Fidelity National Financial, Inc.
Form 10-Q
November 02, 2010
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

R	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR	
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010
Commission File Number 1-32630
FIDELITY NATIONAL FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	16-1725106
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
601 Riverside Avenue, Jacksonville, Florida	32204
(Address of principal executive offices)	(Zip Code)

(904) 854-8100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES R NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES R NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer R	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO R

As of October 31, 2010, there were 226,978,309 shares of the Registrant's Common Stock outstanding.

FORM 10-Q
QUARTERLY REPORT
Quarter Ended September 30, 2010
TABLE OF CONTENTS

Table of Contents

Part I: FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements

FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	September 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Investments:		
Fixed maturity securities available for sale, at fair value, at September 30, 2010 includes $264.6 and $9.0, respectively, of pledged fixed maturity securities related to secured trust deposits and the securities lending program, and at December 31, 2009 includes $249.5 and $25.6, respectively, of pledged fixed maturity securities related to secured trust deposits and the securities lending program	$ 3,678.9	$ 3,524.2
Equity securities available for sale, at fair value	80.8	92.5
Investments in unconsolidated affiliates	513.5	617.1
Other long-term investments	108.1	103.5
Short-term investments at September 30, 2010 and December 31, 2009, includes $2.7 and $39.2, respectively, of pledged short-term investments related to secured trust deposits	75.2	348.1
Total investments	4,456.5	4,685.4
Cash and cash equivalents, at September 30, 2010 includes $183.7 and $9.3, respectively, of pledged cash related to secured trust deposits and the securities lending program, and at December 31, 2009, includes $96.8 and $26.5, respectively, of pledged cash related to secured trust deposits and the securities lending program	458.4	202.1
Trade and notes receivables, net of allowance of $29.2 and $29.5, respectively, at September 30, 2010 and December 31, 2009	273.4	254.1
Goodwill	1,473.5	1,455.2
Prepaid expenses and other assets	368.0	332.0
Capitalized software, net	44.2	56.0
Other intangible assets, net	157.6	166.9
Title plants	403.4	407.5
Property and equipment, net	177.7	189.8
Income taxes receivable	—	56.5
Deferred tax assets	66.3	128.9
Total assets	$ 7,879.0	$ 7,934.4
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued liabilities, at September 30, 2010 and December 31, 2009, includes $9.3 and $26.5, respectively, of security loans related to the securities lending program	$ 652.7	$ 696.0
Accounts payable to related parties	5.9	6.9
Deferred revenue	132.0	110.0
Notes payable	802.0	861.9
Reserve for claim losses	2,373.5	2,541.4
Secured trust deposits	434.2	373.3
Income taxes payable	0.7	—

Total liabilities	4,401.0	4,589.5
Equity:		
Common stock, Class A, $0.0001 par value; authorized 600,000,000 shares as of September 30, 2010 and December 31, 2009; issued 250,417,633 as of September 30, 2010 and 249,713,996 as of December 31, 2009	—	—
Preferred stock, $0.0001 par value; authorized 50,000,000 shares; issued and outstanding, none	—	—
Additional paid-in capital	3,735.2	3,712.1
Retained earnings (deficit)	20.1	(102.4)
Accumulated other comprehensive earnings	59.6	35.6
Less treasury stock, 22,353,074 shares and 19,496,888 shares as of September 30, 2010 and December 31, 2009, respectively, at cost	(357.8)	(319.4)
Total Fidelity National Financial, Inc. shareholders' equity	3,457.1	3,325.9
Noncontrolling interests	20.9	19.0
Total equity	3,478.0	3,344.9
Total liabilities and equity	$ 7,879.0	$ 7,934.4

See Notes to Condensed Consolidated Financial Statements

1

FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(In millions, except per share data)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
	(Unaudited)		(Unaudited)	
Revenues:				
Direct title insurance premiums	$357.6	$379.4	$983.6	$1,122.1
Agency title insurance premiums	545.7	603.6	1,582.3	1,814.1
Escrow, title related and other fees	336.3	337.6	967.3	1,029.4
Specialty insurance	110.8	99.3	298.1	276.6
Interest and investment income	34.0	36.7	109.2	112.9
Realized gains and losses, net	40.1	10.6	192.9	18.1
Total revenues	1,424.5	1,467.2	4,133.4	4,373.2
Expenses:				
Personnel costs	405.1	410.5	1,173.5	1,260.4
Other operating expenses	328.4	343.9	944.3	1,024.0
Agent commissions	427.5	480.8	1,247.8	1,446.5
Depreciation and amortization	22.3	23.1	67.8	84.7
Provision for claim losses	100.8	92.5	284.0	290.2
Interest expense	12.9	8.0	32.5	28.4
Total expenses	1,297.0	1,358.8	3,749.9	4,134.2
Earnings from continuing operations before income taxes and equity in earnings (loss) of unconsolidated affiliates	127.5	108.4	383.5	239.0
Income tax expense	44.6	34.4	134.2	68.1
Earnings from continuing operations before equity in earnings (loss) of unconsolidated affiliates	82.9	74.0	249.3	170.9
Equity in earnings (loss) of unconsolidated affiliates	0.9	2.7	(6.2)	(14.0)
Net earnings from continuing operations	83.8	76.7	243.1	156.9
Net loss from discontinued operations, net of tax	—	(1.8)	—	(1.9)
Net earnings	83.8	74.9	243.1	155.0
Less: Net earnings attributable to noncontrolling interests	0.6	1.5	3.8	2.0
Net earnings attributable to Fidelity National Financial, Inc. common shareholders	$83.2	$73.4	$239.3	$153.0
Earnings per share				
Basic				
Net earnings from continuing operations attributable to Fidelity National Financial, Inc. common shareholders	$0.37	$0.33	$1.05	$0.69
Net loss from discontinued operations attributable to Fidelity National Financial, Inc. common shareholders	—	(0.01)	—	(0.01)
Net earnings attributable to Fidelity National Financial, Inc. common shareholders	$0.37	$0.32	$1.05	$0.68
Diluted				
Net earnings from continuing operations attributable to Fidelity National Financial, Inc. common shareholders	$0.36	$0.32	$1.04	$0.68

Net loss from discontinued operations attributable to Fidelity National Financial, Inc. common shareholders	—	—	—	(0.01)
Net earnings attributable to Fidelity National Financial, Inc. common shareholders	$0.36	$0.32	$1.04	$0.67
Weighted average shares outstanding, basic basis	225.9	228.7	227.0	223.4
Weighted average shares outstanding, diluted basis	229.2	232.1	230.0	227.4
Cash dividends paid per share	$0.18	$0.15	$0.51	$0.45
Amounts attributable to Fidelity National Financial, Inc., common shareholders:				
Net earnings from continuing operations, net of tax, attributable to Fidelity National Financial, Inc. common shareholders	$83.2	$75.2	$239.3	$154.8
Net loss from discontinued operations, net of tax, attributable to Fidelity National Financial, Inc. common shareholders	—	(1.8)	—	(1.8)
Net earnings attributable to Fidelity National Financial, Inc. common shareholders	$83.2	$73.4	$239.3	$153.0

See Notes to Condensed Consolidated Financial Statements

2

Table of Contents

FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(In millions)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(Unaudited)		(Unaudited)	
Net earnings	$83.8	$74.9	$243.1	$155.0
Other comprehensive earnings:				
Unrealized gain on investments and other financial instruments, net (excluding investments in unconsolidated affiliates) (1)	37.2	67.1	77.3	110.1
Unrealized (loss) gain on investments in unconsolidated affiliates (2)	(2.5)	12.6	0.9	(54.4)
Unrealized (loss) gain on foreign currency translation (3)	(1.5)	4.6	(0.8)	5.8
Reclassification adjustments for gains included in net earnings (4)	(16.9)	(4.9)	(53.4)	(9.6)
Other comprehensive earnings	16.3	79.4	24.0	51.9
Comprehensive earnings	100.1	154.3	267.1	206.9
Less: Comprehensive earnings attributable to noncontrolling interests	0.6	1.5	3.8	2.0
Comprehensive earnings attributable to Fidelity National Financial, Inc. common shareholders	$99.5	$152.8	$263.3	$204.9

(1) Net of income tax expense of $21.8 million and $32.1 million for the three month periods ended September 30, 2010 and 2009, respectively, and $45.2 million and $57.8 million for the nine month periods ended September 30, 2010 and 2009, respectively.

(2) Net of income tax (benefit) expense of $(1.4) million and less than $0.1 million for the three month periods ended September 30, 2010 and 2009, respectively, and $0.6 million and less than $0.1 million for the nine month periods ended September 30, 2010 and 2009, respectively.

(3) Net of income tax (benefit) expense of $(0.4) million and $2.7 million for the three month periods ended September 30, 2010 and 2009, respectively, and less than $0.1 million and $3.4 million for the nine month periods ended September 30, 2010 and 2009, respectively.

(4) Net of income tax expense of $9.9 million and $2.9 million for the three month periods ended September 30, 2010 and 2009, respectively, and $31.2 million and $5.7 million for the nine month periods ended September 30, 2010 and 2009, respectively.

See Notes to Condensed Consolidated Financial Statements

FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(In millions)
(Unaudited)

	Fidelity National Financial, Inc. Common Shareholders								
	Common Stock		Additional Paid-in	Retained Earnings	Accumulated Other Comprehensive	Treasury Stock		Noncontrolling	
	Shares	Amount	Capital	(Deficit)	Earnings	Shares	Amount	Interests	Total Equity
Balance, December 31, 2009	249.7	$ —	$ 3,712.1	$ (102.4)	$ 35.6	19.5	$ (319.4)	$ 19.0	$ 3,344.9
Exercise of stock options	0.7	—	3.9	—	—	—	—	—	3.9
Treasury stock repurchased	—	—	—	—	—	2.8	(38.1)	—	(38.1)
Shares cancelled	(0.1)	—	—	—	—	—	—	—	—
Tax benefit associated with the exercise of stock options	—	—	2.1	—	—	0.1	(0.3)	—	1.8
Issuance of restricted stock	0.1	—	—	—	—	—	—	—	—
Other comprehensive earnings — unrealized gain on investments and other financial instruments (excluding investments in unconsolidated affiliates)	—	—	—	—	23.9	—	—	—	23.9
Other comprehensive earnings — unrealized gain on investments in unconsolidated affiliates	—	—	—	—	0.9	—	—	—	0.9
Other comprehensive earnings — unrealized gain on foreign currency translation	—	—	—	—	(0.8)	—	—	—	(0.8)
Stock based compensation	—	—	17.1	—	—	—	—	—	17.1
Contributions to noncontrolling interests	—	—	—	—	—	—	—	0.4	0.4
Purchase of noncontrolling interest	—	—	—	—	—	—	—	(0.4)	(0.4)

Cash dividends declared	—	—	—	(116.8)	—	—	—	—	(116.8)
Subsidiary dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(1.9)	(1.9)
Net earnings	—	—	—	239.3	—	—	—	3.8	243.1
Balance, September 30, 2010	250.4	$ —	$ 3,735.2	$ 20.1	$ 59.6	22.4	$ (357.8)	$ 20.9	$ 3,478.0

See Notes to Condensed Consolidated Financial Statements

Table of Contents

FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Nine months ended September 30,	
	2010	2009
	(Unaudited)	
Cash flows from operating activities:		
Net earnings	$243.1	$155.0
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	67.8	103.0
Equity in losses of unconsolidated affiliates	6.2	14.0
Gain on sales of investments and other assets, net	(94.5)	(15.7)
Gain on sale of investment in Sedgwick CMS	(98.4)	—
Stock-based compensation cost	17.1	27.6
Tax benefit associated with the exercise of stock options	(2.1)	(2.8)
Changes in assets and liabilities, net of effects from acquisitions:		
Net decrease in pledged cash, pledged investments, and secured trust deposits	3.6	2.8
Net (increase) decrease in trade receivables	(16.6)	35.1
Net decrease in prepaid expenses and other assets	11.9	88.2
Net decrease in accounts payable, accrued liabilities, deferred revenue and other	(14.8)	(38.4)
Net decrease in reserve for claim losses	(167.9)	(114.7)
Net change in income taxes	113.7	113.6
Net cash provided by operating activities	69.1	367.7
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale	580.8	663.8
Proceeds from sale of Sedgwick CMS	193.6	—
Proceeds from maturities of investment securities available for sale	350.8	264.0
Proceeds from sale of assets	16.6	3.1
Collections of notes receivable	1.7	0.6
Cash expended as collateral on loaned securities, net	(8.8)	(2.3)
Additions to title plants	(0.8)	(1.5)
Additions to property and equipment	(28.2)	(44.2)
Additions to capitalized software	(6.3)	(3.7)
Additions to notes receivable	(4.6)	(11.2)
Purchases of other long-term investments	—	(75.0)
Purchases of investment securities available for sale	(1,016.2)	(1,441.8)
Net proceeds from sale of FN Capital	—	49.2
Net proceeds from short-term investment securities	272.8	219.4
Contributions to investments in unconsolidated affiliates	(36.7)	—
Distributions from unconsolidated affiliates	8.3	3.0
Acquisitions/disposals of businesses, net of cash acquired	(10.4)	(4.2)
Net cash provided by (used in) investing activities	312.6	(380.8)
Cash flows from financing activities:		
Equity offering	—	331.4
Borrowings	400.3	147.0
Debt service payments	(460.2)	(392.3)
Dividends paid	(116.1)	(102.1)
Subsidiary dividends paid to noncontrolling interest shareholders	(1.9)	(2.4)

Exercise of stock options	3.9	19.0
Debt issuance costs	(2.3)	—
Tax benefit associated with the exercise of stock options	2.1	2.8
Purchases of treasury stock	(38.1)	(57.0)
Net cash used in financing activities	(212.3)	(53.6)
Net increase (decrease) in cash and cash equivalents, excluding pledged cash related to secured trust deposits	169.4	(66.7)
Cash and cash equivalents, excluding pledged cash related to secured trust deposits at beginning of period	105.3	205.7
Cash and cash equivalents, excluding pledged cash related to secured trust deposits at end of period	$274.7	$139.0
Supplemental cash flow information:		
Income tax payments (refunds)	$28.6	$(39.8)
Interest paid	$29.5	$49.9

See Notes to Condensed Consolidated Financial Statements

Table of Contents

FIDELITY NATIONAL FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note A — Basis of Financial Statements

The unaudited financial information in this report includes the accounts of Fidelity National Financial, Inc. and its subsidiaries (collectively, "We," "Us," "Our," or "FNF") prepared in accordance with generally accepted accounting principles and the instructions to Form 10-Q and Article 10 of Regulation S-X. All adjustments considered necessary for a fair presentation have been included. This report should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2009.

Certain reclassifications have been made in the 2009 Condensed Consolidated Financial Statements to conform to classifications used in 2010.

Description of Business

We are a holding company that through our subsidiaries provides title insurance, mortgage services, specialty insurance and information services. We are the nation's largest title insurance company through our title insurance underwriters — Fidelity National Title, Chicago Title, Commonwealth Land Title, and Alamo Title — which collectively issued more title insurance policies in 2009 than any other title company in the United States. We also provide flood insurance, personal lines insurance, and home warranty insurance through our specialty insurance subsidiaries. We own a minority interest in Ceridian Corporation ("Ceridian"), a leading provider of global human resources, payroll, benefits and payment solutions. We also own a minority interest in Remy International, Inc. ("Remy"), a leading global vehicular parts designer, manufacturer, remanufacturer, marketer and distributor of aftermarket and original equipment electrical components for automobiles, light trucks, heavy-duty trucks and other vehicles.

As of June 30, 2010, we completed a project to reduce the number of our title insurance underwriters in order to eliminate certain legal, operating and oversight costs associated with operating multiple separate and independent underwriters. Our remaining four principal title insurance underwriters are Fidelity National Title, Chicago Title, Commonwealth Land Title, and Alamo Title. Security Union Title and Ticor Title were merged into Chicago Title. Lawyers Title was merged into Fidelity National Title.

Sale of Sedgwick CMS

On May 28, 2010, we completed the sale of our 32% interest in Sedgwick, our minority-owned affiliate that provides claims management services to large corporate and public sector entities, to a group of private equity funds. See note D on investments for further discussion of the sale.

Discontinued Operations

On September 25, 2009, we closed on the sale of Fidelity National Capital, Inc. ("FN Capital"), a wholly-owned financing and leasing subsidiary, to Winthrop Resources Corporation. Accordingly, the sale and results of FN Capital for periods prior to the sale are reflected in the Condensed Consolidated Statements of Earnings as discontinued operations for all periods presented. Net proceeds to FNF from the sale of FN Capital were $49.2 million. We recorded a pre-tax loss on the sale of $3.4 million ($2.2 million after tax). Total revenues from FN Capital included in discontinued operations were $8.1 million and $29.3 million for the three-month and nine-month periods ended September 30, 2009, respectively. Pre-tax losses included in discontinued operations were $2.8 million and $2.1 million for the three-month and nine-month periods ended September 30, 2009.

In February 2009, we transferred our ownership interest in FNRES Holdings, Inc. ("FNRES") to Lender Processing Services ("LPS"), a related party at the time, in exchange for all of the outstanding shares of Investment Property Exchange Services, Inc. ("IPEX"), a company that facilitates real estate exchanges under Section 1031 of the Internal Revenue Code. The purchase price of IPEX was approximately $43 million, which was the fair value of FNF's 61% holdings in FNRES. The results of operations of FNRES are reflected as discontinued operations in the Condensed Consolidated Statements of Earnings in 2009. Discontinued operations included revenues from FNRES' operations of $3.5 million and pre-tax losses of $0.5 million for the nine-month period ended September 30, 2009.

Transactions with Related Parties

We have historically conducted business with Fidelity National Information Services, Inc. and its subsidiaries (collectively "FIS"). On July 2, 2008, FIS completed the spin-off of its lender processing services segment into a separate publicly traded company, LPS. As part of the spin-off of LPS, a number of the agreements that were previously in effect between FNF and FIS were amended and renegotiated to reflect the revised relationships between FNF and FIS and the new relationships between FNF and LPS. Effective March 15, 2009, William P. Foley, II, retired from his position as an officer and director of LPS. Prior to

6

March 15, 2009, Mr. Foley was the Chairman of the Board of LPS. Also at that time, Daniel D. (Ron) Lane and Cary H. Thompson, retired from the LPS Board of Directors. As a result, as of March 15, 2009, LPS was no longer a related party and activity between FNF and LPS subsequent to that date is not included in our disclosures of transactions with related parties.

Agreements with FIS

A summary of the agreements that were in effect with FIS through September 30, 2010, is as follows:

- Technology ("IT") and data processing services from FIS. These agreements govern IT support services provided to us by FIS, primarily consisting of infrastructure support and data center management. Subject to certain early termination provisions (including the payment of minimum monthly service and termination fees), the agreement expires on or about June 30, 2013 with an option to renew for one or two additional years.
- Administrative corporate support and cost-sharing services to and from FIS. We have provided certain administrative corporate support services such as corporate aviation and other administrative support services to FIS.
- Real estate management, real estate lease and equipment lease agreements. Included in our revenues are amounts received related to leases of certain equipment to FIS and the sublease of certain office space, furniture and furnishings to FIS. A majority of the leases of equipment to FIS were between FN Capital and FIS and the related receipts are no longer revenue to us subsequent to the sale of FN Capital on September 25, 2009.

A detail of related party items between us and FIS that were included in revenues and expenses for the periods presented is as follows:

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
	(In millions)			
Rental revenue	$0.1	$5.0	$0.8	$15.4
Corporate services and cost-sharing	1.0	0.6	2.4	1.5
Total revenues	$1.1	$5.6	$3.2	$16.9
Data processing costs	$11.7	$12.2	$35.7	$36.2

We believe the amounts earned by us or charged to us under each of the foregoing arrangements are fair and reasonable. The information technology infrastructure support and data center management services provided to us 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. The amounts due to FIS as a result of these agreements were $5.9 million as of September 30, 2010 and $6.9 million as of December 31, 2009.

On October 1, 2009, pursuant to an investment agreement between us and FIS dated March 31, 2009 (the "Investment Agreement"), we invested a total of $50.0 million in FIS common stock in connection with a merger between FIS and Metavante Technologies, Inc. Under the terms of the Investment Agreement, we purchased 3,215,434 shares of FIS's common stock at a price of $15.55 per share. Additionally, we received a transaction fee of $1.5 million from FIS. During the third quarter of 2010, we sold 1,611,574 shares as part of a tender offer by FIS at $29.00 per share for a realized gain of $21.7 million. The fair value of our investment was $43.5 million and $75.4 million as of September 30, 2010 and December 31, 2009, respectively, and is recorded in equity securities. Changes in fair value of the FIS stock are recorded as other comprehensive earnings.

In the third quarter of 2010, we purchased $26.0 million of FIS bonds, which are included in fixed maturities available for sale. The FIS bonds had a fair value of $27.9 million as of September 30, 2010.

Agreements with LPS

As noted above, prior to March 15, 2009, LPS was a related party to us. A detail of related party revenues and expenses between FNF and LPS during that period are as follows. We recorded agency title premiums of $84.2 million for the period from January 1, 2009 through March 15, 2009. We recorded agency title commissions of $73.8 million for the period from January 1, 2009 through March 15, 2009. We recorded other revenue of $4.9 million for the period from January 1, 2009 through March 15, 2009. We recorded other operating expenses relating to agreements with LPS of $18.9 million for the period from January 1, 2009 through March 15, 2009.

Table of Contents

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") updated Accounting Standards Code ("ASC") Topic 820, requiring additional disclosures about fair value measurements regarding transfers between fair value categories as well as purchases, sales, issuances and settlements related to fair value measurements of financial instruments with non-observable inputs. This update was effective and was adopted without a material impact on our financial condition or results of operations for interim and annual periods beginning after December 15, 2009 except for disclosures about purchases, sales, issuances and settlements of financial instruments with non-observable inputs, which are effective for years beginning after December 15, 2010. The additional disclosures required by this update will be included in the note on fair value measurements upon adoption. We do not expect these additional disclosures to have a material impact on our financial condition or results of operations.

In August 2009, the FASB updated ASC Topic 820, clarifying the methodology used to determine the fair value of a liability. This update became effective for annual reporting periods beginning after August 2009, and for interim periods during the first annual reporting period. This update did not have a material impact on our financial condition or results of operations.

Note B — Earnings Per Share

Basic earnings per share is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. In periods when earnings are positive, diluted earnings per share is calculated by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding plus the impact of assumed conversions of potentially dilutive securities. For periods when we recognize a net loss from continuing operations, diluted earnings per share is equal to basic earnings per share as the impact of assumed conversions of potentially dilutive securities is considered to be antidilutive. We have granted certain options and shares of restricted stock which have been treated as common share equivalents for purposes of calculating diluted earnings per share for periods in which positive earnings have been reported.

The following table presents the computation of basic and diluted earnings per share:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(In millions, except per share amounts)			
Basic and diluted net earnings from continuing operations attributable to FNF common shareholders	$83.2	$75.2	$239.3	$154.8
Basic and diluted net loss from discontinued operations attributable to FNF common shareholders	—	(1.8)	—	(1.8)
Basic and diluted net earnings attributable to FNF common shareholders	$83.2	$73.4	$239.3	$153.0
Weighted average shares outstanding during the period, basic basis	225.9	228.7	227.0	223.4
Plus: Common stock equivalent shares assumed from conversion of options	3.3	3.4	3.0	4.0
Weighted average shares outstanding during the period, diluted basis	229.2	232.1	230.0	227.4
Basic net earnings per share from continuing operations attributable to FNF common shareholders	$0.37	$0.33	$1.05	$0.69
Basic net loss from discontinued operations attributable to FNF common shareholders	—	(0.01)	—	(0.01)

Basic earnings per share attributable to FNF common shareholders	$0.37	$0.32	$1.05	$0.68	
Diluted net earnings per share from continuing operations attributable to FNF common shareholders	$0.36	$0.32	$1.04	$0.68	
Diluted net loss from discontinued operations attributable to FNF common shareholders	—	—	—	(0.01	)
Diluted earnings per share attributable to FNF common shareholders	$0.36	$0.32	$1.04	$0.67	

Options to purchase shares of our common stock that are antidilutive are excluded from the computation of diluted earnings per share. Antidilutive options totaled 9.2 million shares and 13.4 million shares for the three months ended September 30, 2010 and 2009, respectively, and 12.3 million shares and 9.1 million shares for the nine months ended September 30, 2010 and 2009, respectively.

Note C — Fair Value Measurements

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 and December 31, 2009, respectively:

	September 30, 2010			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Fixed maturity securities available for sale:				
U.S. government and agencies	$—	$383.1	$—	$383.1
State and political subdivisions	—	1,462.3	—	1,462.3
Corporate debt securities	—	1,563.6	—	1,563.6
Mortgage-backed/asset-backed securities	—	206.8	—	206.8
Other fixed maturity	—	40.0	23.1	63.1
Equity securities available for sale	80.8	—	—	80.8
Other long-term investments	—	—	83.4	83.4
Total	$80.8	$3,655.8	$106.5	$3,843.1

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Fixed maturity securities available for sale:				
U.S. government and agencies	$—	$409.2	$—	$409.2
State and political subdivisions	—	1,339.4	—	1,339.4
Corporate debt securities	—	1,379.1	—	1,379.1
Mortgage-backed/asset-backed securities	—	312.5	—	312.5
Other fixed maturity	—	38.8	45.2	84.0
Equity securities available for sale	92.5	—	—	92.5
Other long-term investments	—	—	78.7	78.7
Total	$92.5	$3,479.0	$123.9	$3,695.4

Our Level 2 fair value measures for fixed maturities available for sale are provided by third-party pricing services. We utilize one firm for our taxable bond portfolio and another for our municipal bond portfolio. These pricing services are leading global providers of financial market data, analytics and related services to financial institutions. We only rely on one price for each instrument to determine the carrying amount of the assets on our balance sheet. The inputs utilized in these pricing methodologies include observable measures such as benchmark yields, reported trades, broker dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers and reference data including market research publications.

Our Level 3 investments consist of auction rate securities which were included in the assets of Commonwealth Land Title Insurance Company and Lawyers Title Insurance Corporation that were acquired on December 22, 2008, and structured notes that were purchased in the third quarter of 2009. The auction rate securities are classified in other fixed maturity investments and had a par value of $30.8 million and fair value of $23.1 million at September 30, 2010 and a par value of $69.7 million and fair value of $45.2 million at December 31, 2009. These securities represent less than one percent of our total investment portfolio. There is no active market for the auction rate securities and they are valued using models with significant non-observable inputs. Fair values for these securities are provided by a third-party pricing service using a proprietary valuation model which considers factors such as time to maturity, interest rates, credit-worthiness of the issuer, trading characteristics, and available market data for similar securities.

We believe the fair value of the auction rate securities to be reasonable and to represent an exit price for the securities as of September 30, 2010. The structured notes had a par value of $75.0 million and fair value of $83.4 million at September 30, 2010 and a par value of $75.0 million and fair value of $78.7 million at December 31, 2009. The structured notes are held for general investment purposes and represent less than two percent of our total investment portfolio. The structured notes are classified as other long-term investments and are measured in their entirety at fair value with changes in fair value recognized in earnings. The fair value of these instruments represents exit prices obtained from a broker-dealer. These exit prices are the product of a proprietary valuation model utilized by the trading desk of the broker-dealer and contain assumptions relating to volatility, the level of interest rates, and the value of the underlying indexes, exchange-traded funds, and foreign currencies. We believe the valuations of the structured notes to be reasonable and to represent an exit price for the securities as of September 30, 2010.

The following table presents the changes in our investments that are classified as Level 3 for the period ended September 30, 2010 (in millions):

Balance, December 31, 2009	$123.9
Proceeds received upon call/sales	(22.7)
Realized gains	13.0
Net change included in other comprehensive earnings	(7.7)
Balance, September 30, 2010	$106.5

The carrying amounts of accounts receivable and notes receivable approximate fair value due to their short-term nature. The fair value of our notes payable is included in note E.

Additional information regarding the fair value of our investment portfolio is included in note D.

Note D — Investments

The carrying amounts and fair values of our fixed maturity securities at September 30, 2010 and December 31, 2009 are as follows:

	September 30, 2010				
	Carrying Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)				
Fixed maturity investments (available for sale):					
U.S. government and agencies	$383.1	$363.1	$20.1	$(0.1)	$383.1
States and political subdivisions	1,462.3	1,398.6	64.1	(0.4)	1,462.3
Corporate debt securities	1,563.6	1,457.4	106.2	—	1,563.6
Mortgage-backed/asset-backed securities	206.8	197.3	9.5	—	206.8
Other	63.1	50.1	13.1	(0.1)	63.1
Total	$3,678.9	$3,466.5	$213.0	$(0.6)	$3,678.9

	December 31, 2009				
	Carrying Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)				
Fixed maturity investments (available for sale):					
U.S. government and agencies	$409.2	$397.5	$14.4	$(2.7)	$409.2
States and political subdivisions	1,339.4	1,294.2	46.6	(1.4)	1,339.4
Corporate debt securities	1,379.1	1,300.4	84.0	(5.3)	1,379.1
Mortgage-backed/asset-backed securities	312.5	298.5	14.4	(0.4)	312.5
Other	84.0	64.0	20.1	(0.1)	84.0
Total	$3,524.2	$3,354.6	$179.5	$(9.9)	$3,524.2

10

Table of Contents

The following table presents certain information regarding contractual maturities of our fixed maturity securities at September 30, 2010:

	September 30, 2010				
Maturity	Amortized Cost	% of Total	Fair Value	% of Total	
	(Dollars in millions)				
One year or less	$336.9	9.7 %	$341.7	9.3 %	
After one year through five years	1,437.4	41.5	1,531.0	41.6	
After five years through ten years	1,324.1	38.2	1,410.6	38.4	
After ten years	170.8	4.9	188.8	5.1	
Mortgage-backed/asset-backed securities	197.3	5.7	206.8	5.6	
Total	$3,466.5	100.0 %	$3,678.9	100.0 %	
Subject to call	$592.3	17.1 %	$622.2	16.9 %	

Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

We lend fixed maturity and equity securities to financial institutions in short-term security lending transactions. Our security lending policy requires that the cash received as collateral be 102% or more of the fair value of the loaned securities. At September 30, 2010 and December 31, 2009, we had security loans outstanding with fair values of $9.0 million and $25.6 million, respectively. Securities loaned under such transactions may be sold or re-pledged by the transferee. We were liable for cash collateral under our control of $9.3 million and $26.5 million at September 30, 2010 and December 31, 2009, respectively, which has been included in cash and cash equivalents and in accounts payable and accrued liabilities.

Equity securities at September 30, 2010 and December 31, 2009 included investments in a variety of issuers at a cost basis of $57.6 million and $64.6 million, respectively, and fair value of $80.8 million and $92.5 million, respectively. The carrying value of our investment in equity securities is fair value. The balance of equity securities is primarily composed of an investment in FIS stock, which we purchased on October 1, 2009 for $50.0 million, pursuant to an investment agreement between us and FIS dated March 31, 2009 in connection with a merger between FIS and Metavante Technologies, Inc. During the third quarter of 2010, we sold 1,611,574 shares as part of a tender offer by FIS at $29.00 per share for a realized gain of $21.7 million. The fair value of our investment in the FIS stock was $43.5 million and $75.4 million as of September 30, 2010 and December 31, 2009, respectively. As of September 30, 2010, gross unrealized gains and gross unrealized losses on equity securities were $24.1 million and $0.9 million, respectively. As of December 31, 2009, gross unrealized gains and gross unrealized losses on equity securities were $28.4 million and $0.5 million, respectively.

Net realized gains related to investments were $36.6 million and $92.2 million for the three-month and nine-month periods ended September 30, 2010, respectively, and $6.9 million and $20.1 million for the three-month and nine-month periods ended September 30, 2009, respectively. Net realized gains (losses) related to other assets were $3.5 million and $100.7 million for the three-month and nine-month periods ended September 30, 2010, respectively, including a $98.4 million gain on the sale of our investment in Sedgwick, and $3.7 million and $(2.0) million for the three-month and nine-month periods ended September 30, 2009, respectively.

Gross realized gains on sales of fixed maturity securities considered available for sale were $4.4 million and $66.1 million for the three-month and nine-month periods ended September 30, 2010, respectively, and $8.5 million and $31.5 million for the three-month and nine-month periods ended September 30, 2009, respectively; gross realized losses were $0.1 million and $2.1 million for the three-month and nine-month periods ended September 30, 2010, respectively, and $1.1 million and $1.6 million for the three-month and nine-month periods ended September 30, 2009, respectively. Gross proceeds from the sale and maturity of fixed maturity securities considered available for sale amounted to $205.6 million and $881.4 million for the three-month and nine-month periods ended September 30, 2010, respectively, and $300.9 million and $876.2 million for the three-month and nine-month periods ended September 30, 2009, respectively.

Gross realized gains on sales of equity securities considered available for sale were $22.4 million and $22.9 million for the three-month and nine-month periods ended September 30, 2010, respectively, and $0.8 million and $3.1 million for the three-month and nine-month periods ended September 30, 2009, respectively; gross realized losses were less than $0.1 million for the three-month and nine-month periods ended September 30, 2010 and $1.8 million and $13.4 million for the three-month and nine-month periods ended September 30, 2009, respectively. Gross proceeds from the sale of equity securities amounted to $46.8 million and $50.2 million for the three-month and nine-month periods ended September 30, 2010, respectively, including proceeds of $46.7 million from the sale of FIS stock during the three months ended September 30, 2010, and $5.5 million and $51.6 million for the three-month and nine-month periods ended September 30, 2009, respectively.

Included in our other long-term investments are fixed maturity structured notes purchased in the third quarter of 2009. The structured notes are carried at fair value (see note C) and changes in the fair value of these structured notes are recorded as realized gains and losses in the Condensed Consolidated Statement of Earnings. The carrying value of the structured notes was $83.4 million and $78.7 million as of September 30, 2010 and December 31, 2009, respectively; and we recorded a net gain of $9.2 million and $4.7 million related to the structured notes in the three-month and nine-month periods ended September 30, 2010, respectively, and recorded a net gain of $0.3 million in the three-month and nine-month periods ended September 30, 2009, respectively.

Net unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2010 and December 31, 2009, were as follows (in millions):

September 30, 2010

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and agencies	$—	$—	$0.5	$(0.1)	$0.5	$(0.1)
States and political subdivisions	74.5	(0.4)	—	—	74.5	(0.4)
Equity securities	7.2	(0.6)	1.7	(0.3)	8.9	(0.9)
Other	2.0	(0.1)	—	—	2.0	(0.1)
Total temporarily impaired securities	$83.7	$(1.1)	$2.2	$(0.4)	$85.9	$(1.5)

December 31, 2009

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and agencies	$58.5	$(0.7)	$33.9	$(2.0)	$92.4	$(2.7)
States and political subdivisions	100.0	(1.1)	8.0	(0.3)	108.0	(1.4)
Corporate debt securities	147.7	(3.3)	42.8	(2.0)	190.5	(5.3)
Mortgage-backed/asset-backed securities	32.8	(0.3)	1.1	(0.1)	33.9	(0.4)
Equity securities	—	—	5.6	(0.5)	5.6	(0.5)
Other	1.9	(0.1)	—	—	1.9	(0.1)
Total temporarily impaired securities	$340.9	$(5.5)	$91.4	$(4.9)	$432.3	$(10.4)

During the three-month and nine-month periods ended September 30, 2010, we incurred no impairment charges relating to investments that were determined to be other-than-temporarily impaired. We expect to recover the entire amortized cost basis of our temporarily impaired fixed maturity securities as we do not intend to sell these securities and we do not believe that we will be required to sell the fixed maturity securities before recovery of the cost basis. The unrealized losses relating to equity securities were caused by market changes that we consider to be temporary and are not concentrated in a particular sector or an individual security. During the three-month period ended September 30, 2009, we recorded impairment charges totaling $1.2 million relating to two of our equity securities that were deemed other-than-temporarily impaired. During the nine-month period ended September 30, 2009, we incurred impairment charges relating to investments that were determined to be other-than-temporarily impaired, which resulted in charges of $6.9 million, related to our equity securities. These losses were based on the duration of the unrealized loss and inability to predict the time to recover if the investments continued to be held. As of September 30, 2010 and December 31, 2009, we held no investments for which an other-than-temporary impairment had been previously recognized. It is possible that future events may lead us to recognize potential future impairment losses related to our investment portfolio and that unanticipated future events may lead us to dispose of certain investment holdings and recognize the effects of any market movements in our condensed consolidated financial statements.

Investments in unconsolidated affiliates are recorded using the equity method of accounting. Our equity in earnings of Ceridian are recorded on a three-month lag and our equity in earnings of Remy are recorded on a one-month lag. As of September 30, 2010 and December 31, 2009, investments in unconsolidated affiliates consisted of (in millions):

	Current Ownership	September 30, 2010	December 31, 2009
Ceridian	33 %	$363.0	$386.8
Sedgwick	—	—	121.0
Remy	46 %	101.4	69.1
Other	Various	49.1	40.2
Total		$513.5	$617.1

On May 28, 2010, we completed the sale of our 32% interest in Sedgwick, our minority-owned affiliate that provides claims management services to large corporate and public sector entities, to a group of private equity funds. We received approximately $225.6 million in proceeds, of which $32 million was held in an indemnity escrow for our ownership interest, resulting in a pre-tax gain of approximately $98.4 million in the nine-month period ending September 30, 2010. In addition to our equity method investment in Remy, we held $53.6 million of Remy's bonds as of September 30, 2010, which are included in our fixed maturity securities available for sale.

During the three-month periods ended September 30, 2010 and 2009, we recorded an aggregate of $(0.5) million and $1.1 million, respectively, in equity in (losses) earnings of Ceridian, Sedgwick and Remy and $(11.3) million and $(18.5) million, respectively, for the nine-month periods ended September 30, 2010 and 2009. Equity in earnings of other unconsolidated affiliates was $1.4 million and $1.6 million for the three-month periods ended September 30, 2010 and 2009, respectively, and $5.1 million and $4.5 million for the nine-month periods ended September 30, 2010 and 2009, respectively.

We account for our equity in Ceridian's earnings on a three-month lag. Accordingly, FNF's net earnings for the three-month and nine-month periods ended September 30, 2010, include our equity in Ceridian's earnings for the three-month and nine-month periods ended June 30, 2010, and our net earnings for the three-month and nine-month periods ended September 30, 2009, include our equity in Ceridian's earnings for the period ended June 30, 2009. Summarized financial information for Ceridian for the relevant dates and time periods included in our Condensed Consolidated Financial Statements, is presented below.

	June 30, 2010	September 30, 2009
	(In millions)	(In millions)
Total current assets	$1,013.2	$978.5
Goodwill and other intangible assets, net	4,707.0	4,683.4
Other assets	3,878.8	3,461.9
Total assets	$9,599.0	$9,123.8
Current liabilities	$731.1	$695.0
Long-term obligations, less current portion	3,497.5	3,485.2
Other long-term liabilities	4,256.7	3,755.0
Total liabilities	8,485.3	7,935.2
Equity	1,113.7	1,188.6
Total liabilities and equity	$9,599.0	$9,123.8

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Nine Months Ended June 30, 2010	Nine Months Ended June 30, 2009
	(In millions)			

Total revenues	$363.0	$362.2	$1,097.3	$1,109.0
Loss before income taxes	(36.8)	(23.0)	(107.5)	(123.1)
Net loss	(24.7)	(11.4)	(87.0)	(78.0)

Note E — Notes payable

Notes payable consists of the following:

	September 30, 2010	December 31, 2009
	(In millions)	
Unsecured notes, net of discount, interest payable semi-annually at 6.60%, due May 2017	$299.7	$—
Unsecured notes, net of discount, interest payable semi-annually at 5.25%, due March 2013	236.2	245.2
Unsecured notes, net of discount, interest payable semi-annually at 7.30%, due August 2011	165.5	165.5
Syndicated credit agreement, unsecured, unused portion of $851.2 million at September 30, 2010, composed of $2.8 million due October 2011 with interest payable monthly at LIBOR plus 0.475% (0.74% at September 30, 2010) and $97.2 million due March 2013 with interest payable monthly at LIBOR plus 1.5% (1.76% at September 30, 2010)	100.0	400.0
Subordinated note payable to LFG Liquidation Trust, interest payable annually	—	50.0
Other	0.6	1.2
	$802.0	$861.9

At September 30, 2010, the fair value of our long-term debt was $816.8 million and the carrying amount was $802.0 million. The fair values of our unsecured notes payable are based on established market prices for the securities on September 30, 2010. The fair value of our syndicated credit agreement is estimated using a discounted cash flow analysis based on current market interest rates and comparison of interest rates being paid to our current incremental borrowing rates for similar types of borrowing arrangements.

On May 5, 2010, we completed an offering of $300.0 million in aggregate principal amount of our 6.60% notes due May 2017 (the "notes"), pursuant to an effective registration statement previously filed with the Securities and Exchange Commission. The notes were priced at 99.897% of par to yield 6.61% annual interest. As such we recorded a discount of $0.3 million, which is netted against the $300.0 million aggregate principal amount of notes. The discount is amortized to May 2017 when the notes mature. We received net proceeds of $297.3 million, after expenses, which were used to repay outstanding borrowings under our credit agreement. Interest is payable semi-annually.

Effective March 5, 2010, we entered into an agreement to amend and extend our credit agreement dated September 12, 2006 (the “Credit Agreement”) with Bank of America, N.A. as administrative agent and swing line lender (the “Administrative Agent”), and the other financial institutions party thereto, and an agreement to change the aggregate size of the credit facility under the Credit Agreement. These agreements reduced the total size of the credit facility from $1.1 billion to $951.2 million, with an option to increase the size of the credit facility to $1.1 billion, and created a new tranche, representing $925 million of the total credit facility, with an extended maturity date of March 5, 2013. Pricing for the new tranche is based on an applicable margin between 110 basis points to 190 basis points over LIBOR, depending on the senior debt ratings of FNF, and is at 150 basis points over LIBOR as of September 30, 2010.

The Credit Agreement remains subject to affirmative, negative and financial covenants customary for financings of this type, including, among other things, limits on the creation of liens, sales of assets, the incurrence of indebtedness, restricted payments, transactions with affiliates, and certain amendments. The Credit Agreement prohibits us from paying dividends to our stockholders if an event of default has occurred and is continuing or would result therefrom. The Credit Agreement requires us to maintain certain financial ratios and levels of capitalization. The Credit Agreement includes customary events of default for facilities of this type (with customary grace periods, as applicable). These events of default include a cross-default provision that, subject to limited exceptions, permits the lenders to declare the Credit Agreement in default if: (i) (A) we fail to make any payment after the applicable grace period under any indebtedness with a principal amount (including undrawn committed amounts) in excess of 3% of our net worth, as defined in the Credit Agreement, or (B) we fail to perform any other term under any such indebtedness, or any other event occurs, as a result of which the holders thereof may cause it to become due and payable prior to its maturity; or (ii) certain termination events occur under significant interest rate, equity or other swap contracts. The Credit Agreement provides that, upon the occurrence of an event of default, the interest rate on all outstanding obligations will be increased and payments of all outstanding loans may be accelerated and/or the lenders' commitments may be terminated. In addition, upon the occurrence of certain insolvency or bankruptcy related events of default, all amounts payable under the Credit Agreement shall automatically become immediately due and payable, and the lenders' commitments will automatically terminate.

On December 22, 2008, in connection with the acquisition of Commonwealth Land Title Insurance Company, Lawyers Title Insurance Corporation and United Capital Title Insurance Company (collectively "the LFG Underwriters"), we entered into a

$50 million subordinated note payable to LFG, due December 2013, with interest of 2.36% payable annually. On March 1, 2010, we paid approximately $49 million to the LFG Liquidation Trust in full satisfaction of this obligation.

Principal maturities of notes payable at September 30, 2010, are as follows (in millions):

2010	$0.3
2011	168.6
2012	—
2013	333.4
2014	—
Thereafter	299.7
Total	$802.0

Note F — Legal Proceedings

In the ordinary course of business, we are involved in various pending and threatened litigation matters related to our operations, some of which include claims for punitive or exemplary damages. This customary litigation includes but is not limited to a wide variety of cases arising out of or related to title and escrow claims, for which we make provisions through our loss reserves. We believe that no actions, other than those listed below, depart from customary litigation incidental to our business. As background to the disclosure below, please note the following:

•These matters raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities, including but not limited to the underlying facts of each matter, novel legal issues, variations between jurisdictions in which matters are being litigated, differences in applicable laws and judicial interpretations, the length of time before many of these matters might be resolved by settlement or through litigation and, in some cases, the timing of their resolutions relative to other similar cases brought against other companies, the fact that many of these matters are putative class actions in which a class has not been certified and in which the purported class may not be clearly defined, the fact that many of these matters involve multi-state class actions in which the applicable law for the claims at issue is in dispute and therefore unclear, and the current challenging legal environment faced by large corporations and insurance companies.

•In these matters, plaintiffs seek a variety of remedies including equitable relief in the form of injunctive and other remedies and monetary relief in the form of compensatory damages. In most cases, the monetary damages sought include punitive or treble damages. Often more specific information beyond the type of relief sought is not available because plaintiffs have not requested more specific relief in their court pleadings. In addition, the dollar amount of damages sought is frequently not stated with specificity. In those cases where plaintiffs have made a statement with regard to monetary damages, they often specify damages either just above or below a jurisdictional limit regardless of the facts of the case. These limits represent either the jurisdictional threshold for bringing a case in federal court or the maximum they can seek without risking removal from state court to federal court. In our experience, monetary demands in plaintiffs' court pleadings bear little relation to the ultimate loss, if any, that we may experience. None of the cases described below includes a statement as to the dollar amount of damages demanded. Instead, each of the cases includes a demand in an amount to be proved at trial.

•For the reasons specified above, it is not possible to make meaningful estimates of the amount or range of loss that could result from these matters at this time. We review these matters on an ongoing basis when making accrual and disclosure decisions. When assessing reasonably possible and probable outcomes, management bases its decision on its assessment of the ultimate outcome following all appeals.

•We intend to vigorously defend each of these matters. In the opinion of our management, while some of these matters may be material to our operating results for any particular period if an unfavorable outcome results, none will have a material adverse effect on our overall financial condition.

There are class actions pending against several of our title insurance companies, including Security Union Title Insurance Company (which merged into Chicago Title Insurance Company on June 30, 2010), Fidelity National Title

Insurance Company, Chicago Title Insurance Company, Ticor Title Insurance Company of Florida (which merged into Chicago Title Insurance Company on May 31, 2010), Commonwealth Land Title Insurance Company, Lawyers Title Insurance Corporation (which merged into Fidelity National Title Insurance Company on June 30, 2010), and Ticor Title Insurance Company (which merged into Chicago Title Insurance Company on June 30, 2010), alleging improper premiums were charged for title insurance. These cases allege that the named defendant companies failed to provide notice of premium discounts to consumers refinancing their mortgages, and/or

failed to give discounts in refinancing transactions in violation of the filed rates.
In February 2008, thirteen putative class actions were commenced against several title insurance companies, including Fidelity National Title Insurance Company, Chicago Title Insurance Company, Security Union Title Insurance Company, Alamo Title Insurance Company, Ticor Title Insurance Company of Florida, Commonwealth Land Title Insurance Company, LandAmerica New Jersey Title Insurance Company (now Continental Title Insurance Company), Lawyers Title Insurance Corporation, Transnation Title Insurance Company (which merged into Lawyers Title Insurance Corporation), and Ticor Title Insurance Company (collectively, the "Fidelity Affiliates"). The complaints also name Fidelity National Financial, Inc. (together with the Fidelity Affiliates, the "Fidelity Defendants") as a defendant based on its ownership of the Fidelity Affiliates. The complaints, which are brought on behalf of a putative class of consumers who purchased title insurance in New York, allege that the defendants conspired to inflate rates for title insurance through the Title Insurance Rate Service Association, Inc. ("TIRSA"), a New York State-approved rate service organization which is also named as a defendant. Each of the complaints asserts a cause of action under the Sherman Act and several of the complaints include claims under the Real Estate Settlement Procedures Act as well as New York State statutory and common law claims. The complaints seek monetary damages, including treble damages, as well as injunctive relief. Subsequently, similar complaints were filed in many federal courts. A motion was filed before the Multidistrict Litigation Panel to consolidate and/or coordinate these actions in the United States District Court in the Southern District of New York. However, that motion was denied. Where there are multiple cases in one state they have been consolidated before one district court judge in each state and scheduled for the filing of consolidated complaints and motion practice. In 2009, the complaints filed in Texas and New York were dismissed with prejudice, but the plaintiffs appealed. On appeal both the Fifth and the Second Circuit Court of Appeals affirmed the dismissal of the complaints. In October 2010, the U.S. Supreme Court denied review in both cases. A count of the complaint alleging RESPA violations in New York remains; however, we believe it is meritless and anticipate that it will be dismissed on a motion that was orally argued on October 15, 2010. The court heard the oral argument and has taken the matter under submission. The judge has not indicated how he would rule on the motion. The complaints in Arkansas and Washington were dismissed with leave to amend, but the plaintiffs have not amended. The complaint in California was dismissed with leave to amend, the plaintiffs have amended, and the companies have moved to dismiss the amended complaint and the court denied the motion. The companies moved to appeal from the interlocutory denial of the motion to dismiss and the motion was granted by the District Court. The companies filed a petition in the Ninth Circuit Court of Appeals for review of the interlocutory order, but that petition was denied. The parties are engaged in discovery. The complaint in Delaware was dismissed, but the plaintiffs were permitted to amend to state a claim for injunctive relief. The plaintiffs amended, and the defendants have moved to dismiss the amended complaint, and that motion was granted, but plaintiffs appealed. The damage claims in the Pennsylvania cases were dismissed, but the plaintiffs were permitted to pursue injunctive relief. The plaintiffs were permitted limited discovery. The defendants filed a motion for summary judgment on March 22, 2010. The Ohio complaint was dismissed on March 31, 2010 but plaintiffs appealed. In New Jersey, our motion to dismiss the amended complaint was granted, but plaintiffs appealed. In West Virginia, the case has been placed on the inactive list pending the resolution of the LandAmerica bankruptcy. The complaints filed in Florida and Massachusetts were all voluntarily dismissed.

On September 24, 2007 a third party complaint was filed in the In Re Ameriquest Mortgage Lending Practices Litigation in the United States District Court for the Northern District of Illinois by Ameriquest Mortgage Company ("Ameriquest") and Argent Mortgage Company ("Argent") against numerous title insurers and agents (the "Title Insurer Defendants"), including Chicago Title Company, Fidelity National Title Company, Fidelity National Title Insurance Company, American Pioneer Title Insurance Company (which was merged into Chicago Title Insurance Company), Chicago Title of Michigan, Fidelity National Title Insurance Company of New York, Transnation Title Insurance Company (which was merged into Fidelity National Title Insurance Company), Commonwealth Land Title Insurance

Company, Commonwealth Land Title Company, Lawyers Title Insurance Corporation, Chicago Title Insurance Company, Alamo Title Company, and Ticor Title Insurance Company (collectively, the “FNF Affiliates”). The third party complaint alleges that Ameriquest and Argent have been sued by a class of borrowers (and by numerous persons who have preemptively opted out of any class that may be certified) alleging that the two lenders violated the Truth in Lending Act (“TILA”) by failing to comply with the notice of right to cancel provisions and making misrepresentations in lending to the borrowers, who now seek money damages. In the third party complaint, Ameriquest and Argent each alleges that the FNF Affiliates contracted and warranted to close these loans in conformity with the lender's instructions which correctly followed the requirements of TILA and contained no misrepresentations; therefore, if Ameriquest and Argent are liable to the class or to the opt-out plaintiffs, then the FNF Affiliates are liable to them for failing to close the lending transactions as agreed. Ameriquest and Argent seek to recover the cost of resolving the class action and other cases against them including their attorney's fees and costs in the action. The Title Insurer Defendants organized to form a defense group and, as requested by the court, are exploring the possibility of filing a single collective response. The Seventh Circuit, in which these matters are pending, ruled in a separate case that TILA violations as alleged in these complaints could not be the subject of a class action seeking rescission, though the plaintiffs in the case against Ameriquest and Argent have not yet sought class certification and so the court in their case has not yet ruled on the a

16

pplicability of the Court of Appeals' decision (which, in any event, would not affect the cases of individual plaintiffs). Ameriquest filed its fifth amended third party complaint against the defendants, and the Title Insurer Defendants moved to dismiss. On January 19, 2010 the court granted the motion as to the negligence claims, but denied the motion as to the contract claims and negligent misrepresentation claims. The Title Insurer Defendants will answer the fifth amended complaint. Ameriquest has settled some of the plaintiffs' claims and Ameriquest and the third party defendants will mediate their dispute this December.

There are class actions pending against Fidelity National Financial, Inc., Fidelity National Title Group and several title insurance companies, including Fidelity National Title Insurance Company, Chicago Title Insurance Company, Lawyers Title Insurance Corporation, Transnation Title Insurance Company, United Title Company, Inc., and Ticor Title Insurance Company, alleging overcharges for government recording fees. These cases allege that the named defendant companies charged fees in excess of the fees charged by government entities in closing transactions and charged for documents releasing encumbrances that were never recorded by us. These suits seek various remedies including compensatory damages, prejudgment interest, punitive damages and attorney's fees. One case filed in Missouri in the summer of 2008 but removed to the Federal District Court in Missouri, seeks to certify a national class against Chicago Title Insurance Company ("Chicago Title"). Although the Federal District Court in Kansas refused to certify a national class previously filed by the same plaintiff's attorneys, this suit seeks to overcome that Court's objections to certification. In September 2009, we filed a motion to deny class certification, and that motion was recently granted. And, although similar cases filed in Indiana were decertified by the appellate court and trial court, the Missouri courts have refused to decertify a case now pending, which has been assigned to a judge. On July 9, 2010, the Missouri court ordered Chicago Title to perform an accounting for all Missouri class members to determine the amount of the overcharges. Chicago Title will vigorously challenge the order. The most recent recording fee case was filed on January 26, 2009, in New Jersey and the parties are engaging in discovery.

There are class actions pending against Fidelity National Title Company, Fidelity National Title Company of Washington, Inc., and Chicago Title Insurance Company, alleging that the named defendants in each case charged unnecessary reconveyance fees without performing any separate service for those fees which was not already included as a service for the “escrow fee.” Additionally, one of the cases alleges that the named defendants wrongfully earned interest or other benefits on escrowed funds from the time funds were deposited into escrow until any disbursement checks cleared the account. Motions for class certification were filed in both of these cases, and we then moved for summary judgment in both cases and to continue the briefing of the class certification motions until the summary judgment motions were determined. Both courts granted the motions to continue class certification briefing until the summary judgment motions were determined and those motions were fully briefed and submitted. In one of the cases, the court granted summary judgment for the defendants. The other motion for summary judgment was partially granted and denied. Plaintiffs filed an amended complaint and a motion for class certification, which we opposed.

On February 26, 2010, two class actions alleging Fidelity National Title Company and Chicago Title Company overcharged for notary fees were filed in state court in California. The companies have answered and are engaged in discovery.

On May 28, 2010, a class action was filed in state court in California against Fidelity National Title Company, Fidelity National Title Company of California and Fidelity National Title Insurance Company alleging that the companies charged more than their filed rates for title and escrow services.

A class action has been filed in state court in Hawaii against Fidelity National Title and Escrow of Hawaii, Inc. alleging we wrongfully released funds from escrow thereby engaging in unfair or deceptive trade practices in violation of state statute. The suit seeks damages, treble damages, prejudgment interest, attorney's fees and costs. We answered the complaint and are investigating the allegations informally and through discovery.

A class action filed in District Court in Nevada has been amended to allege a cause of action for breach of fiduciary duty in handling escrows against Commonwealth Land Title Insurance Company and Fidelity National Title Agency of Nevada, Inc. The complaint seeks compensatory and punitive damages and attorney's fees. We are investigating the allegations and have moved for a more definite statement of the allegations against us, which was opposed by plaintiffs and is now fully briefed and submitted. The court recently granted our motion and ordered plaintiffs to file a more specific complaint if they want to pursue their claims against the companies.

Two class action complaints are pending in the Illinois state court against Chicago Title Insurance Company, Ticor Title Insurance Company, Chicago Title and Trust Company and Fidelity National Financial, Inc. alleging the companies violated the Illinois Title Insurance Act and the Illinois Consumer Fraud Act and have been unjustly enriched through the practice of paying

Illinois attorney's agency fees. The complaints allege the payments are in exchange for the referral of business and the attorneys do not perform any "core title services". The motions to certify the classes were denied on May 26, 2009, but the plaintiffs appealed. The appeal was fully briefed and the court heard oral arguments on February 25, 2010. On April 15, 2010, the Illinois District Court of Appeal issued an order reversing the lower court and directing that class certification be granted. The companies have petitioned the Illinois Supreme Court for review of the decision. The petition was denied. The case will now be remanded to the trial court for entry of an order certifying the class.

On December 3, 2007, a former title officer in California filed a putative class action suit against Lawyers Title Company, and LandAmerica Financial Group, Inc. (collectively, the "Defendants"). The lawsuits were later amended to include Commonwealth Land Title Company, Lawyers Title Insurance Corporation and Commonwealth Land Title Insurance Company as defendants in the Superior Court of California for Los Angeles County. A similar putative class action was filed against the Defendants by former escrow officers in California, in the same court on December 12, 2007. The plaintiffs' complaints in both lawsuits allege failure to pay overtime and other related violations of the California Labor Code, as well as unfair business practices under the California Business and Professions Code § 17200 on behalf of all current and former California title and escrow officers. The underlying basis for both lawsuits is an alleged misclassification of title and escrow officers as "exempt" employees for purposes of the California Labor Code, which resulted in a failure to pay overtime and provide for required meal and rest breaks. Although such employees were reclassified as "non-exempt" beginning on January 1, 2006, the complaints allege similar violations of the California Labor Code even after that date for alleged "off-the-clock" work. The plaintiffs' complaints in both cases demand an unspecified amount of back wages, statutory penalties, declaratory and injunctive relief, punitive damages, interest, and attorneys' fees and costs. The plaintiffs did not file a motion for class certification, as the parties have agreed to mediation. The parties mediated the case on April 28, 2010 and again on September 20, 2010. The parties have reached a preliminary settlement, pending final court approval. The Company does not believe that the outcome of this settlement is material to its results of operations, cash flows, or its financial position.

Various governmental entities are studying the title insurance product, market, pricing, business practices, and potential regulatory and legislative changes. We receive inquiries and requests for information from state insurance departments, attorneys general and other regulatory agencies from time to time about various matters relating to our business. Sometimes these take the form of civil investigative subpoenas or market conduct examinations. We attempt to cooperate with all such inquiries. From time to time, we are assessed fines for violations of regulations or other matters or enter into settlements with such authorities which require us to pay money or take other actions.

Note G — Pension Benefits

The following details our periodic expense for pension benefits:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(In millions)			
Service cost	$—	$—	$—	$—
Interest cost	2.1	2.2	6.3	6.6
Expected return on assets	(2.2)	(2.4)	(6.6)	(7.3)
Amortization of prior service cost	—	—	—	—
Amortization of actuarial loss	2.0	1.6	6.0	5.1
Total net periodic expense	$1.9	$1.4	$5.7	$4.4

There have been no material changes to our projected pension benefit payments under these plans since December 31, 2009