



The First American Corporation

The First American Corporation
Conference Call Transcript
First Quarter 2009 | April 30, 2009

Jo Etta Bandy - *The First American Corporation - SVP Corporate Communications*

Thank you and good morning everyone. We appreciate you joining us on this morning's call. A slide presentation which includes information will be discussed during this morning's call, is available on First American's web site at firstam.com/investor. At this time we would like to remind listeners that management's commentary and responses to questions may contain forward-looking statements such as those described on page two of the accompanying slide and other statements that do not relate strictly to historical or fact. The forward-looking statements speak only as of the date they are made and the Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made. Risks and uncertainties exist that may cause results to differ materially from those set forth in these forward-looking statements. Factors that could cause the anticipated results to differ from those described in the forward-looking statements are described on slide two. As indicated on slide three, management's commentary and responses to your questions also contain certain financial measures not presented in accordance with Generally Accepted Accounting Principles. The Company does not intend for these non-GAAP financial measures to be a substitute for any GAAP financial information. In the slide presentation these non-GAAP financial measures have been presented with and reconciled to the most directly comparable GAAP financial measures. Investors should use the non-GAAP financial measures only in conjunction with the comparable GAAP financial measures.

Joining us on today's call will be our Chairman and Chief Executive Officer, Parker Kennedy, Buddy Pizsel, our Chief Financial Officer, Frank McMahon, Chief Executive Officer of First American's Information Solutions Group and Dennis Gilmore Chief Operating Officer for our Company's Financial Services Group. At this time, it is my pleasure to turn the call over to Parker Kennedy.

Parker Kennedy - *The First American Corporation - Chairman of the Board and CEO*

Thank you, Jo. First American reported strong results in the first quarter. Earnings per diluted share were \$0.38, a 19% increase relative to the first quarter of 2008. Our results benefited from two primary drivers. First, both our origination and default businesses experienced sharp increases in transaction activity. The increase began at the end of the fourth quarter and accelerated throughout the first quarter. Our title, settlement, appraisal, flood, tax and credit products are benefiting from high refinance volumes due to favorable mortgage rates. We are also seeing modest increases in resale activity, which is a positive signal for our business. The second key driver of our earnings was the structural changes, that we have made to our organization. In 2008, we reduced our fixed costs aggressively by centralizing, streamlining and standardizing our processes. We are beginning to see the benefit from this enhanced operating leverage. Improving the efficiency of our business remain as priority for our management team.

The outlook for 2009 remains promising. Low interest rates have created a surge in refinance activity. We have a strong backlog of business in the mortgage system, as many of these orders are taking longer for lenders to process. Resale activities improving due to greater affordability in the housing market. In addition, we are encouraged by many of the steps Washington has taken to stabilize the economy, including the home owner affordability and stability plan. This plan creates opportunities for First

American to sell our products to lenders and homeowners, who would not otherwise qualify for refinancing. We expect to begin seeing the benefits of this program in the second quarter. First American is well positioned to benefit from trends in the mortgage industry due to our array of products, strong market shares, reduced costs structure, and financial flexibility. Now, I would like to introduce Buddy Pizsel who will comment on the financial results.

Buddy Pizsel - *The First American Corporation* - CFO

Thanks, Park. I will be covering the consolidated results, the liquidity and capital management, and hit highlights for the information solutions and financial service companies.

For the total Company operating revenues were \$1.3 billion in the first quarter. A decrease of 17% relative to the prior year, and a slight increase relative to the fourth quarter of 2008. For the sequential quarters, direct title revenues were up 7.7%. On the agency side, sequential revenues were down 17%, but agency revenues generally lag by a few months. So, given our volumes, agency revenues will be up in the second quarter. Information Solutions had total revenue growth of 12.8%. Driven by a strong 25% revenue growth in the information and outsourcing solutions segment. So, overall, we hit a positive inflection from our 2008 quarterly revenue trends.

Investment and other income totaled \$57.6 million for the first quarter, an increase of \$7.7 million or 15% from the fourth quarter. That's driven by \$14 million of higher earnings from volume increases in our joint ventures with major mortgage originators, offset by continued yield pressures in the investment portfolio and on escrow deposits. Expenses in the first quarter declined 19% relative to the prior year, and were down 2% sequentially. Salary and other expenses are up roughly \$24 million sequentially. That's more of a function of a reduction in our bonus and 401k expense in the fourth quarter 2008. On the head count side, title head count is down in Q1 by 2.75%, despite increasing revenues. Head count in the rest of the Company is essentially flat.

We remain committed to improving the efficiency of the business, regardless of the markets environment. The loss provision in the title insurance segment was 6.5% for the first quarter, versus 6.2% in the first quarter of 2008. The current quarter rate reflects the expected claims experience for policy year 2009 with no reserve estimated adjustments required for prior policy years. Both paid and incurred claims were lower than our forecast during the quarter, and we continue to believe that we are adequately reserved. So, you put all that together and consolidated net income was \$36 million or \$0.38 per diluted share versus \$29 million or \$0.32 per diluted share in the prior year.

Finally I hit on liquidity and capital management. As of March 31st, First American had \$43 million of cash at the holding Company. That's where we expect it to be. As of today, we have \$70 million at the holding Company, and that's after making our Q1 dividend payment. Our forecast from March 31, through the balance of the year includes \$213 million of dividends and distributions from our subsidiaries and \$26 million of cash refunds for total cash sources of \$282 million. On the use side, the Company expects to use \$34 million for principal and interest payments \$61 million for common stock dividends and \$61 million for other cash uses. That would leave approximately \$125 million of cash at the holding Company by the end of the year. For the total Company, we had \$934 million of cash on the balance sheet as of March 31st. We believe there is a considerable opportunity to permanently reinvest a lot of that cash in to fixed income securities. We expect much of this reinvestment to incur through the 2009.

The debt to capital ratio at the end of the quarter was 22%. We estimate that the surplus at the regulated insurance company grew nicely in the quarter and should end the year up significantly, even after its dividends to the holding Company. So, overall, we continue to have strong financial flexibility. Now I will pass it on to Frank McMahon, who'll commit on the Information Solutions Company.

Frank McMahon - *The First American Corporation – Information Solutions Group* - CEO

Great, thank you Buddy. The first quarter of 2009 was a relatively strong one for the Information Solutions Company. I'm pleased with the progress that we are making, but not satisfied. As we stated on our last call, we took many actions in 2008 to position us well for 2009. Those actions were a combination of expense cuts, product company integrations, product development initiatives and key hires. Our first quarter revenues increased 12.8% on a sequential quarter basis and a little over 1% relative to the first quarter of last year. With the overall mortgage origination market down from last year, our revenue growth is being driven by market share gains, and the introduction of new products. In our data and analytic and information and outsourcing segments, we added 13 clients in the first quarter and expanded the scope of 12 of our relationships in additional 12 clients. Annualized revenue from the client wins is expected to be over \$40 million. We experienced revenue growth in lead generation default, collateral liquidation, credit, and mortgage risk analytics in the first quarter relative to last year. Conversely, the employer services and litigation support businesses at FADV experienced meaningful declines in revenue.

Finally, our property tax outsourcing business had lower revenue in the first quarter of this year relative to last year, despite a few major market share wins. This trend will reverse itself in the second quarter as loans closed in the first quarter are boarded on our system, and we begin to recognize revenue.

On the expense side, our adjustable controllable cost, which are all costs except cost of goods sold and depreciation and interest, were down 11.5% relative to last year, and down 1.2% on a sequential quarter basis. We continue to take a disciplined approach to managing our costs and infrastructure in an effort to increase our margins. In fact, we are increasing our margins. Our adjusted EBITDA and pretax margins did expand with EBITDA margin coming in at 24.8%. A 4.6% improvement relative to the first quarter of 2008. Our adjusted pretax margin came in at 17%. And that represented a 17.1% improvement relative to last year.

Now let me talk for a moment about our second quarter outlook. Our pipelines in tax, loss mitigation and mortgage risk analytics grew in the first quarter. Our origination related products expected to benefit from a strong refinance market. Our mortgage credit orders up over 10% in April relative to the entire first quarter of 2009. Credit orders are the best leading indicator since they are typically ordered as soon as the application is taken. In addition, as services roll out modification programs consistent with the government's home affordable modification program, we are seeing opportunities for data analytics fulfillment QC and tracking services. In fact, we have been hired by three banks as designated component services and three large services in direct relationships. We believe the revenue opportunity to provide data and outsource services related to loan modifications will be over \$20 million for our Company. We should begin to see revenue from these activities in the second quarter. In terms of our full year outlook, on the fourth quarter call we commented on our long-term financial goals and expectations for 2009, relative to those goals.

To the recap, 2008 adjusted revenue was \$2 billion, adjusted EBITDA was \$444 million, and our adjusted EBITDA margin was 22.7%. Our long-term financial goals use our adjusted 2000 results, as the base amounts. Our long-term goal related to revenue growth is 7%. We expect positive revenue growth in 2009, but do not expect to achieve revenue growth in excess of 7%. Our long-term goal related to EBITDA growth is 10%. We indicated that we will make considerable progress in 2009 towards that goal, even if we fall short of the revenue goal. Our EBITDA increased 4.6%, in the first quarter, relative to the adjusted amount a year ago. Our long-term goal related EBITDA margin improvement is 5% to be clear not five percentage points but 5%. We stated that we expect to meet or exceed this goal in 2009. And our EBITDA margin improvement was 4.6%, in the first quarter. Based on our performance year to date, and our expectations for the balance of the year, we remain comfortable with the expectations we communicated for 2009 relative to our long-term financial goals. I would like to turn the call over to Dennis to discuss our financial services results.

Dennis Gilmore - *The First American Corporation – Financial Services Group – CEO*

Thanks, Frank. The demand for title insurance increased dramatically due to favorable mortgage rates and improved homeowner affordability. Our open orders were up 47% higher than the fourth quarter. And we continue to reduce employees. If orders continue to rise, employees may be added but in fewer numbers than previous cycles due to our disciplined expense management and our offshore capacity. First quarter pretax income was comparable to last year despite a decline in revenue. Low open order volume at the end of 2008 created a weak pipeline of closed orders entering 2009.

Although volumes increased significantly in the first quarter, many of these orders are taking longer to close due to backlogs with mortgage lenders. However we believe the closing ratios of the orders will be in line with historical averages. As we discussed last quarter, two of the key strategic objectives in 2009 are centralization of agency and claims administration. Centralized agency collection and remittance is complete and the consolidation of our claims administration will be complete by the over the third quarter. Centralized approach to claims handling will reduce outside legal cost, improve recovery rates and standardize our overall claims process. Both of these projects are very consistent with overall strategy of simplifying and standardizing our operations. In the first quarter, we opened 563,000 orders, including 10,000 orders per day in January, 8,600 in February, 9,000 orders in March, and in April we are opening approximately 10,000 orders per day. The sharp increase in the fourth quarter is the primary result of refinance activity. Which accounted for 51% of our open orders in the first quarter versus 40% of our fourth quarter orders. Direct revenues declined 19% over the prior year due to decreases in number of title orders closed and lower average revenue per order. Average revenue per order declined 15% relative to the prior year, primarily due to a shift in order mix as well as decline in home values.

Our agency revenue declined 35% over the prior year. Decline was the result of the same factors affecting our direct operations as well as continued termination of on profitable agency relationships. Our salary and other personnel costs decreased 23% over the prior year. During the first quarter, the title segment reduced employee count by 365, which is expected to produce a annualized cost savings of \$21 million. Operating revenues declined 18% over the prior year. The primary driver of the decline was successful implementation of cost containment programs including reducing occupancy costs. The Company closed 41 offices during the quarter, and our continued effort to rationalize our footprint.

Total revenues in our commercial division were \$41 million, a 49% decline relative to the prior year. The commercial outlet for 2009 remains challenging due to the weakness in the credit markets . However First American is very well positioned when the commercial market recovers due to our strong balance sheet and healthy financial ratings. Total revenues in international division were \$57 million, a 45% decline relative to the prior year. And our international operations are experiencing the impact of the global recession. But our relationships with the large foreign lenders remain strong, and the long-term growth outlook I remains promising. Total revenues at our special insurance segment \$70 million, a 8% decrease over the prior year, primarily due to declines in business volumes impacting the property and casualty and home warranty divisions. Our pretax margins improved to 12%, a slight improvement to the prior year.

To summarize, we are very encouraged by the recent increase in order volumes and remain focused on disciplined expense management and streamlining operations. And we expect significant margin expansion in the second quarter with higher closed orders and enhanced operating leverage. I would now like to open the line up for questions.

QUESTION AND ANSWER

Operator

(Operator Instructions) Our first question comes from Jason Deleeuw of Piper Jaffray.

Jason Deleeuw - *Piper Jaffray - Analyst*

Good morning everyone.

Parker Kennedy - *The First American Corporation - Chairman of the Board and CEO*

Good morning.

Jason Deleeuw - *Piper Jaffray - Analyst*

First, I want to touch on the open orders we seen in April, looks like we are back to January levels. But do you guys have any insights in to how quickly the lenders are ramping up for Obama's refinance plan? It seems like the lenders have been slow to ramp up on this with some saying they are not ready to do the refies until May. So I'm wondering what you guys are seeing on that front.

Dennis Gilmore - *The First American Corporation – Financial Services Group – CEO*

Sure, Jason, this is Dennis. Our open orders in April are running at approximately 10,000 orders per day, up over March, and consistent with what we see going forward. And at this point, we are really not experiencing any uplift from the homeowner affordability refinance programs. This is just general volume going through the system right now. We are seeing the orders take longer to close, both resale and refinance orders. That's because the backlog is in the system and difficulty of closing the orders. But still, it doesn't matter. We are very focused on our over all operating expenses. And even though orders are continuing to up tick in April, we continue to hold in our staff counts flat.

Jason Deleeuw - *Piper Jaffray - Analyst*

Have any of the big name lenders done any of the refies under the plan?

Dennis Gilmore - *The First American Corporation – Financial Services Group – CEO*

I can't answer specifically on any of the lenders. I can tell you, they are starting to gear up for the efforts.

Jason Deleeuw - *Piper Jaffray - Analyst*

You are expecting nice margin improvement. How high can you believe your title pretax margin can go? You did a lot of open orders, so you incurred a lot of expenses in the first quarter. But your salaries and other operating expenses didn't increase a whole lot. So, it would seem like you're now going to have a lot of revenue coming on in the second quarter and some expenses were recognized in the first quarter. So, just trying to gauge what you guys think could be possible for title pretax margins.

Dennis Gilmore - *The First American Corporation – Financial Services Group – CEO*

Let me take that question. First, we don't give guidance. That's going to stay your policy. But when I look over the cycle, clearly we want to run this business in a double digit environment, when we get a normalized cycle. First, when we go back and look at the first quarter, we entered January with a weak inventory level. We were losing money in January. We returned to profitability in February. That profitability increased in March and we see upward trends in April. So all the trends are good as we look going in to the second quarter. I think we will see a signature margin expansion in the second quarter and encouraged. We are focused running the business efficiently, getting the operating leverage out of the business we think we can get. Leveraging some of our key strengths both on shore and offshore. Bottom line, I'm very encourage as I look into the second quarter and third quarter.

Jason Deleeuw - *Piper Jaffray - Analyst*

On the Info and outsourcing business, the margins were better. I mean a lot better. There is cost cutting going on there, and there is a change in the revenue mix. So can you give me color on, can the margins go higher from what we seen now. And how much is it on being impacted by the change in the revenue mix?

Frank McMahon - *The First American Corporation – Information Solutions Group – CEO*

Jason it's Frank. Basically it's really driven by two things. One is obviously we did see a higher level of refinance activity in the first quarter. And we think that refinance activity has some legs to it based on what we are seeing in terms of pipelines. But we are also very very disciplined in terms of managing our expenses. And we still have a continuous cost reduction program underway. Less around head count and more around non-personnel related expenses. Just trying to be more efficient in everything we do. We think there is a lot of operating leverage in the business. And if we can continue to see revenue increase. We saw a nice sequential pop and a modest year-over-year pop, but if we can see revenue growth, we are very confident we can expand our margins.

Jason Deleeuw - *Piper Jaffray - Analyst*

Okay. Then my last question is the loan modification or the appraisals and other work you do for loan modifications. Where is that showing up for revenue? Is that in the collateral valuation predominantly?

Frank McMahon - *The First American Corporation – Information Solutions Group – CEO*

There is very little of that in the first quarter. That would be in defaults area. So, it's part of our loss mitigation product suite. And the loan modification work, as I said earlier, is a combination of data, analytics, fulfillment and tracking capabilities. And we are actively engaged with both the agencies, who are looking at what are called designated component services for loans, where they have the credit exposure as well as direct relationships with all the large services.

Jason Deleeuw - *Piper Jaffray - Analyst*

Then, so what drove that increase in revenue for collateral evaluation?

Frank McMahon - *The First American Corporation – Information Solutions Group – CEO*

Both increase in traditional appraisal work related to refinance activity, and increase in our BPOs which was driven more by an increase in foreclosure activity, more servicing related.

Jason Deleeuw - *Piper Jaffray - Analyst*

And then on the revenue, you expect from the loan mod business, have you guys factored in the loan mods that potentially could be occurring on seconds that was recently announced with some incentives that are going to be provided for in servicers to modify second mortgages?

Frank McMahon - *The First American Corporation – Information Solutions Group – CEO*

Our estimate that we came up with there, Jason, was really based on discussions we are having with lenders today or servicers today. It wasn't really a top down, let's assume there is \$4 million to \$5 million loan modifications and put some dollar amount related to each one of that. That estimate is based on direct conversations with that we having with servicers as opposed to an overall view around how big the program could be and what the ultimate success rates could be. So, to answer your question more directly, the news that came out around the modifications is, we don't expect that to, we think that's a positive, but it won't change that number that we put out there.

Jason Deleeuw - *Piper Jaffray - Analyst*

Thank you very much.

Frank McMahon - *The First American Corporation – Information Solutions Group CEO*

You're welcome.

Operator

(Operator Instructions). Our next question comes from Nick Fiskens of Stevens, Inc.

Nick Fiskens - *Stevens, Inc. - Analyst*

Good morning everybody.

Dennis Gilmore - *The First American Corporation – Financial Services Group – CEO*

Good morning.

Nick Fiskens - *Stevens, Inc. - Analyst*

Can you give us an update on the split of the Company, please?

Parker Kennedy - *The First American Corporation - Chairman of the Board and CEO*

Yes. As I've said in the past we are awaiting clarity in the real estate markets and in the markets in general. And certainly a part of that clarity would include the earnings of First American. It is a factor and our Q1 '09 earnings certainly were a positive step in that direction. We do remain committed very, committed to separating the companies.

Nick Fisken - *Stevens, Inc. - Analyst*

So, the first quarter earnings made you more confident it happened sooner than later.

Parker Kennedy - *The First American Corporation - Chairman of the Board and CEO*

Yes. I think it was a step a positive step in the direction of splitting the companies.

Nick Fisken - *Stevens, Inc. - Analyst*

I didn't get it down, Dennis, could you give us the split in reifies versus purchase kind of starting in December going through April, so we can kind of get a outlook on fee per file?

Dennis Gilmore - *The First American Corporation – Financial Services Group – CEO*

Sure, right now we are running at approximately 50%, 51% in refinance range. And you want me to go back, we were running back in the fourth quarter, in the 40% range of refinances. So, it's gone from around the 40% range refinance to currently around 50% to 55%. That's on openings by the way.

Nick Fisken - *Stevens, Inc. - Analyst*

Thank you. Buddy, is the \$27 million of corporate a good run rate?

Buddy Pizzel - *The First American Corporation - CFO*

Yes, it is. In the zone.

Nick Fisken - *Stevens, Inc. - Analyst*

How about the reserve provision outlook?

Buddy Pizzel - *The First American Corporation - CFO*

We feel pretty good. In the first quarter, our paid become in 6% below the forecast that we have for the prior year reserves. And '09 is trending it's early but trending in line with what expectations were. We don't see any need to strengthen the returns. We feel that we made the right adjustments at the end of the year and continue to believe that.

Nick Fisken - *Stevens, Inc. - Analyst*

Last thing I got following Jason's question. On the log jam that you got with lenders trying to get these orders closed, is that log jam showing any signs of breaking? Are they hiring more people?

Dennis Gilmore - *The First American Corporation – Financial Services Group – CEO*

Let me take the first cut, this is Dennis. Let me answer that question. I think they are ramping up, but we seen for example our refinances have gone from an average close to 35 to 40 days to up in the 50 day

right now. Give you a feeling of kind of what the expansion has been. On sale orders we seen in average close of about 2 months up to about 2.5 to 3 months. And the reason we are seeing sale closings, a lot of these closings are REO's, and inherently more complicated close. So, overall we've seen expansions on both. From a modeling perspective I would think that will continue for at least the next two quarters. Elongated closing cycles, I don't see anything short term that would be it back to our historical average from a time perspective. But what we are seeing, they are closing. It's just taking longer.

Nick Fiskén - *Stevens, Inc. - Analyst*

Perfect, thanks so much.

Operator

Our next question comes from Jason Deleeuw of Piper Jaffray.

Jason Deleeuw - *Piper Jaffray - Analyst*

I'm back for some more questions. The revenue per order, that was down a lot in first quarter as expected with the refie mix. Can we expect some improvement, probably modest improvement in the second quarter, just with spring selling season and more home purchase getting in to that mix possibly and maybe some improved commercial?

Dennis Gilmore - *The First American Corporation – Financial Services Group – CEO*

This is Dennis again. I do expect a slight improvement in our revenue per order going in to the second and third quarters. As you mentioned a lot of it is driven by the refinance. But we are seeing up tick geographically on the west coast or the southwest, which typically has a higher overall premium and we are seeing an up tick in resale. Those two will be positive factors. Commercial will stay soft all year long though.

Jason Deleeuw - *Piper Jaffray - Analyst*

Okay. And on the split with the agents, it looks like the agents took more of a split this quarter than previous quarters. And I thought you guys had more of an effort to take more back from that. I'm wondering for there was anything unique that quarter that drove the split.

Dennis Gilmore - *The First American Corporation – Financial Services Group – CEO*

No, there's nothing unique at all. The key objective for us to continue to rationalize the splits really what is going on in the quarter by in large is the geographic distribution, where our orders are coming from. We are getting increased order volumes from lower split states. And that's offset by lower volumes from high split states. Overall, though, I see a lot of opportunities in the agency business. We are very focused on the profitability of the business. But there is a lot of disruption in the channel now. I think there is really great opportunities for us to partner with key agents and bring them in at our current split requirements and average remittance et cetera. So, we are very encourage about what we see in the agency business right now.

Jason Deleeuw - *Piper Jaffray - Analyst*

Okay. Specialty insurance now that's are you guys seeing much of an up tick there with the increase in reifies. Is there a good correlation with higher refie volumes in the business you do. Really, there really isn't . That business is primarily driven off of resale, not refinance. Ok, and the improved pre-tax margins, what drove that?

Dennis Gilmore - *The First American Corporation – Financial Services Group – CEO*

We do across the whole business segment, we sat down at that segment and re-adjusted the management structure streamlined and driving efficient operations running off a consistent set of metrics.

Jason Deleeuw - *Piper Jaffray - Analyst*

All right, thank you very much.

Dennis Gilmore - *The First American Corporation – Financial Services Group – CEO*

Thank you.

Operator

Your next question comes from Natt Ottis of KBW.

Natt Ottis - *KBW - Analyst*

Good morning. Back to that spinoff issue. Any way to give any color, with the focus be primarily on separating out that financial services business? Or do you think at the same time you might be able to do something with respect to FADV or would you maybe want to do them in two separate instances?

Parker Kennedy - *The First American Corporation - Chairman of the Board and CEO*

I think it's probably not a good idea to speculate about what is going to happen to FADV. It's a separate public company and we really shouldn't talk about any of our intentions relative to buying in those shares. But as I said earlier, the Q1 earnings were a positive step in the direction of a split, and we will just keep looking. And after Q2 during the earnings call, we will give you an update on what our thinking is relative to the split.

Natt Ottis - *KBW - Analyst*

Fair enough. Just one quick follow up on the title side of things. Any instances of maybe growing commercial losses in any way. Have you seen any type of signs there or everything remains relatively status quo?

Parker Kennedy - *The First American Corporation - Chairman of the Board and CEO*

Everything remains stable right now.

Natt Ottis - *KBW - Analyst*

Thank you.

Operator

Our next question comes from Nick Fiskens of Stevens, Inc.

Nick Fiskens - *Stevens, Inc. - Analyst*

Quick follow up, Dennis, can you frame up your initiatives to raise price and title and kind of what's been accomplished so far. And what the outlook is?

Dennis Gilmore - *The First American Corporation – Financial Services Group – CEO*

Sure, first committed to remain competitive across all states. As I said in prior quarters, we are always in the process of evaluating our rates. We have to make sure the rates are adequate and not excessive and not discriminatory. When we look back over the quarter, we've filed or in the process of finalizing our filings in 17 states. For example, at the end of March, we gotten rate increase approved in California. So, again, it's just an on going effort to continue to monitor our rate structures.

Nick Fiskens - *Stevens, Inc. - Analyst*

How about on agency splits? Anything change there?

Dennis Gilmore - *The First American Corporation – Financial Services Group – CEO*

Well, different question, but yes, regarding agency split, as I said earlier, our efforts are to continue to attract and maintain the best agents in the business. I think we see really good opportunities in the agency world right now with all the disruption going on in the marketplace. And, we are having a lot of success bringing on quality agents at our required splits, at our required (inaudible), et cetera. What is going on right now in the quarter is primarily a geographic issue. It's where we are getting the business. Which markets are picking up versus what markets are still flat.

Nick Fiskens - *Stevens, Inc. - Analyst*

Great. Thank you.

Operator

There are no many questions at this time. That concludes this morning's call. We would like to remind listeners that today's call will be available on the web site or dialing 402-998-1044. Copies of the press release announcing First American's first quarter results and the slide presentation are also available on First American's web site at www.firstam.com/investor, the Company would like to thank you for your participation. This concludes today's conference call you may now disconnect