation cost is recognized from the beginning of 2003 as if the fair value method of accounting had been used to account for all employee awards granted, modified, or settled in years beginning after

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December 31, 2002. SFAS No. 123R does not allow for the prospective method, but requires the recording of expense relating to the vesting of all unvested options beginning in the first quarter of 2006. Since we adopted SFAS No. 123 in 2003, the impact of recording additional expense in 2006 under SFAS No. 123R relating to options granted prior to January 1, 2003 is not significant.

Market Risks

Market risk refers to the risk that a change in the level of one or more market factors, such as interest rates or equity prices, will result in losses for financial instruments that we hold or arrangements to which we are a party.

Interest Rate Risk

Our fixed maturity investments and borrowings are subject to interest rate risk. Increases and decreases in prevailing interest rates generally translate into decreases and increases in fair values of those instruments. Additionally, fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument and other general market conditions.

Equity Price Risk

The carrying values of investments subject to equity price risks are based on quoted market prices as of the balance sheet date. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Caution should be used in evaluating our overall market risk from the information below, since actual results could differ materially because the information was developed using estimates and assumptions as described below, and because our reserve for claim losses (representing 41.1% of total liabilities) is not included in the hypothetical effects.

The hypothetical effects of changes in market rates or prices on the fair values of financial instruments would have been as follows as of or for the year ended December 31, 2004:

An approximate \$58.1 million net increase (decrease) in the fair value of fixed maturity securities would have occurred if interest rates were 100 basis points (lower) higher as of December 31, 2004. The change in fair values was determined by estimating the present value of future cash flows using various models, primarily duration modeling.

An approximate \$23.0 million net increase (decrease) in the fair value of equity securities would have occurred if there was a 20% price increase (decrease) in market prices.

It is not anticipated that there would be a significant change in the fair value of other long-term investments or short-term investments if there was a change in market conditions, based on the nature and duration of the financial instruments involved.

INDUSTRY BACKGROUND

Title Insurance Policies

Generally, real estate buyers and mortgage lenders purchase title insurance to insure good and marketable title to real estate. 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.

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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. On 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. 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 (subject to adjustment if the policy includes inflation adjustment provisions). 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. 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, and 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 company typically performs or directs the 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 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 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 company is obligated to pay title claims in accordance with the terms of its policies, regardless of whether the title 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 searches and examinations. A title company's predominant expense relates to such searches and examinations, the preparation of preliminary title reports, policies or commitments and the maintenance of title plants, which are indexed compilations of public records, maps and other relevant historical documents. Claim losses generally result from errors made in the title search and examination process and from hidden defects such as fraud, forgery, incapacity, or missing heirs of the property.

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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. The volume of residential real estate transaction volume is primarily affected by macroeconomic and seasonal factors while commercial real estate transactions are affected primarily by fluctuations in local supply and demand conditions for commercial space.

Product Market

The title insurance market in the United States is large and has grown in the last 10 years. According to Demotech, total operating income for the entire U.S. title insurance industry grew from \$4.8 billion in 1995 to \$15.5 billion in 2004. Growth in the industry is closely tied to various macroeconomic factors, including, but not limited to, growth in the gross national product, inflation, interest rates and sales of and prices for new and existing homes, as well as the 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 a 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 changes in interest rates, which affect demand for new mortgage loans and refinancing transactions.

The U.S. title insurance industry is concentrated among a handful of industry participants. According to Demotech, the top five title insurance companies accounted for 90.2% of net premiums collected in 2004. Over 40 independent title insurance companies accounted for the remaining 9.8% of net premiums collected in 2004. Over the years, the title insurance industry has been consolidating, beginning with the merger of Lawyers Title Insurance and Commonwealth Land Title Insurance in 1998 to create LandAmerica Financial Group, Inc., followed by FNF's acquisition of Chicago Title in March 2000. 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.

Trends and Opportunities

Title insurance companies today face significant challenges resulting from consolidation among traditional title companies and new entrants, technological innovation and evolving customer preferences and behavior. As a result of these challenges, we believe that the title insurance industry is experiencing or will be subject to the following significant trends:

Title insurance companies remain subject to consolidation within the industry. This creates the potential for an increased customer base and continued economies of scale.

In order to achieve lower costs, title insurance companies may increasingly outsource search and examination functions of the title process.

If mortgage interest rates begin to rise, the volume and average value of real estate related transactions may decline and affect revenue.

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BUSINESS

Company Overview

We are the largest title insurance company in the United States. Our title insurance underwriters Fidelity National Title, Chicago Title, Ticor Title, Security Union Title and Alamo Title together issued approximately 30.5% of all title insurance policies issued nationally during 2004, as measured by premiums. Our title business consists of providing title insurance and escrow and other title-related products and services arising from the real estate closing process. Our operations are conducted on a direct basis through our own employees who act as title and escrow agents and through independent agents. In addition to our independent agents, our customers are lenders, mortgage brokers, attorneys, real estate agents, home builders and commercial real estate developers. We do not focus our marketing efforts on the homeowner.

History

The predecessors to FNT have primarily been title insurance companies, some of which have been in operation since the late 1800s. Many of these title insurance companies have been acquired in the last two decades. In 1984, FNF acquired a controlling interest in Fidelity National Title Insurance Company. During the 1990s, FNF acquired Alamo Title, Nations Title Inc., Western Title Company of Washington and First Title Corp. In 2000, FNF completed the acquisition of Chicago Title Corp., creating the largest title insurance organization in the world, and in 2004, FNF acquired American Pioneer Title Insurance Company, which now operates under our Ticor Title brand. Chicago Title had previously acquired Security Union Title in 1987 and Ticor Title Insurance Company in 1991. Our businesses have historically been operated as wholly-owned subsidiaries of FNF.

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 services for real estate transactions. We currently have the leading market share for title insurance in California, New York, Texas and Florida, which are the four largest markets for title insurance in the United States, which account for approximately 48% of all title insurance business in the United States. We have approximately 1,500 locations throughout the United States providing our title insurance services.

Established relationships with our customers. We have strong relationships with the customers who use our title services. Our agent distribution network, which includes over 9,500 agents, is among the largest in the United States. We also benefit from strong brand recognition in our five FNT 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 FNT brands.

Strong value proposition for our customers. We provide our customers with title insurance and escrow and other closing 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 operating margins that we believe are among the best in the industry. We have achieved our strong operating margins in part by monitoring our businesses in a disciplined manner through continual evaluation and management of our cost structure.

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When compared to other industry competitors, we also believe that our management structure has fewer layers of managers which allows us to operate with lower overhead costs.

Commercial title insurance. While residential title insurance comprises the majority of our business, we believe 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 who require the underwriting and issuing of larger commercial title policies.

Corporate principles. A cornerstone of our management philosophy and operating success is the five fundamental precepts upon which FNF was founded:

Bias for action

Autonomy and entrepreneurship

Employee ownership

Minimal bureaucracy

Close customer relationships

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

Strategy

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 each of our five title brands independently. We believe that in order to maintain and strengthen our title insurance customer base, we must leave the Fidelity National Title, Chicago Title, Ticor Title, Security Union Title and Alamo Title brands intact and operate these brands independently. In most of our largest markets, we operate two, and in a few cases, three brands. 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. Maintaining shorter durations on our investment portfolio allows us to increase our investment revenue in a rising interest rate environment, which may offset some of the decline in premiums and service revenues we would expect in such an environment. For a more detailed discussion of our investment strategies, see 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

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evolving industry standards. In connection with our service offerings, we are currently upgrading our operating system to improve the process of ordering title services and improve the delivery of our products to our customers.

Maintain values supporting our strategy. We believe that continuing to focus on and support our long-established corporate culture will reinforce and support our business strategy. Our goal is to foster and support a corporate culture where our agents and employees 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.

Title Insurance

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 approximately 1,500 offices throughout the U.S. primarily providing residential real estate title insurance. 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. 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 enter into an agency agreement we maintain financial and loss experience records. We also conduct periodic audits of our agents.

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Fees and Premiums. One means of analyzing our business is by examining 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: