2024 Texas Title Rate Analysis & Overview

SUBMITTED BY
Texas Land Title Association
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Introduction

This analysis and overview outline the rulemaking process for setting title insurance rates and provides TLTA's position and relevant evidence for the Commissioner of Insurance to consider. It contains an Executive Summary, Regulatory Framework & Ratemaking Process, Current Texas Marketplace Conditions, and a discussion of Agent Solvency Implications.

The analysis and overview also include the full findings and supporting tables of TLTA's consultants – the economists Dr. Greg Hallman and Mr. Kevin Jewell, and the actuaries Mr. Kheim Ngo, F.S.A., A.C.A.S. and Mr. Chuck Faerber, F.S.A., A.C.A.S. Curricula vitae are also provided.

TLTA invites feedback and requests the opportunity to discuss the contents of this resource book. To schedule a meeting, please contact me at 512-472-6593 or by e-mail at Leslie@tlta.com.

Leslie Midgley,
Executive Vice President & CEO
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Contents

1

Executive Summary

EXECUTIVE SUMMARY

The Texas Land Title Association ("TLTA") is proud to offer its expertise and resources to help ensure that the Texas title insurance market is financially sound and stable so that it may continue to provide Texans across the state a level of service that removes uncertainty and ensures peace of mind during real estate transactions. TLTA's members represent approximately 80% of all title agents and underwriters licensed to conduct business in Texas. Their efforts provide efficiency and security to real estate transactions and protect real property owners and mortgage lenders against losses from title defects.

TLTA believes a fair, reasonable, and adequate price for title insurance can be set through a thorough rate review process which provides an opportunity for all parties to exchange information, analysis, and ideas. TLTA created this comprehensive resource book to present relevant information for consideration by the Texas Commissioner of Insurance in determining an appropriate premium rate that will meet statutory requirements.

Helpful Information

This resource book is arranged in six sections and intended to be a reference tool as much as it is to provide relevant information regarding title insurance rates to the Commissioner of Insurance. Sections 2 - 4 provide topics that contain useful background information and easy-to-reference legal citations.

Section 2 is a short overview of the regulatory framework and ratemaking process in Texas. The legislative intent is for the Texas Department of Insurance ("TDI") to regulate the title insurance business completely, so that consumers are protected while title insurance companies and agents are provided adequate and reasonable rates of return. The periodic hearing and the default rule making process (a rulemaking proceeding initiated by petition and with a much shorter timeframe to decision) are highlighted here.

Section 3 introduces a discussion on the current depressed title insurance market and some of the primary causal factors – a dramatic and historic reduction in interest rates followed by inflation and a rapid increase in interest rates, resulting in "locked in" owners and housing supply shortages. The number and dollar volume of sales of housing have dropped precipitously. It highlights that the potential impact of a title insurance premium rate change needs to consider what is happening in the current Texas real estate market.

This section also emphasizes the requirements of TEX. INS. CODE § 2703.152 that the Commissioner of Insurance consider *all* relevant income and expenses of the title insurance companies and title insurance agents attributable to engaging in the business of title insurance in this state. The Commissioner sets premium rates that are reasonable as to the public and non-confiscatory as to the title insurance companies and agents. The current condition of the title insurance market is a critical and necessary factor to consider in achieving the statutory requirements. This section further highlights the most recent NAIC data summarized by the American Land Title Association ("ALTA") and data from the Texas Title Insurance Guaranty Association ("TTIGA") illustrating and confirming the drop in policies issued and the significant downward trend of both insurance premiums and title insurance transactions in Texas over the last two years.

Section 4 provides insight into the potential impact of rate decreases on the financial stability and solvency of Texas title agents. It includes comments from a sampling of TLTA members to illustrate how a potential rate reduction would have a negative impact on their already struggling businesses. This section also emphasizes the need to maintain rates at the current level or adopt a very modest rate decrease to ensure consumers are protected by avoiding unnecessary agent insolvencies and to provide license holders a rate that is non-confiscatory.

A rate decrease having only a retrospective view from 2022 is incomplete and threatens agent solvency. Even beyond not complying with the statutory directive to consider all relevant data, it will directly increase the risk of consumer harm and drive viable going concerns out of business. This in turn challenges the resources available to the Department of Insurance and the Texas Title Insurance Guaranty Association. As will be shown, a rate decrease at this time in the current market conditions will likely result in an unmanageable situation and irretrievable, permanent losses.

Consulting Actuaries and Economists and Reports

Section 5 introduces TLTA's economists, Dr. Greg Hallman, and Mr. Kevin Jewell. Dr. Hallman is a member of the faculty in the finance department of the University of Texas' McCombs School of Business where he teaches graduate-level courses in valuation, corporate finance, real estate finance, and investment theory, and serves as Director of the Texas Real Estate Center and Faculty Director of the McCombs Real Estate Investment Fund. Mr. Jewell is a freelance consultant and specializes in applying financial and quantitative analysis to questions in business, policy, and litigation. He has extensive subject-matter experience in housing markets, financial services, and securities litigation. He has also analyzed housing and energy policy for Consumers Union (the publisher of *Consumer Reports*).

Dr. Hallman and Mr. Jewell rely on their considerable experience and expertise to address a particularly important question: "**What is the cost of capital?"** They used three widely accepted methodologies – the Capital Asset Pricing Model ("CAPM"), the Discounted Cash Flow ("DCF"), and the Fama-French ("FF"). They applied the CAPM, DCF, and FF methodologies to large data sets in four comparable industries that capture the systemic risk inherent to the Texas title insurance industry. They applied statistical measures to prevent skewed results and make reasoned adjustments based on well-documented facts (e.g., observing that the expected rate of return for small firms tends to be greater than large firms because of increased investment risk) and objective information sources (e.g., income statements maintained by the department and Ibbotson's estimate of size premium).

After a comprehensive analysis Dr. Hallman and Mr. Jewell conclude that: "**The cost of capital is 15.4%."**

Section 6 introduces TLTA's actuaries, Mr. Khiem Ngo and Mr. Charles "Chuck" Faerber of the Austin, Texas actuarial consulting firm of Rudd & Wisdom. Mr. Ngo joined the firm in 2007. He consults large group insurance programs including the Texas Medicaid Program, Texas Children's Program, the State of Texas Group Benefit Program, and the University of Texas Employee Group Insurance Program. Mr. Faerber has been consulting with the firm since 1978 and specializes in property and casualty insurance. Both are Fellows of the Society of Actuaries, Associates of the Casualty Actuarial Society, and Members of the American Academy of Actuaries.

Mr. Ngo and Mr. Faerber analyzed data from annual statements, experience reports published by TDI, Dr. Hallman's and Mr. Jewell's Cost of Capital Report, and a Survey of CY2023 expenses from Texas title agents to determine: **"What is an appropriate indicated rate change?"**

Incorporating Dr. Hallman's and Mr. Jewell's suggested cost of capital of 15.4%, the actuaries determined that the profit load is 12.00%.

Because their rate study relies on data published by TDI which only included data through 2022, the actuaries recognized the need to capture the full impact from the downturn in title insurance that started in the fall of 2022 and continued through 2023. In order to estimate the 2023 experience, Mr. Ngo and Mr. Faerber surveyed 37 agents making up about 50% of total title insurance premiums in Texas and asked them to provide their 2023 experience using the same methodology that will be used for TDI's 2023 Agent Statistical Data call. Based on the survey results, Mr. Ngo and Mr. Faerber estimate that the loss and loss adjustment expense ratio in 2023 will be 2.4% and the 2023 expense ratio will be 84.7%, indicating a rate change of 0.0% if only 2023 estimated experience is used for the analysis. The estimate is based on the survey of large size agents. Actual experience in 2023 could turn out worse than the survey once they fully consider small size agents.

Ultimately, Mr. Ngo and Mr. Faerber determined that: **"Based on our study, we believe a reasonable rate change range is between 0.0% to -4.7%. However, given the downturn in the title insurance market, we recommend more weight be given to the 2023 experience in the rating analysis because the 2023 experience most accurately reflects the current market conditions."**

2

Regulatory Framework & Ratemaking Process

REGULATORY FRAMEWORK & RATEMAKING PROCESS

The business of title insurance is completely regulated in Texas.[1] The legislative intent underlying this public policy is explicitly stated in TEX. INS. CODE § 2501.002: the purpose of the Texas Title Insurance Act is to protect consumers and to provide adequate and reasonable rates of return for title insurance companies and title insurance agents. The rate set by the Commissioner must be reasonable as to the public and non-confiscatory as to title insurance companies and title insurance agents.

In order to achieve this goal, the Commissioner of Insurance is empowered with regulating the industry [2], an industry that employs approximately 20,000 persons that engage in the business of title insurance. [3] The Commissioner promulgates rules and the very form and content of policies and endorsements.[4] Moreover, the Commissioner collects industry-wide data, sets rates, and establishes the process for properly handling claims. [5, 6]

The process for setting rates in Texas was amended during the 2011 82nd Legislative Session; the Commissioner may now hold a periodic hearing as compared to the strict requirement to adhere to a biennial schedule and may hold it as a rulemaking hearing as compared to a contested hearing.[7] A hearing may be initiated at the request of a title insurance company, certain associations, and the Office of the Public Insurance Counsel.[8] The hearing itself must be held before the Commissioner, but the process is a collaborative rulemaking proceeding unless a party requests a contested case hearing.[9] If conducted as a rulemaking proceeding, a final order must be issued no later than 120 days after receipt of the party's request for a hearing.[10]

As noted above, the rate set by the Commissioner must be reasonable as to the public and non-confiscatory as to title insurance companies and title insurance agents.[11] Income and expenses attributed to engaging in the business of title insurance are considered in setting the rate, and much of this information may be drawn from the department's statistical reports.[12] Actuaries and economists analyze the loss experience, expense of operations, and other data to arrive at a recommended rate indication based on the statistical data available. Each component of the rate —the provisions for loss, expense, and profit—is then presented along with their reasoning for the Commissioner's consideration. Moreover, the Commissioner is authorized to consider other factors such as current market and economic conditions and changes in legislation and the regulatory environment. Section 2501.002 of "Title 11. Title Insurance" states the purpose of Title 11 to "completely regulate the business of title insurance" and (1) protect the consumers and purchasers of title insurance policies and (2) provide adequate and reasonable rates of return for title insurance companies and title insurance agents. In order to regulate and set an appropriate rate, the Commissioner considers current conditions, not just past data. Complete regulation requires complete data. Without considering current conditions, a "non-confiscatory" rate cannot possibly be achieved.

It is helpful and important to review the recent history of title insurance rate-setting in Texas. For many years, this process followed a biennial schedule and was conducted through contested case hearings. This approach led to significant delays, as the adversarial nature of the proceedings extended timelines, compounded by interruptions from the state's biennial legislative sessions. Consequently, the Insurance Commissioner faced setting rates using data that was already two years old by the time the hearing concluded.

Both the Texas Department of Insurance (TDI) and the Texas Land Title Association (TLTA) recognized that this process had become overly time-consuming, expensive, and adversarial for all involved. In 2008, a critical issue arose when the Commissioner needed to address the sudden urban exploration of natural gas and its impact on title policies in affected areas, which raised significant questions for the industry. To resolve this complex policy challenge, TDI held a series of informal public meetings, allowing stakeholders to collaboratively discuss the issues and develop a solution that worked for all parties. Once consensus was reached, the Commissioner held a rule hearing to formally adopt rules addressing and settling the issue.

This experience inspired TLTA and TDI staff to envision a similar collaborative approach for rate-setting. The idea was that public meetings could bring together economists and actuaries representing the industry, OPIC, and TDI to discuss data informally. This back-and-forth would allow for a more productive exchange, increasing the likelihood of consensus. If all parties could agree on a reasonable rate, a rule hearing could then be held to formally consider and adopt the rate. This process benefits the decision maker by eliminating extended technical cross examination, narrowing the scope of the decision and ensuring a thorough and thoughtful discussion had occurred.

For this vision to become a reality, the statute needed to be amended. At the same time, the real estate industry and the entire country were attempting to deal with the "Great Recession," and needed to respond quickly and effectively. In 2011, HB 2408 achieved flexibility and efficiency by ending the automatic biennial hearing and allowing rates to be set through a rule-making process. This new process was based on the expectation that consensus would be reached before the formal initiation of the rule-making proceeding. However, if consensus could not be achieved, the contested hearing process would still be available.

Since the passage of this statute, the new approach has been successfully used twice. In 2013, following a series of public meetings, TDI, OPIC, and TLTA agreed on a rate increase of 3.8% to help the industry recover from the "Great Recession." Similarly, in 2019, the same collaborative approach led to a rate reduction of -4.9%, a significant decrease in commercial rates, an expansion of simultaneous issues for construction scenarios, and substantial reforms to the refinance discount structure. These changes reflected the real estate market's recovery and efficiencies gained in the refinance context over the years.

The evolution of title insurance rate-setting in Texas highlights the benefits of moving from an adversarial, contested case hearing process to a more collaborative approach. The passage of HB 2407 in 2011 allowed for the development of a consensus-driven rule-making process that fosters cooperation between stakeholders, including TDI, TLTA, and OPIC. This shift has resulted in more efficient and timelier rate-setting decisions, reducing delays and ensuring that rates better reflect current market conditions. The successful implementation of this new process in 2013 and 2018 underscores its effectiveness in addressing industry challenges while promoting stability and responsiveness within the title insurance sector.

TLTA believes that rates reasonable to the consumer and the title industry, with a reasonable and adequate rate of return, and that are non-confiscatory to the industry can be best established through a collaborative rule-making process. A rate hearing history is attached below.

Title Insurance

Rate Hearing History
1986-2019

Nominal Hearing Year	Insurance Commissioner Staff (TDI) Recommendation	Public Insurance Counsel (OPIC) Recommendation	Texas Land Title Association (TLTA) Recommendation	State Office of Administrative Hearings (SOAH) Recommendation	Texas Department of Insurance (TDI) Commissioner's Order	Effective Year
2019	N/A	-4.9%	-4.9%	N/A	**-4.9%*** **	2019
2013	0 to 4%	-5 to 3.8%	6.5%	N/A	**3.8%**	2013
2008	0%	-9.6%	13.27%	2.66%	**0%****	2010
2006	-2.80%	-10.30%	5.70%	N/A	**0%**	2008
2004	-7.5%	-8.2%	3.69%	N/A	**-3.2%**	2007
2002	-6.6%	-7.8%	0.0%	N/A	**-6.5%**	2004
2000	-12.2%	-8.5%	5.2%	N/A	**-6.0%**	2002
1998	-7.4%	-15.4%	3.7%	N/A	**0.0%**	2000
1996	-9.0%	-18.2%	8.5%	N/A	**-3.0%**	1998
1994	-9.7%	4.5%	5.3%	N/A	**0.0%**	1997
1991	N/A	-1.8%	5.0%	N/A	**0%***	1993
1990	5.7%	N/A	12.2%	N/A	**7.5%**	1991
1989	0.3%	N/A	9.7%	N/A	**4.9%**	1990
1988	21.2%	N/A	17.2%	N/A	**17.2%**	1989
1987	4.5%	N/A	18.0%	N/A	**14.0%**	1988
1986	-14.0%	N/A	5.9%	N/A	**0.0%**	1987

*** The Basic Premium Rate remained unchanged, but a 1% decrease was the agreed rate impact of changing the refinance discounts in Rate Rule R-8**

****A Minerals credit of -2% was also adopted to be applied upon taking a general exception. Not reflected in rate. Later repealed.**

*****While the Basic Premium Rate was only reduced by 4.9%, the agreed rate impact of R-8 discount changes was an additional -2%.**

[1] TEX. INS. CODE § 2501.002.
[2] *See* TEX. INS. CODE § 2703.001(b).
[3] *See* TEX. INS. CODE §§ 2651.001 (licenses title insurance agents), 2651.051 (licenses direct operations), 2652.001 (licenses escrow officers), *and* 2551.101 (grants authorizations to title insurance companies). *See* Economic Contribution of the U.S. Land Title Insurance and Settlement Services Industry in 2022. Ernst & Young LLP 2024
[4]*See* TEX. INS. CODE §§ 2703.002, 2703.051, *and* 2703.054 (prescribes forms and content). *See also* TEX. INS. CODE § 2703.101 (prescribes owner title insurance policy).
[5]*See* TEX. INS. CODE §§ 2703.151 (fixes and promulgates premium rates) *and* 2703.153(a) (collects data). [6]TEX. INS. CODE § 2703.053 (establishes standards and time schedules for handling claims).
[7]*See* TEX. INS. CODE §§ 2703.203 *and* 2703.206.
[8]*See* TEX. INS. CODE § 2703.202(b). The Texas Land Title Association qualifies as an association under the statutory requirements because TLTA is composed of approximately 80 percent of the number of title insurance agents and title insurance companies licensed or authorized by the department.
[9]*See* TEX. INS. CODE § 2703.202(c) and (d).
[10]*See* TEX. INS. CODE § 2703.202(g).
[11]*See* TEX. INS. CODE § 2703.152(b).
[12] *See TEX. INS. CODE § 2501.002.*

3

Current Texas Marketplace Conditions

CURRENT TEXAS MARKETPLACE CONDITIONS

The current title insurance market condition is a critical and necessary factor to consider in determining a reasonable and non-confiscatory title insurance premium rate. The data from 2020–2022 is an anomaly and is not indicative of the title industry performance that can be reasonably expected in the near term. Current economic challenges are historically unique and require due consideration.

In fixing premium rates, Section 2703.152 of the Texas Insurance Code requires the Commissioner to consider all relevant income and expenses of the title insurance companies and title insurance agents attributable to engaging in the business of title insurance in this state. The Commissioner must set premium rates that are reasonable as to the public and non-confiscatory as to title insurance companies and agents. The current title insurance market condition is a critical and necessary factor to consider in achieving these statutory requirements. The potential impact of a title insurance premium rate change is greatly dependent on what is happening in today's real estate market.

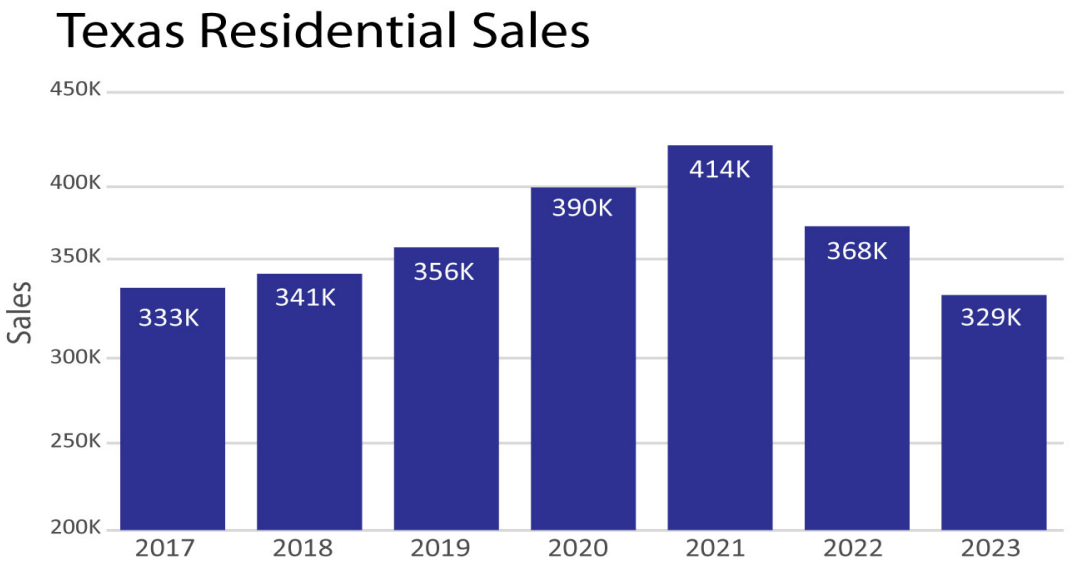
The Texas Comptroller of Public Accounts 2024 report on housing affordability points out that the Texas residential real estate market has faced several challenges leading up to its current condition. As a result of the COVID Pandemic and the dramatic reduction in interest rates to bolster the general economy, the cost of borrowing money fell to an artificially low rate. Together with COVID subsidies, an unprecedented and unanticipated number of housing purchases and refinances occurred. This created an exhausted housing market, with insufficient inventory and owners unwilling to sell when the interest rates were rapidly increased in 2022, as illustrated in the below graph.

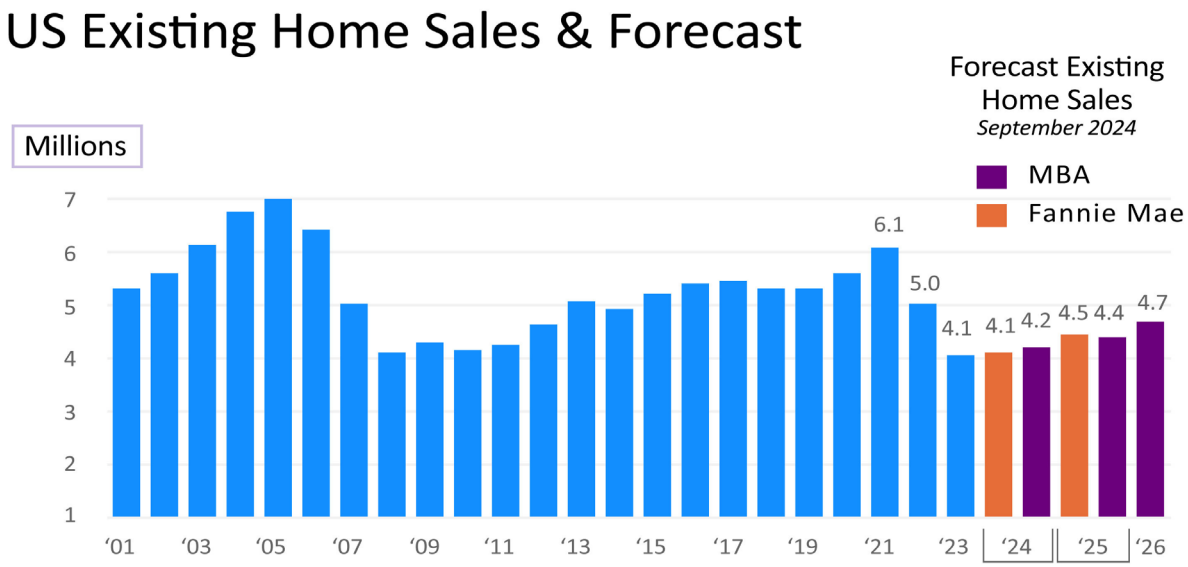
Source: Board of Governors of the Federal Reserve System (US), Bank Prime Loan Rate [DPRIME], retrieved from FRED, Federal Reserve Bank of St. Louis

Between mid-2022 and late 2023, the U.S. experienced its fastest-ever deterioration in the housing market, largely due to the market driven surge in home prices, rapidly rising interest rates, inflation in labor and material costs, higher property taxes, and increasing property and casualty insurance costs. After a period of rapidly rising inflation rates, mortgage rates rose to a 23-year high of 7.79 percent in October 2023. Median home prices in Texas rose by 40

percent between 2019 and 2023, according to the Comptroller's Report[1], but the number of available homes for sale even more significantly declined. The total volume of sales in number and dollar amounts reached new lows. At the end of the day, the commonly called "lock-in effect" grabbed hold, eliminating a large part of the housing market for resale, and it is still in place today.

As a result, residential home sales in Texas are tracking very close to their lowest level in at least ten years and have been on a significant downward trend since the third quarter of 2022 as the Federal Reserve continued to rapidly increase mortgage interest rates. The following charts reflect a Texas sales volume comparison of the years 2020 through August 2024 as well as illustrate future US projections through 2026.



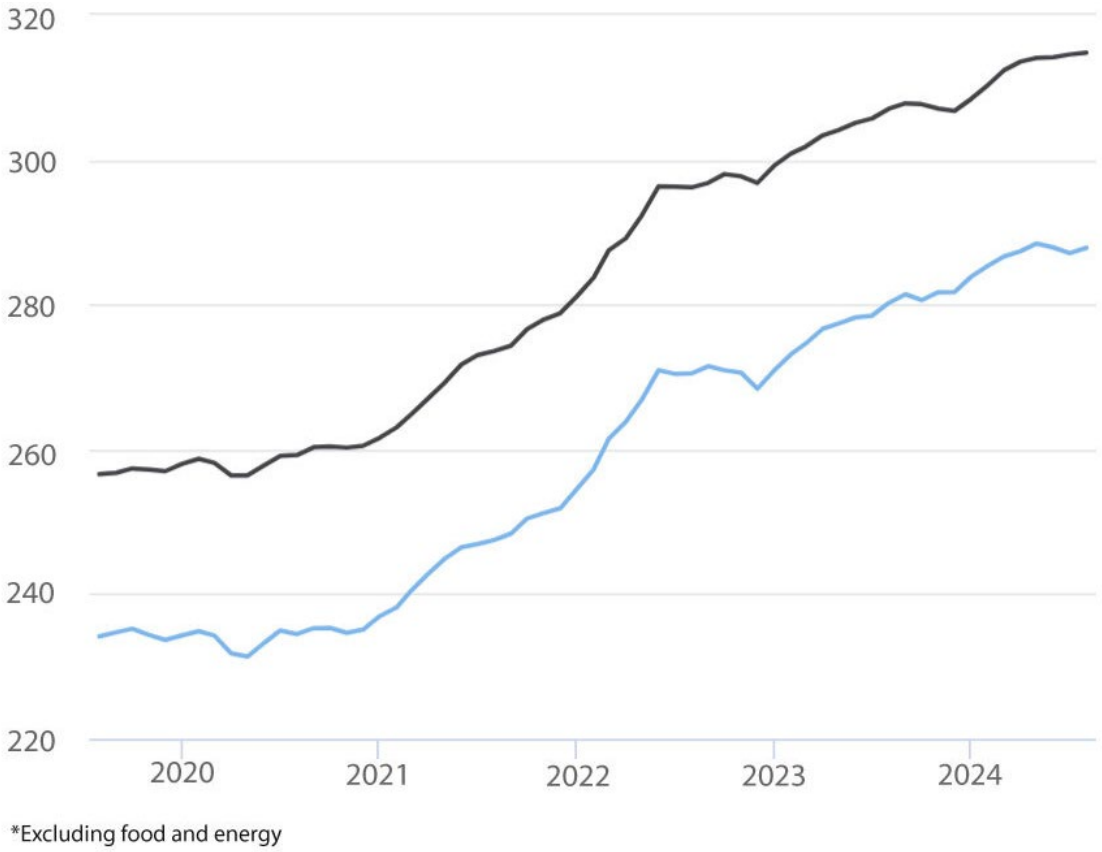


Source: Fannie Mae: Economic Developments – September 2024; MBA: Mortgage Finance Forecast Archives – September 2024

[1]Texas Comptroller of Public Accounts: The Housing Affordability Challenge August 27, 2024; https://comptroller.texas.gov/about/media-center/news/20240827-texas-comptroller-glenn-hegar-releases-study-on-states-housing-affordability-challenge-1724699586337.

Additionally, the graph below, which is focused on the Consumer Price Index (CPI), highlights the steady rise in inflation for Texas title agents, showing how expenses have consistently increased from 2020 to 2024.

Inflation



Source: Texas Comptroller of Public Accounts: Key Economic Indicators

All of these challenges in the Texas real estate market directly correlate with and help explain the current condition of the title insurance market. Although the 2021 and 2022 data reflect periods of profitability for the Texas title industry, more current information and data reflect a significant downward to flat market trend that raises concerns and uncertainty for all market participants. This will require substantial consideration during the rate setting process to ensure an adequate and reasonable rate.

Total Texas written premiums experienced a drop in 2023 of 40.1% from 2022 based on the National Association of Insurance Commissioners ("NAIC") data summarized by the American Land Title Association ("ALTA") in their Industry Annual Statement Compilation. A complete data set and a more in-depth analysis of ALTA Industry Annual Statement Compilation through first quarter of CY2024 is incorporated and attached as Attachment 6 to the TLTA Consulting Actuaries Texas Title Rate Study included in Section 6 of this Briefing Book. The data reflects written premium by state and year that ALTA published using the National Association of Insurance Commissioners annual statement data from all underwriting companies.

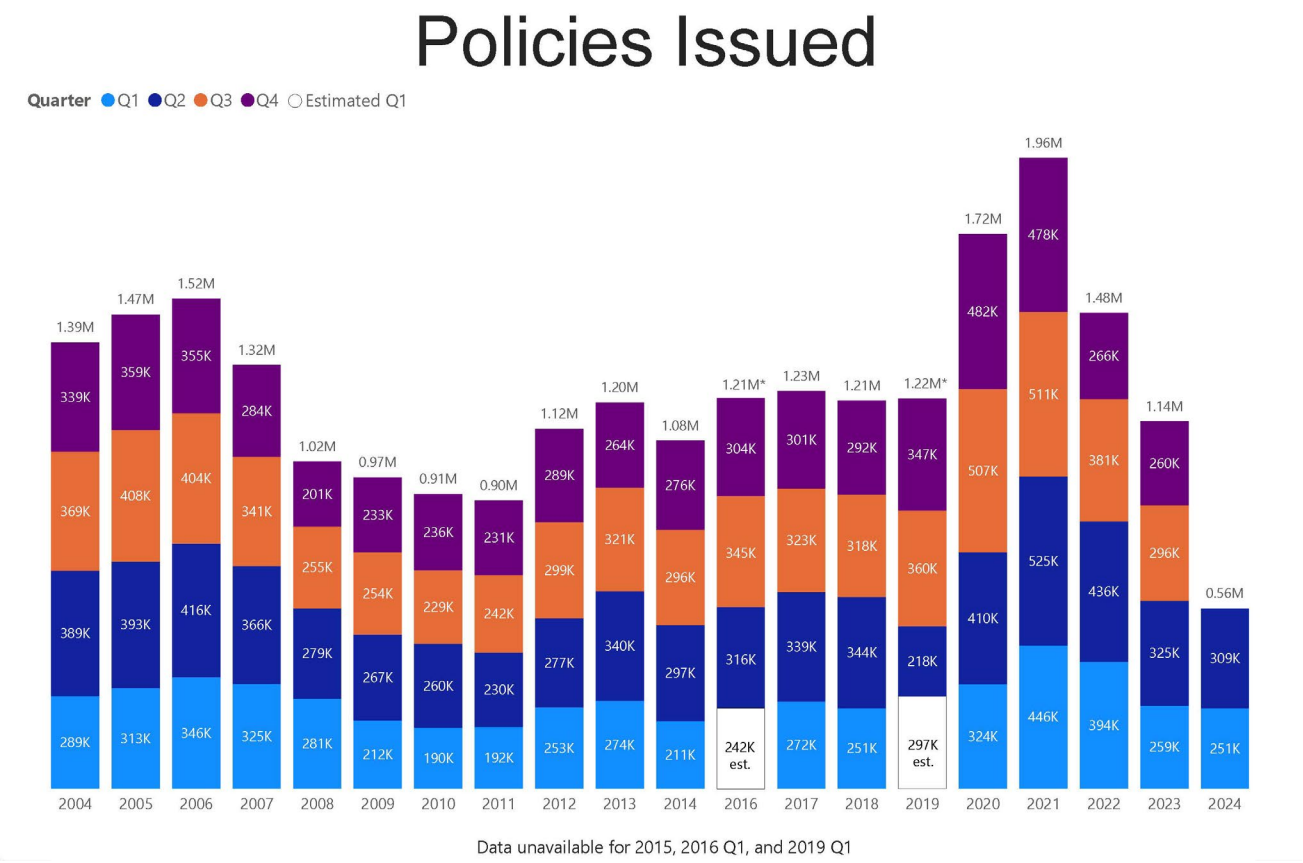
Another data source confirming that the Texas title market is experiencing a significant downturn is the current Quarterly Guaranty Fee Report that the Texas Title Insurance Guaranty Association produces. In accordance with Texas Insurance Code §2602.151, a guaranty fee is collected on each owner or mortgagee title insurance policy issued in Texas. The following excerpt below is from the Title Guaranty/GARC Fees and Policies Quarterly 2024 Report. It reports that the number of policies reported where a guaranty fee is collected for the Texas Title Insurance Guaranty Association for Q1 and Q2 of 2024 is 36% and 29% less than the same time period in 2022 and 43% and 41% less than the same time period in 2021. Comparison of the 2020 and 2021 third and fourth quarters to the data available for 2022 and 2023 is even more dramatic. The third quarter of 2024 will be available soon and promises to show an equally dramatic decline.

Texas Title Insurance Guaranty Association
Title Guaranty/GARC Fees and Policies Quarter 2024 Report

Policies Reported

Year	1st Q	2nd Q	3rd Q	4th Q	Totals
2004	288,644	388,908	368,946	339,339	1,385,837
2005	312,800	393,331	407,882	358,790	1,472,803
2006	346,287	415,750	404,321	355,302	1,521,660
2007	325,214	366,145	340,542	283,709	1,315,610
2008	280,705	279,453	255,025	200,505	1,015,688
2009	212,453	266,830	254,483	233,221	966,987
2010	189,898	259,685	229,007	236,180	914,770
2011	191,988	230,458	242,042	230,523	895,011
2012	252,572	277,150	298,627	289,157	1,117,506
2013	274,085	339,953	321,053	264,311	1,199,402
2014 (GARC)	210,631	297,366	296,444	276,227	1,080,668
2015 (No Fee)					
2016	N/A	315,545	345,339	303,802	964,686
2017	271,656	338,974	322,629	301,431	1,234,690
2018 (GARC)	250,964	344,116	317,757	292,358	1,205,195
2019 (GF)	N/A	217,584	360,361	346,985	924,930
2020	324,342	409,986	507,231	481,515	1,723,074
2021	445,557	524,519	511,210	477,847	1,959,133
2022	394,047	435,916	381,096	266,472	1,477,531
2023	258,721	325,417	296,305	259,873	1,140,316
2024	250,682	308,749			

Visual Illustration of Title Guaranty/GARC Fees and Policies Quarter 2024 Report



A third resource confirming this information is the number of recordings of real property conveyances at County Clerk desks throughout the State of Texas. The number continues to decline since late 2022.

Typically, a rating analysis relies on historical data for the Texas title industry since historical experience is often the best indicator of future experience. Together with appropriate adjustments, this is a traditional approach to budgeting or a financial plan for any business. However, actuarial algorithms alone should not be relied on when collected recent experience data is significantly different. The entire rating analysis should be based on what the actual experience is expected to be during the rating period.

Ultimately, to identify a rate that is reasonable and non-confiscatory, TLTA urges the Commissioner to recognize that the 2020-2022 data is not indicative of the title industry performance that can be reasonably expected in subsequent years. TLTA urges the Commissioner to look to more current data and use methodologies that will appropriately address the outlier years, 2020–2022, and minimize the skewing effect they will have on the rate calculations.

4

Agent Solvency Implications

AGENT SOLVENCY IMPLICATIONS

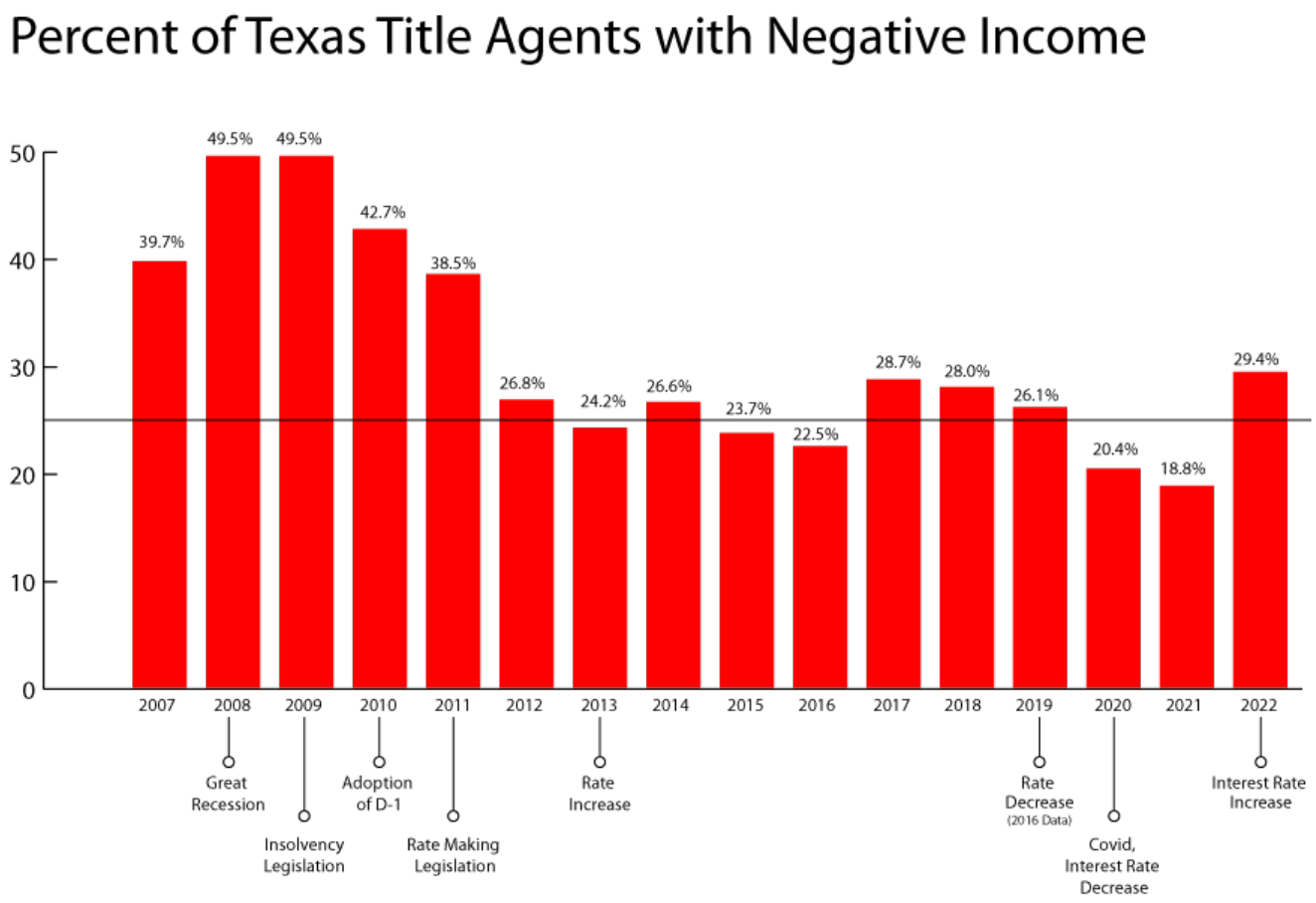
Maintaining rates at the current level or adopting a very conservative rate decrease ensures consumers are protected by avoiding unnecessary agent insolvencies and provides license holders a rate that is not confiscatory.

Sections 2501.002 and 2703.152(b) require that consumers be protected and that rates provide adequate and reasonable rates of return to the title industry. The Commissioner shall consider all relevant data, including current income and expenses of the industry, to fix premium rates "reasonable as to the public" and "non-confiscatory" as to the title industry. In order to assist in this determination, each title insurance company and title insurance agent annually submits statistical data relating to loss experience, operating expenses, and other material matters. This charge to the Commissioner to set rates is not limited to the statistical data gathered each year. A rate decrease having only a retrospective view can be incomplete and threaten agent solvency. Particularly in the current case, it will increase the risk of consumer harm and will drive viable going concerns out of business. When an agent closes its doors, there is a heightened risk of defalcation, an often-incomplete collection and return of fiduciary funds, and policy issuance is delayed. As impairment approaches, guaranty fee remittances are typically interrupted or go unpaid, records are difficult to obtain and often incomplete, important documentation is lost, and calls from concerned buyers, sellers, and others go unanswered.

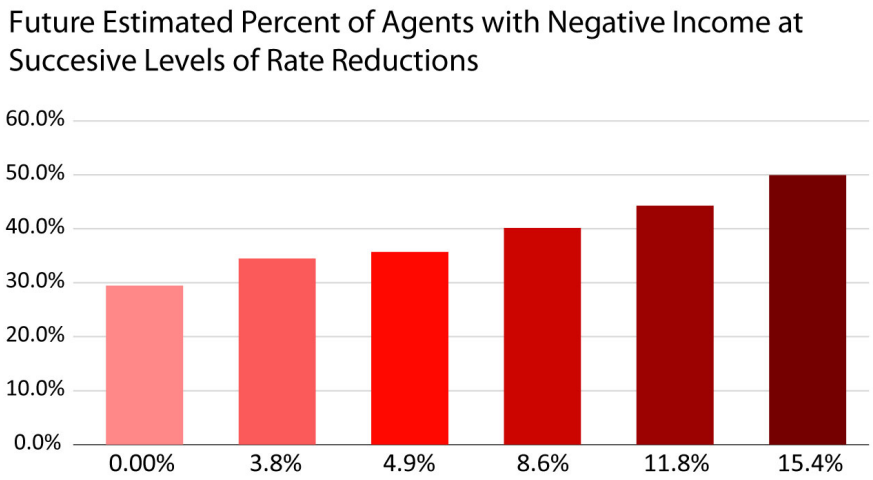
While the historical data does not show the number of definitionally "impaired" agents, the percentage of agents reporting a negative income during the last financial crisis provides context for the public policy decision the Commissioner is evaluating today. The statistical reports that were submitted for calendar years 2007 to 2011 and the legislative action that was taken and regulations that were adopted during that period of time are illustrative. There will always be agents that fail, or choose to not achieve profitability, but after the Great Recession years 2007 to 2011, that base group ran at approximately 25%. During the Great Recession, that percentage reached into the upper 30 percentile to near 50%, requiring a dramatic response.

As levels exceeded 25% and headed towards 50% of market participants reporting negative income, elected officials and the Department took aggressive action to address concerns about agent solvency. In 2009, with HB 4338, the legislature imposed the requirement on agents to maintain certain levels of unencumbered assets as reserves for contingencies, like impairments, when passing Section 2651.012. It also amended Section 2651.011 to improve the Department's ability to monitor agent solvency by requiring the submission of an agent's quarterly tax withholding reports, enacted Section 2651.013 to ensure agents held underwriter premiums safely in trust and created a new professional training program in Section 2651.0021 for management personnel for agent-owners without prior experience. There were additional bills that became law in 2011, which saw the creation of a solvency account in Section 2651.0121 and corresponding amendments to Section 2651.012. The Department adopted regulations to implement all of these statutes in Section VI of the Basic Manual, but none was so targeted as the new Wind Down Plan requirement that was made effective February 1, 2010. Administrative Rule D-1 requires that each agent prepare a plan for orderly winding down its affairs, to keep it current, and to provide copies to all their underwriters and the Department. These efforts, together with the start of a recovering economy in 2012, established a more typical level of non-profitability and acted to preserve the title industry.

The below table illustrates the percentage of agents reporting negative income from 2007 to 2022:



Given the systemic measures that were taken to address agent solvency concerns during a historic period of time when the percentage of agents that reported a negative income exceeded 35% of market participants, it is illustrative to consider the estimated number of agents that will report zero or negative income at each successive level of the proposed rate reductions being discussed at the public meeting. The below table is based on an analysis of the 2022 agent statistical reports and the potential impact of various rate reductions up to 15.4%:



It is important to note that this analysis does not include the declining experience of 2023 and 2024. However, even including only data up to 2022 it becomes apparent that a rate reduction will drive the percent of unprofitable operations into the 30% and greater territory. A rate decrease will potentially result in more than 30% of agents operating at zero or in the red, commensurate with those levels that were reported in 2008, and could result in consequences that are similar to those that were faced during the last financial crisis. An 8.6% rate decrease could create conditions similar to those that necessitated the requirement of a Wind Down Plan in Administrative Rule D-1. It could result in as much as an additional 46, 79, 109, and 151 agents reporting zero or negative income at a 4.9%, 8.6%, 11.8%, and 15.4% rate decrease, respectively. The number of supervised and impaired agents could reach unprecedented levels, taxing and overburdening the TDI staff, TTIGA, underwriters, and the consumer. Moreover, many other agents that are operating in a financially sound manner at current rate levels will be rendered unprofitable at the successive levels of rate decreases suggested in the TDI 2024 Title Rate Report.

The statistical analysis of the potential negative impact on agent solvency shows how the agent community as a whole could be affected, while, more importantly, comments from individual members illustrate how the contemplated rate indications will have an actual negative impact on their individual businesses, their employees, and their communities. Below are excerpts of written comments from a cross section of TLTA agent members:

> "These [Federal Reserve] rate increases, coupled with high real estate prices, have effectively chilled our regional real estate market. As compared to prior years, [our] order count fell by 50% with revenue mirroring these results."
>
> "[Our] labor costs per closed filed have increased 20% from 2002 through 2024, while revenue per filed only increased 11% over the same period."
>
> "Since 2022, [our firm] has been compelled to reduce overall expenses by 65%. This cutback demanded terminating and/or consolidating office locations as well as the grievous task of eliminating staff positions.
>
> "[We] employed 54 full-time employees in 2022. Today, that number 37."
>
> "In 2023, [our] profit margin was less than 1%. If not for necessary cost cutting measures, this miniscule profit would not have been possible. We expect to perform only slightly better in 2024."
>
> **— North Texas, Independent Title Agent, 45-year Land Title Professional**

> "In 2022, our income declined by over 50% from 2021 and we began operating at a deficit in 2023 and continue that negative trend today. We expect 2024 to result in operating losses in the low to moderate six figure range."
>
> "At the same time, our profitability was also negatively affected by the increased cost of doing business with our expenses rising by almost 9.5% from 2021."
>
> "Our 401(k) contributions have been reduced and at this point we expect to break our 18 years+ of absorbing increased employee medical insurance costs and pass this year's inevitable increase on to our employees."
>
> **— South Texas, Independent Title Agent, 33-year Title Professional**

"While 2022 was wonderful, 2023 was one of the ugliest years in our company's [93 plus year] history and any profits earned were lost and then some and have yet to balance out."

"Our business fell by 25% in file count and by 27% in premiums generated. Meanwhile our expenditures increased, salaries remained flat, and capital expenditures remain nonexistent. Our business profit/loss was negative for 15 months.

"Expenses such as postage, federal express, health insurance, malpractice, building, valuable paper, cyber wire fraud coverage have increased more than 30%"

"In early 2024, after dissecting every form of revenue and expense, we cut our staff by 15%."

— East Texas, Independent Title Agent, Company over 93 years old

"In 2021, our agency earned $20.6 million in revenue with a net income of $5 million. By 2023, our revenue fell to $11 million, with net income dropping to $659,000. We are currently on track to break even in 2024, largely due to cost-saving measures we've implemented across the company. However, this downward trend is already putting considerable strain on our financial stability, an any reduction in title premiums would exacerbate this challenge."

"We've cut expenses by downsizing office space, switching vendors, reducing plant subscriptions, and implementing salary reductions for commission-based employees and executive managers. While these measures have allowed us to remain operational, any further costs would compromise the quality of our services and our ability to meet consumer needs."

"While we have aggressively managed many of our operational costs, certain fixed expenses — such as rent, electricity, property taxes, and common area maintenance (CAM) — are beyond our control and continue to increase year over year. These unavoidable expenses further strain our financial capacity, leaving us with little flexibility to adjust to a rate decrease. Diminishing our cybersecurity measures, reducing experienced staff, and cutting our vital protections would increase the risk of title claims, not just for our agency but across the industry."

— DFW Metroplex, Independent Title Agent, 31-year Title Professional0

"Since the rise in interest rates began in 2022…we reduced staff by 28% from 36 to 26 employees by either not replacing staff that was subject to ordinary turnover or by lay off. Toward the end of the year we carried payroll expenses beyond profitability in an effort to preserve jobs, but ultimately had to lay off five employees."

— West Texas, Independent Title Agent, 10 years in the industry

"As we began to travel through 2022…We had a strong first half of the year and began our decline in July of 2022. And, by year end, we have made half of what we did the year before…it wasn't a bad year but, it began to show a trend that caused concern…As 2023 began, the decline started to feel more like a "free fall"…The year 2023 proved to be the worse year in my 38 years of practicing title insurance."

— Central Texas, Independent Title Agent, 138 year old company

These excerpts were taken from letters prepared by these individuals representing their companies and will be delivered to the Commissioner at the October 22, 2024 Public Meeting.

Accordingly, TLTA would urge the Commissioner to consider the potential negative impact on agent solvency, on these license holders, and Texas consumers when reviewing any information related to title insurance premium rates. TLTA submits that a title insurance premium that provides an adequate and reasonable rate of return, and that is non-confiscatory, cannot be established without full consideration of the current conditions and the near-term projections for the economy and the housing market.

5

Consulting Economists: Curricula Vitae, Full Report, and Supporting Tables

GREG HALLMAN

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Ph.D. Finance,
University of Texas at Austin

M.B.A. Finance,
Tulane University

B.A. Chemistry,
University of Virginia

Dr. Greg Hallman is a member of the faculty in the finance department of the University of Texas' McCombs School of Business where he teaches graduate-level courses in valuation, corporate finance, real estate finance, and investment theory, and serves as Director of the Texas Real Estate Center and Faculty Director of the John C. Goff Student Real Estate Investment Fund at McCombs. In addition to his work at the University of Texas, Dr. Hallman has testified in federal and state court on matters involving securities, valuation, and commercial damage issues. He holds a Ph.D. in finance from the University of Texas at Austin (1996), an MBA from Tulane University (1988) and a B.A. in chemistry from the University of Virginia (1985).

PROFESSIONAL EXPERIENCE

University of Texas at Austin, McCombs School of Business, Department of Finance

Teaching

2021 – present *Professor of Instruction in Finance and Real Estate*

2018 – 2021 *Distinguished Senior Lecturer in Finance and Real Estate*

2009 – 2018 *Senior Lecturer in Finance and Real Estate*

2002 – 2009 *Lecturer in Finance and Real Estate*

2006 – 2008 *Visiting Professor of Finance*, Instituto de Empresa (IE), Madrid, Spain

1997 – 1998 *Finance Instructor*, University of California, Berkeley-Extension

Teaching Awards

Named to Faculty Honor Roll: MBA and/or Undergraduate: numerous years 2002 – 2022

Recognized as "Guru" by Hindu Student Association at UT Austin - 2024

Awarded "Best MBA Core Curriculum Professor" 2010 and 2011 Awarded "Joe D. Beasley MBA Teaching Award"

Awarded "Reconocimiento a la Excelencia Docente" from IE Business School, Madrid Awarded "Best Professor" by Alpha Kappa Psi business fraternity

Center and Program Leadership

2016 – Present *Director*, Texas Real Estate Center

2007 – Present *Faculty Director*, John C. Goff Student Real Estate Investment Fund at McCombs

2012 – 2016 *Director (first Director; new program):* Master of Science in Finance (MSF) Program

Consulting

2002–Present	*Founder*, Austin Financial Analytics
2007–2012	*Senior Consultant*, Charles River Associates
2004–2007	*Affiliate*, ERS Group, Inc.
1999–2002	*Managing Director* (2001–2002), *Director* (1999–2001); InteCap, Inc.
1996–1999	*Consultant*, PHB Hagler Bailly, Inc.(formerly Putnam, Hayes and Bartlett)
1988–1990	*Senior Financial Analyst*, HPI Healthcare, Inc.

PUBLICATIONS AND RESEARCH PAPERS

"Frameworks for Placemaking: Alternative Futures for the Austin Convention District", co-authored with Dean Almay, Allan Shearer, and Jake Wegman (all School of Architecture), prepared at the request of the Austin City Council and the Mayor's office, March 2019; available electronically at *https://soa.utexas.edu/libraries-centers/center-sustainable-development*.

"The Value of LEED Homes in the Austin-Round Rock Real Estate Market", U.S. Green Building Council publication, July 2017, *https://www.usgbc.org/sites/default/files/value-of-leed-homes.pdf*.

"Incentive Compensation and the Likelihood of Termination: Theory and Evidence from Real Estate Organizations" with Jay Hartzell and Chris Parsons. *Real Estate Economics,* 2011, V39 3: pp. 507- 546.

"Business Valuation: Adjusted Present Value (APV) Method" with Bonnie J. Goldsmith, *Litigation Services Handbook: The Role of the Financial Expert*, Roman L. Weil, Peter B. Frank, Christian W. Hughes, Michael J. Wagner, eds., Fourth Edition, John Wiley and Sons, 2007.

"Real Options Applications for Telecommunications Deregulation" with Chris McClain. *Real Options: The New Investment Theory and Its Implications for Telecommunications Economics*, James Alleman and Eli Noam, eds., Boston: Kluwer Academic Press, 1999.

"Tax Effects of Discount Rates in Taxable Damage Awards" with Michael J. Wagner. *CPA Expert*, winter 1999.

PRESENTATIONS AND PROFESSIONAL MEETINGS

"Real Estate Cap Rates, Interest Rates, and Inflation", presentation to Texas Capital Bank Real Estate Lending group, April 2022; Commercial Brokers of Austin luncheon, February 2024

"Frameworks for Placemaking: Alternative Futures for the Austin Convention District", with School of Architecture professors Dean Almay, Jake Wegmann, and Alan Shearer, presentation to Austin City Council, April 2, 2019. http://austintx.swagit.com/play/04022019-2081 (*Dr. Hallman speaks for ~5 minutes at ~ 60-minute point in the video)*

"Development, Gentrification & Displacement", Policy@McCombs event, with Professor Jake Wegmann, UT School of Architecture, October 3, 2018.

"The economy today, and some potential issues for 2018", 2018 Housing Forecast Program, Home Builders Association and Austin Board of REALTORS® Housing Forecast, January 16, 2018, Austin, Texas.

"The economy today, and some thoughts on the economy tomorrow", 2017 Housing Forecast Program, Home Builders Association and Austin Board of REALTORS® Housing Forecast, January 18, 2017, Austin, Texas.

"A Texas Two-Step Through the US, World, and Texas Economy", 2016 ULI National Conference, Dallas, Texas, October 21, 2016.

"Business Valuations – Understanding the Basics and Using Them to Your Advantage", Bankruptcy Law Section, State Bar of Texas; Forensic Finance: Better Bankruptcies Through Better Numbers, September 9, 2016, Austin, Texas.

"Inside the World of REITs", ULI Austin Breakfast, Wednesday, November 19, 2014, Austin, Texas, presenting with Adam Markman, CFO of Equity Commonwealth (EQC) and John Jacobson, Executive Vice President of Related Companies.

"Fundamentals of Investing and Fundamentals of Portfolio Theory," Merrill Lynch Wealth Management 2013 Next Generation Financial Seminar, November 7, 2013, and Merrill Lynch Women's Financial Boot Camp, February 3, 2015, Austin, Texas.

"Fundamentals of Valuation Analysis, Part I: Valuation Models, and Part III: Testing the Models in Case Decisions and Other Scenarios," American Bankruptcy Institute VALCON 2013: Contested Valuation Issues in Bankruptcy, February 20, 2013, Las Vegas, Nevada.

"An Update and Refresher on Constructing and Proving Damages," 34th Annual Page Keeton Civil Litigation Conference, October 26, 2012, Austin, Texas. (co-presented with Paul Trahan, Norton Rose Fulbright)

"The US and Global Economy", Home Builders Association and Austin Board of REALTORS® Housing Forecast, January 12, 2012, Austin, Texas.

"State of the Real Estate and Real Estate Capital Markets", The University of Texas School of Law 45th Annual William W. Gibson, Jr. Mortgage Lending Conference, September 16, 2011, Austin, Texas.

"The Economy – Where We're Headed", Texas Bar Association Advanced Business Bankruptcy Conference, June 4, 2010, Dallas, Texas.

"Financing/Credit Markets" session – panel speaker, Austin Bar Association 17th Annual Land Development Seminar, September 18, 2009, Austin, Texas.

"A Primer on Securitization," The University of Texas School of Law 27th Annual Jay L. Westbrook Bankruptcy Conference, November 13, 2008, Austin, Texas.

"Mortgage Meltdown: What Happened? Our Roundtable of Experts Sorts it Out," Texas Magazine – The McCombs School of Business Magazine, August, 2008.

"The Subprime Crisis: How Did We Get Here, and What Comes Next";
Fulbright and Jaworski Client Breakfast; January 2008
Vinson and Elkins; February 2008
Texas Bar Association CLE course; March 2008
Winstead Sechrest & Minick P.C.; April 2008 Brown
McCarroll. LLP; May 2008

Discussant for "Forecasting Real Estate Cash Flows: Evidence on the Quality of FFO Forecasts," 2004 Financial Management Association Annual Meeting, New Orleans, Louisiana.

"Statistical Regression in Litigation," 2000 AICPA National Advanced Litigation Services Conference, October 17, 2000, Beverly Hills, California.

"Advanced Issues in Determining Discount and Growth Rates," 1997 AICPA National Advanced Litigation Services Conference, October 16, 1997, Las Vegas, Nevada (co-presented with Michael J. Wagner).

ACADEMIC AND PROFESSIONAL MEMBERSHIPS

American Finance Association American

Economic Association

American Real Estate and Urban Economics Association

TESTIMONY AND EXPERT REPORTS

County of Solano v. *Lionsgate Corporation State of California*, State of California, Office of Administrative Hearings; arbitration and deposition testimony: a statistical analysis of construction cost overruns on County bridge projects. (1998)

Steimle v. *Steimle*, Superior Court of the State of California, County of San Francisco; trial and deposition testimony: an analysis of executive compensation and community and separate character of executive stock options. (1999)

Kevin L. Guertin v. *Home Depot*, United States District Court, Northern District of California, San Jose Division; federal Rule 26 report: an analysis and valuation of employee stock options. (2000)

Bamford v. *Bamford*, Superior Court of the State of California, County of San Mateo; deposition testimony: an analysis of executive compensation and community and separate character of executive stock options, and analysis of community and separate investment risk profiles. (2000)

Brent H. Beebe and Marsha A. Beebe v. *Charles Kelson et. al*, United States District Court, Eastern District of California; a statistical analysis regarding alleged price-fixing in State contracts; deposition testimony and declaration: (2000)

Provision Dental Systems, Inc. v. *Robert Shiller*, American Arbitration Association, Case no. 74 116 01083 00 LDG; arbitration testimony: valuation of private equity and calculation of lost earnings. (2001)

BankAmerica Corp. Securities Litigation, United States District Court, Eastern District of Missouri; federal rule 26 report and deposition testimony: a calculation of damages suffered by class in class-action securities litigation related to merger of BankAmerica and Nationsbank. (2001)

Oracle Corporation v. *Pier Carlo Falotti*, United States District Court, Northern District of California, San Francisco Division; Federal Rule 26 report and deposition testimony: a calculation of damages suffered by Mr. Falotti from lost Oracle stock options due to alleged improper termination. (2001)

George J. Zeller v. America Online, United States District Court, Eastern District of Virginia, Alexandria Division; Federal Rule 26 report: a rebuttal report filed regarding calculation of damages suffered by Mr. Zeller. (2001)

Ronald J. Arnold v. *America Online*, Superior Court of the State of California, County of Santa Clara; Deposition testimony: a rebuttal to plaintiff's expert regarding calculation of damages suffered by Mr. Arnold and valuation of employee stock options and lost wages. (2002)

Rebecca Aaronson v. *Xerox*, United States District Court, Northern District of California, San Francisco Division; Federal Rule 26 report: a calculation of damages suffered by Ms. Aaronson from wrongful termination; rebuttal to plaintiff's expert. (2002)

Lawrence Spiler v. *Xerox*, United States District Court, Northern District of California, San Francisco Division; Federal Rule 26 report: a calculation of damages suffered by Mr. Spiler from wrongful termination; rebuttal to plaintiff's expert. (2002)

VFB L.L.C. v. *Campbell Soup Company*, United States District Court, Northern District of Delaware; trial, deposition, and Federal Rule 26 report: a business valuation and calculation of damages suffered by creditors from bankruptcy of Vlasic Foods International (a spin-off from Campbell's Soup Company). (2004)

Latin American Courier Inc. and Pegaso Express S.A. v. *Airborne, Inc. and DHL Holdings (USA) et. al*., in the District Court, 285th Judicial District, Bexar County, Texas; trial, deposition, and Federal Rule 26 report: a calculation of lost profits related to express package shipping into and out of Mexico; calculation of various elements of commercial damages. (2005)

In the Matter between Applied Mechanical Corporation and *Daniel J. Tobin*; Mediation; testimony at mediation: business valuation; valuation of private equity holdings. (2005)

Carriage Way Limited Partnership v. *The National Life Insurance Co*., United States District Court, Eastern District of Michigan, Southern Division; Federal Rule 26 report, affidavit, deposition: commercial mortgage prepayment calculation and interpretation. (2005)

Elaine Trahan, Individually and on behalf of all others similarly situated vs. *Long Beach Mortgage Company and Washington Mutual Bank*, F.A.; United States District Court for the Eastern District of Texas, Lufkin Division; Affidavit: home equity loan mortgage design (2006)

Stephen Johnston et. al., vs. Baran Group, et. al., in the Superior Court, State of Georgia, Civil Case no. 2004CF89313; Federal Rule 26 report, depositions: calculation of damages suffered by shareholders related to sale of o2 Wireless, a publicly traded telecommunications equipment company. (2006)

Watchguard Technologies, Inc. v. *Michael N. Valentine and SonicWall, Inc.*, United States District Court for the Northeastern Division of Texas, Dallas Division; Federal Rule 26 report and deposition: calculation of damages related to theft of trade secret claim. (2006)

Stonehill-PRM WC I, L.P., v. Chasco Constructors Ltd., L.L.P. and Safeco Insurance Company of America, United States District Court, Travis County, Texas; report and deposition; valuation of a student apartment complex in Austin, TX related to a breach of contract claim regarding construction. (2007)

In Re: Chaparral Resources Inc. Shareholders Litigation, In the Court of Chancery of the State of Delaware in and for New Castle County; C.A. No. 2001-N; report, deposition, and trial; analysis of oil company (Chaparral) stock price in relation to a merger bid from Lukoil. (2007)

Alvarez & Marsal North America, LLC, Liquidating Trustee of Azabu Buildings, Ltd., v. Beecher, Ltd., In the United States Bankruptcy Court, District of Hawaii, Case No. 05-50011, report and deposition; valuation of hotel real estate assets and hotel business value. (2007)

In re: TyCom Ltd. Securities Litigation, United States District Court for the District of New Hampshire, Civil Action No. 03-CV-1352, report and deposition; calculation of damages suffered by shareholders of TyCom. (2007)

DHL Express (USA), Inc. v. Express Save Industries, Inc., United States District Court Southern District of Florida Fort Lauderdale Division, 09-60276, reports; analysis of damages suffered by Express Save Industries related to DHL leaving US domestic express market. (2009)

Forever 21 Retail, Inc. v. A'Gaci, L.L.C., Won Management, L.L.C., and Mall Del Norte, L.L.C., District Court of Travis County, Texas, 261st Judicial District, No. D-1-GN-07-003229, deposition and trial testimony; analysis of lost profits related to exclusionary language in a mall lease. (2009)

The Service Source, Inc. v. DHL Express (USA), Inc., State of Michigan in the Circuit Court for the County of Lenawee, Case No. 09-3258-CK, report, deposition and trial testimony; calculation of lost profits related to DHL's cessation of domestic shipping in the US. (2010)

R. Scott Brown and Volant Energy, L.L.C. v. Allan D. Keel, Oaktree Capital Management, LLC, and Oaktree Capital Management, L.P., In the District Court of Harris County, Texas, 234th Judicial District, Case No. 2009-04679 report, deposition and trial testimony; valuation of employee stock options. (2010)

Unishippers Global Logistics, LLC, v. DHL Express (USA), Inc., In the United States District Court, District of Utah, Central Division, Civil No. 2:08-CV-894; report and deposition and trial testimony; calculation of lost profits related to DHL's cessation of domestic shipping in the US. (2010, 2011)

Falcon Express International, Inc., vs. DHL Express (USA), Inc., In the District Court of Harris County, Texas, 157th Judicial District, Cause No. 2008-66394; trial testimony; analysis of damage claims by both parties. (2010)

DHL Express (USA), Inc., vs. Rapid Enterprises Inc., d/b/a Express One., In the United States District Court, Southern District of Florida, Fort Lauderdale Division, Civil No. 09-60747; report; analysis of damage claims by both parties. (2010)

Centro Del Rio, Ltd., vs. Keystone-Texas Property Holding Corp., New River Center Mall, L.P., And Ben Ashkenazy, In the District Court, 166th Judicial District, Bexar County, Texas, Cause No. 2005- CI-09467, report and deposition; investment analysis of proposed hotel in San Antonio, Texas. (2010)

Worldwide Express Operations, LLC d/b/a Worldwide Express, and Good Harris, LLC vs. *DHL Express (USA)*, Inc., 192nd Judicial District Court, Dallas County, Texas, Cause #DC-08-15314; report, deposition and trial testimony; analysis of lost profits claims. (2010, 2011)

*USS Logistics, LLC, et. al.,*vs *DHL Express (USA)*, Inc., In the Third Judicial District Court, Salt Lake City, Utah, Civil No. 680926254; report, deposition, and trial testimony; analysis of damage claims by both parties. (2010)

In Re Arthrocare Corporation Securities Litigation, In the United States District Court, Western District of Texas, Austin Division, Civil No. 1:08-cv-00574-SS; expert declaration and damages report regarding damages suffered by shareholders and option holders, market efficiency. (2011)

Gulf Coast Shippers Limited Partnership, et. al., vs *DHL Express (USA)*, Inc., In the United States District Court, District of Utah, Central Division, Civil No. 2:09-CV-221; report and deposition; calculation of lost profits related to DHL's cessation of domestic shipping in the US. (2011)

In Re Freddie Mac Securities Litigation, United States District Court, Northern District of Ohio, Eastern Division (Youngstown), Civil Action No. 4:08-cv-160, Class Action; report and deposition on market efficiency for Freddie Mac common stock. (2012)

In the Matter of the Marriage of K.R.J. and A.J., Cause number 13-2647, In the 428th Judicial District of Hays County, Texas; statistical analysis of the effect on sales from on-air endorsements by a radio host; report, deposition, and trial. (2014)

DePuy Orthopaedics, Inc., Pinnacle Hip Implant Products Liability Litigation 3:11-md-02244-K, United States District Court, Northern District of Texas; analysis of Johnson & Johnson Pinnacle sales strategy, calculation of financial metrics for consideration in punitive damages; report and deposition. (2016)

Ryan Beres vs Stability Healthcare Staffing, LLC, Stability Healthcare, Inc., Jay Ryan Blecker, Jason Casani, and Jon Chesnik, In the District Court, 368th Judicial District, Williamson County, Texas, Cause No. 18-0612-C368; valuation of plaintiff's equity in Stability Healthcare Staffing, LLC and analysis of lost earnings claim; deposition. (2020)

CONSULTING ENGAGEMENTS

ARCH Development Partners – Fairness opinion: valuation of private equity preferred stock in a portfolio of six early stage technology ventures. (2000)

Texas Commission on Environmental Quality (TCEQ) – Financial consultant regarding an application for a low-level nuclear waste site in Andrews County, Texas. Primary work involved estimating potential clean-up / shut-down costs and determining the amount of a surety bond of sufficient size to close and monitor the facility in the event of operator financial distress. (2003-2005)

McGuireWoods and Toronto Dominion Bank re: Enron Securities Litigation – Damages consultant, calculated possible damage exposure for Toronto Dominion bank under various scenarios; presentation to litigation counsel and Toronto Dominion senior executives and corporate counsel. (2006)

United States of America vs. Antonio Guillermo Cobos and Lorenzo Aguilar – Financial consultant to defendants' counsel regarding bond valuation and interest rate movements. Matter involved an alleged financial loss to El Paso county from a delay in issuing bonds, where the delay was allegedly caused by defendants' actions. (2013)

Office of Public Insurance Council (OPIC), State of Texas – "Calculating the Cost of Capital for Property / Casualty Insurance Carriers: Methodology Review", consulting report co-authored with Dr. Jay Hartzell and Kevin Jewell, prepared at the request of OPIC for internal use. (2018)

City of Pontiac General Employees' Retirement System vs. Dell Inc. et. al., Case No. 1:15-cv- 00374-LY, United States District Court, Western District of Texas – analysis of class action claims involving Dell's allegedly false statements in an earnings call, and analysis of named Dell executives' stock option compensation; consulting role to defendants' counsel Alston & Bird in support of testifier, Dr. Jay Hartzell. (2018-2019)

Austin City Council and Austin Mayor's office – economic analysis of a proposed new convention center in Austin, Texas; worked with professors in the School of Architecture and Community and Regional Planning; produced a report, "Frameworks for Placemaking: Alternative Futures for the Austin Convention District"; presented results in meetings with the Mayor and City Council members and made a formal presentation of the results at a meeting of the Austin City Council on April 2, 2019. (2018-2019)

Dell Medical Center and Office of the President, University of Texas at Austin – valuation work in the negotiation of a sharing rule to be included in a joint operating agreement between Dell Medical and a hospital network. (2020)

Texas Land and Title Association (TLTA) – calculated the cost of capital of the Texas title insurance industry to be used as an input in title insurance rate setting; report and testimony to State Insurance regulators. (2023

KEVIN G. JEWELL

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Austin TX 78751
512-743-7633
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Kevin Jewell specializes in applying financial and quantitative analysis to questions in business, policy, and litigation. As a freelance consultant, Mr. Jewell consults with clients to extract and understand the data confronting them in their work. He has extensive subject-matter experience in housing markets, financial services, and securities litigation. Prior to his freelance work, he worked on similar matters with CRA International, ERS Group, and Cornerstone Research. He has also analyzed housing and energy policy for Consumers Union (the publisher of *Consumer Reports*).

PROFESSIONAL HISTORY

June 2008 –	*Consultant,* Independent Contractor
2007 – May 2008	*Associate Principal*, CRA International
2005 – 2007	*Senior Consultant*, ERS Group

Mr. Jewell has consulted with clients to value damages in complex commercial litigation, assess the financial viability of a small-dollar loan product, prototype a machine-learning algorithm to classify real estate listings, and solve other data- intensive problems.

2000 – 2005 *Policy Associate*, Consumers Union

Mr. Jewell worked for Consumers Union (the publisher of *Consumer Reports*) researching how the structure of the United States manufactured housing marketplace impacts the accumulation of assets among low-income families. He presented this research to elected officials, academics, and practitioners in the field. Mr. Jewell also worked at this time researching the privatization of the British energy markets.

1997 – 1999 *Senior Analyst*, Cornerstone Research

At Cornerstone, Mr. Jewell provided support to experts in a variety of complex commercial litigation, with an emphasis on securities fraud matters.

EDUCATION

M.B.A., University of Texas at Austin, McCombs School of Business

A.B. Mathematical Economics with Honors, Brown University

SELECTED CONSULTING ASSIGNMENTS

Data Analysis

- Analyzed millions of debit card transactions to calculate damages resulting from the allegedly inappropriate assessment of overdraft fees by several retail banks.
- Prototyped a Random Forest classification system for real estate listing service.
- Reviewed, and suggested improvements to, the A/B geo-split advertising test program of a European e-retailer.
- Quantified the costs the Texas voter ID law placed on low-income Texans in trial testimony in high- profile federal litigation.

Securities Matters

- Wrote and implemented a generalized trading model for assessing damages in federal class action securities fraud litigation.
- Implemented a linear programing algorithm to calculate corporate insiders' short-swing profit liabilities under Section 16(b) of the Securities Exchange Act of 1934.
- Researched the materiality of information available to the market in securities fraud cases.

Financial Services and Housing Markets

- Assessed the sustainability of a small dollar loan product for a regional Community Development Financial Institution (CDFI).
- Researched and quantitatively assessed the drivers of the investment value of manufactured homes.
- Analyzed, and reviewed methodologies for calculating, the cost of capital for property / casualty insurance carriers.
- Evaluated proposed FHA lending program in invited testimony to the U.S. Senate Housing and Transportation Subcommittee.

Auctions

- Assisted companies develop bidding strategies for participation in FCC license auctions.
- Assisted in development of a trading platform for commodity futures.

SELECTED PUBLICATIONS

"A Simple Model of Coalitional Bidding." With In-Koo Cho and Rajiv Vohra. *Economic Theory*, Vol. 19, No. 3, 2002.

"Residential Retail Competition in the Electricity Market: Lessons from the United Kingdom." With Steve Thomas. *Euroopan Avautuvat Energiamarkkinat*, 2003.

"Calculating the Cost of Capital for Property / Casualty Insurance Carriers: Methodology Review," with Jay Hartzell and Greg Hallman, prepared at the request of the Office of Public Insurance Council (OPIC), State of Texas, for internal use. August 2018.

SELECTED REPORTS AND TESTIMONY

FBCC CityPoint LP v. City of Austin et. al., U.S. District Court for the Western District of Texas, Austin Division*;* Report and deposition*.* Critique analysis of alleged damages from city program. (2023, 2024)

James Albright et al. vs. Farmers Insurance Company, Inc., et al., Los Angeles County Superior Courts; Declaration. Feasibility of calculating damages resulting from allegedly improper determinations of homeowner insurance policy limits. (2023)

Sunshine Children's Learning Center, LLC v. Waste Connections of Florida, Inc., U.S. District Court for the Southern District of Florida; Reports and deposition*.* Feasibility of identifying customers that received increases to certain billed charges during the class period. (2022; 2023)

Robin Breda, et al. v. Cellco Partnership (d/b/a "Verizon Wireless"), U.S. District Court for the District of Massachusetts; Reports and deposition: Feasibility of identifying individuals that received certain prerecorded phone calls. (2021)

Calley Fausett, et al. v. WALGREEN COMPANY (d/b/a "Walgreens"), Circuit Court of the Nineteenth Judicial Circuit, Lake County, Illinois, Chancery Division; declaration and depositions: Feasibility of identifying customers that performed certain transactions in Walgreens Stores. (2021; 2022)

Teh Shou Kao and T S Kao, Inc., et al., v. CardConnect Corp.; Tech Lounge SP, LLC and The Law Office of Kevin Adams et al., PLLC v. CardConnect Corp. U.S. District Court for the Eastern District of Pennsylvania; Reports and deposition: Feasibility of calculating damages resulting from allegedly improper credit card processing fees paid by class members. (2019, 2020)

Cleven et al. v. Mid-America Apartments, et al; Brown et al. v. Mid-America Apartments, et al., U.S. District Court for the Western District of Texas, Austin Division; affidavits and depositions: Availability to review damages to defendants relating to late rent payments and feasibility of calculating damages to class members relating to allegedly illegal late rent fees. (2017; 2018)

Kelly et. al v. Old National Bank, Vanderburgh (Indiana) Circuit Court; affidavits and deposition: Feasibility of calculating damages for class members relating to overdraft fees resulting from alleged manipulation of the processing order of consumer debit transactions. (2012; 2016)

Veasey v. Perry, U.S. District Court for the Southern District of Texas, Corpus Christi Division; report, deposition, trial testimony: Quantification and contextualization of costs the Texas voter ID law placed on seven individual named plaintiffs. (2014)

Facciola, et al. v. Greenberg Traurig, LLP, et al., U.S. District Court for the District of Arizona; rebuttal report and deposition: Analysis of cash flows in alleged real estate Ponzi scheme. (2012)

Full Report and Supporting Tables

Appendix to October 2023 TLTA Cost of Capital report
re: updating the 2023 cost of capital calculations for use in September 2024

Prepared by Dr. Greg Hallman, August 2024

Background

- I prepared a report for TLTA in October 2023 in which I calculated the cost of capital for the Texas Title Insurance Industry. I submitted this report and provided testimony regarding my calculations and my conclusions in a meeting with the Texas Department of Insurance and TLTA members in December 2023.
- In late July 2024 TLTA informed me that the Texas Department of Insurance has requested a formal rate hearing involving my calculated cost of capital on September 19, 2024. TLTA asked me if I thought that I would need to update my calculated cost of capital from 2023 in preparation for the September 2024 rate hearing. This appendix presents my review of economy-wide interest rates over the time since I calculated the cost of capital, my thinking about what parts of my cost of capital calculation should be updated, and a minor update to my cost of capital calculations from 2023 for use in the rate hearing in September 2024.

A broad review of economy-wide market interest rates

- Interest rates are a cost of capital. I reviewed various interest rates over the time period since my calculation of the cost of capital. All my interest rate charts, presented at the end of this appendix, are taken from the Federal Reserve of St. Louis website, FRED, and show the interest rate over the past 5 years. In my 2023 cost of capital report I calculated the cost of capital in July/August/September of 2023. Some interest rates are unchanged over the last year or so, some interest rates have declined a small amount, and some interest rates have increased a small amount.
    - Fed Funds rate – the Fed Funds rate is set by the Federal Reserve, and represents the cost of capital for banks borrowing from the Federal Reserve. The Fed Funds rate is unchanged since my cost of capital calculation, constant at 5.33%.
    - Bank Prime Loan Rate – the prime rate is the interest rate charged by banks on loans to their most credit-worthy customers. The Bank Prime Loan Rate is unchanged since my cost of capital calculation, constant at 8.5%.
    - Moody's seasoned Aaa Corporate Bond Yield – the Moody's AAA corporate rate is the rate that investors earn by investing in AAA bonds, or equivalently the rate paid by very creditworthy corporations on issued bonds. The

Moody's AAA bond yield is up slightly over the period July 2023 through today, increasing from 4.66% to approximately 5.12%.

- ICE BofA US High Yield Index Effective Yield – the US High Yield rate is the rate earned by investors from investing in riskier, non-investment grade bonds, or equivalently the borrowing rate paid by non-investment grade corporations in the bond market. The High Yield index is down over the period July 2023 through today, declining from approximately 8.25% to 7.3%.
- 30-year Fixed Rate Mortgage Average – home mortgage rates, as measured by the 30-year mortgage rate, are down by a small amount, but generally still right around 7%. Because current mortgage rates of around 7% are still well above the roughly 3% mortgage rates from the time period prior to 2022, the residential real estate market still has many home owners feeling 'stuck' in their current homes because they do not want to move to a different home and lose their current low mortgage rates. This large gap between low older mortgage rates and much higher current mortgage rates is a major cause of the reduction in residential home sales.

- My broad review of economy-wide market interest rates indicates to me that interest rates, and the economy-wide cost of capital in general, has not materially changed since the time of my cost of capital calculation in summer/fall of 2023. Two of the most basic interest rates, the Fed Funds rate and the Bank Prime rate, are unchanged, and the interest rates that have changed over the time period since my cost of capital calculation have changed by less than 1%.

<u>A more specific look at the cost of capital equations</u>

- The primary cost of capital models I used in my cost of capital calculation in 2023 are the Capital Asset Pricing Model, the CAPM, and the Fama-French (FF) 3-factor model. The first term in both of these cost of capital models, or equations, is a long-term risk-free interest rate, usually the rate on 10-year Treasury bonds. Both the CAPM and the FF equations add a risk-premium to the 10-year Treasury bond rate to represent the idea that the cost of capital for a risky firm or industry must be at least the rate that capital suppliers can earn on a risk-free investment, i.e., the 10-year Treasury rate, and an additional yield, i.e., the risk premium, to compensate capital suppliers for the risk they take when they supply capital to a risky firm or industry.

- The risk premium in an industry cost of capital is generally constant over time if the industry does not experience large changes in its business model or the way that it operates in the economy. The risk premium in the Texas Title industry cost of capital comes from the risk of operating in the real estate industry within the overall US economy. It is my opinion that the underlying real estate markets that affect the cost of capital for the Texas Title Insurance industry are in roughly the same depressed position as they were last year when I calculated the cost of capital, with

some notable increasing deterioration in the commercial office market. Interest rate increases over the last few years, specifically higher residential and commercial mortgage rates, have caused real estate transactions to be reduced, and this state of reduced transactions has been relatively the same since I calculated the cost of capital in 2023. I realize that this reduced level of transactions has caused continued, and in some ways, increasing pain in many parts of the real estate industry, including the title insurance sector of the industry, but it is my opinion that because the lower rate of real estate transactions was present when I calculated the cost of capital last summer/fall 2023, there is no reason to re-estimate the industry risk premiums included in my 2023 cost of capital report. Additionally, as previously stated, the risk premium in a firm or industry cost of capital is generally unchanged over time as long as the firm or industry is operating the same business model and faces the same business risks, which I believe is an accurate description of the Texas title insurance industry over the last year or so.

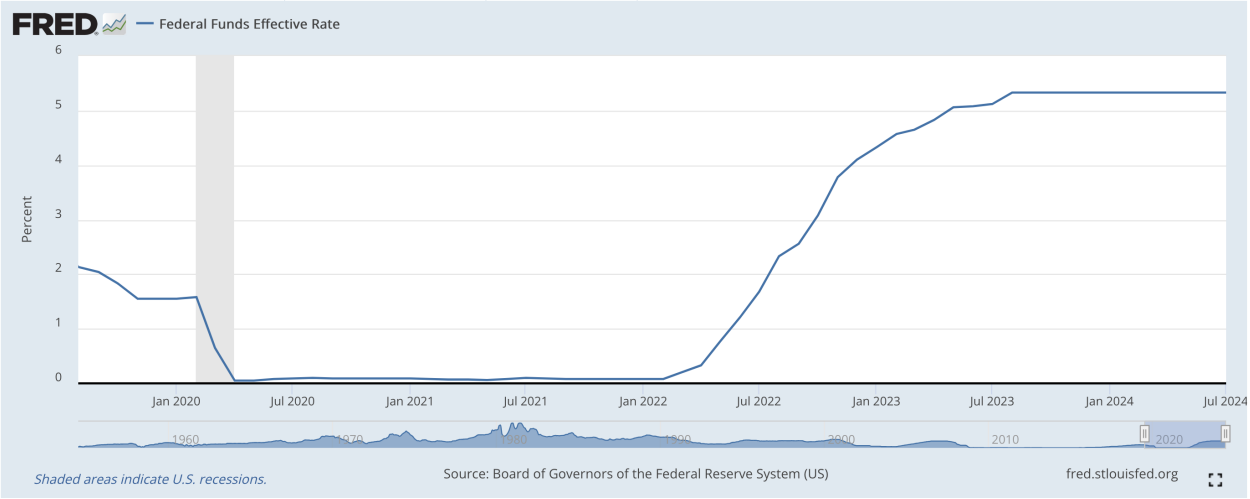
Conclusion and updated cost of capital

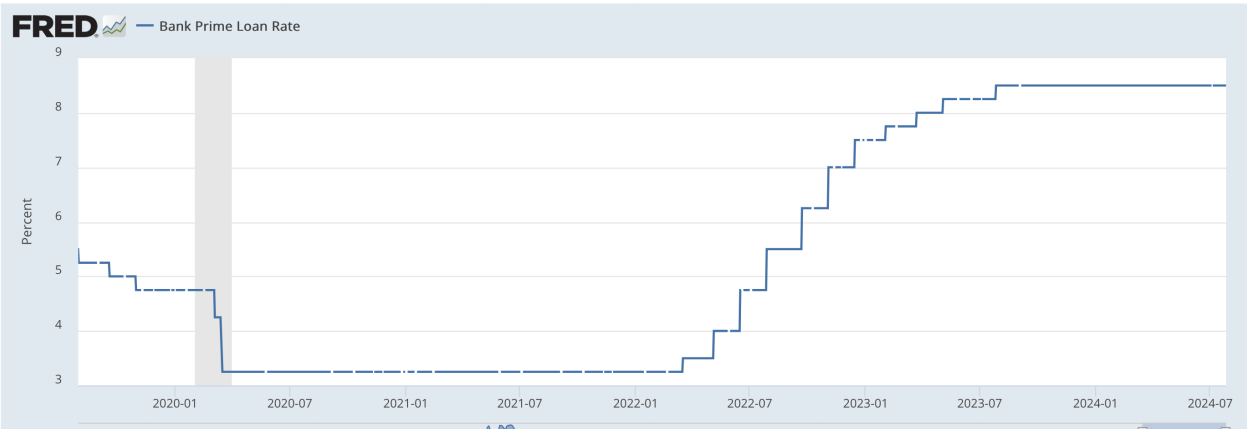
- The cost of capital equations I use contain a base risk-free rate, represented by the 10-year Treasury rate, and a risk premium. It is my opinion that the risk premium in the cost of capital I calculated does not need to be updated, but the rate on the 10-year Treasury bond should be updated.
- I used a 10-year Treasury rate of 4.59% in my 2023 cost of capital calculation. The current 10-year Treasury rate, measured on July 29, 2024, is 4.17%, reflecting a decline of 0.42%, or 42 basis points from the 4.59% rate used in my 2023 calculations and report.
- In my 2023 cost of capital report I carried my calculations to two decimal places and then rounded the final 15.83% to 15.8%. Updating the 15.83% cost of capital for the 0.42% decline in the 10-year Treasury rate gives me 15.83% - 0.42% = 15.41%, which I would again round to one decimal point for an updated cost of capital of 15.4%.

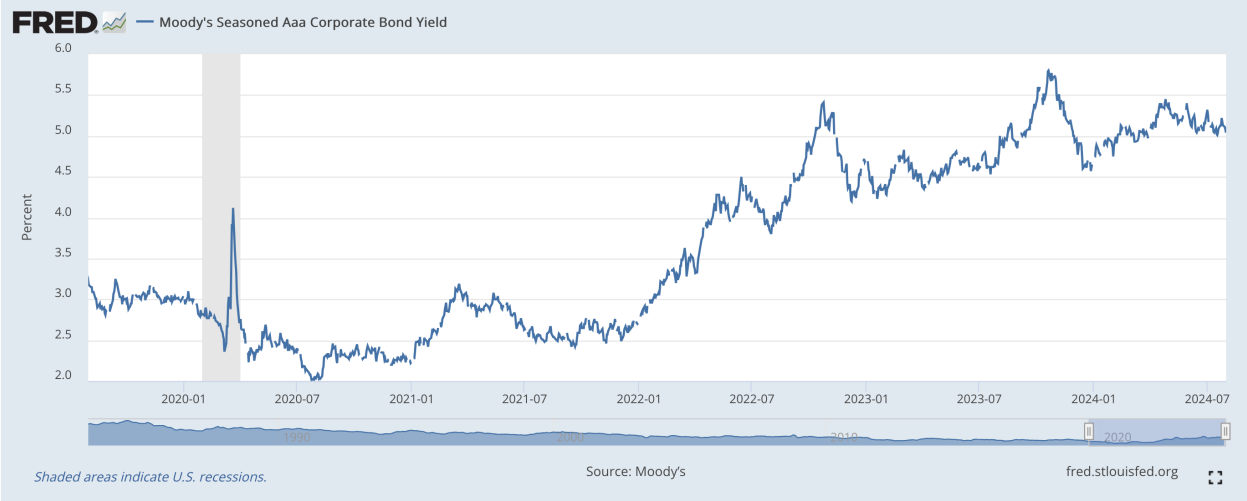
2024 COST OF CAPITAL FOR THE TEXAS TITLE INSURANCE INDUSTRY = 15.4%

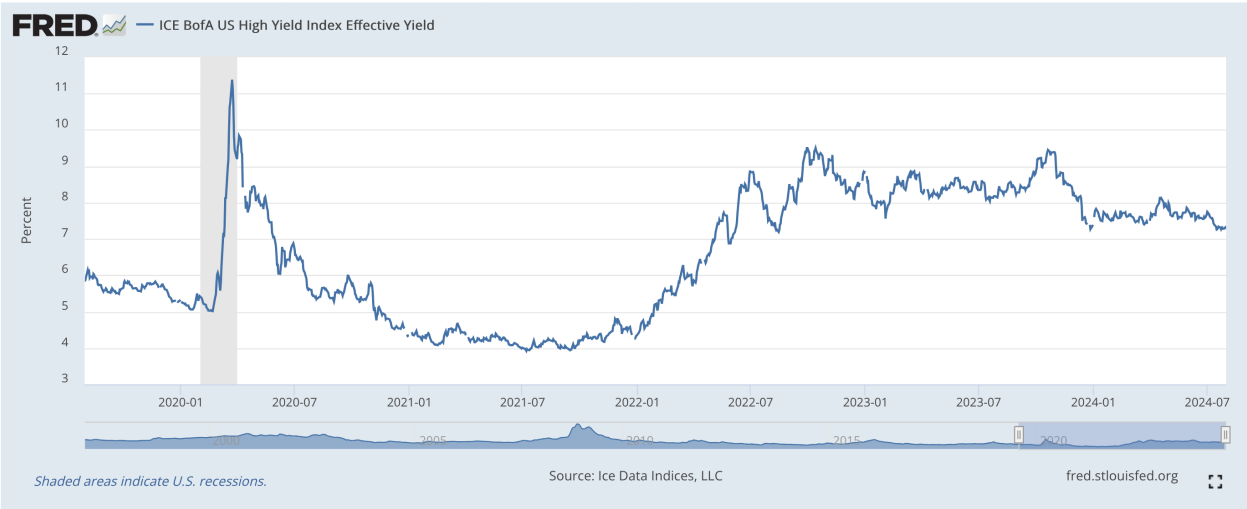
Interest Rate Charts

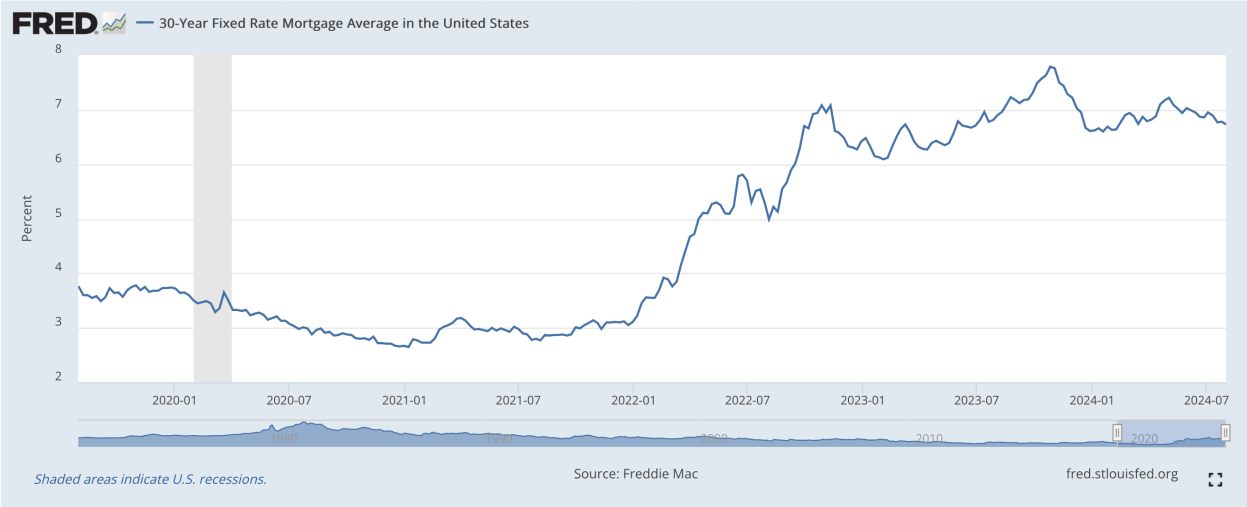
- The following interest rate charts are all taken from the Federal Reserve of St. Louis website, FRED (fred.stlouisfed.org)

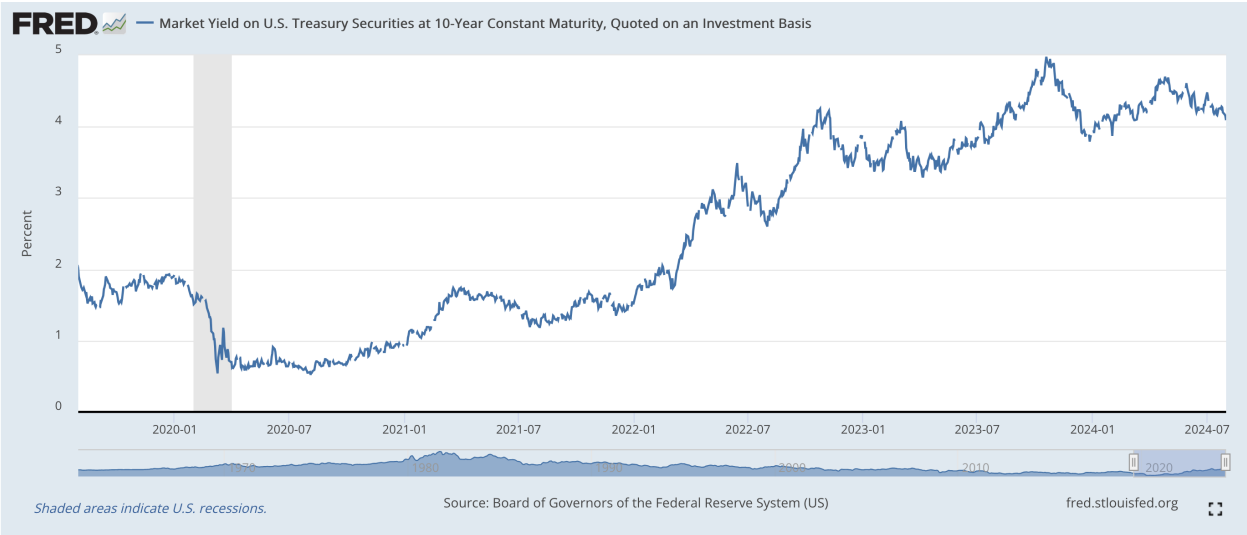





FRED
Moody's Seasoned Aaa Corporate Bond Yield
Percent
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
2020-01
2020-07
2021-01
2021-07
2022-01
2022-07
2023-01
2023-07
2024-01
2024-07
1990
2000
2010
2020
Shaded areas indicate U.S. recessions.
Source: Moody's
fred.stlouisfed.org


FRED
ICE BofA US High Yield Index Effective Yield
Percent
12
11
10
9
8
7
6
5
4
3
2020-01
2020-07
2021-01
2021-07
2022-01
2022-07
2023-01
2023-07
2024-01
2024-07
2000
2005
2010
2015
2020
Shaded areas indicate U.S. recessions.
Source: Ice Data Indices, LLC
fred.stlouisfed.org


FRED
30-Year Fixed Rate Mortgage Average in the United States
Percent
8
7
6
5
4
3
2
2020-01
2020-07
2021-01
2021-07
2022-01
2022-07
2023-01
2023-07
2024-01
2024-07
1980
1990
2000
2010
2020
Shaded areas indicate U.S. recessions.
Source: Freddie Mac
fred.stlouisfed.org


FRED
Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis
Percent
5
4
3
2
1
0
2020-01
2020-07
2021-01
2021-07
2022-01
2022-07
2023-01
2023-07
2024-01
2024-07
1980
1990
2000
2010
2020
Shaded areas indicate U.S. recessions.
Source: Board of Governors of the Federal Reserve System (US)
fred.stlouisfed.org

COST OF CAPITAL ASSESSMENT
Texas Title Insurance Industry
Prepared by:
Professor Greg Hallman
October 2023

Summary

To calculate the cost of capital for the Texas Title Industry, I used three widely-accepted methods – the Capital Asset Pricing Model (CAPM), the Fama-French 3-factor model, and the Discounted Cash Flow (DCF) approach. I used these three cost of capital methods on a set of publicly traded firms from industries with business risk comparable to the business risk of the Texas title insurance industry. Before adjusting for size, all three methods provide estimates of the unlevered cost of equity for publicly traded comparable firms that are at or above 11.2%. After adding a size premium to account for the small size and lack of liquidity of the typical firm in the Texas title insurance industry compared to the size and liquidity of the publicly traded comparable firms used in my calculations, my calculated value of the cost of capital for the typical firm in the Texas title industry is 15.8%.

Summary: Texas Title Insurance Cost of Capital		
[1]	Cost of Capital	15.8%

Qualifications

I am a Professor of Instruction in Finance and Real Estate in the Department of Finance at the McCombs Graduate School of Business at the University of Texas at Austin. I have been on the finance faculty at McCombs since 2002, and in my 20+ years at McCombs I have taught graduate and undergraduate courses in business valuation, corporate finance, investment theory, and real estate finance. I have taught the subject of cost of capital in all my classes. My current teaching focuses on real estate finance and investment, and I am the teaching professor and faculty director for the John Goff Student Real Estate Investment Fund at McCombs, which includes a $1.3 million AUM publicly traded REIT fund and a $10 million AUM real estate private equity fund managed by MBA and undergraduate students working under my supervision. I have won numerous teaching awards for my MBA and undergraduate classes at McCombs, including the Joe D. Beasley Award for MBA Teaching, the award for Best MBA Core Professor (twice), and numerous selections to the MBA and undergraduate Teaching Honor Roll. In addition to my teaching, I also serve as Director of the Texas Real Estate Center. Prior to joining the faculty at the University of Texas in 2002, I was a Managing Director in the Silicon Valley office of Intecap, Inc., an economic consulting firm purchased by Charles River Associates in 2004, and I was a Senior Consultant with Charles River from 2007 – 2012. I have an undergraduate degree in chemistry from the University of Virginia (1985), an MBA with a concentration in finance from Tulane University (1988), and a Ph.D. in finance from the University of Texas at Austin (1996).

Background on Cost of Capital

I estimated the cost of capital for a typical firm in the Texas Title Industry, including both agents and underwriters. Outside of regulatory proceedings, such costs of capital are widely used in practice – most commonly as either a "discount rate" to calculate the net present value (NPV) of a project, or as a "hurdle rate," which is a minimum required rate of return on a project in order to ensure that accepted projects are expected to add to firm value.

The economic intuition behind a cost of capital is that of opportunity cost. Capital providers, or investors, demand or require a rate of return as compensation for the risk they bear in their investment and for the opportunity cost of not being able to invest their money elsewhere. The providers of capital need to be compensated with a (percentage) return that captures two components – the risk-free rate (compensation for not investing in a safe alternative, such as U.S. Treasury securities) and a risk premium (compensation for the additional risk borne by investing in a firm that is riskier than the U.S. government's debt securities). We know from finance theory and numerous empirical studies in finance that returns are commensurate with risk (on average), so capital providers will both demand and tend to earn higher returns when they invest in riskier companies. We also know, based on numerous studies and empirical research, that capital providers demand a premium, i.e., extra percentage return, for investing in small firms.

The question I address in this report is how to measure the risk and implied required return for the Texas Title Industry. If the bulk of the firms in the Texas title industry were publicly traded, this would be a more straightforward process, because with publicly traded firms I could use the firms' historical returns and fundamental (financial) data to estimate their investors' required rates of return. However, given that the vast majority of the title insurance agencies and some of the title insurance underwriters operating in the state of Texas are not publicly traded, I rely on comparable companies that are publicly traded and have publicly available return series (historical returns) and publicly available financial data and financial statements. I identify publicly traded comparable companies by choosing a set of comparable industries, as sorted by SIC code, in order to calculate a cost of capital. I discuss the selection of comparable industries and companies in the next section.

Selection of Comparable Companies

Title insurance is typically purchased as part of a transaction in real estate assets, including residential homes and commercial properties. Lenders require title insurance to get assurance that the ownership of the collateral asset for the loan – either a residential home or a commercial building – is not in question and is clearly and cleanly owned by the seller and will be clearly and cleanly transferred to the buyer in the transaction. Title insurance agents perform careful due diligence on the ownership chain of the real estate involved in a transaction, investigate and deal with any questions or issues that may be present in the ownership chain, and then involve an underwriter to write an insurance policy standing behind the claim of clean title. If the due diligence on ownership is done correctly by the title agent and the title in the transaction is clean, then there will be no claim of loss ever presented to the title insurance underwriter.

Because sales (revenue) and profits (revenue minus expenses) of title insurance agents and underwriters are primarily driven by real estate transaction volume, the best comparable companies

or industries to use for the purpose of calculating the cost of capital of the typical firm in the Texas title insurance industry are industries whose sales and profits are also driven by real estate transactions. My goal in the selection of comparable industries and companies is to identify firms with publicly available stock returns and publicly available financial data whose sales and profits are driven by real estate transaction volume. I chose the following four industries, identified by SIC (Standard Industry Classification) codes, as comparable industries for measuring the risk and the cost of capital of the title insurance business:

1. Title Insurance (SIC code 6361),
2. Operative Builders (SIC code 1531),
3. Loan Brokers (SIC code 6163),
4. Real Estate Agents and Managers (SIC code 6531).

Just like the title insurance industry, these industries are all involved in the real estate industry, and just like the title insurance industry, these publicly traded comparable industries do better, i.e., experience higher sales and profits, when the real estate industry performs better, and do worse, i.e., experience lower sales and profits, when the real estate industry performs worse. The Title Insurance industry (SIC code 6361) is not used solely by itself because the five firms in the Title Insurance SIC code are all large underwriters, and the typical title insurance company in the state of Texas is a much smaller title insurance agency.

I have reviewed previous reports on calculating the cost of capital for the title insurance industry that include health insurance and property and casualty insurance companies in the set of publicly available comparable companies. In my view, property and casualty insurance and health insurance companies are not good comparable companies for the title insurance industry because the performance of property and casualty insurance companies and health insurance companies is not driven by, or highly correlated with, the real estate industry, and the title insurance industry is clearly driven by the performance and transaction volume of the real estate industry. The financial performance and results of the companies in the operative builders industry, which includes primarily residential home builders, the loan brokers industry, which consists of Lending Tree, a residential mortgage broker, and real estate agents and managers are all driven by the performance and transaction volume in the real estate industry, and as such are good comparable companies for measuring the business risk and the cost of capital of the title insurance industry.

I identified 39 publicly traded companies in these four SIC codes with available financial data.[1] I use measures of central tendency, averages and medians, within and across these industries for all three of my cost of capital methodologies, thus incorporating information and data from all four industries rather than imposing additional assumptions about the relative informativeness of one industry over another.

[1] These firms are listed in the attached in Appendix A. These companies were listed by the SEC as operating in a selected SIC code and reported data to the SEC captured in the SimFin US dataset. One company reporting a Title Industry SIC code, Argo Group International Holdings Ltd, was independently excluded as it specialized in non-real estate title insurance (such as museum art) and had exited even that business.

CAPM Approach

The Capital Asset Pricing Model, or CAPM, asserts that a firm's cost of equity (COE) can be calculated as the sum of the risk-free rate (r_f) plus a risk premium. The risk premium is calculated as the product of the firm's beta (a measure of the quantity of systematic risk in the firm's business and the firm's equity) times the price of systematic risk per unit (aka the market risk premium, or MRP).

The CAPM formula: $COE = r_f + (\beta eta * MRP)$

For all firms, the current risk-free rate used in the calculations is the September 28, 2023, yield on 10-year Treasuries of 4.59%,[2] and the market risk premium is assumed to be 6%.[3] Thus, the one input that differs from firm to firm is the equity beta. The equity beta is calculated for each firm by regressing all available monthly returns (up to five years) of the firm on the total excess returns on the US stock market.[4]

Equity betas reflect two conceptually separate effects. One is the asset (or unlevered) beta, which captures the systematic risk inherent in the firm's underlying business, while ignoring any effects of leverage. The second is the risk due to each firm's leverage, or the amount of debt the firm is carrying. Debt is a senior claim to firm cash flows, so equity is riskier when a firm has more debt. The typical (median) amount of debt in each comparable industry, measured as the amount of debt as a percentage of the total capitalization of the firm, debt plus equity, or D/(D+E), over the last five years is as follows: Title Insurance debt % = 5%, Operative Builders debt % = 32%, Loan Brokers (Lending Tree) debt % = 27%, Real Estate Agents and Managers (for others) debt % = 20%.

My first goal in calculating the cost of capital for the Texas title insurance industry is to measure the business risk of the comparable industries, which I take as a good measurement of the business risk of the Texas title insurance industry. Thus, it is important to adjust for each comparable firm's degree of leverage before arriving at an industry-level estimate of the cost of capital. To do this, I first calculate each firm's average debt to equity ratio, D/E, for the last five years. I calculate this D/E ratio for each firm for each of the last five years as the total long-term and short-term debt (D) divided by the firm's end-of-year market capitalization (E), and then average these results to obtain the five-year average debt-to-equity ratio, D/E.[5]

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[2] Board of Governors of the Federal Reserve System (US), Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis [DGS10], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DGS10, October 1, 2023.

[3] Kroll reports the historical long run average risk premium calculated over the time frame 1926 – 2022 is 7.17%. Based on my academic and professional experience, I conservatively use 6%.

[4] The monthly total market excess return is obtained from the website of Ken French. https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html (accessed 10/1/2023). I require that a firm have at least 12 months of return data available and a statistically significant beta estimate for it to be included in this analysis.

[5] These inputs are calculated from SEC filings and stock price data compiled by SimFin.

Using each firm's five-year average debt-to-equity ratio, D/E, I calculate the asset (or unlevered) beta for each firm using the standard formula:[6]

unlevered_beta = levered_beta / (1+((average_DE_ratio) x (1-tax rate))); tax rate = 21%

Note that the levered beta includes both the business risk and the leverage risk of each firm. The standard 'unlevering' formula allows us to calculate the firm's unlevered beta, which is the beta of the firm's business only, without any risk from the firm's capital structure or amount of debt. It is this business risk, reflected in each firm's unlevered beta, that we are primarily interested in, because we are ultimately trying to measure the business risk of the Texas title insurance industry by measuring the business risk of the comparable companies. As previously argued, the chosen comparable companies all have business risk that is primarily driven by the ups and downs of the real estate industry, just as the business risk of the Texas title insurance industry is driven by the ups and downs of the real estate industry.

This unlevered "asset" beta is then used in conjunction with the risk-free rate of 4.59% and market risk premium of 6% described above to arrive at a CAPM-based unlevered cost of equity for each comparable company.

Next, for each of the four industries, I calculate the industry unlevered cost of equity as the median unlevered cost of equity across all firms in that industry. As noted before, using the median rather than the mean mitigates the effects of extreme observations or outliers. Using these industry-level unlevered cost of equity measures, I then calculate an overall CAPM unlevered cost of equity for the Texas Title Industry by taking the average across the four industries.

SIC Industry	CAPM count	Median Levered Beta	Median Unlevered Beta	CAPM Median Levered COE	CAPM Median Unlevered COE
Title Insurance	4	1.11	1.01	11.3%	10.7%
Operative Builders	18	1.57	1.01	14.0%	10.6%
Loan Brokers	1	1.93	1.21	16.2%	11.9%
Real Estate Agents & Managers (For Others)	11	2.00	1.16	16.6%	11.5%
				Average:	**11.2%**

My CAPM results by company are in the attached Appendix B.

[6] I am assuming the debt betas for the comparable firms are equal to zero, which is a reasonable and common assumption when the debt is not at real risk of default. The corporate tax rate has been 21% since 2018.

Fama-French Approach

The Fama-French 3-factor model adds two additional risk factors to the traditional CAPM, one for size and another for book-to-market ratio. These factors incorporate the empirical evidence that the CAPM underestimates the cost of equity for small firms, and underestimates the cost of equity for value firms, which are identified as firms with a higher book value of equity -to- market value of equity ratio. The beta for each risk factor, which captures the amount of, (1) market risk, (2) size risk, and (3) 'value' risk, is calculated for each firm using all available monthly returns (up to five years).[7]

As with the CAPM analysis, the current risk-free rate (r_f) in the Fama-French analysis is the September 28, 2023, yield on 10-year Treasuries of 4.59%,[8] and the market risk premium (MRP) is assumed to be 6%. The size (known in the Fama-French framework as the SMB, Small-Minus-Big) and value (known in the Fama-French framework as the HML, High-Minus-Low) risk premiums are assumed to be the historical size and value premiums measured since July 1963, equal to 0.182% (size) and 0.288%, (value), respectively.[9]

The estimated factor betas for the market, size, and value risk premiums are then used in conjunction with the risk-free rate and factor risk premiums described above in the formula below to arrive at a Fama-French-based levered cost of equity for each company.

The Fama-French Formula:

$$COE = r_f + \beta eta_s * MRP + \beta eta_{smb} * SMB + \beta eta_{hml} * HML$$

The final step for the Fama-French method is to adjust for leverage. There is not a textbook formula for 'unlevering' the Fama-French calculated cost of equity, so I use a ratio of the levered and unlevered costs of equity calculated using the CAPM. I calculate the ratio of the levered to unlevered CAPM cost of capital for each company and apply that ratio to the Fama-French results.[10] For example, if the CAPM levered cost of equity for one of the SIC code industries I am using is 12%, and the CAPM unlevered cost of equity is 10%, then the ratio of levered to unlevered cost of equity for that industry is 12/10 = 1.2. To adjust the calculated levered cost of equity from the Fama-French model to an unlevered cost of equity, I divide the calculated Fama-French levered cost of equity by 1.2.

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[7] The input factors are obtained from the website of Professor Ken French. https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html (accessed 10/1/2023). I require that a firm have at least 12 months of return data available and a statistically significant factor model for it to be included.
[8] Board of Governors of the Federal Reserve System (US), Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis [DGS10], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DGS10, October 1, 2023.
[9] The paper laying out the model used July 1963 as the start of the factor estimation period. See: Fama, Eugene F. and Kenneth R. French. "Industry costs of equity." Journal of Financial Economics 43 (1997): 153-193.
[10] This unlevering step requires that the company have a statistically significant estimated levered and unlevered CAPM beta from the analysis discussed above.

Next, for each of the four industries, I calculate the unlevered cost of equity as the median unlevered cost of equity across all firms in that industry. As noted before, using the median rather than the mean mitigates the effects of extreme observations or outliers. Using these industry-level unlevered measures of the cost of equity, I then calculate an overall Fama French unlevered cost of equity for the Texas Title Industry by taking the average across industries.

SIC Industry	FF count	FF Median Levered COE	Median Leverage Factor	FF Median Unlevered COE
Title Insurance	4	12.0%	1.05	11.5%
Operative Builders	18	14.6%	1.22	11.6%
Loan Brokers	1	17.1%	1.36	12.6%
Real Estate Agents & Managers (For Others)	11	17.8%	1.18	14.4%
			Average:	**12.5%**

My Fama-French results by company are in the attached Appendix B.

DCF Approach

The Discounted Cash Flow, or DCF approach – also known as the Dividend Discount Model or Gordon Growth Model – inverts a standard equity valuation formula to arrive at an estimate of the cost of equity. This valuation formula states that the value of a firm's equity can be calculated as next year's dividend, divided by the difference between the firm's cost of (levered) equity and the expected growth in dividends. In notation, this can be written as $P_0 = D_1/(r_e-g)$, where P_0 is the price today, D_1 is the expected dividend over the next year, r_e is the cost of equity, and g is the expected growth rate for dividends. Solving for the discount rate yields $r_e = D_1/P_0 + g$. Thus, this approach requires two inputs: the dividend yield (D_1/P_0) and the expected growth in dividends, g.

For each comparable company in each industry, I collect or calculate these two inputs.[11]

Each firm's expected growth in dividends is calculated in up to three ways (depending on data availability) – (1) a fundamentals-based calculation, (2) the firm's historical growth in earnings over the previous five years, and (3) a forward-looking estimated growth in earnings over the next five years. For the fundamentals-based calculation, the sustainable growth in dividends is calculated as the firm's return on equity (ROE) times its retention ratio. I calculate this implied growth rate for 2019, 2020, 2021, and 2022 using the last five annual financial statements, and then calculate the average across these four years for each firm. The forward-looking (expected) growth in earnings over the next five years is based on analysts' estimates. The historical earnings

[11] These data, along with the other individual-stock data relied upon are reported by a variety of sources, such as www.simfin.com and http://finance.yahoo.com/, which in turn compile data from SEC filings, Capital IQ, Thomson Financial, and other third-party data providers.

growth over the past five years is based on actual historical earnings. My final growth rate estimate for each firm is the average growth rate measured across these three methods.

I require that the dividend yield be positive in order for a firm to be included in the DCF approach. LendingTree, the only firm in the Loan Broker industry, does not pay a dividend and is therefore unavailable for this analysis.

In order to use any of these three estimates of earnings (or dividend) growth – based on fundamentals, historical growth, or analysts' estimates of future growth – I require that a particular estimated growth rate be greater than zero and less than 20 percent. The growth rate in the DCF formula is assumed to be the perpetual (forever) annual growth rate for the firm, so values in excess of 20% do not make economic sense, and negative values for the growth rate (i.e., values less than zero) also do not make economic sense. This requirement, along with the use of medians, mitigates the potential effects of outliers. However, this requirement, combined with the high level of recent growth and current less-positive future prospects in the operative builder industry, excluded every historical growth rate and many prospective growth rates in the operative builders industry. As such, I did not calculate the DCF estimate for that industry.

The final step for the DCF method is to adjust for leverage. This is done using the same adjustment method I used with the Fama-French calculations, which is by calculating the ratio of the levered to unlevered CAPM cost of capital for each company and applying that ratio to the DCF results.

Then, for each of the two remaining industries, Title Insurance and Real Estate Agents and Managers (for others), I calculate the median DCF-based cost of equity. By using the median, the effects of extreme observations or outliers are mitigated. Using these industry-level unlevered cost of equity measures, I then calculate an overall DCF unlevered cost of equity for the Texas Title Industry by taking the average across industries.

SIC Industry	DCF count	DCF Median Levered COE	Median Leverage Factor	DCF Median Unlevered COE
Title Insurance	4	12.5%	1.05	12.0%
Operative Builders	0			
Loan Brokers	0			
Real Estate Agents & Managers (For Others)	4	11.0%	1.18	10.3%
			Average:	**11.2%**

My DCF inputs and results by company are in the attached Appendix B.

Evaluating the Estimates and Accounting for Size

The three "publicly traded comparable" estimates of the Texas Title Industry's cost of unlevered equity are as follows:

CAPM	Fama French	DCF
11.2%	12.5%	11.2%

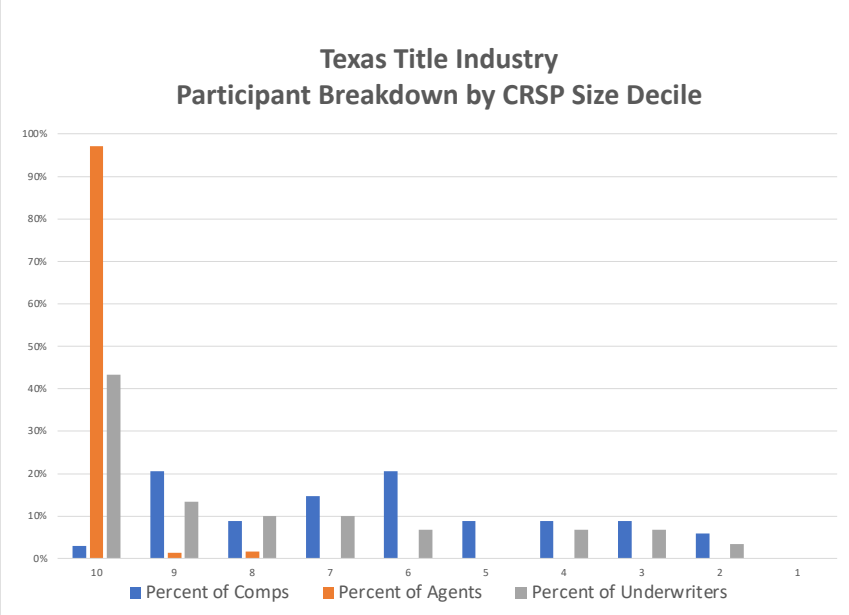
These cost of equity estimates are based solely on publicly traded comparable companies, all of which are significantly larger than a typical Texas title company. In order to use these costs of equity calculated from large publicly traded comparable companies to calculate the cost of equity for a typical firm in the Texas title industry, I need to add a size premium. Empirical evidence from financial research dating back to the 1980s (Rolf Banz, *Journal of Financial Economics*, 1981) shows that small company stock returns are in general greater than large company stock returns. Financial economists have interpreted this size premium as evidence that investors demand a higher return for providing capital to small firms relative to the required returns for supplying capital to large firms. Subsequent research on the size effect measured using returns from publicly traded stocks suggests that the size effect is concentrated in the smallest publicly traded firms, and is non-linear, suggesting that the size premium increases more than linearly as the cost of capital is measured for smaller and smaller firms.

Rather than average the cost of capital measures across all three methods, i.e., (1) 11.17% CAPM, (2) 12.52% Fama-French, and (3) 11.18% DCF, I have chosen to use the 11.17% cost of equity measured from the CAPM, which is the smallest of my cost of capital measures, as the starting point of my final estimate of the cost of capital for the Texas Title Industry. One motivation for this choice is that the size effect impact on the cost of capital measured using the CAPM has been studied extensively in the literature, and size premiums for CAPM cost of capital estimates are available from the Kroll Cost of Capital Navigator.[12] Research by Kroll finds that the CAPM underestimates the cost of capital for firms in the bottom (smallest) decile, or those with a market value of less than $218 million, by 4.83%.

The next question is where the typical Texas Title Industry firm falls on this size spectrum. To answer this, I calculate imputed market capitalizations for all Texas Title firms using their disclosed income from the Texas Department of Insurance and a multiple of net income.[13]

[12] See https://www.kroll.com/costofcapitalnavigator

[13] I utilized a benchmark Net Income multiple of 13.35. This is the insurance industry multiple as published by Prof. Damodaran at https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/pedata.html (Accessed Oct 2, 2023). The 2021 Underwriter Experience Reports and Agent Statistical Reports were downloaded from https://www.tdi.texas.gov/reports/report8.html



The above figure shows the distribution of the size of the Texas Title Industry firms and the publicly traded comparable companies using the size deciles published by Kroll.[14] As the figure shows, the publicly traded comparable companies (in blue) are significantly larger than the Texas Title Industry firms (in orange) and most of the comparable companies I used in my calculations are well above the 10th decile of firm size. In contrast, aside from a small number of large underwriters, the Texas Title Industry firms are notably smaller, with essentially all of the agents well below the threshold for the smallest (10th) decile in terms of firm size.

Thus, from the data, it appears that a size adjustment is needed to reflect the fact that the Texas Title Industry firms tend to be very small in comparison with the publicly traded firms I used to calculate the cost of capital. To determine a size premium to add to the CAPM cost of equity as estimated by the publicly traded comparable companies I used, I first sorted all of the firms in the Texas title industry into their corresponding Kroll size decile, and then I calculated a weighted average size for the firms in the Texas title industry. For example, if there were 10 firms in the Texas title industry, and 3 of those firms were in the 8th Kroll size decile, 2 of those firms were in the 9th Kroll size decile, and 5 of the firms were in the Kroll 10th size decile, I would calculate a weighted average size premium as [(3/10) x 8th decile size premium + (2/10) x 9th decile size premium + (5/10) x 10th decile size premium]. Performing this size decile premium weighting to the firms in the Texas title industry produces a weighted average size premium of 4.66%. This premium is only slightly smaller than the Kroll 10th decile size premium, reflecting the fact that the vast majority of firms in the Texas title industry are smaller than the $218 million size (market value of equity) cut-off for the Kroll 10th decile.

I believe that this 4.66% size premium is conservative due to the fact that (a) the vast majority of Texas Title Industry firms (except for a few underwriters) are well below the $218 million size cutoff for the 10th decile of firm size, and (b) the estimated size premium is larger for the bottom

[14] Kroll compiles and publishes a decile analysis using CRSP data that is the continuation of a legacy product that was previously compiled by Duff and Phelps and Ibbotson's.

of the 10th decile than for the top. For example, additional estimates in the Kroll data for firms smaller than the 10th decile of publicly traded firms shows that firms smaller than $79 million in market cap have a size premium of 10.99%. And as previously mentioned, research on the size premium suggests that the size premium is non-linear, with larger-than-linear increases as firm size is smaller and smaller.

To incorporate this size premium, I add the weighted average 4.66% size premium to the 11.17% CAPM estimated cost of equity to arrive at my final estimate of the cost of unlevered equity for the Texas Title Industry of 15.83, rounded to **15.8%**.

Another difference between the publicly traded comparable companies and the typical Texas Title Industry firm is the liquidity of the investors' positions, due to the fact that the typical Texas Title Industry company is not publicly traded. This lack of liquidity is another source of added risk for capital providers to the Texas Title Industry (relative to the cost of capital measured using publicly traded benchmarks), implying that it would not be unreasonable to add an additional liquidity premium to the cost of capital calculation as compensation for the risk of holding illiquid equity. I have not included a separate liquidity premium in my calculations.

Debt in the Capital Structure.

Texas Title Industry firms do not have much debt in their capital structure. In their 2021 experience reports to TDI, Texas Underwriters reported book value of debt less than 1% of implied market value of equity.[15] Agents reported Interest Expense and Net Incomes implying reported book value of debt less than 1% of implied market value of equity.[16] The typical (median) title industry entity reports no interest expense, and therefore no debt, at all.[17]

As a result, the assumptions made regarding the cost of debt and/or precise weight of debt would not have material impacts on the estimated cost of capital and are set aside and not included in my estimate of the cost of capital.[18]

Evaluation of Results in Historical Context

I understand Dr. Hartzell estimated a 13.1% cost of capital for the Texas Title Industry in the fall of 2018. The 15.8% cost of capital estimated in this report is 2.7% higher than Dr. Hartzell's previous estimate, but interest rates in general are considerably higher today than they were in

[15] I utilized a benchmark Net Income multiple of 13.35. This is the insurance industry multiple as published by Prof. Damodaran at https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/pedata.html (Accessed Oct 2, 2023). The 2021 Underwriter Experience Reports and Agent Statistical Reports were downloaded from https://www.tdi.texas.gov/reports/report8.html

[16] I utilized a benchmark Net Income multiple of 13.35. This is the insurance industry multiple as published by Prof. Damodaran at https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/pedata.html (Accessed Oct 2, 2023). The 2021 Underwriter Experience Reports and Agent Statistical Reports were downloaded from https://www.tdi.texas.gov/reports/report8.html

[17] Less than 25% of title entities reporting to TDI reported any interest expense on their 2021 experience or activity reports.

[18] This is also consistent with Dr. Hartzell's 2018 report in the previous iteration of these proceedings, which found the impact of debt between zero and .02% of the calculated cost of capital, depending on tax assumptions.

2018. For example, the prime rate, a well-known interest rate charged by banks for short-term loans to their best corporate customers, was 5% in September 2018, and is 8.5% today, an increase of 3.5%.[19] (See Appendix C)

It's also very important to note that the financial health and performance of the Texas title insurance industry is in large part driven by residential real estate transactions, and residential real estate transactions are in large part driven by mortgage rates; lower mortgage rates are associated with more residential real estate transactions and more revenues and profits for Texas title insurance firms, and higher mortgage rates depress residential real estate transactions and lead to lower revenue and profit for Texas title insurance firms. Mortgage rates for 30-year fixed rate mortgages in September 2018 were roughly 4.5%, mortgage rates from 2020-2022 were closer to 3%, and mortgage rates today are roughly 7%.[20] Higher mortgage rates reduce home transactions on both the seller side and the buyer side. Potential home sellers with low mortgage rates from mortgages taken out in the past are reluctant to sell their house and buy another house because their mortgage rate on the new house will be much higher than the current mortgage rate they are paying, a seller-side effect sometimes referred to as 'golden handcuffs'. Buyers facing higher mortgage rates find it harder to buy houses because today's high mortgage rates make houses less affordable. For example, the payment on a $400,000 30-year mortgage at 3% is $1,686, and the payment on the same $400,000 mortgage at 7% is $2,661, representing an increase of $975/month on the same amount borrowed. The effect of higher mortgage rates on home sales is noted in the most recent Texas Housing Insight note from the Texas A&M Real Estate Research Center. The latest research note published on September 7, 2023, commenting on data from July 2023, states, "The persistent rise in mortgage rates continued to exert a cooling effect on the housing market", and "The inflated mortgage rate is expected to further raise the cost of home ownership and decrease mortgage applications."[21] (See Appendix D)

Capital markets and investors asked to supply capital to firms in the Texas title industry are well aware of these market factors that reduce mortgage applications and home sales transactions, and would certainly require higher returns to compensate for the additional risk in today's housing market as compared to the housing market in 2018.

Submitted this fourteenth day of November 2023.

[19] Board of Governors of the Federal Reserve System (US), Bank Prime Loan Rate [DPRIME], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DPRIME, October 1, 2023.
[20] Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/MORTGAGE30US, October 2, 2023.
[21] "Texas Housing Insight", Joshua Roberson, Weiling Yan, and Koby McMeans (Sep 7, 2023), July 2023 Summary, Texas A&M University, Texas Real Estate Research Center, pp 3-4.

Appendix A

Schedule A

Comparable Companies

Company Name	Ticker	SIC Code	SIC Industry	Result Status
Doma Holdings Inc.	DOMA	6361	Title Insurance	No Sig. Results
Fidelity National Financial, Inc.	FNF	6361	Title Insurance	
First American Financial Corp	FAF	6361	Title Insurance	
Investors Title Company	ITIC	6361	Title Insurance	
Stewart Information Services Corporation	STC	6361	Title Insurance	
BEAZER HOMES USA INC	BZH	1531	Operative Builders	
Century Communities, Inc.	CCS	1531	Operative Builders	
Comstock Holding Companies, Inc.	CHCI	1531	Operative Builders	
Dream Finders Homes, Inc.	DFH	1531	Operative Builders	
Green Brick Partners, Inc.	GRBK	1531	Operative Builders	
Harbor Custom Development, Inc.	HCDI	1531	Operative Builders	No Sig. Results
D. R. Horton	DHI	1531	Operative Builders	
Hovnanian Enterprises, Inc.	HOV	1531	Operative Builders	
KB HOME	KBH	1531	Operative Builders	
Landsea Homes Corporation	LSEA	1531	Operative Builders	
LGI Homes, Inc.	LGIH	1531	Operative Builders	
M/I HOMES, INC.	MHO	1531	Operative Builders	
M.D.C. Holdings, Inc.	MDC	1531	Operative Builders	
Meritage Homes Corporation	MTH	1531	Operative Builders	
NVR INC	NVR	1531	Operative Builders	
PULTEGROUP INC/MI/	PHM	1531	Operative Builders	
Taylor Morrison Home Corp	TMHC	1531	Operative Builders	
TOLL BROTHERS INC	TOL	1531	Operative Builders	
Tri Pointe Homes, Inc.	TPH	1531	Operative Builders	
Vanjia Corporation	VNJA	1531	Operative Builders	No Sig. Results
LendingTree, Inc.	TREE	6163	Loan Brokers	
Anywhere Real Estate Inc.	HOUS	6531	Real Estate Agents & Managers (For Others)	
Douglas Elliman Inc.	DOUG	6531	Real Estate Agents & Managers (For Others)	
EXP World Holdings, Inc.	EXPI	6531	Real Estate Agents & Managers (For Others)	
JONES LANG LASALLE INC	JLL	6531	Real Estate Agents & Managers (For Others)	
Legacy Ventures International, Inc.	LGYV	6531	Real Estate Agents & Managers (For Others)	No Sig. Results
Marcus & Millichap, Inc.	MMI	6531	Real Estate Agents & Managers (For Others)	
MARRIOTT VACATIONS WW Corp	VAC	6531	Real Estate Agents & Managers (For Others)	
Newmark Group, Inc.	NMRK	6531	Real Estate Agents & Managers (For Others)	
Ohmyhome Limited	OMH	6531	Real Estate Agents & Managers (For Others)	No Sig. Results
Opendoor Technologies Inc.	OPEN	6531	Real Estate Agents & Managers (For Others)	
RE/MAX Holdings, Inc.	RMAX	6531	Real Estate Agents & Managers (For Others)	
Redfin Corp	RDFN	6531	Real Estate Agents & Managers (For Others)	
Offerpad Solutions Inc.	OPAD	6531	Real Estate Agents & Managers (For Others)	

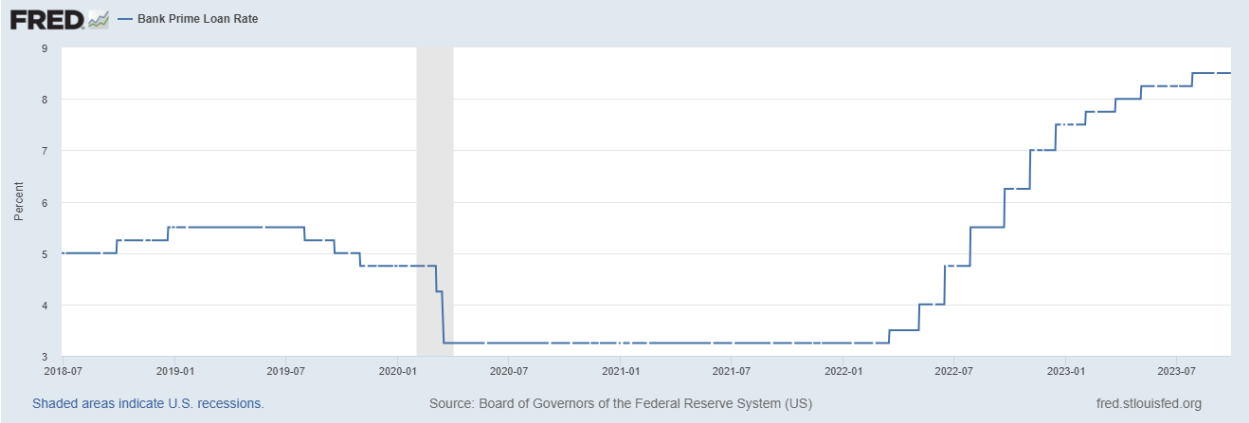
Appendix B

Schedule B

Unlevered Cost of Capital Results by Company

Company Name	Ticker	SIC Code	CAPM Cost of Unlevered Equity	Fama-French Cost of Unlevered Equity	DCF Cost of Unlevered Equity
Doma Holdings Inc.	DOMA	6361			
Fidelity National Financial, Inc.	FNF	6361	11.4%	12.5%	16.2%
First American Financial Corp	FAF	6361	11.5%	11.7%	9.2%
Investors Title Company	ITIC	6361	9.3%	11.3%	11.5%
Stewart Information Services Corporation	STC	6361	10.0%	10.2%	12.6%
BEAZER HOMES USA INC	BZH	1531	8.7%	9.9%	
Century Communities, Inc.	CCS	1531	10.4%	11.6%	
Comstock Holding Companies, Inc.	CHCI	1531	9.7%	13.8%	
Dream Finders Homes, Inc.	DFH	1531	14.3%	18.3%	
Green Brick Partners, Inc.	GRBK	1531	12.0%	11.7%	
Harbor Custom Development, Inc.	HCDI	1531			
D. R. Horton	DHI	1531	12.9%	12.9%	
Hovnanian Enterprises, Inc.	HOV	1531	6.6%	8.9%	
KB HOME	KBH	1531	10.9%	11.8%	
Landsea Homes Corporation	LSEA	1531	6.9%	6.0%	
LGI Homes, Inc.	LGIH	1531	12.9%	13.2%	
M/I HOMES, INC.	MHO	1531	11.8%	12.7%	
M.D.C. Holdings, Inc.	MDC	1531	10.2%	11.3%	
Meritage Homes Corporation	MTH	1531	11.6%	11.2%	
NVR INC	NVR	1531	10.2%	10.3%	
PULTEGROUP INC/MI/	PHM	1531	11.7%	12.1%	
Taylor Morrison Home Corp	TMHC	1531	10.5%	11.0%	
TOLL BROTHERS INC	TOL	1531	10.7%	11.7%	
Tri Pointe Homes, Inc.	TPH	1531	10.4%	11.0%	
Vanjia Corporation	VNJA	1531			
LendingTree, Inc.	TREE	6163	11.9%	12.6%	
Anywhere Real Estate Inc.	HOUS	6531	9.4%	11.5%	
Douglas Elliman Inc.	DOUG	6531	12.4%	15.4%	
EXP World Holdings, Inc.	EXPI	6531	21.7%	22.3%	14.5%
JONES LANG LASALLE INC	JLL	6531	11.5%	14.5%	
Legacy Ventures International, Inc.	LGYV	6531			
Marcus & Millichap, Inc.	MMI	6531	10.9%	12.4%	7.3%
MARRIOTT VACATIONS WW Corp	VAC	6531	11.5%	14.4%	4.9%
Newmark Group, Inc.	NMRK	6531	12.8%	17.3%	13.3%
Ohmyhome Limited	OMH	6531			
Opendoor Technologies Inc.	OPEN	6531	9.1%	7.5%	
RE/MAX Holdings, Inc.	RMAX	6531	10.4%	11.7%	
Redfin Corp	RDFN	6531	14.1%	13.0%	
Offerpad Solutions Inc.	OPAD	6531	16.0%	18.7%	

Appendix C



Source:

Board of Governors of the Federal Reserve System (US), Bank Prime Loan Rate [DPRIME], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DPRIME, October 1, 2023.

Appendix D

TEXAS A&M UNIVERSITY
Texas Real Estate Research Center

TEXAS HOUSING INSIGHT

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JULY 2023 DATA
TECHNICAL REPORT

ABOUT THIS REPORT

Texas Real Estate Research Center economists continuously monitor many facets of the global, national, and Texas economies. *Texas Housing Insight* is a summary of important economic indicators that help discern trends in the Texas housing markets. All measurements are calculated using seasonally adjusted data, and percentage changes are calculated month-over-month, unless stated otherwise.

This monthly publication provides data and insights on the Texas housing markets. We hope you find them useful. Your feedback is always appreciated. Send comments and suggestions to info@recenter.tamu.edu.

Joshua Roberson, Weiling Yan, and Koby McMeans

Data current as of Aug 15, 2023

JULY 2023 SUMMARY

HOME SALES	DAYS ON MARKET	CONSTRUCTION PERMITS	PRICE INDEX
▼ 8.4% MOM	= 56 days	▼ 3.0% MOM	▲ 0.7% YOY

The persistent rise in mortgage rates continued to exert a cooling effect on the housing market. Texas' home sales experienced an 8.4 percent year-over-year decline in July. Despite this diminished home demand, the scarcity of existing home sales contributed to a 2.1 percent increase in the state's median price in 2023, leaving the index for shelter the greatest driver behind the escalating living costs. While existing home sales declined, residential construction starts continued to climb. At the same time, permits have fallen for several consecutive months, signaling a possible decline in starts in the near future.

Housing Market for New Construction in High Demand

More prospective buyers are dissuaded from making a home purchase in today's high-interest environment, leading to a drop in sales. Compared with last month's reading at 28,000 and July 2020's record high at 38,400 transactions, Texas' **total home sales** fell below 26,000 transactions this month. Monthly sales volume contracted 8.4 percent month over month (MOM) and 32 percent in three years (Table 1).

Despite the reduced housing demand, the market share of new construction sales ballooned. Within a year, the share of new construction sales rose from 15.2 percent to more than 20 percent, indicating every five closed listings is now a new home. Both demand and supply factors contributed to the increasing trend for new homes. The shortage of existing homes is due to current owners' reluctance to give up their current homes. For more information on Austin's new construction, read "Austin Home Price Illusion" at https://www.recenter.tamu.edu/articles/tierra-grande/Austin-Home-Price-Illusion-2378.

Texas' **average days on market (DOM)** stayed at 56 days for the second straight month, deviating from the steep rebounding trend that lasted for over a year. The current reading is merely three days short of the five-year average before 2020, which stood at 59 days. The consistent reading suggests that the housing market may have reached a state of equilibrium. Among the major metros, Austin and San Antonio reported a longer-than-average DOM of 69 days, while Dallas and Houston had DOM figures of 46 days and 49 days, respectively.

The number of **active listings** rose to 2.3 percent, reaching just above 85,000 listings. All four of the major metros posted positive monthly gains with Dallas accounting for the largest gain at 5.7 percent MOM while Houston remained at last month's level with a 0.4 percent MOM game. Conversely, the state's **new listings** dipped by 12.7 percent to 36,880 units, with Dallas contributing significantly to this double-digit decline by registering a decrease of 1,800 units in July. Amid the rise in active listings, **months of inventory (MOI)** had a marginal gain to 3.3 months.

Since the Fed hiked interest rates by another quarter point, both treasury rates and mortgage rates increased in July. The **ten-year U.S. Treasury Bond** yield grew 15 basis points, reaching 3.9 percent. Likewise, **the Federal Home Loan Mortgage Corporation's 30-year fixed-rate** increased to 6.8 percent, up 13 basis points. The inflated mortgage rate is expected to further raise the cost of home ownership and decrease mortgage applications.

Single-Family Permit Levels Continue to Drop

Texas' **single-family construction permits** shrank to 12,240 applications in July after seasonal adjustment, marking a 3 percent MOM decrease. Houston's (4,070 permits) contribution to the monthly shrinkage was prominent, as permits plummeted 17.8 percent MOM. Although Austin (1,380 permits) reported the largest rebound of 34.3 percent MOM, the gain was not enough to cover half of Houston's loss. Dallas (3,540 permits) and San Antonio (760 permits) maintained their activity levels like June.

Construction starts had not yet reflected the decline in construction permits. After three consecutive growths, **single-family construction starts** in Texas balanced at 11,450 units. Both Dallas and Houston led with over 3,200 houses breaking ground, surpassing the combined total of other metros outside the "Big Four." The ratio between home projects in Austin (1,580 starts) and San Antonio (810 starts) remained at approximately 2:1.

The state's total **single-family starts value** reached $18.8 billion, up from $15.9 billion in June. While the current starts value fell short of the peak during the pandemic frenzy in 2020-22, it aligned with construction activity levels observed in 2019. Notably, Houston and Dallas remain pivotal players, contributing to more than half of the state's construction activity values. Dallas' market share rose to 27.6 percent, closely trailing Houston's 27.7 percent share.

Steady and Modest Price Gains Amid Sales Decline

The low supply of homes had supported price gains, and the steady uptick in **Texas' median home prices**, including both new and existing homes, moderated from 0.4 percent in the first five months to 0.2 percent in June and July. Three of the Big Four metros reported monthly changes of less than 1 percent, indicating price stability for the state's housing market. Austin's median price remained more elevated than all other metros at $454,000 (Table 2). Dallas followed with $398,300.

Amid Austin's recent price volatility, this metro was still approximately 10 percent below last year's $507,400 median price. Meanwhile, the state along with the other major metros narrowed the gap to 1 percent, down from 5 percent in June. These changes indicate the real estate industry has nearly reached a full recovery from the price correction observed in the second half of 2022.

Since the dip from July to December 2022, the **Texas Repeat Sales Home Price Index** (Dec 2004=100) had reverted to the trend. Though the acceleration slowed to 0.7 percent YOY, the index balanced at 229.4, beating June 2022's record-high reading when the annual increase was at an astonishing rate of 16.5 percent YOY. The elevated index corroborates a rebound in home price appreciation in 2023.

Table 1. Home Sales Volume

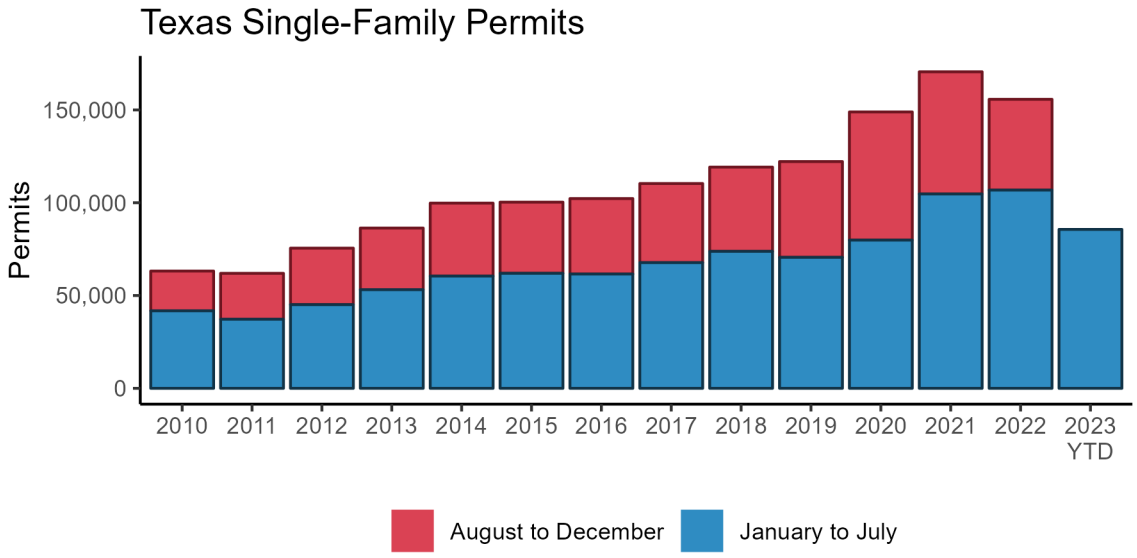
	Jun	Jul	Monthly Changes
Texas	28,235	25,870	↓ -8.4%
Austin-Round Rock	2,450	**2,312**	↓ -5.6%
Dallas-Fort Worth-Arlington	**7,565**	6,989	↓ -7.6%
Houston-The Woodlands-Sugar Land	7,313	6,691	↓ -8.5%
San Antonio-New Braunfels	2,885	2,679	↓ -7.1%

Note: Seasonally adjusted data used for the reported metrics.
Source: Texas Real Estate Research Center at Texas A&M University

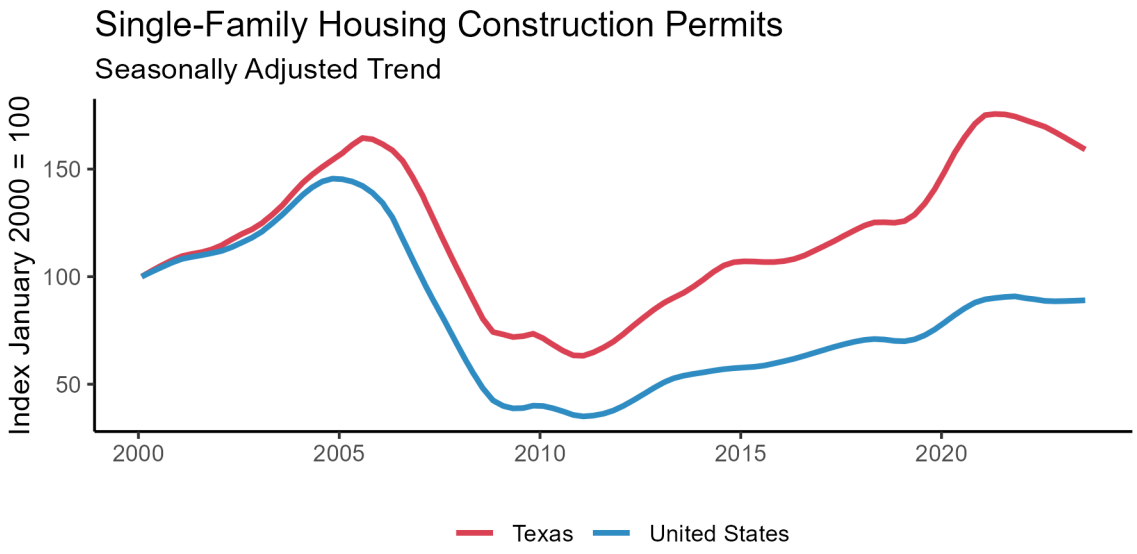
Table 2. Median Housing Prices

	Jun	Jul	Monthly Changes
Texas	$ 337,200	$ 337,700	↑ 0.2%
Austin-Round Rock	**$ 456,500**	$ 454,000	↓ -0.5%
Dallas-Fort Worth-Arlington	$ 396,100	$ 398,300	↑ 0.6%
Houston-The Woodlands-Sugar Land	$ 328,500	$ 332,100	↑ 1.1%
San Antonio-New Braunfels	**$ 312,200**	$ 313,100	↑ 0.3%

Note: Seasonally adjusted data used for the reported metrics.
Source: Texas Real Estate Research Center at Texas A&M University



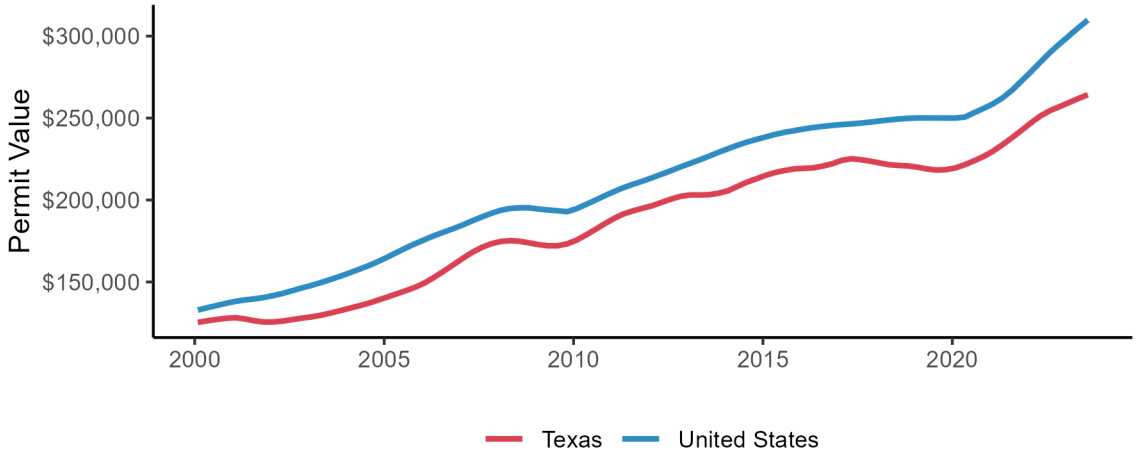
Source: Texas Real Estate Research Center at Texas A&M University



Source: U.S. Census Bureau - Texas Real Estate Research Center at Texas A&M University

Single-Family Housing Construction Permit Values

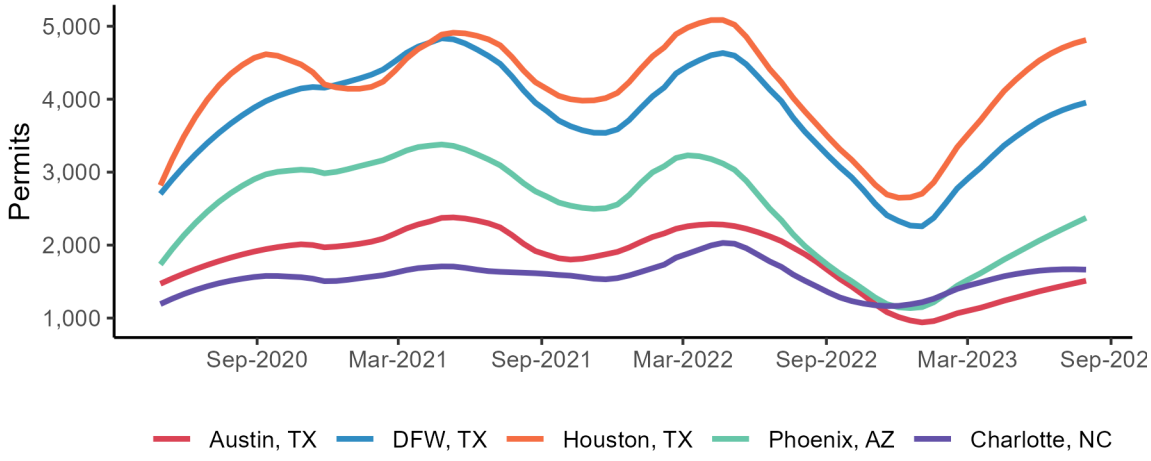
Seasonally Adjusted Trend



Source: U.S. Census Bureau - Texas Real Estate Research Center at Texas A&M University

Top New Home Metros Since COVID

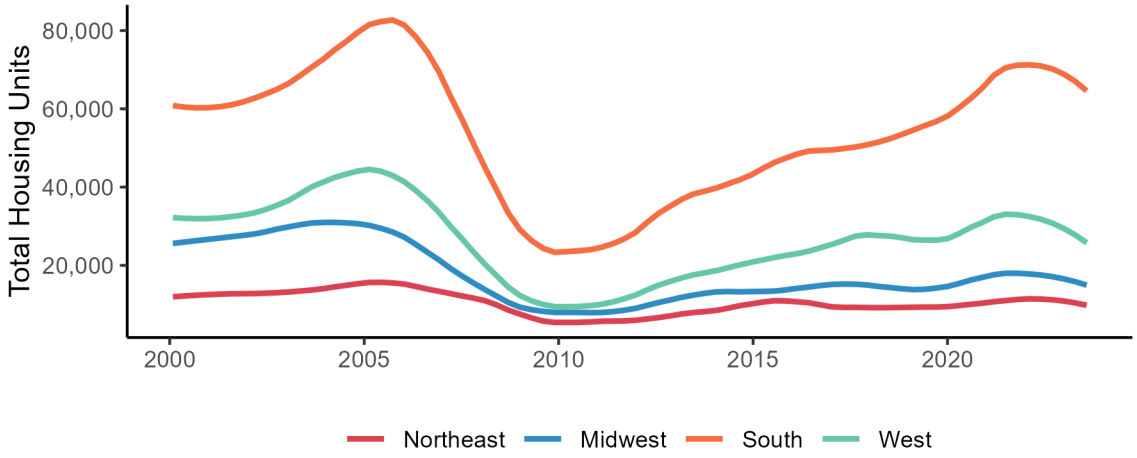
Single-Family Detached Homes



Source: U.S. Census Bureau - Texas Real Estate Research Center at Texas A&M University

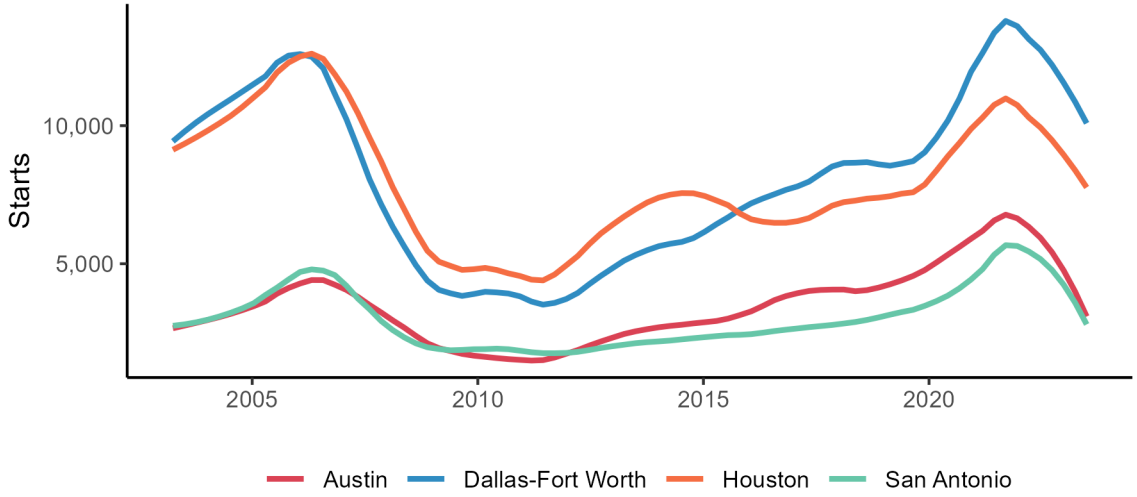
Regional Housing Starts

Total Housing Units



Source: U.S. Census Bureau - Texas Real Estate Research Center at Texas A&M University

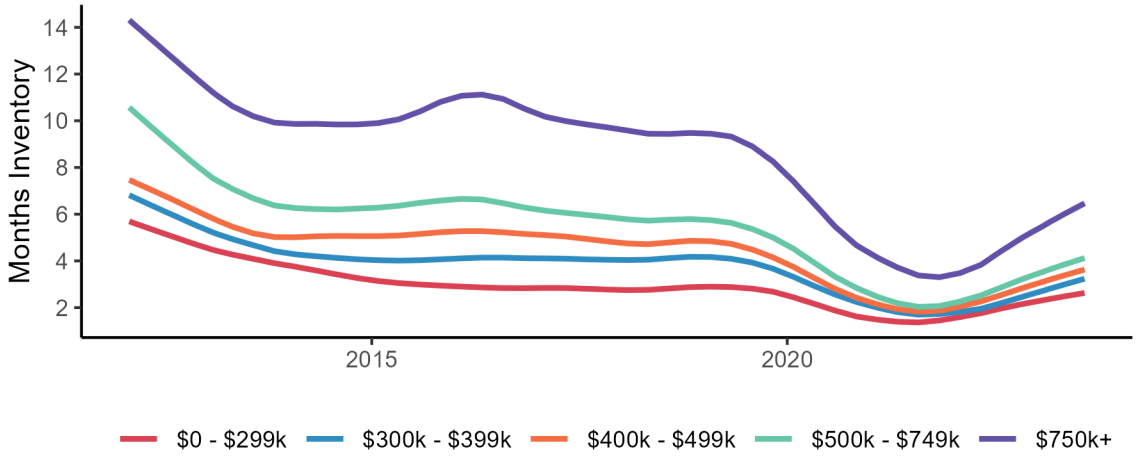
Metro Housing Starts



Source: Zonda - Texas Real Estate Research Center at Texas A&M University

Inventory by Price Cohort

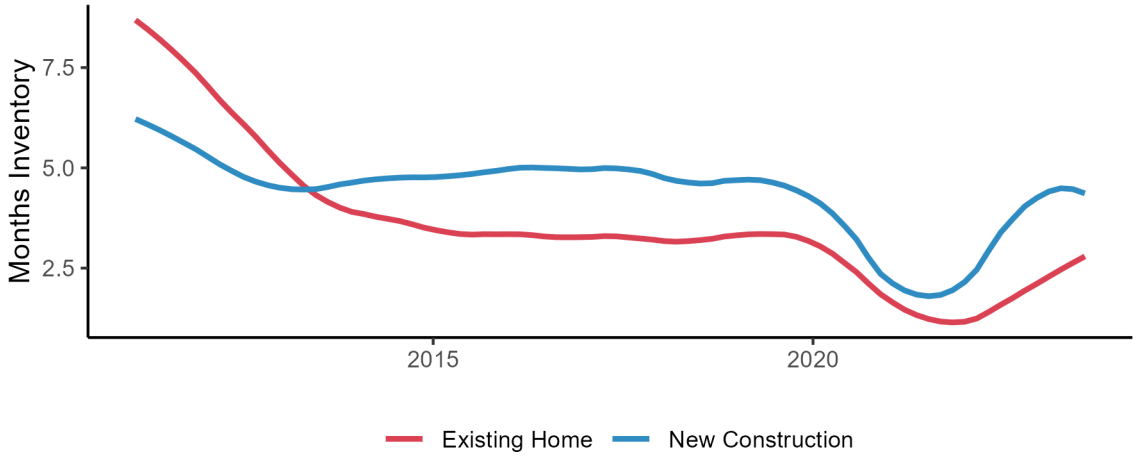
Seasonally Adjusted Trend



Source: Texas Real Estate Research Center at Texas A&M University

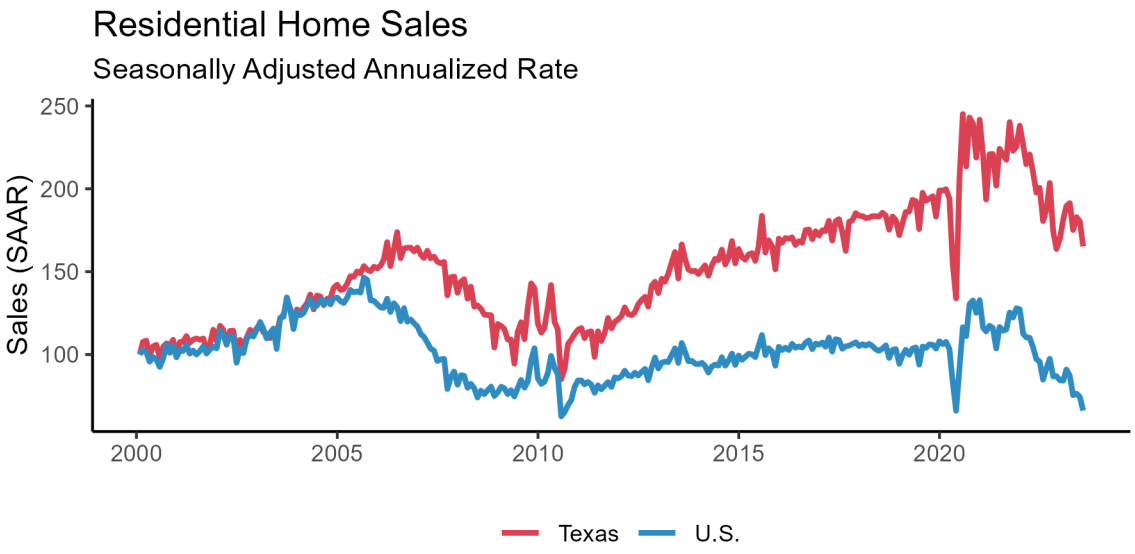
Texas New and Existing Inventory

Seasonally Adjusted Annualized Rate

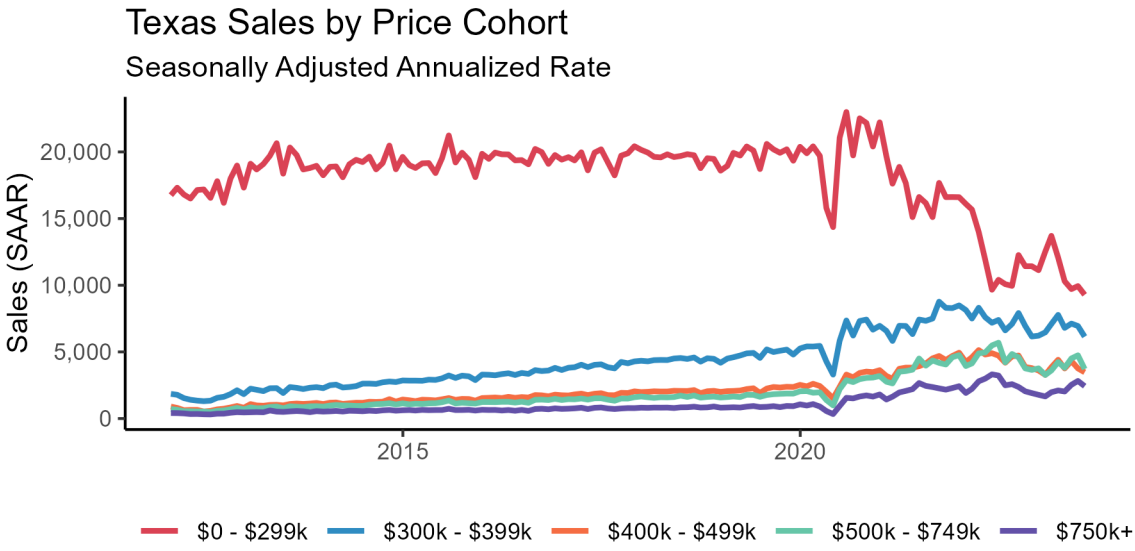


Source: Texas Real Estate Research Center at Texas A&M University

DEMAND



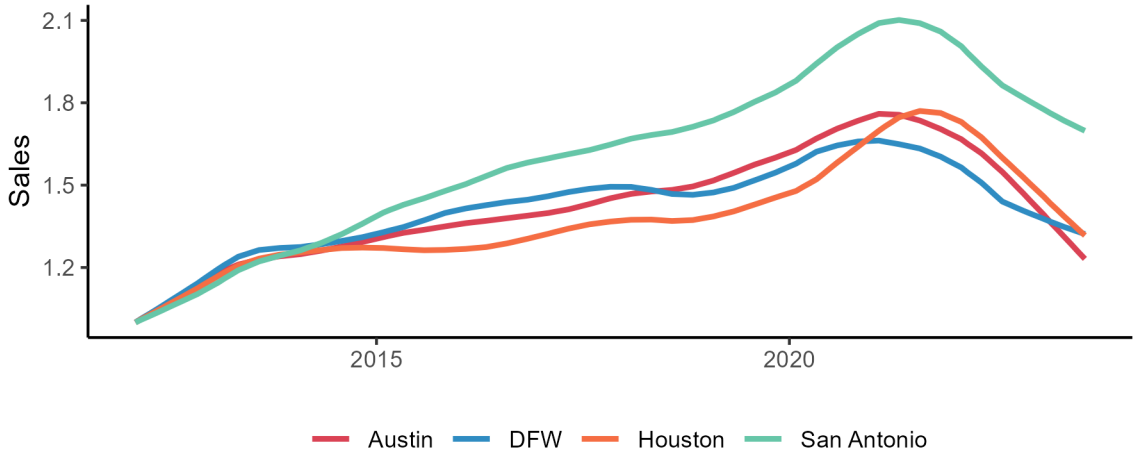
Source: National Association of Realtors - Texas Real Estate Research Center at Texas A&M University



Source: Texas Real Estate Research Center at Texas A&M University

Metro Home Sales

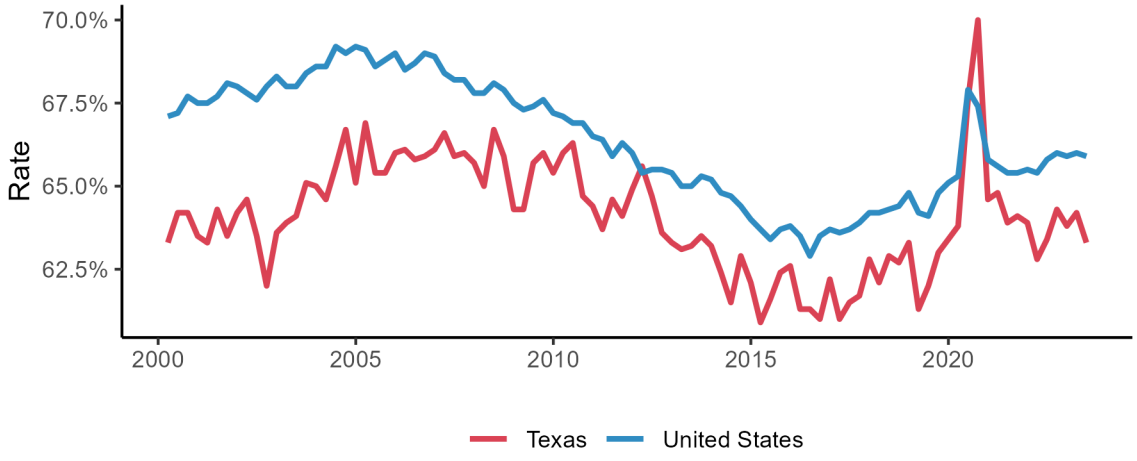
Seasonally Adjusted Trend



Source: Texas Real Estate Research Center at Texas A&M University

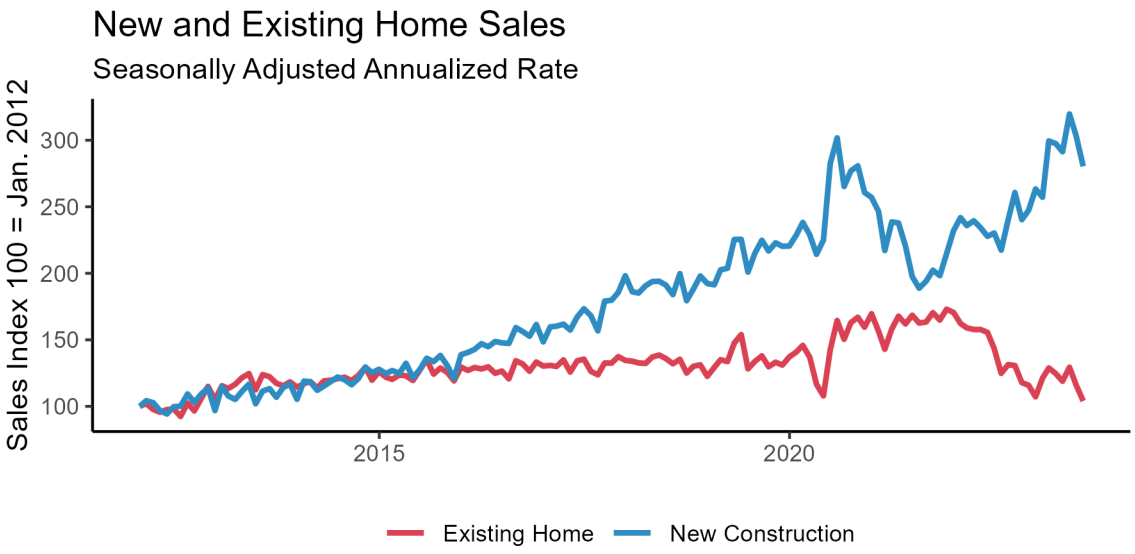
Homeownership Rate

Seasonally Adjusted Trend

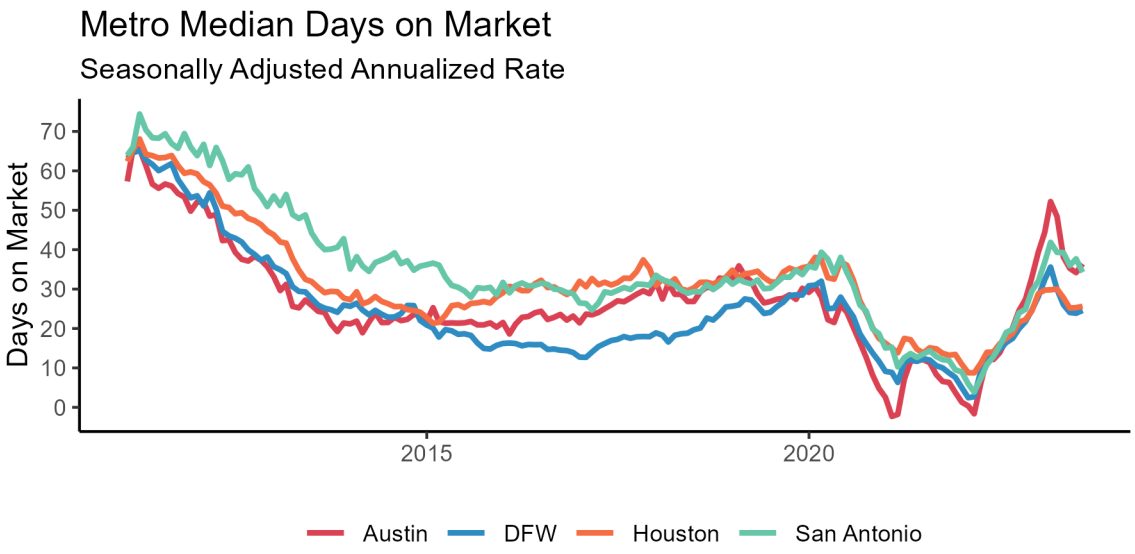


Source: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

DEMAND



Source: Texas Real Estate Research Center at Texas A&M University

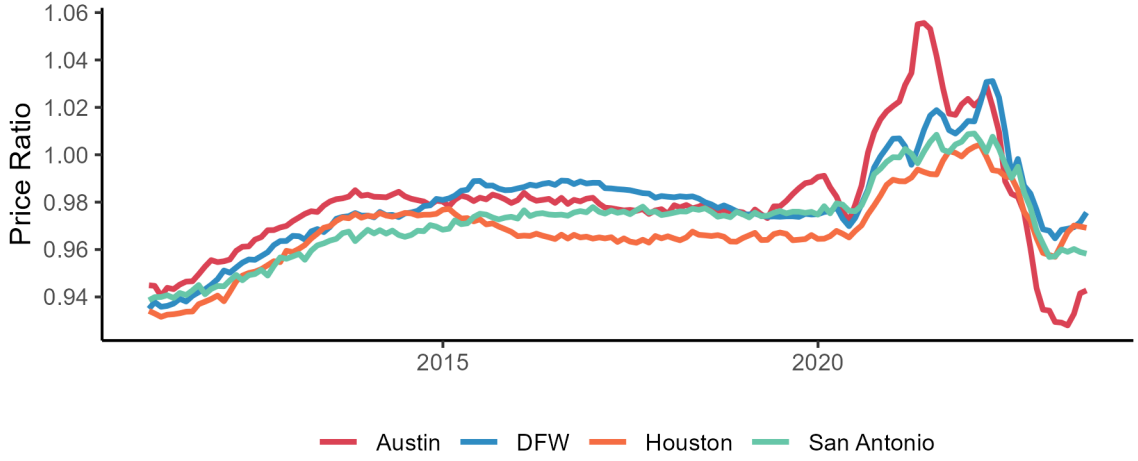


Source: Texas Real Estate Research Center at Texas A&M University

DEMAND

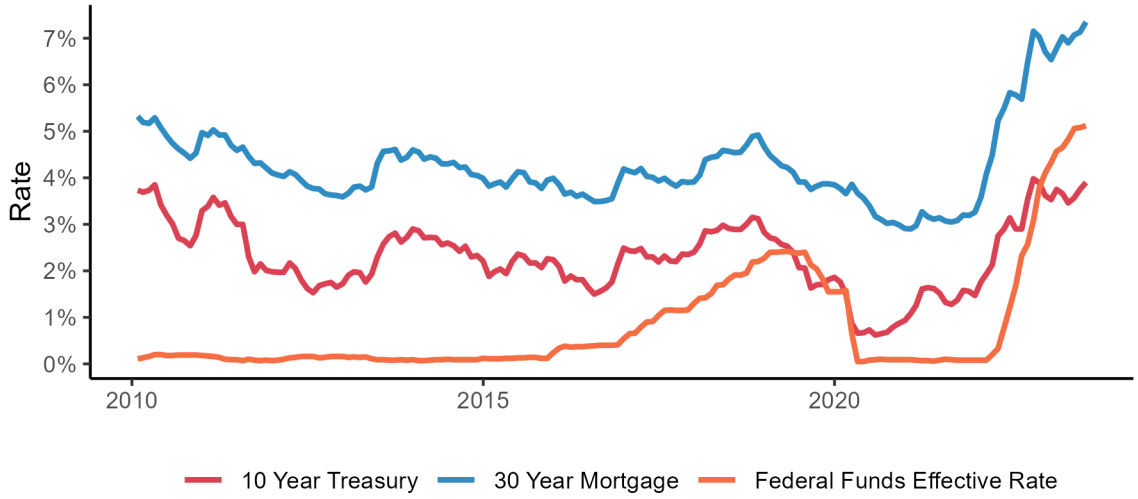
Metro Median Sale to List Price Ratio

Seasonally Adjusted Annualized Rate



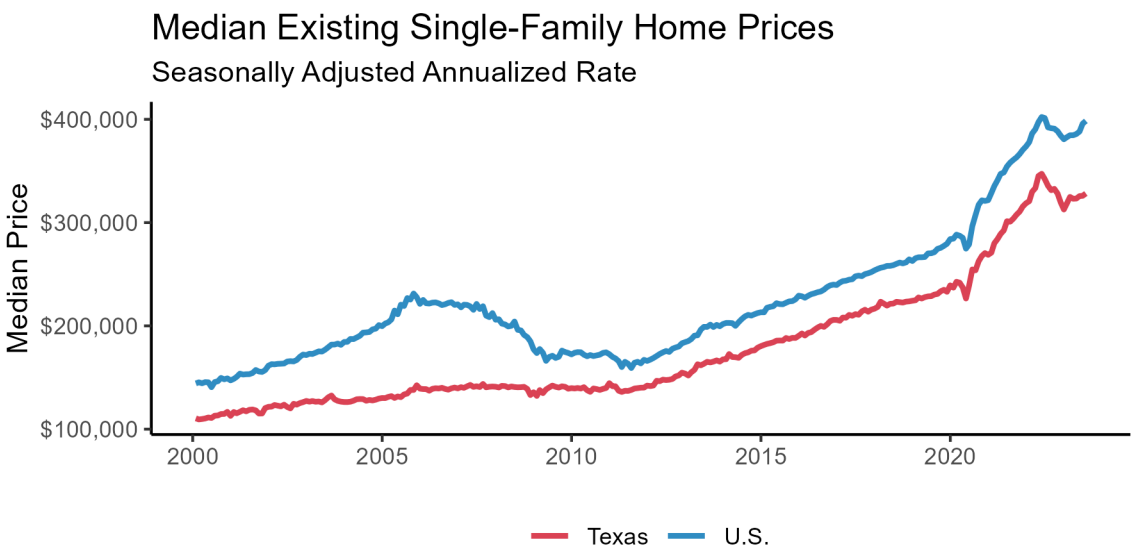
Source: Texas Real Estate Research Center at Texas A&M University

Interest Rates

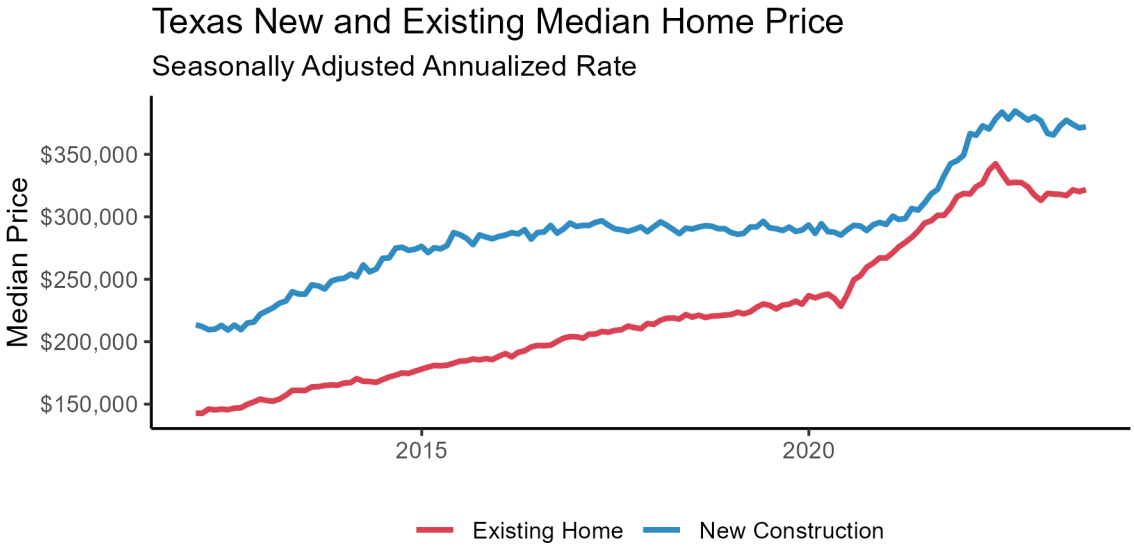


Source: Federal Reserve - Wall Street Journal - Texas Real Estate Research Center at Texas A&M University

PRICES



Source: National Association of Realtors - Texas Real Estate Research Center at Texas A&M University



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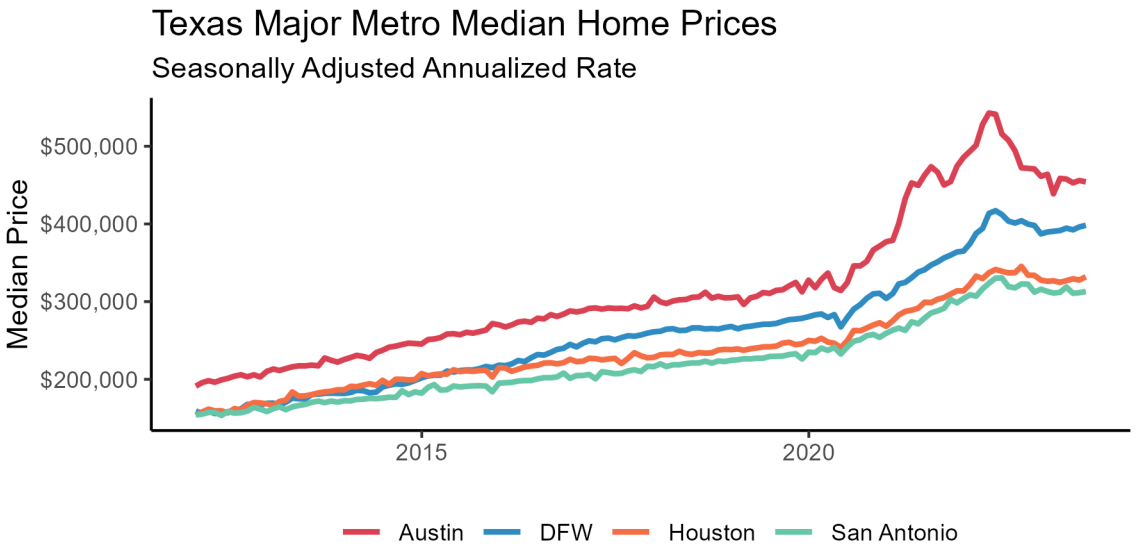

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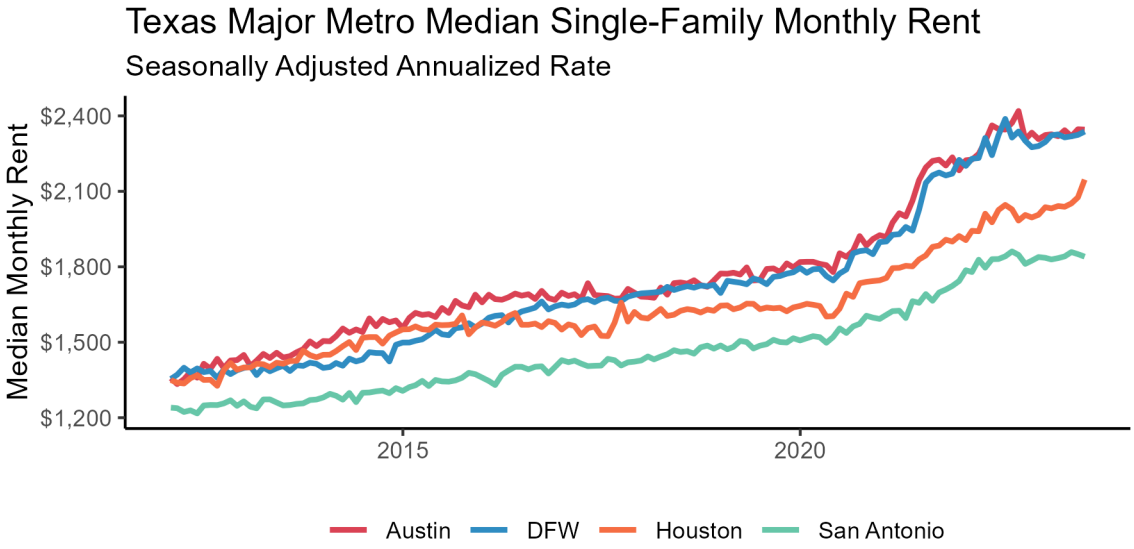
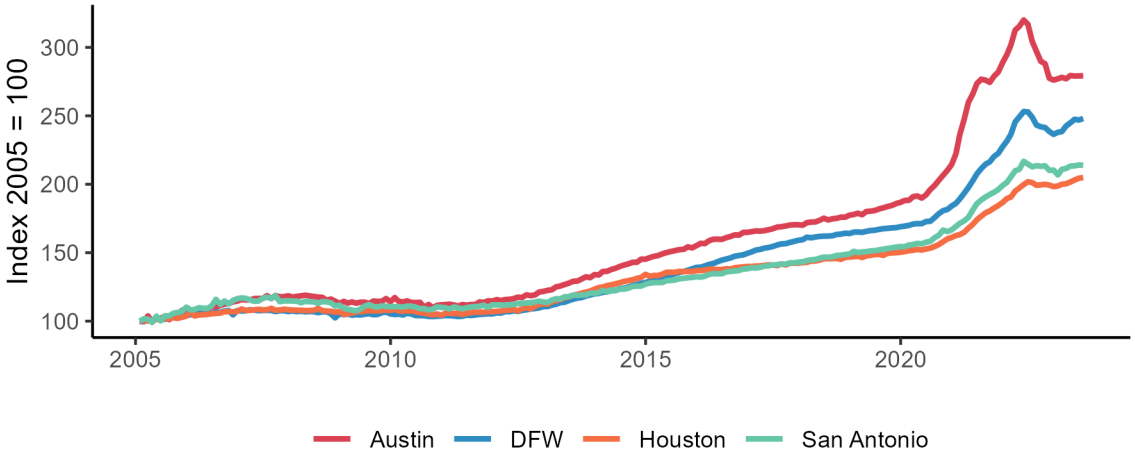


Source: Texas Real Estate Research Center at Texas A&M University

PRICES

Major Metro Home Price Index

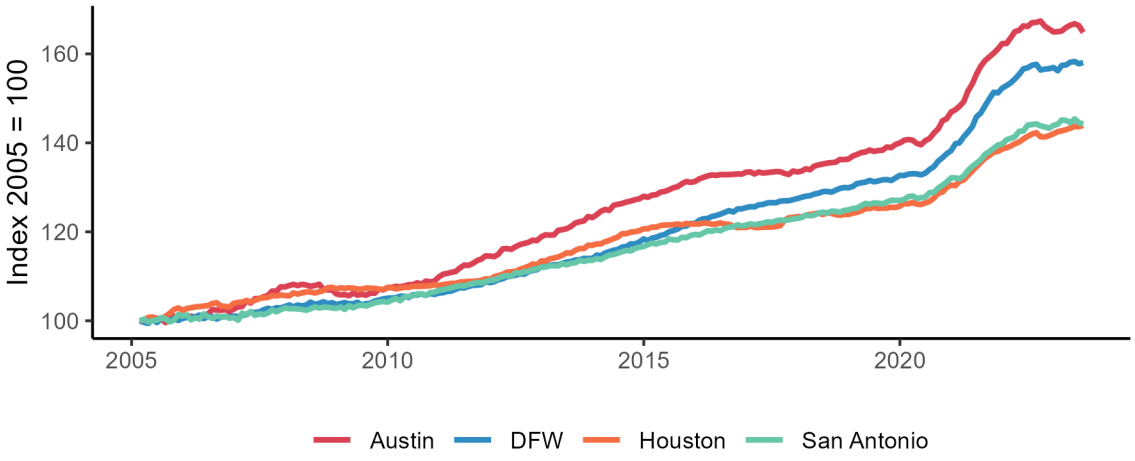
Seasonally Adjusted Annualized Rate



Source: Texas Real Estate Research Center at Texas A&M University

Major Metro Single-Family Rent Index

Seasonally Adjusted Annualized Rate



Source: Texas Real Estate Research Center at Texas A&M University

TEXAS A&M UNIVERSITY
Texas Real Estate Research Center

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6

Consulting Actuaries: Curricula Vitae, Full Report, and Supporting Tables

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CREDENTIALS

Fellow of the Society of Actuaries (F.S.A) – 2010
Associate of the Casualty Actuarial Society (A.C.A.S) – 2014
Member of the American Academy of Actuaries (M.A.A.A) - 2010

EXPERIENCE
Sept 2007 - Current

Rudd & Wisdom Incorporated Austin, TX
Consulting Actuary

- Principal of the firm Rudd & Wisdom Incorporated (2012)
- Analyze Texas title insurance historical experience and successfully collaborate with TDI and OPEC to increase Texas title insurance rates
- Serve as a consultant to large group insurance programs such as Texas Medicaid Program, Texas Children's Health Insurance Program, the State of Texas Group Benefit Program, and the University of Texas Employee Group Insurance Program
- Develop Medicaid and CHIP managed care medical, drug, dental and non-emergency medical transportation premium rates for the Texas Health and Human Services Commission
- Analyze group insurance experience, rate setting, projection of cash flows, and evaluation of benefit plan design
- Responsible for helping client collect over $70 Million for the Affordable Care Act's early retiree reinsurance program (ERRP)
- Calculate incurred but not reported (IBNR) and estimate outstanding reserves
- Develop year end prescription drug experience report for clients
- Calculate the cost impact of potential benefit changes such as changes in deductible and co-pay
- Calculate cost impact of various Affordable Care Act mandates
- Audit prescription drug claim pricing and review guarantee and rebate amounts paid to clients by the pharmacy benefit managers
- Assist in reviewing pharmacy benefit manager (PBM) and third party administrator (TPA) request for proposal (RFP) and evaluate proposer's responses
- Prepare codes in A Programming Language (APL) and Macros in Visual Basic to develop experience reports

EDUCATION

The University of Texas at Austin
Bachelor of Business Administration (2007)
Major: Finance ; Concentration: Math (Actuarial Science)

SKILLS

Computer:
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Evan L. Dial, F.S.A.
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Charles V. Faerber, F.S.A., A.C.A.S.
Mark R. Fenlaw, F.S.A.
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Rebecca B. Morris, A.S.A.
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Ronald W. Tobleman, F.S.A.
David G. Wilkes, F.S.A.

CHARLES V. FAERBER

Mr. Faerber is a graduate of the University of Texas at Austin with a Bachelor of Arts degree in Mathematics and a Master of Business Administration degree. He is a Fellow of the Society of Actuaries, an Associate of the Casualty Actuarial Society, a Member of the American Academy of Actuaries, a Member of the Southwest Actuarial Forum and a Member of the Actuaries' Club of the Southwest. Mr. Faerber has been a consulting actuary with Rudd and Wisdom, Inc. since 1978. Mr. Faerber presently specializes in property and casualty insurance and has experience with self-insured entities, health and welfare coverages, public pension plans and expert witness testimony. Prior to joining Rudd and Wisdom, he worked for a year and a half as a teaching assistant in the Math Department at the University of Texas. He is a principal of the firm. His experience includes:

- Consulting activities with insurance companies and self-insured groups providing property and casualty coverages. These coverages include professional liability, workers compensation, unemployment, automobile extended service contracts and property insurance. Activities include:
  - Determination of actuarial liabilities for quarterly and annual statements;
  - Assistance with preparation of quarterly and annual statements;
  - Rate studies, including analysis of experience, projection of trends, strategic planning development of appropriate balance between rate equity and rate adequacy;
  - Preparation of Federal Income Tax estimates and assistance in development of tax strategies;
  - Valuation of insurance companies and blocks of insurance business via a projection of profitability on past, current and future business written; and
  - Analysis of reinsurance proposals and review of reinsurance treaty experience.
- Development of cash flow model for groups self-insuring their workers compensation coverage.
- Development and maintenance of a life insurance administration system for personal computers.
- Responsibility for oversight of and recommendations for firmwide computer hardware and software.
- Expert witness services in divorce litigation, wrongful death and disability litigation and litigation involving interest computations.
- Development and utilization of a computerized valuation system used in actuarial studies of various public retirement systems.
- Involvement in the determination of estimated retirement benefits and preparation of employee benefit statements for various public and private retirement systems.
- Development and utilization of a computerized cash flow projection model for public retirement systems.
- Assistance in the actuarial experience study of public retirement systems.
- Assistance in the determination of actuarial liabilities for the annual statements of life insurance companies.
- Determination of actuarial liabilities and actuarial assets and preparation of actuarial valuations for statewide and local public retirement system.

Full Report and Supporting Tables

Rudd and Wisdom, Inc.
Consulting Actuaries

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PRINCIPAL AND CONSULTING ACTUARY

Texas Title Rate Study

PREPARED FOR:

TLTA
TEXAS LAND TITLE ASSOCIATION

OCTOBER 14, 2024

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY

This report details the development of the indicated rate change for title insurance firms in Texas. The actuarial model used to derive the indicated rate change relies primarily on the experience of title insurance underwriters and agents in Texas. This includes data from independent agents, affiliated agents, direct operations, and underwriters. The loss, LAE, and expense ratio were compiled and analyzed for each year from 1998 through 2022. The indicated rate provides a reasonable provision to cover i) expected expense, ii) expected loss & LAE, iii) catastrophic load, and iv) underwriting profit.

The rating analysis uses the following scenarios to determine a reasonable rate range. Each of these scenarios is described in more detail in Section IV – Rating Analysis of the report and was selected because premium volume for each of these scenarios is similar to what we'd expect in the rating period. The indicated rate change for each of the scenarios is presented in the table below and in Attachment 1.

	Pre-COVID		20-Year	Linear	Estimated
Components	2015-2019	2017-2019	2003-2022	Regression	2023 Experience
Expense Ratio	80.9%	80.7%	81.3%	81.0%	84.7%
Loss & LAE Ratio	2.1%	2.2%	2.4%	2.4%	2.4%
Catastrophic Claims	1.0%	1.0%	1.0%	1.0%	1.0%
Total	84.0%	83.9%	84.7%	84.5%	88.0%
Profit Load - 12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
Rate Change	**-4.6%**	**-4.7%**	**-3.8%**	**-4.0%**	**0.0%**

The expense and loss ratios were determined using a weighted average formula with premium as weights. We also reviewed the experience using the most recent 5 years, 10 years and 15 years of data. However, these time periods were not used for the rate indication because they give too much weight to the pandemic periods 2020 through 2022 and doesn't represent what we would expect during the rating period because of the downturn in the title insurance market that started in the fall of 2022. Relying on experience for the most recent 5 years, 10 years and 15 years of data for the rate indication assumes the market will revert back to periods of usual profitability and high premium volume experienced during 2020 through 2022. We do not believe this is the case based on the current title insurance market conditions.

The rate study relies on data published by TDI through 2022, which doesn't include the full impact from the downturn in the title insurance market that started in the fall of 2022. In order to estimate the 2023 experience, we surveyed 37 large size agents making up about 50% of total premiums and asked them to provide their 2023 experience using the same methodology that will be used for the 2023 Agent Statistical Data call. More information about the survey is included in Attachment 4. We estimate that the expense ratio in 2023 will be 84.7% based on the survey resulting in a rate change of 0.0% if we only relied on 2023 estimated experience. We believe the 2023 experience most accurately reflects the current market conditions and should be given the most weight in the rating analysis.

Based on our study, we believe a reasonable rate change range is between 0.0% to -4.7%. However, given the downturn in the title insurance market, we recommend more weight be given to the 2023 experience in the rating analysis because the 2023 experience most accurately reflects the current market conditions.

II. INTRODUCTION

Rudd and Wisdom, Inc. has been asked by the Texas Land Title Association (TLTA) to develop indicated rate change for Texas title insurance firms. This report presents the indicated rate change calculations and assumptions used in developing the indicated rates.

Rudd and Wisdom has relied on the following data sources:

- Texas Title Insurance Experience Report Compilation from 1998 through 2022. This report compiles experience for all underwriters.

- Texas Title Insurance Agent Experience Report Compilation from 1998 through 2022. This report groups experience into three types of operation: title insurance, escrow and non-policy abstract. Only experience reported as title insurance is used for the purpose of rate setting. Experience reported as escrow or non-policy abstract were excluded from the rating analysis.

- Title Industry Annual Statement Compilation data from the American Land Title Association (ALTA) derived from NAIC data for all title underwriting companies.

- Cost of capital provided by Dr. Greg Hallman and Mr. Kevin Jewell.

- Survey of CY2023 expense from Texas title agents.

Although the above data was reviewed for reasonableness, Rudd and Wisdom did not audit the data.

III. Overview of Rating Methodology

This report details the development of the indicated rate change for title insurance firms in Texas. The actuarial model used to derive the indicated rate change relies primarily on the experience of title insurance underwriters and agents in Texas. This includes data from independent agents, affiliated agents, direct operations, and underwriters. The loss, LAE, and expense ratio were compiled and analyzed for each year from 1998 through 2022. The rating analysis determines an appropriate rate by analyzing the costs that are expected to prevail at the time the rates are in effect. The indicated rate provides a reasonable provision to cover i) expected expense, ii) expected loss & LAE, iii) catastrophic load, and iv) underwriting profit. The formula used to determine the indicated rate change is:

[(Expense Ratio + Loss and LAE Ratio + Catastrophic Load) / (1- Underwriting Profit)] – 1

Expense

Unlike other forms of insurance, title insurance is based primarily on loss prevention and the largest percent of the premiums is used to cover the expenses necessary to prevent title claims from occurring. These expenses cover searching for, identifying and eliminating risks that could result in a future claim. A typical title search involves visits to the offices of recorders or registries of deeds, clerks of courts and other officials, and the company's own title plant. Title professionals search for second or third mortgages, judgments, liens, street and sewer system assessments, special taxes and levies and numerous other matters to prevent future claims. A higher expense ratio (expense as percent of premiums) typically means more research is done on the front end of the process and that results in lower loss and LAE ratios. Alternatively, a lower expense ratio typically means less research is done resulting in a higher loss and LAE ratios.

The expense ratio for title insurance is highly correlated with premium volume. Generally, the higher the premium volume the lower the expense ratio. Conversely, a lower premium volume will produce a higher expense ratio. This inverse relationship between expense ratio and premium volume occurs because a significant portion of title industry's expenses are fixed, at least in the short term. Expense items, such as salary, benefits and rent are not directly impacted by premium volume. However, the expense ratio is very much impacted by premium volume. The premium volume should be considered when projecting the expense ratio for ratemaking purposes.

Loss and LAE

Loss and Loss Adjustment Expense (LAE) is intended to account for the expected cost of claims against a title policy. When there is a claim, it is often due to a title defect that was undetected during the title search. A title defect is anything that can cause a title to be considered invalid or defective in some way. Some examples are:

- Invalid documents due to forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation.
- Failure of any person or entity to have authorized a transfer or conveyance.
- A document affecting title that is not properly executed, signed, witnessed, notarized, or delivered.
- Undisclosed or unrecorded easements not otherwise apparent on the property.

- No right of access to and from the land.
- A document executed under a falsified, expired, or otherwise invalid power of attorney.
- A document not properly filed, recorded, or indexed in the public records.
- Ownership claims by undisclosed or missing heirs.
- Defect arising from an improper prior foreclosure.
- Undisclosed restrictive covenants affecting the property.

Lien issues can also cause title defects. Some examples of lien issues are:

- Any statutory or constitutional contractor's, mechanic's, or materialman's lien for labor or materials that began on or before the policy date.
- Lien for labor or materials furnished by a contractor without consent.
- A previous owner failed to pay
    - a mortgage or deed of trust
    - a judgment, tax, or special assessment
    - a charge by a homeowners or condominium association.
- Other liens or claims that may exist against a title that are not listed in the policy.

CATASTROPHIC LOAD PROVISION

The loss and LAE ratios were developed using the past 20 years of data. This period doesn't include catastrophic claims. Attachment 10 presents the historical loss and LAE ratios and the provision for catastrophic claims. The provision for catastrophic claims was defined as the loss and LAE ratios in excess of 5.0%. The loss and LAE ratios have not exceeded 5% in any single year using the past 20 years of data. However, using the 38 years of data reflects the catastrophic event from the savings and loan crisis experienced in the late 1980s and early 1990s. The straight average 38-year provision for catastrophic claims is 1.4%.

We have selected a margin of 1.0% in the rating analysis for the provision of catastrophic losses that is not reflected in our 20-year historical loss and LAE ratios.

UNDERWRITING PROFIT LOAD

The underwriting profit load provision is a margin in the rates that together with investment and miscellaneous income provides an adequate return to the title insurance firms considering the capital required, the expenses incurred, and risks involved with issuing title insurance.

The suggested cost of capital was provided by Dr. Greg Hallman and Mr. Kevin Jewell. They have recommended using a cost of capital of 15.4%. Attachment 11 presents their Cost of Capital Report. We removed the return on investment to determine the appropriate underwriting profit load to include in the rates. We have determined the underwriting profit load to be 12.00%. Attachment 7 presents the underwriting profit load calculations and summarized below.

- The after-tax return of capital is assumed to be 15.4% and comes directly from Dr. Hallman's and Mr. Jewell's cost of capital analysis. It represents the total return from both investments and underwriting (i.e. profit load through rating).

- The historical pre-tax return on invested assets is assumed to be 5.62% and is 1.02% higher than the current 20-year Treasury bill. The historical pre-tax return on invested assets is then converted into an after-tax return and the return on invested assets is converted into return on capital by applying historical leverage ratio which results in an after-tax return on capital of 6.93%.

- The after-tax return on capital from underwriting is 8.47% which equals the total return on capital (15.4%) minus the return on capital that the companies are assumed to achieve through investments (6.93%).

- The after-tax return on capital from underwriting is then converted into after tax return on premiums from underwriting by applying historical leverage ratio.

- The after-tax return on premiums from underwriting is then converted into pre-tax return on premiums from underwriting resulting in our profit load assumption of 12.0%.

ADJUSTMENT TO REVENUE AND EXPENSE

Historical premiums were adjusted by applying an "on-level" factor, which reflect what the premiums would be using the rates that are currently in effect. The "on-level" factor is presented in Attachment 8 and derived from historical rate changes and policy changes.

In addition, title insurance rates should only include revenue and expense related to issuing title policy. Title agents provide certain "title" services that are beyond the scope of the rate regulated title policy and should be excluded from rate setting. This is achieved by excluding the following revenue and expense items.

- Pass Through. Tax Certificates and Recording Fees are "pass through" payments made by title agents on behalf of the insured, which are then reimbursed as part of the closing transaction. This results in artificially increasing the overall expense ratio for agents. For example, Agents A pays Agent B $100 for examination services then A will record expense and B will record as income. Prior to this, total expense is $900 and income is $1,000 for 90% expense ratio ($900/$1,000). The industry transfer will result in increase in both income and expense by $100 resulting in expense ratio of 91% ($1,000/$1,100). Pass through payments are reported as both revenue and expense and are excluded from rating.

- Industry Transfer. Evidence/Examination Fees and Closing Fees paid to Title Agents are "industry transfer" payments made between two title agents when one agent completes work for another agent. Similar to pass through payments, industry transfer payments are reported as both revenue and expense and are excluded from rating.

- Excluded Expense. Expense items excluded from rate setting include (i) damages for bad faith suits, (ii) fines or penalties, (iii) donations/lobbying and (iv) trade association fees. The purpose of

the exclusion is the philosophy that these expenses should not be passed onto policyholders in the rate making process.

Summary of Expense and Loss Experience

Attachment 2 presents information regarding on-level premiums, expenses, and losses & LAE from 1998 through 2022. A summary of each exhibit in Attachment 2 is shown below.

- Exhibit A - Summary of Loss & Expense Ratios for All Title Firms
- Exhibit B - Summary of Loss & Expense Ratios for Underwriting Companies
- Exhibit C - Summary of Loss & Expense Ratios for All Agents, including Independent Agents, Affiliated Agents and Direct Operations

Exhibit A of Attachment 2 presents the combined experience all underwriters and agents used for the rating analysis. Exhibit B of Attachment 2 presents experience for all underwriters and Exhibit C of Attachment 2 presents experience for all agents. Each of these exhibits uses the following terms which are described below.

Adjusted Gross Title Income. The sum of all revenue in the experience report is called the gross title income. The Adjusted Gross Title Income removes pass through and industry transfer items from the gross title income.

Adjusted Retained Premiums. Starting in 2004, underwriter premiums transferred to agents didn't match the sum of retained premiums for all agents. The reason for this is because a portion of the home office premiums for agents started to be reported in Examination/Evidence Fee (Income Line 4) and/or Closing Fee (Income Line 5). As a result, in order to account for the HOI premiums, we need to add Retained Premiums (Income Line 3), Examination/Evidence Fee (Income Line 4) and Closing Fee (Income Line 5). However, this will overstate the agents premiums due to double counting of some industry transfers. As a result, we need to remove the Evidence/Examination Fees (Expense Line 3a.) and Closing Fees Paid (Expense Line 4a) reported on the Expense lines. Attachment 9 compares the premiums retained by agents reported by the underwriters and the Adjusted Retained Premiums calculated for the agents. The difference is immaterial and due to reporting time differences between underwriters and agents.

Adjusted Expense. The Adjusted Expense removes pass through, industry transfer and excluded expense items from the total operating expenses. In addition, the Loss and LAE expense is excluded since it is accounted for separately.

Expense Included in Rating. Even after removing pass throughs, industry transfers and excluded expenses, the Adjusted Expense still include expenses with a mixture of rate-regulated and non-rate regulated title activities. The expense adjustment ratio, which equals Adjusted Retained Premiums divided by Adjusted Gross Title Income, is applied to the Adjusted Expense to approximate the expenses that are only associated with rate-regulated title insurance. In addition, the net change to unearned premium is added to determine the Expense Included in Rating.

On-Level Expense Ratio. The On-Level Expense Ratio equals the Expense Included in Rating divided by Adjusted Retained Premiums.

On-Level Loss and LAE Ratio. The On-Level Loss and LAE Ratio equals the Loss and LAE expense divided by Adjusted Retained Premiums.

The experience data included in Attachment 2 was aggregated using data from the Texas Title Insurance Industry Experience Report Compilation for Underwriters included in Exhibit A of Attachment 3 and the Texas Title Insurance Agent Experience Report Compilation for Agents included in Exhibit B of Attachment 3. These reports are compiled and published annually on TDI's website.

IV. Rating Analysis

Downturn in Title Market

The rating analysis relies on historical data for the Texas title industry because historical experience is usually the best indicator of future experience. However, actuarial judgement should be relied on when historical experience is significantly different than current experience due to changes in market conditions. The rating analysis projects what the cost is expected to be during the rating period.

Although data through 2022 reflects a period of usual profitability for the title industry, more recent data reflects a significant downward market trend that raises concerns and uncertainty that requires substantial consideration to ensure an adequate and reasonable rate. The pandemic spurred a steep drop in interest rates, a continued rise in home prices, shortages in supply, and an increased demand in the refinancing of homes, the market – both residential and commercial - has since experienced a significant decrease in activity starting in the fall of 2022. Texas written premiums in 2023 was 33.2% less than in 2022 based on ALTA Industry Annual Statement Compilation data derived from NAIC data. Exhibit A of Attachment 6 presents written premium data by state and year that the American Land Title Association ("ALTA") published using the NAIC annual statement data from all underwriting companies. Texas written premiums is projected to be 37.0% less than CY2022 written premiums.

Another data source confirming that the Texas title market is experiencing a significant downturn is the current Quarterly Guaranty Fee Report that the Texas Title Insurance Guaranty Association produced. In accordance with Texas Insurance Code § 2602.151, a guaranty fee is collected on each owner or mortgagee title insurance policy issued in Texas. Exhibit C of Attachment 6 presents the Quarter Guaranty/GARC Fees and Polices Quarter 2023 Report. It reports that the number of policies reported where a guaranty fee is collected from the Texas Title Insurance Guaranty Association for Q1 and Q2 of 2023 is approximately 30% less than same time period in 2022 and approximately 40% less than same time period in 2021.

Rate Indication

The rating analysis uses the following scenarios to determine a reasonable rate range. Each of the scenarios was selected because premiums under each scenario is similar to the projected premiums presented in Exhibit A of Attachment 6.

1. Average of most recent 20-year period (2003-2022)

   The COVID pandemic spurred a steep drop in interest rates, a continued increase in home prices, shortages in supply, and an increased demand for refinancing of homes resulting in a significant increase in premium volume that is not expected to continue. Retained premiums increased by $1B in one year between 2020 and 2021. For reference, it took 15 years for retained premiums to increase by $1B between 2000 and 2015.

Using experience for the most recent 20-year period has the advantage of smoothing out experience due to the cyclical nature of the title insurance industry. Periods of low expense ratio such as 2020 through 2022 from the COVID pandemic is combined with period of high expense ratio such as 2007-2009 from the Great Recession caused by the subprime mortgage crisis. The most recent 20-year period results in a rate change of -3.8%.

2. Average of most recent 5-year period prior to COVID (2015-2019)

   As described above, the COVID pandemic resulted in a significant increase in premium volume that is not expected to continue in the short term. Using experience for the most recent 5-year period prior to COVID eliminates outlier years with premium volume that is not expected to continue in the short term. The most recent 5-year period prior to COVID results in a rate change of -4.6%.

3. Average of most recent 3-year period prior to COVID (2017-2019)

   Similar to Scenario 3 except using experience for the most recent 3-year period prior to COVID. The most recent 3-year prior to COVID results in a rate change of -4.7%.

4. Linear Regression

   The expense ratio for title insurance is highly correlated with premium volume. Generally, the higher the premium volume the lower the expense ratio and vice versa. This inverse relationship between expense ratio and premium volume is because a significant portion of title industry's expense are fixed, at least in the short term.

   A scatter plot is developed with expense ratio (y-axis) and retain premium (x-axis) from 1998 through 2022. A linear regression analysis determines the line of best fit using historical data between expense ratio and retain premiums. This line of best fit is used to estimate the expense ratio based on premium volume. Exhibit A of Attachment 5 presents the output of the linear regression model projecting the expense ratio based on on-level retained premiums.

   Attachment 6 – Exhibit A present the projected premiums based on premium volume published by ALTA. The projected premium is expected to be $2.13B. The linear regression model estimates the expense ratio will be 81.0% based on $2.13B in premium volume, which results in a rate change of -4.0%.

5. Estimated 2023 Experience

   The rate study relies on data published by TDI through 2022, which doesn't include the full impact from the downturn in title insurance that started in the fall of 2022. In order to estimate the 2023 experience, we surveyed 37 large size agents making up about 50% of total premiums and asked them to provide their 2023 experience using the same methodology that will be used for the 2023 Agent Statistical Data call. Please note, the survey was conducted in August 2024, therefore the 2023 financial information should have been finalized by the time of the survey.

   Attachment 4 presents the results of the survey. The expense ratio in 2023 was about 10 percentage points higher than pre-COVID periods with similar premium volume. In addition,

34 out of the 37 agents had net income in 2023 that is less than in 2022, supporting the downturn in the title insurance market.

The survey only included 37 large size agents making up about 50% of total premiums but the rating analysis includes experience for all agents and underwriters. The expense ratio used for the rating analysis was estimated using the survey as a proxy by assuming the following:

- The expense ratio difference between the survey and the rating analysis was determined for the past two years.

Expense Ratio		
Survey	Rating Analysis	Difference
75.20%	66.37%	-8.82%
82.82%	71.90%	-10.91%
	Selected = Average	-9.87%

- The 2023 rating expense ratio was estimated by applying the difference in the expense ratio as determined above to the 2023 survey expense ratio.

Survey 2023 Expense Ratio	94.52%
Difference	-9.87%
Estimated 2023 Rating Expense Ratio	84.65%

We estimate that the expense ratio in 2023 will be 84.65% based on the survey resulting in a rate change of 0.0% if we only relied on 2023 estimated experience. Please note, this is an estimate of the 2023 expense based on our survey and actual experience could turn out worse than the survey once we consider all agents and underwriters.

The expense and loss ratios were determined using a weighted average formula with premium as weights. We also reviewed the experience using the most recent 5 years, 10 years and 15 years of data. However, these time periods were not used for the rate indication because they give too much weight to the pandemic periods 2020 through 2022 and doesn't represent what we would expect during the rating period because of the downturn in the title insurance market that started in the fall of 2022. For example, the expense ratio for the most recent 15 years period assigned 35% weight to the 3-year period 2020 through 2022 compared to only 20% (3/15) if a straight average is used instead of a weighted average. Relying on experience for the most recent 5 years, 10 years and 15 years of data for the rate indication assumes the market will revert back to periods of usual profitability and high premium volume experienced during 2020 through 2022. We do not believe this is the case based on the current title insurance market conditions.

Historical data is used to determine the indicated rate change when historical experience is the best indicator of the projected experience in the rating period. However, the Texas title industry has experienced a significant downturn primarily driven by higher interest rates starting in the fall of 2022. Relying on historical data doesn't fully reflect the change in market conditions and actuarial judgement should be considered when determining the rate change to incorporate the current market conditions.

V. CONCLUSION

The rating analysis relies on historical data to determine a range of rate change. The basis for using historical data is that historical experience is the best indicator of the projected experience in the rating period. Several scenarios were used to determine the rate change as described in Section IV Rating Analysis. Some of the scenarios are more reasonable than the others. Attachment 5 – Exhibit B compares the expense ratio from the linear regression graph to each of the scenarios used in the rating analysis.

- The 5 years, 10 years and 15 years have expense ratios of less than 80% and understates the expense ratio compared to the linear regression model. These time periods were not used for the rate indication because they give too much weight to the pandemic periods 2020 through 2022 when premium was significantly higher and the expense ratio was significantly lower than what we would expect in the rating period. These time periods also fail to fully consider the downturn in the title insurance market that began in the fall of 2022.

- The 20 years, 3 years prior to COVID and 5 years prior to COVID have expense ratio that is similar to the linear regression model. These scenarios have premium volume that is similar to the projected premiums.

- The estimated 2023 expense ratio is the highest expense ratio out of all the scenarios used because of the downturn in the title insurance market.

The 20 years, 3 years prior to COVID and 5 years prior to COVID scenarios appear to be the most reasonable scenarios and the closest to the linear regression model. However, the expense ratio in 2023 is expected to be worse than any of the scenarios presented because of the significant downturn in the title insurance market primarily driven by higher interest rates starting in the fall of 2022. We believe the 2023 experience most accurately reflects the current market conditions and should be given the most weight in the rating analysis. Please note, the 2023 experience is an estimated based on our survey of large size agents and actual experience in 2023 could turn out worse than the survey once we consider the experience of all agents and underwriters.

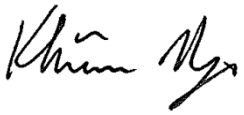
Based on our study, we believe a reasonable rate change range is between 0.0% to -4.7%. However, given the downturn in the title insurance market, we recommend more weight be given to the 2023 experience in the rating analysis because the 2023 experience most accurately reflects the current market conditions.

VI. ACTUARIAL QUALIFICATIONS

We, Charles V. Faerber and Khiem D. Ngo are principals with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). We are Fellows of the Society of Actuaries, Associates of the Casualty Actuarial Society and members of the American Academy of Actuaries.

We meet the Academy's qualification standards for rendering this opinion.

Charles V. Faerber, F.S.A., A.C.A.S., M.A.A.A



Khiem D. Ngo, F.S.A., A.C.A.S., M.A.A.A

VII. ATTACHMENTS

Attachment 1 – Summary of Indicated Rate Change

Attachment 2 – Summary of Claim and Expense Experience

Attachment 3 – Texas Title Experience Report

Attachment 4 – Estimated 2023 Experience

Attachment 5 – Linear Regression Model

Attachment 6 – ALTA Written Premiums

Attachment 7 – Underwriting Profit Load

Attachment 8 – Development of On-Level Factors

Attachment 9 – Agent Retain Premiums Validation

Attachment 10 – Provision for Catastrophic Loss

Attachment 11 – Cost of Capital

Attachment 1 - Summary of Indicated Rate Change

The actuarial model used to derive the indicated rate change relies primarily on the experience of title insurance underwriters and agents in Texas. This includes data from independent agents, affiliated agents, direct operations, and underwriters. The loss, LAE, and expense ratio were compiled and analyzed for each year from 1998 through 2021. The indicated rate provides a reasonable provision to cover i) expected expense, ii) expected loss & LAE, iii) catastrophic load, and iv) underwriting profit.

The rating analysis uses the following scenarios to determine a reasonable rate range. Each of these scenarios is described in more detail in Section IV – Rating Analysis of the report. In addition, these scenarios were selected because premiums under each scenario are similar to the projected premiums in CY2023.

- Average of most recent 20 years (2002-2021)
- Average of most recent 5 years prior to COVID (2015-2019)
- Average of most recent 3 years prior to COVID (2017-2019)
- Linear Regression
- Estimated 2023 Experience

Based on our study, we believe a reasonable rate change range is between 0.0% to -4.7%. However, given the downturn in the title insurance market, we recommend more weight be given to the 2023 experience in the rating analysis because the 2023 experience most accurately reflects the current market conditions.

Texas Land Title Association
Texas Title Insurance Rate Indication Summary

Components	20-Year 2003-2022[A]	Pre-COVID 2015-2019[A]	Pre-COVID 2017-2019[A]	Linear Regression[B]	Estimated 2023 Experience[C]
Expense Ratio	81.3%	80.9%	80.7%	81.0%	84.7%
Loss & LAE Ratio	2.4%	2.1%	2.2%	2.4%	2.4%
Provision for Catastrophic Claims	1.0%	1.0%	1.0%	1.0%	1.0%
Total	84.7%	84.0%	83.9%	84.5%	88.0%
Profit Load - 12.00% [D]	12.00%	12.00%	12.00%	12.00%	12.00%
Indicated Rate Change	**-3.8%**	**-4.6%**	**-4.7%**	**-4.0%**	**0.0%**

Notes:
A - Attachment 2 - Exhibit A
B - Attachment 5 - Exhibit A
C - Attachment 4
D - Attahcment 7 - Exhibit A

Attachment 2 - Summary of Claim and Expense Experience

Attachment 2 presents information regarding on-level premiums, expenses, and losses & LAE from 1998 through 2022. A summary of each exhibit in Attachment 2 is shown below.

- Exhibit A - Summary of Loss & Expense Ratios for All Title Firms
- Exhibit B - Summary of Loss & Expense Ratios for Underwriting Company
- Exhibit C – Summary of Loss & Expense Ratios for All Agents, including Independent Agents, Affiliated Agents and Direct Operations

Exhibit A of Attachment 2 presents the combined experience all underwriters and agents used for the rating analysis. Exhibit B of Attachment 2 presents experience for all underwriters and Exhibit C of Attachment 2 presents experience for all agents. Each of these exhibits uses the following terms which are described below.

Adjusted Gross Title Income. The sum of all revenue in the experience report is called the gross title income. The Adjusted Gross Title Income removes pass through and industry transfer items from the gross title income.

Adjusted Retained Premiums. Starting in 2004, underwriter premiums transferred to agents didn't match the sum of retained premiums for all agents. The reason for this is because a portion of the home office premiums for agents started to be reported in Examination/Evidence Fee (Income Line 4) and/or Closing Fee (Income Line 5). As a result, in order to account for the HOI premiums, we need to add Retained Premiums (Income Line 3), Examination/Evidence Fee (Income Line 4) and Closing Fee (Income Line 5). However, this will overstate the agents' premiums due to double counting of some industry transfers. As a result, we need to remove the Evidence/Examination Fees (Expense Line 3a.) and Closing Fees Paid (Expense Line 4a) reported on the Expense lines. Attachment 9 compares the premiums retained by agents reported by the underwriters and the Adjusted Retained Premiums calculated for the agents. The difference is immaterial and due to reporting time differences between underwriters and agents.

Adjusted Expense. The Adjusted Expense removes pass through, industry transfer and excluded expense items from the total operating expenses. In addition, the Loss and LAE expense is excluded since it is accounted for separately.

Expense Included in Rating. Even after removing pass throughs, industry transfers and excluded expenses, the Adjusted Expense still include expenses with a mixture of rate-regulated and non-rate regulated title activities. The expense adjustment ratio, which equals Adjusted Retained Premiums divided by Adjusted Gross Title Income, is applied to the Adjusted Expense to approximate the expenses that are only associated with rate-regulated title insurance. In addition, the net change to unearned premium is added to determine the Expense Included in Rating.

On-Level Expense Ratio. The On-Level Expense Ratio equals the Expense Included in Rating divided by Adjusted Retained Premiums.

On-Level Loss and LAE Ratio. The On-Level Loss and LAE Ratio equals the Loss and LAE expense divided by Adjusted Retained Premiums.

Texas Land Title Association
Summary Of Loss & Expense Ratios
Total - Agents & Underwriters

Calendar Year	*Adjusted Gross Title Income***	*Adjusted Retained Premiums*	*On-Level Factor*	*On-Level Adjusted Retained Premium*	*Additional Unearned Premium*	*Adjusted Expense*	*Expense Included In Rate*	*Loss & LAE*	*On-Level Expense Ratio*	*On-Level Loss & LAE Ratio*
	(1)	(2)	(3)	(4)=(2)*(3)	(5)	(6)	(7)=(5)+(6)*(2)/(1)	(8)	(9) = (7)/(3)	(10) = (8)/(4)
1998	957,476,209	919,549,495	0.809	744,138,463	3,574,018	750,833,732	724,666,378	16,509,731	97.4%	2.2%
1999	981,629,994	944,059,272	0.824	777,587,134	8,927,714	829,063,591	806,259,880	21,140,434	103.7%	2.7%
2000	965,019,423	928,271,781	0.824	764,583,555	4,193,778	820,619,694	793,564,528	19,842,088	103.8%	2.6%
2001	1,130,461,715	1,088,158,258	0.824	896,276,205	7,045,092	952,595,491	923,993,129	18,335,658	103.1%	2.0%
2002	1,309,391,128	1,267,499,201	0.832	1,054,837,588	8,878,506	1,092,305,208	1,066,237,113	31,096,918	101.1%	2.9%
2003	1,583,352,486	1,535,651,202	0.877	1,346,047,003	20,833,908	1,308,125,967	1,289,550,274	40,870,014	95.8%	3.0%
2004	1,472,984,083	1,432,520,476	0.906	1,297,283,850	24,143,714	1,260,253,739	1,249,777,654	41,479,307	96.3%	3.2%
2005	1,531,594,629	1,489,421,947	0.937	1,396,158,806	18,484,082	1,318,117,757	1,300,307,273	49,224,084	93.1%	3.5%
2006	1,693,222,086	1,645,473,245	0.937	1,542,438,639	11,502,725	1,458,729,508	1,429,096,079	47,719,447	92.7%	3.1%
2007	1,613,149,613	1,561,206,017	0.966	1,508,151,367	12,551,994	1,396,594,294	1,364,175,798	51,647,343	90.5%	3.4%
2008	1,231,859,074	1,186,600,336	0.968	1,149,046,969	(4,283,461)	1,168,441,684	1,121,229,452	55,226,701	97.6%	4.8%
2009	1,062,325,934	1,013,798,824	0.968	981,714,256	(18,186,359)	1,002,378,417	938,403,354	35,639,008	95.6%	3.6%
2010	1,101,921,324	1,057,770,573	0.968	1,024,294,393	(11,471,165)	941,079,171	891,901,728	40,018,351	87.1%	3.9%
2011	1,159,122,044	1,123,156,521	0.968	1,087,611,015	(5,899,805)	959,720,307	924,042,065	58,064,437	85.0%	5.3%
2012	1,468,967,729	1,429,904,344	0.968	1,384,650,925	1,500,493	1,115,887,133	1,087,713,503	32,209,248	78.6%	2.3%
2013	1,746,679,174	1,690,315,410	0.945	1,596,929,470	10,090,537	1,280,082,525	1,248,865,951	39,906,444	78.2%	2.5%
2014	1,772,069,471	1,708,706,132	0.933	1,594,250,681	(22,601,407)	1,320,571,845	1,250,751,159	33,991,728	78.5%	2.1%
2015	1,960,377,130	1,902,011,015	0.933	1,774,607,288	23,228,575	1,455,372,166	1,435,270,089	34,869,621	80.9%	2.0%
2016	2,088,078,378	2,030,861,451	0.933	1,894,826,846	18,596,511	1,564,922,066	1,540,637,030	38,102,470	81.3%	2.0%
2017	2,111,486,189	2,050,197,611	0.933	1,912,867,799	13,272,179	1,609,525,914	1,576,079,552	39,006,846	82.4%	2.0%
2018	2,218,541,135	2,153,058,063	0.933	2,008,838,277	14,488,640	1,658,933,251	1,624,456,360	43,507,501	80.9%	2.2%
2019	2,337,278,585	2,268,426,680	0.954	2,164,718,222	15,956,856	1,747,256,301	1,711,742,217	50,651,643	79.1%	2.3%
2020	2,780,024,265	2,689,247,689	1.000	2,689,247,689	28,430,365	1,954,548,735	1,919,156,908	40,209,441	71.4%	1.5%
2021	3,818,427,267	3,687,118,037	1.000	3,687,118,037	62,837,349	2,469,359,551	2,447,279,818	35,813,839	66.4%	1.0%
2022	3,490,847,625	3,384,487,812	1.000	3,384,487,812	44,267,563	2,464,342,771	2,433,526,268	51,874,075	71.9%	1.5%
5 Years Total	14,645,118,877	14,182,338,281		13,934,410,037	165,980,773	10,294,440,610	10,136,161,571	222,056,500	72.7%	1.6%
10 Years Total	24,323,809,220	23,564,429,901		22,707,892,121	208,567,168	17,524,915,126	17,187,765,353	407,933,609	75.7%	1.8%
15 Years Total	30,348,005,325	29,375,660,500		28,335,209,680	170,226,871	22,712,421,838	22,151,055,455	629,091,354	78.2%	2.2%
20 Years Total	38,242,308,223	37,039,933,387		35,425,289,346	257,743,293	29,454,243,102	28,783,962,534	860,031,549	81.3%	2.4%
2015-2019	10,715,761,417	10,404,554,821		9,755,858,433	85,542,761	8,036,009,698	7,888,185,248	206,138,081	80.9%	2.1%
2017-2019	6,667,305,909	6,471,682,354		6,086,424,298	43,717,675	5,015,715,466	4,912,278,129	133,165,990	80.7%	2.2%

Texas Land Title Association
Summary Of Loss & Expense Ratios
Underwriting Company Experience

Calendar Year	*Adjusted Gross Title Income*	*Adjusted Retained Premiums*	*On-Level Factor*	*On-Level Adjusted Retained Premium*	*Additional Unearned Premium*	*Adjusted Expense* [1]	*Expense Included In Rate*	*Loss & LAE*	*On-Level Expense Ratio*	*On-Level Loss & LAE Ratio*
	(1)	(2)	(3)	(4)=(2)*(3)	(5)	(6)	(7)=(5)+(6)*(2)/(1)	(8)	(9) = (7)/(3)	(10) = (8)/(4)
1998	161,352,746	157,204,201	0.809	127,216,309	3,574,018	84,517,189	85,918,183	14,943,440	67.5%	11.7%
1999	186,043,147	181,581,877	0.824	149,562,359	8,927,714	120,202,343	126,247,633	18,770,606	84.4%	12.6%
2000	167,569,170	163,914,407	0.824	135,010,309	4,193,778	112,538,576	114,277,834	17,929,279	84.6%	13.3%
2001	171,526,134	167,419,757	0.824	137,897,538	7,045,092	128,680,429	132,644,881	16,237,440	96.2%	11.8%
2002	191,174,671	187,197,154	0.832	155,789,127	8,878,506	128,995,440	135,190,110	29,527,514	86.8%	19.0%
2003	243,937,898	240,889,576	0.877	211,147,357	20,833,908	167,122,696	185,868,188	38,634,987	88.0%	18.3%
2004	262,158,664	258,223,493	0.906	233,845,989	24,143,714	183,913,564	205,296,616	38,220,749	87.8%	16.3%
2005	265,114,130	257,173,280	0.937	241,069,859	18,484,082	191,330,809	204,084,041	42,472,425	84.7%	17.6%
2006	281,783,217	276,653,461	0.937	259,330,250	11,502,725	216,203,275	223,770,102	43,538,927	86.3%	16.8%
2007	258,627,773	247,102,879	0.966	238,705,552	12,551,994	205,578,509	208,969,574	40,232,513	87.5%	16.9%
2008	196,583,181	188,949,375	0.968	182,969,531	(4,283,461)	177,873,497	166,682,773	38,765,768	91.1%	21.2%
2009	168,110,602	152,796,218	0.968	147,960,544	(18,186,359)	177,974,934	143,575,579	33,541,313	97.0%	22.7%
2010	175,230,880	161,134,619	0.968	156,035,052	(11,471,165)	136,606,252	114,145,943	37,811,090	73.2%	24.2%
2011	184,557,763	174,372,312	0.968	168,853,801	(5,899,805)	124,942,747	112,147,549	55,730,084	66.4%	33.0%
2012	223,846,557	215,105,633	0.968	208,297,999	1,500,493	136,180,586	132,363,400	28,028,121	63.5%	13.5%
2013	270,836,545	259,775,028	0.945	245,423,070	10,090,537	149,956,041	153,922,067	37,876,813	62.7%	15.4%
2014	286,066,639	277,631,736	0.933	259,034,937	(22,601,407)	147,448,742	120,499,691	31,586,849	46.5%	12.2%
2015	317,954,941	311,917,695	0.933	291,024,295	23,228,575	154,466,448	174,762,055	32,644,416	60.1%	11.2%
2016	340,009,926	333,691,419	0.933	311,339,535	18,596,511	159,078,830	174,719,131	33,120,651	56.1%	10.6%
2017	340,560,902	334,939,667	0.933	312,504,171	13,272,179	141,448,362	152,385,821	37,140,181	48.8%	11.9%
2018	370,102,734	364,170,519	0.933	339,777,032	14,488,640	156,911,097	168,884,678	39,293,988	49.7%	11.6%
2019	372,846,081	366,686,600	0.954	349,922,336	15,956,856	152,083,667	165,528,074	46,616,584	47.3%	13.3%
2020	430,297,407	424,517,833	1.000	424,517,833	28,430,365	170,837,077	196,972,830	34,949,059	46.4%	8.2%
2021	593,098,007	587,769,661	1.000	587,769,661	62,837,349	240,296,730	300,975,272	28,763,766	51.2%	4.9%
2022	589,877,250	586,575,827	1.000	586,575,827	44,267,563	257,062,422	299,891,260	46,107,098	51.1%	7.9%
5 Years Total	2,356,221,479	2,329,720,440		2,288,562,689	165,980,773	977,190,994	1,132,252,114	195,730,496	49.5%	8.6%
10 Years Total	3,911,650,433	3,847,675,986		3,707,888,697	208,567,168	1,729,589,417	1,908,540,879	368,099,406	51.5%	9.9%
15 Years Total	4,859,979,416	4,740,034,143		4,572,005,624	170,226,871	2,483,167,433	2,577,456,123	561,975,782	56.4%	12.3%
20 Years Total	6,171,601,098	6,020,076,833		5,756,104,632	257,743,293	3,447,316,285	3,605,444,643	765,075,383	62.6%	13.3%
2015-2019	1,741,474,584	1,711,405,901		1,604,567,370	85,542,761	763,988,404	836,279,758	188,815,820	52.1%	11.8%
2017-2019	1,083,509,717	1,065,796,786		1,002,203,539	43,717,675	450,443,126	486,798,573	123,050,753	48.6%	12.3%

Notes

Experience reported by Underwriting Company in the Texas Title Insurance Industry Experience Report. See Attachment 3 - Exhibit A.

(1) Adjusted Expense includes title operating expense reported by Underwriters, excluding the following

Expense Line 24. Loss Adjustment Expenses Incurred - This is captured as Loss/LAE instead of Expense

Expense Line 25. Losses Incurred - This is captured as Loss/LAE instead of Expense

Expense Line 28. Net Addition to Unearned Premium Reserve. This is captured in Unearned Premiums Reserve instead of Expense

Expense Line 29 thru 32 - Ineligible Expense not included in rating analysis.

Texas Land Title Association
Summary Of Loss & Expense Ratios
All Agent Experience - Independent Agents, Affiliated Agents & Direct Operations

Calendar Year	*Adjusted Gross Title Income* [1]	*Adjusted Retained Premiums* [2]	*On-Level Factor*	*On-Level Adjusted Retained Premium*	*Additional Unearned Premium*	*Adjusted Expense* [3]	*Expense Included In Rate*	*Loss & LAE*	*On-Level Expense Ratio*	*On-Level Loss & LAE Ratio*
	(1)	(2)	(3)	(4)=(2)*(3)	(5)	(6)	(7)=(5)+(6)*(2)/(1)	(8)	(9) = (7)/(3)	(10) = (8)/(4)
1998	796,123,463	762,345,294	0.809	616,922,154	-	666,316,543	638,045,862	1,566,291	103.4%	0.3%
1999	795,586,847	762,477,395	0.824	628,024,775	-	708,861,248	679,361,002	2,369,828	108.2%	0.4%
2000	797,450,253	764,357,374	0.824	629,573,246	-	708,081,119	678,696,913	1,912,809	107.8%	0.3%
2001	958,935,581	920,738,501	0.824	758,378,667	-	823,915,062	791,096,226	2,098,217	104.3%	0.3%
2002	1,118,216,457	1,080,302,047	0.832	899,048,461	-	963,309,768	930,647,647	1,569,404	103.5%	0.2%
2003	1,339,414,588	1,294,761,626	0.877	1,134,899,646	-	1,141,003,271	1,102,964,880	2,235,027	97.2%	0.2%
2004	1,210,825,419	1,174,296,983	0.906	1,063,437,861	-	1,076,340,175	1,043,868,918	3,258,558	98.2%	0.3%
2005	1,266,480,500	1,232,248,667	0.937	1,155,088,946	-	1,126,786,949	1,096,330,907	6,751,659	94.9%	0.6%
2006	1,411,438,869	1,368,819,784	0.937	1,283,108,389	-	1,242,526,233	1,205,007,547	4,180,520	93.9%	0.3%
2007	1,354,521,840	1,314,103,138	0.966	1,269,445,815	-	1,191,015,785	1,155,476,077	11,414,830	91.0%	0.9%
2008	1,035,275,893	997,650,961	0.968	966,077,439	-	990,568,187	954,568,063	16,460,933	98.8%	1.7%
2009	894,215,332	861,002,606	0.968	833,753,712	-	824,403,483	793,783,692	2,097,695	95.2%	0.3%
2010	926,690,444	896,635,954	0.968	868,259,341	-	804,472,919	778,382,196	2,207,261	89.6%	0.3%
2011	974,564,281	948,784,209	0.968	918,757,215	-	834,777,560	812,695,255	2,334,353	88.5%	0.3%
2012	1,245,121,172	1,214,798,711	0.968	1,176,352,926	-	979,706,547	955,847,734	4,181,127	81.3%	0.4%
2013	1,475,842,629	1,430,540,382	0.945	1,351,506,400	-	1,130,126,484	1,095,436,289	2,029,631	81.1%	0.2%
2014	1,486,002,832	1,431,074,396	0.933	1,335,215,744	-	1,173,123,103	1,129,759,917	2,404,879	84.6%	0.2%
2015	1,642,422,189	1,590,093,320	0.933	1,483,582,993	-	1,300,905,718	1,259,457,834	2,225,205	84.9%	0.1%
2016	1,748,068,452	1,697,170,032	0.933	1,583,487,311	-	1,405,843,236	1,364,909,370	4,981,819	86.2%	0.3%
2017	1,770,925,287	1,715,257,944	0.933	1,600,363,628	-	1,468,077,552	1,421,929,938	1,866,665	88.9%	0.1%
2018	1,848,438,401	1,788,887,544	0.933	1,669,061,245	-	1,502,022,154	1,453,631,736	4,213,513	87.1%	0.3%
2019	1,964,432,504	1,901,740,080	0.954	1,814,795,886	-	1,595,172,634	1,544,264,680	4,035,059	85.1%	0.2%
2020	2,349,726,858	2,264,729,856	1.000	2,264,729,856	-	1,783,711,658	1,719,189,204	5,260,382	75.9%	0.2%
2021	3,225,329,260	3,099,348,376	1.000	3,099,348,376	-	2,229,062,821	2,141,995,957	7,050,073	69.1%	0.2%
2022	2,900,970,375	2,797,911,985	1.000	2,797,911,985	-	2,207,280,349	2,128,865,636	5,766,977	76.1%	0.2%
5 Years Total	12,288,897,398	11,852,617,841		11,645,847,348	-	9,317,249,616	8,987,947,213	26,326,004	77.2%	0.2%
10 Years Total	20,412,158,787	19,716,753,915		19,000,003,424	-	15,795,325,709	15,259,440,561	39,834,203	80.3%	0.2%
15 Years Total	25,488,025,909	24,635,626,356		23,763,204,056	-	20,229,254,405	19,554,717,500	67,115,572	82.3%	0.3%
20 Years Total	32,070,707,125	31,019,856,554		29,669,184,714	-	26,006,926,818	25,158,365,830	94,956,166	84.8%	0.3%
2015-2019	8,974,286,833	8,693,148,920		8,151,291,063	-	7,272,021,294	7,044,193,558	17,322,261	86.4%	0.2%
2017-2019	5,583,796,192	5,405,885,568		5,084,220,759	-	4,565,272,340	4,419,826,354	10,115,237	86.9%	0.2%

Notes

Experience reported by Independent Agents, Affiliated Agents and Direct Operations in the Texas Title Insurance Industry Experience Report. See Attachment 5 - Exhibit B.

(1) Adjusted Gross Title Income includes the gross title income reported by all agents, excluding the following

Income Line 6. Tax Certificates (pass through item, removed from both income and expense)

Income Line 7. Recording Fees (pass through item, removed from both income and expense)

Expense Line 3a. Evidence/Examination Fees - Title Agents (industry transfer item, removed from both income and expense)

Expense Line 4a. Closing Fees Paid - Title Agents (industry transfer item, removed from both income and expense)

(2) Adjusted Retained Premiums includes income reported by all agents from
Line 3. Premiums Retained, Line 4. Examination/Evidence Fees, and Line 5. Closing Fees, excludes the following
Expense Line 3a. Evidence/Examination Fees - Title Agents (industry transfer item, removed from both income and expense)
Expense Line 4a. Closing Fees Paid - Title Agents (industry transfer item, removed from both income and expense)

(3) Adjusted Expense includes title operating expense reported by all agents, excluding the following
Expense Line 3a. Evidence/Examination Fees - Title Agents (industry transfer item, removed from both income and expense)
Expense Line 4a. Closing Fees Paid - Title Agents (industry transfer item, removed from both income and expense)
Expense Line 24. Loss & Loss Adjustment Expense - This is captured as Loss/LAE instead of Expense
Expense Line 25. Tax Certificates (pass through item, removed from both income and expense)
Expense Line 26. Recording Fees (pass through item, removed from both income and expense)
Expense Line 28 thru 31 - Ineligible Expense not included in rating analysis.

Attachment 3 – Texas Title Experience Report

Texas Department of Insurance collects and compiles Texas title industry experience on an annual basis and publish the underwriter and agent reports on TDI's website.

- Agents – "Texas Title Insurance Agent Experience Report Compilation"
- Underwriters – "Texas Title Insurance Industry Experience Report Compilation"

Exhibit A presents the underwriter experience reports. Exhibit B presents the agents experience reports, which includes experience for independent agents, affiliated agents and direct operations.

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
UNDERWRITING COMPANY EXPERIENCE

INCOME	1998	1999	2000	2001	2002	2003	2004
1. Gross Title Premiums	884,853,671	979,769,012	935,342,381	1,044,401,160	1,262,176,918	1,526,183,583	1,492,641,821
2. Title Premiums Retained by Agents	745,726,638	813,275,313	794,066,622	894,015,079	1,074,979,764	1,285,294,007	1,234,418,328
3. Title Premiums Remitted to Underwriters	157,204,201	181,581,877	163,914,407	167,419,757	187,197,154	240,889,576	258,223,493
4. Service Charges	2,742,712	1,247,922	1,216,030	3,411,760	2,644,882	1,606,194	2,126,421
5. Other Income	1,405,833	3,213,348	2,438,733	694,617	1,332,635	1,442,128	1,808,750
GROSS INCOME	161,352,746	186,043,147	167,569,170	171,526,134	191,174,671	243,937,898	262,158,664
EXPENSES							
1. Salaries:	23,339,760	41,729,747	38,911,918	48,611,936	49,119,502	57,493,531	56,385,631
2. Employee Benefits, Relations & Welfare	7,886,357	12,398,267	11,991,521	7,586,041	11,150,203	16,258,182	13,837,154
3. Examination Costs Paid Nonemployees:							
3a. Title Agents	901,517	1,339,166	3,025,612	1,099,246	1,275,348	1,812,881	1,670,541
3b. Others	272,294	256,463	10,193	67,679	465,111	658,765	782,269
4. Closing Costs Paid Nonemployees:							
4a. Title Agents	6,936,659	7,180,409	9,552,594	17,024,698	8,958,805	9,787,942	17,484,923
4b. Others	0	767	555,126	507,926	62,236	522,517	2,884,917
5. Rent	2,936,882	6,593,089	7,172,374	7,211,897	5,829,890	7,075,377	9,794,033
6. Utilities	25,000	14,463	29,039	234,798	196,414	206,026	340,033
7. Accounting & Auditing	1,027,482	1,050,900	1,300,908	1,360,273	1,733,341	2,586,119	2,480,500
8. Advertising and promotions	2,808,680	5,088,297	4,053,396	2,976,387	3,584,891	8,906,873	7,131,811
9. Employee travel, lodging & education	3,685,540	4,811,610	3,985,200	5,334,901	5,034,516	5,268,370	4,292,709
10. Insurance	403,559	607,279	242,596	586,170	404,246	774,204	1,244,516
11. Interest	392,188	431,759	450,187	183,317	128,194	114,069	87,405
12. Legal Expenses	1,162,745	650,613	769,371	615,830	1,341,857	1,557,754	5,806,261
13. Licenses, Taxes & Fees	13,977,010	17,721,447	12,417,556	13,970,912	17,196,367	23,450,119	24,042,036
14. Postage & Freight	763,903	3,749,897	4,520,057	499,366	567,017	440,229	678,795
15. Courier & Overnight Delivery	158,423	339,197	477,950	1,431,577	1,152,597	1,257,253	1,712,702
16. Telephone & Facsmile	1,412,126	619,325	654,271	1,846,267	2,205,359	2,452,774	3,254,096
17. Printing/Photocopying	2,049,403	3,541,476	2,248,848	1,095,458	2,120,118	1,620,723	1,937,758
18. Office Supplies	672,683	648,962	612,327	1,455,373	1,355,459	2,508,761	2,128,271
19. Equipment & Vehicle Leases	1,336,649	4,155,554	2,373,992	2,228,256	2,560,389	4,626,566	3,554,318
20. Depreciation	1,849,672	620,637	802,326	1,573,529	3,490,703	4,647,362	10,352,985
21. Directors' Fees	68,774	766,949	611,650	8,741	7,470	13,153	12,920
22. Dues, Boards & Associations	452,216	397,118	128,013	187,924	289,666	398,269	400,519
23. Bad Debts	-445,158	388,897	218,940	909,128	206,787	393,208	799,546
24. Loss Adjustment Expenses Incurred	5,932,177	6,011,115	6,244,824	5,962,340	8,951,858	8,650,764	15,806,288
25. Losses Incurred	9,011,263	12,759,491	11,684,455	10,275,100	20,575,656	29,984,223	22,414,461
26. Other	10,442,825	5,100,055	5,422,611	10,072,801	8,525,611	12,282,371	10,816,915
27. Allowances to Managers & Agents	0	0	0	0	33,344	9,299	0
28. Net Addition to Unearned Premium Rese	3,574,018	8,927,714	4,193,778	7,045,092	8,878,506	20,833,908	24,143,714
29. Damages Paid for Bad Faith Suits	0	0	0	0	0	0	0
30. Fines or Penalties for Violation of Law	2,000	0	195	17,517	0	81	17,391
31. Donations/Lobbying	86,829	140,591	116,041	172,299	161,460	255,542	275,903
32. Trade Associations	189,589	289,643	99,420	150,330	211,779	464,762	400,937
TOTAL OPERATING EXPENSES	103,313,065	148,330,897	134,877,288	152,303,108	167,774,699	227,311,976	246,972,258
INCOME OR (LOSS) FROM OPERATIONS	58,039,681	37,712,250	32,691,882	19,223,026	23,399,972	16,625,922	15,186,406

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
UNDERWRITING COMPANY EXPERIENCE

INCOME	1998	1999	2000	2001	2002	2003	2004
Adjusted Gross Title Income	161,352,746	186,043,147	167,569,170	171,526,134	191,174,671	243,937,898	262,158,664
Adjusted Retained Premiums	157,204,201	181,581,877	163,914,407	167,419,757	187,197,154	240,889,576	258,223,493
Adjusted Title Expense (1)	84,517,189	120,202,343	112,538,576	128,680,429	128,995,440	167,122,696	183,913,564
Loss/LAE	14,943,440	18,770,606	17,929,279	16,237,440	29,527,514	38,634,987	38,220,749
Unearned Premiums Reserve	3,574,018	8,927,714	4,193,778	7,045,092	8,878,506	20,833,908	24,143,714

Notes
(1) Expense excludes the following
Expense Line 24. Loss Adjustment Expenses Incurred - This is captured as Loss/LAE instead of Expense
Expense Line 25. Losses Incurred - This is captured as Loss/LAE instead of Expense
Expense Line 28. Net Addition to Unearned Premium Reserve. This is captured in Unearned Premiums Reserve instead of Expense
Expense Line 29 thru 32 - Ineligible Expense not included in rating analysis.

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
UNDERWRITING COMPANY EXPERIENCE

INCOME	2005	2006	2007	2008	2009	2010	2011
1. Gross Title Premiums	1,484,609,993	1,664,529,304	1,620,546,437	1,246,852,968	1,016,438,905	1,061,962,979	1,159,950,952
2. Title Premiums Retained by Agents	1,227,436,713	1,387,875,843	1,373,443,558	1,057,903,593	863,642,687	900,828,360	985,578,640
3. Title Premiums Remitted to Underwriters	257,173,280	276,653,461	247,102,879	188,949,375	152,796,218	161,134,619	174,372,312
4. Service Charges	2,971,939	1,340,337	2,572,232	2,892,425	5,248,827	7,026,951	7,569,389
5. Other Income	4,968,911	3,789,419	8,952,662	4,741,381	10,065,557	7,069,310	2,616,062
GROSS INCOME	265,114,130	281,783,217	258,627,773	196,583,181	168,110,602	175,230,880	184,557,763
EXPENSES							
1. Salaries:	75,904,501	68,754,328	79,564,377	60,876,776	58,741,571	49,021,050	43,881,360
2. Employee Benefits, Relations & Welfare	16,691,209	12,628,945	13,367,372	10,959,209	10,173,174	8,348,797	7,693,149
3. Examination Costs Paid Nonemployees:							
3a. Title Agents	3,272,615	11,266,571	1	40,090	389,300	152,027	-68,786
3b. Others	1,130,353	507,116	265,087	681,604	1,880,224	1,719,698	2,835,652
4. Closing Costs Paid Nonemployees:							
4a. Title Agents	9,374,910	29,360,816	26,571,007	0	423,646	252,234	34,666
4b. Others	3,217,330	1,766,612	2,732,211	5,296,844	7,639,563	5,316,637	1,684,701
5. Rent	8,115,546	7,381,671	8,666,350	10,434,660	14,803,161	6,613,263	4,983,156
6. Utilities	266,916	104,111	286,614	202,113	445,596	283,037	228,181
7. Accounting & Auditing	3,621,524	2,811,215	2,502,606	2,651,265	2,368,745	3,775,846	2,293,154
8. Advertising and promotions	6,189,516	6,514,783	6,405,833	3,828,868	2,315,904	1,083,688	1,655,515
9. Employee travel, lodging & education	6,343,195	4,783,034	4,902,678	4,129,812	3,473,123	3,436,727	3,351,576
10. Insurance	930,398	760,027	507,842	1,583,457	1,226,968	925,717	1,066,011
11. Interest	159,509	452,577	355,424	133,636	155,469	56,798	138,159
12. Legal Expenses	5,379,905	7,502,748	6,633,568	5,667,582	6,688,340	5,017,333	6,967,031
13. Licenses, Taxes & Fees	23,775,144	17,569,957	16,968,862	12,260,043	12,953,945	14,541,640	18,006,594
14. Postage & Freight	864,965	804,576	374,522	1,313,230	1,024,504	675,566	683,280
15. Courier & Overnight Delivery	-164,236	-679,031	-1,999,978	-572,902	847,380	808,753	711,026
16. Telephone & Facsmile	2,573,898	5,972,796	2,921,993	2,838,286	2,388,461	1,651,415	1,057,066
17. Printing/Photocopying	1,218,171	1,428,124	1,079,276	1,185,304	992,704	657,120	433,802
18. Office Supplies	2,897,475	1,971,105	149,284	959,411	1,454,177	962,972	776,977
19. Equipment & Vehicle Leases	4,248,572	4,580,028	4,567,897	9,973,304	6,984,882	3,001,350	4,668,974
20. Depreciation	10,429,987	11,012,139	9,624,029	19,467,581	15,096,126	11,797,831	5,599,863
21. Directors' Fees	9,058	7,511	10,618	183,672	11,296	8,106	13,106
22. Dues, Boards & Associations	250,117	562,048	622,444	728,281	309,100	187,039	511,930
23. Bad Debts	123,115	212,142	1,982,818	2,178,721	5,136,304	1,343,059	615,367
24. Loss Adjustment Expenses Incurred	18,676,305	19,633,295	15,721,684	13,937,428	20,444,362	14,119,748	15,122,340
25. Losses Incurred	23,796,120	23,905,632	24,510,829	24,828,340	13,096,951	23,691,342	40,607,744
26. Other	4,497,576	18,161,712	16,515,775	20,872,650	20,027,096	14,968,549	15,121,237
27. Allowances to Managers & Agents	9,538	5,613	0	0	24,175	0	0
28. Net Addition to Unearned Premium Rese	18,484,082	11,502,725	12,551,994	-4,283,461	-18,186,359	-11,471,165	-5,899,805
29. Damages Paid for Bad Faith Suits	0	1,440	0	0	0	0	0
30. Fines or Penalties for Violation of Law	12,516	1,498,848	519,668	-491,357	18,364	108,852	-30,319
31. Donations/Lobbying	314,335	306,272	354,035	140,087	62,542	50,057	156,863
32. Trade Associations	280,375	368,202	382,222	44,617	187,975	237,588	225,895
TOTAL OPERATING EXPENSES	252,894,541	273,419,689	259,618,941	212,049,151	193,598,769	163,342,674	175,125,465
INCOME OR (LOSS) FROM OPERATIONS	12,219,589	8,363,529	-991,168	-15,465,970	-25,488,167	11,888,206	9,432,298

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
UNDERWRITING COMPANY EXPERIENCE

INCOME	2005	2006	2007	2008	2009	2010	2011
Adjusted Gross Title Income	265,114,130	281,783,217	258,627,773	196,583,181	168,110,602	175,230,880	184,557,763
Adjusted Retained Premiums	257,173,280	276,653,461	247,102,879	188,949,375	152,796,218	161,134,619	174,372,312
Adjusted Title Expense (1)	191,330,809	216,203,275	205,578,509	177,873,497	177,974,934	136,606,252	124,942,747
Loss/LAE	42,472,425	43,538,927	40,232,513	38,765,768	33,541,313	37,811,090	55,730,084
Unearned Premiums Reserve	18,484,082	11,502,725	12,551,994	-4,283,461	-18,186,359	-11,471,165	-5,899,805

Notes
(1) Expense excludes the following
Expense Line 24. Loss Adjustment Expenses Incurred - This is captured as Loss/LAE instead of Expense
Expense Line 25. Losses Incurred - This is captured as Loss/LAE instead of Expense
Expense Line 28. Net Addition to Unearned Premium Reserve. This is captured in Unearned Premiums Reserve instead of Expense
Expense Line 29 thru 32 - Ineligible Expense not included in rating analysis.

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
UNDERWRITING COMPANY EXPERIENCE

INCOME	2012	2013	2014	2015	2016	2017	2018
1. Gross Title Premiums	1,428,938,173	1,703,670,373	1,720,074,777	1,883,729,161	2,041,418,863	2,055,916,368	2,164,266,861
2. Title Premiums Retained by Agents	1,213,832,540	1,443,895,345	1,442,443,041	1,571,811,465	1,707,727,443	1,720,976,701	1,800,096,342
3. Title Premiums Remitted to Underwriters	215,105,633	259,775,028	277,631,736	311,917,695	333,691,419	334,939,667	364,170,519
4. Service Charges	6,166,431	8,104,085	5,805,765	3,815,140	3,373,624	3,025,326	3,518,750
5. Other Income	2,574,493	2,957,432	2,629,138	2,222,106	2,944,883	2,595,909	2,413,465
GROSS INCOME	223,846,557	270,836,545	286,066,639	317,954,941	340,009,926	340,560,902	370,102,734
EXPENSES							
1. Salaries:	54,334,936	64,277,441	69,901,780	63,740,686	65,807,257	56,896,764	59,597,732
2. Employee Benefits, Relations & Welfare	8,970,966	10,527,101	10,720,315	11,555,113	11,493,503	10,515,738	11,638,764
3. Examination Costs Paid Nonemployees:					0	0	0
3a. Title Agents	333,122	1,502,517	1,708,771	1,847,899	2,106,668	4,749,923	3,834,699
3b. Others	2,994,588	607,413	1,781,579	1,742,138	3,899,678	1,858,452	1,716,707
4. Closing Costs Paid Nonemployees:					0	0	0
4a. Title Agents	0	0	0	0	911	0	0
4b. Others	298,710	196,661	-924,659	-935,909	-804,817	-851,426	-689,300
5. Rent	6,266,219	5,503,104	4,918,970	4,571,297	4,429,378	2,979,535	4,272,734
6. Utilities	227,865	218,208	905,162	1,143,047	1,339,610	1,071,720	1,262,247
7. Accounting & Auditing	2,306,242	2,194,922	1,752,169	1,090,252	2,077,553	2,176,331	2,031,469
8. Advertising and promotions	2,323,579	2,593,767	2,802,941	2,420,434	3,301,497	3,018,688	3,266,601
9. Employee travel, lodging & education	3,416,322	3,835,018	4,471,869	4,856,286	4,389,805	4,210,292	4,680,390
10. Insurance	853,827	920,622	1,032,568	938,567	788,963	719,225	655,853
11. Interest	216,750	231,627	274,507	952,988	261,307	282,161	4,062
12. Legal Expenses	4,746,307	5,194,665	4,309,842	4,169,293	5,734,047	3,609,736	3,374,068
13. Licenses, Taxes & Fees	26,324,995	29,148,168	22,994,727	31,846,306	33,801,626	32,688,377	37,223,181
14. Postage & Freight	340,854	618,785	501,622	750,359	704,261	257,271	349,690
15. Courier & Overnight Delivery	757,762	641,437	578,354	286,334	216,962	228,672	264,182
16. Telephone & Facsmile	932,513	828,401	663,577	621,055	697,887	210,978	675,396
17. Printing/Photocopying	515,531	590,076	478,211	313,426	427,802	276,681	142,558
18. Office Supplies	502,040	465,602	285,028	395,129	408,544	253,943	245,613
19. Equipment & Vehicle Leases	4,918,905	4,526,006	5,075,113	4,599,126	5,496,249	6,278,922	7,169,394
20. Depreciation	1,928,015	1,186,049	1,260,717	1,116,965	951,295	807,393	1,398,167
21. Directors' Fees	9,502	4,553	22,965	21,672	56,647	84,297	14,687
22. Dues, Boards & Associations	465,821	465,501	419,662	607,989	821,045	736,167	734,312
23. Bad Debts	598,610	513,513	446,201	433,736	315,886	-71,150	522,345
24. Loss Adjustment Expenses Incurred	10,734,489	10,229,319	13,447,454	15,787,330	12,114,408	13,153,796	14,971,106
25. Losses Incurred	17,293,632	27,647,494	18,139,395	16,857,086	21,006,243	23,986,385	24,322,882
26. Other	11,596,606	13,164,884	11,000,116	15,382,260	10,355,267	8,459,673	12,525,546
27. Allowances to Managers & Agents	0	0	66,635	0	0	0	0
28. Net Addition to Unearned Premium Rese	1,500,493	10,090,537	-22,601,407	23,228,575	18,596,511	13,272,179	14,488,640
29. Damages Paid for Bad Faith Suits	0	0	0	0	0	0	0
30. Fines or Penalties for Violation of Law	107,069	38,298	267,390	37,063	47,438	15,403	27,656
31. Donations/Lobbying	117,951	181,285	325,005	257,995	220,621	453,531	206,067
32. Trade Associations	206,435	205,789	229,963	142,254	200,071	234,157	162,803
TOTAL OPERATING EXPENSES	166,140,655	198,348,762	157,256,542	210,776,751	211,264,121	192,563,813	211,090,251
INCOME OR (LOSS) FROM OPERATIONS	57,705,903	72,487,782	128,810,097	107,178,191	128,745,805	147,997,089	159,012,483

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
UNDERWRITING COMPANY EXPERIENCE

INCOME	2012	2013	2014	2015	2016	2017	2018
Adjusted Gross Title Income	223,846,557	270,836,545	286,066,639	317,954,941	340,009,926	340,560,902	370,102,734
Adjusted Retained Premiums	215,105,633	259,775,028	277,631,736	311,917,695	333,691,419	334,939,667	364,170,519
Adjusted Title Expense (1)	136,180,586	149,956,041	147,448,742	154,466,448	159,078,830	141,448,362	156,911,097
Loss/LAE	28,028,121	37,876,813	31,586,849	32,644,416	33,120,651	37,140,181	39,293,988
Unearned Premiums Reserve	1,500,493	10,090,537	-22,601,407	23,228,575	18,596,511	13,272,179	14,488,640

Notes
(1) Expense excludes the following
Expense Line 24. Loss Adjustment Expenses Incurred - This is captured as Loss/LAE instead of Expense
Expense Line 25. Losses Incurred - This is captured as Loss/LAE instead of Expense
Expense Line 28. Net Addition to Unearned Premium Reserve. This is captured in Unearned Premiums Reserve instead of Expense
Expense Line 29 thru 32 - Ineligible Expense not included in rating analysis.

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
UNDERWRITING COMPANY EXPERIENCE

INCOME	2019	2020	2021	2022
1. Gross Title Premiums	2,243,213,051	2,627,090,787	3,691,028,213	3,554,659,566
2. Title Premiums Retained by Agents	1,876,526,451	2,202,572,954	3,103,258,552	2,968,083,740
3. Title Premiums Remitted to Underwriters	366,686,600	424,517,833	587,769,661	586,575,827
4. Service Charges	2,170,540	1,606,249	1,876,291	2,752,905
5. Other Income	3,988,941	4,173,326	3,452,055	548,518
GROSS INCOME	372,846,081	430,297,407	593,098,007	589,877,250
EXPENSES				
1. Salaries:	58,320,684	66,446,115	85,238,072	90,491,121
2. Employee Benefits, Relations & Welfare	10,438,142	10,953,231	14,449,410	16,666,700
3. Examination Costs Paid Nonemployees:	0	0	0	0
3a. Title Agents	4,118,473	12,300,516	19,840,427	28,188,165
3b. Others	1,182,897	2,149,401	3,959,758	3,612,492
4. Closing Costs Paid Nonemployees:	0	0	0	0
4a. Title Agents	0	0	0	0
4b. Others	-95,357	-693,176	-582,161	-90,028
5. Rent	3,648,739	3,371,957	2,488,453	3,857,488
6. Utilities	953,078	850,992	1,001,925	1,218,604
7. Accounting & Auditing	1,228,505	1,459,513	2,070,945	2,527,751
8. Advertising and promotions	3,940,963	2,826,998	4,339,793	6,444,567
9. Employee travel, lodging & education	4,256,631	1,650,830	2,458,765	4,195,797
10. Insurance	628,651	369,243	738,608	1,696,609
11. Interest	511	2,769	232	3,214
12. Legal Expenses	3,006,662	2,652,695	2,810,441	4,520,666
13. Licenses, Taxes & Fees	35,596,261	37,444,723	52,076,794	51,911,446
14. Postage & Freight	229,490	198,893	217,962	415,140
15. Courier & Overnight Delivery	212,884	212,973	219,145	458,748
16. Telephone & Facsmile	534,991	182,337	373,380	573,128
17. Printing/Photocopying	131,666	101,121	86,243	108,555
18. Office Supplies	255,073	296,706	192,790	114,097
19. Equipment & Vehicle Leases	7,303,684	5,570,638	6,758,952	9,042,901
20. Depreciation	1,352,527	1,349,398	1,483,169	1,601,282
21. Directors' Fees	79,183	61,868	39,720	54,773
22. Dues, Boards & Associations	609,570	626,288	867,354	1,308,642
23. Bad Debts	317,347	420,869	1,180,760	492,151
24. Loss Adjustment Expenses Incurred	15,123,413	14,511,009	12,428,883	17,835,048
25. Losses Incurred	31,493,171	20,438,051	16,334,883	28,272,050
26. Other	13,832,413	16,709,915	34,672,803	25,615,921
27. Allowances to Managers & Agents	0	3,320,263	3,312,991	2,032,493
28. Net Addition to Unearned Premium Rese	15,956,856	28,430,365	62,837,349	44,267,563
29. Damages Paid for Bad Faith Suits	0	0	0	0
30. Fines or Penalties for Violation of Law	2,793	5,314	2,832	18,905
31. Donations/Lobbying	412,449	787,047	819,585	380,920
32. Trade Associations	249,772	189,062	170,851	163,419
TOTAL OPERATING EXPENSES	215,322,121	235,197,924	332,891,113	348,000,328
INCOME OR (LOSS) FROM OPERATIONS	157,523,960	195,099,483	260,206,894	241,876,922

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
UNDERWRITING COMPANY EXPERIENCE

INCOME	2019	2020	2021	2022
Adjusted Gross Title Income	372,846,081	430,297,407	593,098,007	589,877,250
Adjusted Retained Premiums	366,686,600	424,517,833	587,769,661	586,575,827
Adjusted Title Expense (1)	152,083,667	170,837,077	240,296,730	257,062,422
Loss/LAE	46,616,584	34,949,059	28,763,766	46,107,098
Unearned Premiums Reserve	15,956,856	28,430,365	62,837,349	44,267,563

Notes
(1) Expense excludes the following
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Expense Line 25. Losses Incurred - This is captured as Loss/LAE instead of Expense
Expense Line 28. Net Addition to Unearned Premium Reserve. This is captured in Unearned Premiums Reserve instead of Expense
Expense Line 29 thru 32 - Ineligible Expense not included in rating analysis.

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
All AGENTS - INDEPENDENT, AFFILIATED & DIRECT OPERATION

INCOME	1998	1999	2000	2001	2002	2003	2004
1. Title Premiums	925,103,435	921,224,392	896,843,228	1,070,580,215	1,260,827,554	1,508,659,519	1,262,493,104
2. Premiums Remitted to Underwriters	164,111,428	163,529,121	145,465,802	160,719,254	189,168,223	226,407,682	189,431,534
3. Premiums Retained	760,992,007	757,695,271	751,377,428	909,860,962	1,071,659,331	1,282,251,836	1,073,061,569
4. Examination/Evidence Fees	23,081,967	26,322,185	28,851,994	35,653,785	44,498,131	54,289,801	61,401,421
5. Closing Fees	24,604,466	25,576,966	25,789,543	27,095,733	24,023,788	32,017,876	93,233,457
6. Tax Certificates	16,409,936	19,792,244	19,115,314	27,747,888	35,014,493	43,404,792	32,443,078
7. Recording Fees	30,352,518	33,687,258	32,834,291	43,255,756	52,648,390	65,788,074	54,998,764
8. Restrictions	2,041,646	2,703,788	1,641,528	2,427,295	2,435,451	2,403,259	1,802,674
9. Inspection Fees	47,227	105,559	47,647	70,276	105,046	119,359	137,725
10. Courier and Overnight Fees	17,167,266	18,096,762	17,469,962	21,969,299	23,461,035	27,497,063	19,187,869
11. Telephone and Facsimile	570,375	581,271	734,987	766,408	786,996	1,063,505	1,031,431
12. Interest Income	2,807,611	3,001,599	3,657,900	3,229,856	1,792,417	1,500,473	1,853,060
13. Other Income	11,144,044	8,620,475	9,540,854	9,733,946	9,333,465	12,069,303	12,515,677
GROSS INCOME	889,219,063	896,183,376	891,061,448	1,081,811,204	1,265,758,544	1,522,405,342	1,351,666,725
Number of Agencies Reporting	546	548	547	549	548	562	577
EXPENSES							
1a. Salaries-Employees	293,549,419	312,690,796	303,814,799	369,623,366	439,297,513	516,364,194	491,080,486
1b. Salaries-Owners/Partners	24,204,676	24,142,304	19,376,986	22,625,361	27,490,706	29,487,091	25,583,715
2a. Benefits, Relations & Welfare-Employees	45,356,352	52,710,555	52,473,027	60,497,449	74,302,237	90,703,396	86,394,251
2b. Benefits, Relations & Welfare - Owners/F	2,997,743	3,114,235	2,669,853	2,574,570	2,783,813	3,287,507	3,306,593
3a. Evidence/Examination Fees - Title Agent	28,638,718	28,465,787	26,616,579	35,630,088	41,493,679	54,637,013	33,762,010
3b. Evidence/Examination Fees - Others	17,355,757	18,107,869	19,183,147	15,676,645	15,424,305	15,776,639	20,526,121
4a. Closing Fees Paid - Title Agents	17,694,428	18,651,240	15,045,011	16,241,890	18,385,525	19,160,875	19,637,454
4b. Closing Fees Paid - Others	79,188,653	77,188,594	82,955,402	93,269,110	110,286,878	144,335,498	126,569,810
5. Rent	34,950,785	40,250,041	43,245,364	50,905,696	58,275,841	61,075,046	63,350,166
6. Utilities	3,858,826	3,981,318	4,328,759	4,951,392	5,009,052	5,986,721	6,167,430
7. Accounting & Auditing	4,105,915	3,444,527	3,255,427	3,982,097	4,563,581	5,673,340	4,883,856
8. Advertising	11,904,401	14,916,518	16,432,203	19,475,102	23,652,423	26,709,344	18,480,551
9. Travel, Lodging & Education	6,661,199	6,881,573	7,514,510	9,221,799	10,364,938	12,371,103	11,347,172
10. Insurance	4,486,996	4,525,590	4,302,302	4,321,843	4,750,379	5,709,299	6,274,826
11. Interest Expense	3,092,003	2,846,881	3,523,344	3,291,820	2,575,229	2,398,612	1,896,807
12. Legal Expense	2,360,896	3,388,246	2,447,188	3,194,582	4,058,064	3,817,593	3,440,963
13. Licenses, Taxes, & Fees	6,966,214	5,833,616	4,924,202	5,238,925	5,990,518	3,341,748	4,132,057
14. Postage & Freight	3,899,081	3,639,118	3,417,058	3,737,924	4,602,442	4,659,521	4,657,084
15. Courier & Overnight Delivery	18,494,215	20,570,459	20,349,637	24,456,735	26,229,202	33,639,627	27,675,094
16. Telephone & Facsimile	12,530,766	13,778,127	14,426,551	15,888,698	17,578,605	19,003,537	18,797,678
17. Printing & Photocopying	4,672,879	5,771,101	5,688,991	6,723,702	7,917,913	7,987,772	7,698,705
18. Office Supplies	14,584,466	15,188,826	14,042,795	16,543,493	19,903,435	23,610,343	19,438,735
19. Equipment & Vehicle Leases	10,217,913	10,909,947	11,432,236	12,444,953	14,783,824	14,522,970	14,541,920
20. Depreciation	12,697,927	15,542,750	17,717,977	19,265,124	18,216,314	19,912,823	18,780,283
21. Directors Fees	765,240	739,123	870,517	945,936	1,367,883	1,432,227	1,076,671
22. Dues, Boards, & Associations	1,964,039	2,142,022	2,091,442	2,225,731	2,596,803	2,768,692	2,779,722
23. Bad Debts	462,382	113,821	389,005	385,546	240,484	177,681	230,950
24. Loss & Loss Adjustment Expense	1,566,291	2,369,828	1,912,809	2,098,217	1,569,404	2,235,027	3,258,558
25. Tax Certificates Paid Tax Authorities	15,320,459	19,507,306	19,219,350	28,688,945	35,487,526	44,797,028	33,572,806
26. Recording Fees Paid County Clerk	30,422,803	32,451,803	31,573,033	41,603,763	51,063,831	64,602,569	60,168,522
27. Plant Lease/Updates	22,804,781	22,880,128	22,391,876	25,051,428	30,168,413	37,276,045	35,327,020
28. Damages for Bad Faith Suits	5,825	10,000	10,000	4,175	499,861	0	16,147
29. Fines or Penalties	93,277	105,243	132,077	361,198	137,586	135,109	131,183
30. Donations/Lobbying	1,575,148	1,456,823	1,335,601	1,401,062	1,880,044	2,172,465	1,845,462
31. Trade Association Fees	360,739	475,394	491,016	541,440	669,929	981,231	981,230
32. Other Expenses	22,183,019	23,563,163	24,816,519	27,396,035	30,878,973	48,974,903	51,901,509
TOTAL OPERATING EXPENSES	761,994,231	812,354,671	804,416,595	950,485,841	1,114,497,153	1,329,724,587	1,229,713,547
INCOME OR (LOSS) FROM OPERATIONS	127,224,832	83,828,705	86,644,853	131,325,363	151,261,391	192,680,755	121,953,178

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
All AGENTS - INDEPENDENT, AFFILIATED & DIRECT OPERATION

INCOME	1998	1999	2000	2001	2002	2003	2004
Adjusted Gross Title Income (1)	796,123,463	795,586,847	797,450,253	958,935,581	1,118,216,457	1,339,414,588	1,210,825,419
Adjusted Retained Premiums (2)	762,345,294	762,477,395	764,357,374	920,738,501	1,080,302,047	1,294,761,626	1,174,296,983
Adjusted Title Expense (3)	666,316,543	708,861,248	708,081,119	823,915,062	963,309,768	1,141,003,271	1,076,340,175
Loss/LAE	1,566,291	2,369,828	1,912,809	2,098,217	1,569,404	2,235,027	3,258,558

Notes

(1) Gross title income excludes pass-through and industry transfers from the following
- Income Line 6. Tax Certificates (pass through item, removed from both income and expense)
- Income Line 7. Recording Fees (pass through item, removed from both income and expense)
- Expense Line 3a. Evidence/Examination Fees from both Agents and Underwriters (industry transfer item, removed from both income and expense)
- Expense Line 4a. Closing Fees Paid - from both Agents and Underwriters (industry transfer item, removed from both income and expense)

(2) Retained premiums adjusted for Home Office Premiums.
- Includes income from Line 3. Premiums Retained, Line 4. Examination/Evidence Fees, and Line 5. Closing Fees. Excludes the following
  - a) Expense Line 3a. Evidence/Examination Fees - Title Agents (industry transfer item, removed from both income and expense)
  - b) Expense Line 4a. Closing Fees Paid - Title Agents (industry transfer item, removed from both income and expense)

(3) Expense excludes the following
- Expense Line 3a. Evidence/Examination Fees - Title Agents (industry transfer item, removed from both income and expense)
- Expense Line 4a. Closing Fees Paid - Title Agents (industry transfer item, removed from both income and expense)
- Expense Line 24. Loss & Loss Adjustment Expense - This is captured as Loss/LAE instead of Expense
- Expense Line 25. Tax Certificates (pass through item, removed from both income and expense)
- Expense Line 26. Recording Fees (pass through item, removed from both income and expense)
- Expense Line 28 thru 31 - Ineligible Expense not included in rating analysis.

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
All AGENTS - INDEPENDENT, AFFILIATED & DIRECT OPERATION

INCOME	2005	2006	2007	2008	2009	2010	2011
1. Title Premiums	1,295,222,550	1,424,539,611	1,343,969,207	1,022,409,952	888,273,573	910,314,448	953,355,626
2. Premiums Remitted to Underwriters	194,346,788	213,877,472	201,731,843	153,414,798	133,299,737	136,673,377	142,965,925
3. Premiums Retained	1,100,880,343	1,210,662,139	1,142,237,368	868,995,155	754,973,836	773,641,071	810,389,700
4. Examination/Evidence Fees	63,553,179	69,803,342	72,805,427	53,420,390	42,599,977	48,391,367	50,182,562
5. Closing Fees	127,767,551	144,964,910	151,264,295	113,415,045	95,135,856	104,145,019	117,896,357
6. Tax Certificates	30,856,476	31,881,868	27,698,780	22,089,981	24,142,687	22,046,767	20,758,835
7. Recording Fees	64,006,708	92,375,339	86,403,283	65,908,146	64,984,067	63,940,332	60,130,099
8. Restrictions	1,980,125	1,807,639	1,649,642	1,399,169	1,576,457	1,310,697	1,172,157
9. Inspection Fees	100,731	104,811	83,449	76,050	63,107	45,638	27,263
10. Courier and Overnight Fees	17,855,058	20,313,570	19,484,283	15,800,721	14,701,592	12,561,292	10,888,312
11. Telephone and Facsimile	532,397	494,908	400,590	369,368	345,635	261,560	254,570
12. Interest Income	3,150,975	5,201,079	5,810,336	3,513,443	3,019,717	1,725,016	1,500,083
13. Other Income	10,612,547	14,697,078	12,990,400	16,466,181	13,506,218	14,150,287	11,937,687
GROSS INCOME	1,421,296,091	1,592,306,683	1,520,827,854	1,161,453,649	1,015,049,149	1,042,219,046	1,085,137,625
Number of Agencies Reporting	614	622	630	634	616	585	562
EXPENSES							
1a. Salaries-Employees	517,137,757	577,589,486	553,756,886	450,491,233	370,070,285	376,937,511	404,798,046
1b. Salaries-Owners/Partners	26,737,861	28,091,229	27,211,599	25,372,040	22,005,552	21,148,854	24,566,140
2a. Benefits, Relations & Welfare-Employees	88,939,037	102,747,732	101,640,109	82,460,063	66,689,717	63,639,617	64,663,615
2b. Benefits, Relations & Welfare - Owners/F	3,134,960	3,532,262	3,523,260	2,835,923	2,673,402	2,579,068	2,656,996
3a. Evidence/Examination Fees - Title Agent	17,440,802	19,685,745	13,377,334	14,175,385	10,327,376	9,132,561	8,348,138
3b. Evidence/Examination Fees - Others	13,961,255	18,889,700	14,016,497	11,125,023	8,132,098	7,685,114	7,406,101
4a. Closing Fees Paid - Title Agents	42,511,605	36,924,862	38,826,618	24,004,244	21,379,687	20,408,942	21,336,272
4b. Closing Fees Paid - Others	134,727,781	142,650,820	118,245,891	91,071,501	78,235,300	76,197,462	76,860,066
5. Rent	69,210,823	76,595,007	80,439,051	73,717,048	63,241,673	59,385,744	57,883,801
6. Utilities	6,981,340	9,081,306	8,821,181	7,998,978	6,563,176	6,125,357	5,986,934
7. Accounting & Auditing	5,154,964	5,645,643	5,560,837	6,202,444	4,394,652	5,358,575	5,523,030
8. Advertising	18,810,851	23,097,767	24,252,238	18,539,911	12,238,912	12,597,625	14,504,162
9. Travel, Lodging & Education	10,785,545	11,247,167	8,592,502	6,738,348	5,584,079	5,920,171	7,072,407
10. Insurance	6,614,149	6,208,561	6,087,491	6,038,229	5,600,169	5,542,674	5,450,944
11. Interest Expense	2,358,678	2,927,361	3,195,330	2,995,643	2,518,966	2,670,898	2,389,079
12. Legal Expense	4,477,140	5,198,290	4,267,339	3,977,175	3,802,693	4,365,162	4,957,463
13. Licenses, Taxes, & Fees	5,372,625	4,384,685	4,497,652	3,888,071	3,865,313	3,495,549	4,069,511
14. Postage & Freight	5,115,322	5,789,990	5,655,855	5,029,372	3,994,662	3,682,282	4,474,295
15. Courier & Overnight Delivery	27,156,668	30,950,966	28,266,724	21,373,257	17,076,520	15,173,631	13,677,752
16. Telephone & Facsimile	18,183,643	18,329,411	17,166,793	15,255,624	12,943,868	12,020,755	11,951,010
17. Printing & Photocopying	7,211,466	7,445,775	7,855,364	5,769,690	4,665,305	4,416,784	3,749,887
18. Office Supplies	20,365,783	21,057,701	27,061,950	13,679,713	11,513,028	10,625,955	10,572,872
19. Equipment & Vehicle Leases	15,977,277	15,848,734	14,234,304	12,612,222	10,210,239	8,727,290	6,817,928
20. Depreciation	18,725,660	20,269,009	20,031,870	17,911,942	15,119,128	12,888,490	12,597,757
21. Directors Fees	1,023,534	1,005,883	1,076,368	725,031	903,667	1,065,229	1,169,005
22. Dues, Boards, & Associations	2,589,707	2,370,295	2,246,019	2,093,703	1,848,124	1,987,950	2,852,299
23. Bad Debts	212,475	477,451	297,377	260,830	347,670	271,669	153,777
24. Loss & Loss Adjustment Expense	6,751,659	4,180,520	11,414,830	16,460,933	2,097,695	2,207,261	2,334,353
25. Tax Certificates Paid Tax Authorities	33,284,841	32,552,203	28,918,009	22,558,124	24,394,282	22,382,948	21,036,307
26. Recording Fees Paid County Clerk	68,304,949	93,864,251	87,163,109	65,263,992	62,650,127	62,671,533	59,454,782
27. Plant Lease/Updates	39,791,912	46,814,617	46,079,566	48,464,808	51,007,166	46,684,774	43,099,682
28. Damages for Bad Faith Suits	0	7	2	70,772	0	41,466	0
29. Fines or Penalties	411,939	180,770	162,525	166,674	62,801	220,905	263,093
30. Donations/Lobbying	2,642,197	2,451,527	2,504,497	1,539,516	1,263,314	1,241,883	1,668,370
31. Trade Association Fees	1,034,986	1,185,646	1,197,125	1,359,097	877,869	651,090	719,109
32. Other Expenses	56,028,736	54,279,385	56,935,732	53,940,365	39,158,119	33,278,729	34,873,001
TOTAL OPERATING EXPENSES	1,299,169,927	1,433,551,764	1,374,579,836	1,136,166,924	947,456,634	923,431,508	949,937,984
INCOME OR (LOSS) FROM OPERATIONS	122,126,164	158,754,919	146,248,018	25,286,725	67,592,515	118,787,538	135,199,641

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
All AGENTS - INDEPENDENT, AFFILIATED & DIRECT OPERATION

INCOME	2005	2006	2007	2008	2009	2010	2011
Adjusted Gross Title Income (1)	1,266,480,500	1,411,438,869	1,354,521,840	1,035,275,893	894,215,332	926,690,444	974,564,281
Adjusted Retained Premiums (2)	1,232,248,667	1,368,819,784	1,314,103,138	997,650,961	861,002,606	896,635,954	948,784,209
Adjusted Title Expense (3)	1,126,786,949	1,242,526,233	1,191,015,785	990,568,187	824,403,483	804,472,919	834,777,560
Loss/LAE	6,751,659	4,180,520	11,414,830	16,460,933	2,097,695	2,207,261	2,334,353

Notes

(1) Gross title income excludes pass-through and industry transfers from the following
- Income Line 6. Tax Certificates (pass through item, removed from both income and expense)
- Income Line 7. Recording Fees (pass through item, removed from both income and expense)
- Expense Line 3a. Evidence/Examination Fees from both Agents and Underwriters (industry transfer item, removed from both income and expense)
- Expense Line 4a. Closing Fees Paid - from both Agents and Underwriters (industry transfer item, removed from both income and expense)

(2) Retained premiums adjusted for Home Office Premiums.
- Includes income from Line 3. Premiums Retained, Line 4. Examination/Evidence Fees, and Line 5. Closing Fees. Excludes the following
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  - b) Expense Line 4a. Closing Fees Paid - Title Agents (industry transfer item, removed from both income and expense)

(3) Expense excludes the following
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- Expense Line 25. Tax Certificates (pass through item, removed from both income and expense)
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TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
All AGENTS - INDEPENDENT, AFFILIATED & DIRECT OPERATION

INCOME	2012	2013	2014	2015	2016	2017	2018
1. Title Premiums	1,239,417,001	1,438,534,586	1,474,097,681	1,637,939,495	1,764,875,239	1,780,501,091	1,856,612,883
2. Premiums Remitted to Underwriters	185,976,188	215,802,171	221,237,087	245,884,458	264,747,390	267,180,040	279,044,273
3. Premiums Retained	1,053,440,811	1,222,732,416	1,252,860,594	1,392,662,884	1,500,127,848	1,513,321,050	1,577,568,613
4. Examination/Evidence Fees	55,580,916	67,627,254	61,278,856	63,347,388	67,225,196	69,234,071	75,286,002
5. Closing Fees	139,368,551	179,862,058	170,048,111	178,941,835	173,301,923	178,843,725	186,685,481
6. Tax Certificates	26,787,490	30,342,013	27,131,028	30,781,483	27,521,170	26,806,837	27,257,062
7. Recording Fees	74,523,011	82,495,789	82,893,262	88,936,225	100,046,474	94,452,011	91,997,621
8. Restrictions	1,312,443	1,443,416	616,710	384,970	223,171	173,134	124,885
9. Inspection Fees	54,873	85,166	72,507	100,042	42,240	75,182	68,460
10. Courier and Overnight Fees	12,825,426	13,914,688	12,279,042	11,693,223	11,430,426	11,621,626	11,392,424
11. Telephone and Facsimile	257,878	263,706	220,584	249,114	289,201	263,006	202,540
12. Interest Income	369,962	393,691	463,069	507,896	448,746	332,890	580,015
13. Other Income	15,501,879	29,201,580	41,276,524	39,393,624	38,464,636	43,201,505	47,182,533
GROSS INCOME	1,380,023,240	1,628,361,777	1,649,140,287	1,806,998,684	1,919,121,031	1,938,325,037	2,018,345,636
Number of Agencies Reporting	568	574	552	563	574	578	593
EXPENSES							
1a. Salaries-Employees	484,646,540	565,673,335	598,017,047	656,975,408	705,582,401	742,439,462	769,901,066
1b. Salaries-Owners/Partners	26,012,221	32,262,656	31,930,412	36,438,154	35,596,983	34,474,787	31,450,541
2a. Benefits, Relations & Welfare-Employees	75,409,515	88,407,032	91,574,400	96,668,220	111,255,682	119,545,254	117,713,599
2b. Benefits, Relations & Welfare - Owners/F	2,903,541	3,472,890	3,415,614	3,701,292	4,150,964	3,886,331	3,822,404
3a. Evidence/Examination Fees - Title Agent	11,788,993	13,070,150	23,049,691	15,933,564	10,017,458	15,606,350	21,401,142
3b. Evidence/Examination Fees - Others	8,655,555	10,392,876	8,434,141	9,062,115	16,818,148	9,841,497	11,412,691
4a. Closing Fees Paid - Title Agents	21,802,574	26,611,196	30,063,474	28,925,223	33,467,477	30,534,552	29,251,410
4b. Closing Fees Paid - Others	95,640,086	100,221,219	103,559,083	118,881,541	129,166,401	131,800,617	132,773,254
5. Rent	58,059,048	62,423,218	68,509,808	74,837,221	80,599,996	85,997,543	86,518,652
6. Utilities	5,561,731	5,949,482	6,112,074	6,116,869	6,738,793	5,766,535	5,571,188
7. Accounting & Auditing	5,139,495	7,244,219	6,764,076	7,681,993	7,786,795	8,310,623	8,191,612
8. Advertising	17,179,430	21,460,866	23,184,771	26,391,669	28,158,221	30,647,542	30,798,798
9. Travel, Lodging & Education	8,261,141	9,468,472	10,694,970	12,233,008	12,644,731	12,320,685	12,911,132
10. Insurance	6,467,918	7,683,565	8,377,228	8,355,558	9,029,891	9,230,841	9,559,282
11. Interest Expense	2,177,501	1,931,236	1,661,987	1,781,545	1,751,987	2,033,164	2,262,545
12. Legal Expense	4,494,252	5,078,093	5,056,920	5,619,534	6,668,946	6,549,366	6,113,302
13. Licenses, Taxes, & Fees	4,525,951	4,911,984	4,759,971	6,234,569	6,371,349	6,344,657	7,590,291
14. Postage & Freight	4,573,832	6,844,421	5,929,886	7,428,876	7,432,580	6,649,872	6,714,795
15. Courier & Overnight Delivery	16,395,284	17,510,769	16,184,957	15,862,368	17,482,355	19,196,282	19,610,990
16. Telephone & Facsimile	12,081,485	12,251,970	12,406,999	12,730,523	13,436,476	13,607,688	12,843,205
17. Printing & Photocopying	4,285,627	4,618,373	4,584,143	4,533,710	3,906,647	3,747,663	3,625,965
18. Office Supplies	12,430,881	14,824,304	13,974,655	15,200,289	16,281,752	16,800,281	16,547,799
19. Equipment & Vehicle Leases	6,849,656	6,667,647	7,389,984	7,847,500	7,904,105	8,036,800	8,510,676
20. Depreciation	12,366,013	13,817,969	13,766,078	16,084,576	15,778,451	16,792,643	17,425,768
21. Directors Fees	1,642,655	1,383,825	2,123,558	1,968,148	1,489,844	1,482,703	2,407,595
22. Dues, Boards, & Associations	2,616,354	3,046,050	3,126,993	3,479,577	4,121,199	4,382,423	4,440,890
23. Bad Debts	84,596	88,540	416,465	310,709	409,071	213,430	211,451
24. Loss & Loss Adjustment Expense	4,181,127	2,029,631	2,404,879	2,225,205	4,981,819	1,866,665	4,213,513
25. Tax Certificates Paid Tax Authorities	27,303,478	30,594,793	27,275,244	30,934,778	28,043,599	26,993,572	27,212,179
26. Recording Fees Paid County Clerk	73,867,873	83,385,649	84,355,468	89,753,212	102,580,876	96,246,259	94,318,528
27. Plant Lease/Updates	61,561,248	70,688,478	67,156,596	72,436,038	76,743,712	86,043,992	87,351,788
28. Damages for Bad Faith Suits	0	98,776	0	31,482	23,000	8,000	51,821
29. Fines or Penalties	105,486	228,510	150,162	124,790	137,181	211,349	63,105
30. Donations/Lobbying	1,782,525	2,240,178	2,731,422	2,654,877	2,601,157	2,922,612	2,771,508
31. Trade Association Fees	810,152	1,038,050	1,087,212	1,109,958	1,129,503	1,212,490	1,131,725
32. Other Expenses	39,684,991	51,802,995	54,010,287	72,044,708	78,535,756	81,934,871	85,740,875
TOTAL OPERATING EXPENSES	1,121,348,755	1,289,423,417	1,344,240,655	1,472,598,807	1,588,825,306	1,643,679,401	1,682,437,085
INCOME OR (LOSS) FROM OPERATIONS	258,674,485	338,938,360	304,899,632	334,399,877	330,295,725	294,645,636	335,908,551

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
All AGENTS - INDEPENDENT, AFFILIATED & DIRECT OPERATION

INCOME	2012	2013	2014	2015	2016	2017	2018
Adjusted Gross Title Income (1)	1,245,121,172	1,475,842,629	1,486,002,832	1,642,422,189	1,748,068,452	1,770,925,287	1,848,438,401
Adjusted Retained Premiums (2)	1,214,798,711	1,430,540,382	1,431,074,396	1,590,093,320	1,697,170,032	1,715,257,944	1,788,887,544
Adjusted Title Expense (3)	979,706,547	1,130,126,484	1,173,123,103	1,300,905,718	1,405,843,236	1,468,077,552	1,502,022,154
Loss/LAE	4,181,127	2,029,631	2,404,879	2,225,205	4,981,819	1,866,665	4,213,513

Notes

(1) Gross title income excludes pass-through and industry transfers from the following
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- Income Line 7. Recording Fees (pass through item, removed from both income and expense)
- Expense Line 3a. Evidence/Examination Fees from both Agents and Underwriters (industry transfer item, removed from both income and expense)
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(2) Retained premiums adjusted for Home Office Premiums.
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  - b) Expense Line 4a. Closing Fees Paid - Title Agents (industry transfer item, removed from both income and expense)

(3) Expense excludes the following
- Expense Line 3a. Evidence/Examination Fees - Title Agents (industry transfer item, removed from both income and expense)
- Expense Line 4a. Closing Fees Paid - Title Agents (industry transfer item, removed from both income and expense)
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TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
All AGENTS - INDEPENDENT, AFFILIATED & DIRECT OPERATION

INCOME	2019	2020	2021	2022
1. Title Premiums	1,979,237,951	2,377,898,112	3,241,930,522	2,940,187,845
2. Premiums Remitted to Underwriters	297,050,770	357,533,103	486,799,129	441,463,383
3. Premiums Retained	1,682,187,184	2,020,365,002	2,755,131,396	2,498,724,461
4. Examination/Evidence Fees	82,550,979	94,064,508	117,752,574	106,618,668
5. Closing Fees	193,389,797	218,262,051	309,995,160	268,892,052
6. Tax Certificates	28,689,515	43,062,751	42,794,377	30,989,141
7. Recording Fees	100,242,230	138,891,969	142,938,007	106,427,347
8. Restrictions	128,984	157,491	168,807	186,248
9. Inspection Fees	85,597	76,135	156,500	216,032
10. Courier and Overnight Fees	10,485,790	16,158,840	19,211,535	15,478,756
11. Telephone and Facsimile	223,814	891,361	458,744	367,630
12. Interest Income	642,095	850,152	2,167,199	914,565
13. Other Income	51,126,144	66,863,023	103,818,099	85,895,159
GROSS INCOME	2,149,752,129	2,599,643,283	3,494,592,398	3,114,710,059
Number of Agencies Reporting	606	656	706	737
EXPENSES				
1a. Salaries-Employees	826,083,094	944,320,421	1,203,825,169	1,205,558,564
1b. Salaries-Owners/Partners	37,444,954	51,316,349	59,917,420	51,550,129
2a. Benefits, Relations & Welfare-Employees	130,456,754	133,754,315	168,877,251	177,925,370
2b. Benefits, Relations & Welfare - Owners/P	3,787,926	4,594,044	5,141,610	6,210,493
3a. Evidence/Examination Fees - Title Agent	28,883,633	36,932,157	43,651,642	41,771,263
3b. Evidence/Examination Fees - Others	12,252,410	14,357,966	19,605,247	19,149,660
4a. Closing Fees Paid - Title Agents	27,504,247	31,029,548	39,879,112	34,551,933
4b. Closing Fees Paid - Others	134,439,581	132,865,954	183,416,186	154,684,520
5. Rent	98,367,666	101,610,925	109,501,588	112,065,742
6. Utilities	6,187,968	6,400,705	7,109,108	8,454,899
7. Accounting & Auditing	8,242,784	8,969,901	11,122,498	12,440,914
8. Advertising	35,292,139	24,987,850	34,936,052	43,605,328
9. Travel, Lodging & Education	13,833,226	8,255,972	12,155,418	15,951,157
10. Insurance	10,924,006	12,099,403	14,368,503	17,131,207
11. Interest Expense	3,177,611	3,178,119	2,213,863	2,576,534
12. Legal Expense	7,828,927	9,664,590	17,494,350	19,862,432
13. Licenses, Taxes, & Fees	7,465,942	8,848,006	10,081,355	9,955,807
14. Postage & Freight	7,646,442	10,615,617	13,884,536	13,765,612
15. Courier & Overnight Delivery	19,383,794	27,664,662	32,580,403	27,033,974
16. Telephone & Facsimile	13,183,212	12,757,665	12,776,618	12,805,268
17. Printing & Photocopying	3,698,738	4,145,553	4,388,109	4,405,681
18. Office Supplies	18,351,093	20,552,438	23,262,457	21,565,731
19. Equipment & Vehicle Leases	8,292,199	9,106,582	10,294,989	10,581,675
20. Depreciation	18,181,597	19,986,975	27,230,083	27,570,681
21. Directors Fees	3,885,639	2,680,162	5,124,807	5,068,610
22. Dues, Boards, & Associations	5,147,197	4,625,367	5,288,485	6,290,584
23. Bad Debts	392,588	271,394	732,477	673,249
24. Loss & Loss Adjustment Expense	4,035,059	5,260,382	7,050,073	5,766,977
25. Tax Certificates Paid Tax Authorities	28,723,477	43,755,834	41,960,816	31,300,724
26. Recording Fees Paid County Clerk	101,429,965	142,193,691	143,014,880	113,330,177
27. Plant Lease/Updates	69,882,976	84,995,386	89,391,965	87,140,769
28. Damages for Bad Faith Suits	788,338	0	6,763	249,582
29. Fines or Penalties	92,337	83,442	234,646	150,205
30. Donations/Lobbying	3,001,644	2,953,563	3,661,447	3,484,313
31. Trade Association Fees	1,126,314	929,371	1,008,802	1,349,391
32. Other Expenses	91,342,171	121,085,337	144,342,274	133,255,759
TOTAL OPERATING EXPENSES	1,790,757,648	2,046,849,646	2,509,531,002	2,439,234,914
INCOME OR (LOSS) FROM OPERATIONS	358,994,481	552,793,637	985,061,396	675,475,145

TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT
All AGENTS - INDEPENDENT, AFFILIATED & DIRECT OPERATION

INCOME	2019	2020	2021	2022
Adjusted Gross Title Income (1)	1,964,432,504	2,349,726,858	3,225,329,260	2,900,970,375
Adjusted Retained Premiums (2)	1,901,740,080	2,264,729,856	3,099,348,376	2,797,911,985
Adjusted Title Expense (3)	1,595,172,634	1,783,711,658	2,229,062,821	2,207,280,349
Loss/LAE	4,035,059	5,260,382	7,050,073	5,766,977

Notes

(1) Gross title income excludes pass-through and industry transfers from the following

Income Line 6. Tax Certificates (pass through item, removed from both income and expense)

Income Line 7. Recording Fees (pass through item, removed from both income and expense)

Expense Line 3a. Evidence/Examination Fees from both Agents and Underwriters (industry transfer item, removed from both income and expense)

Expense Line 4a. Closing Fees Paid - from both Agents and Underwriters (industry transfer item, removed from both income and expense)

(2) Retained premiums adjusted for Home Office Premiums.

Includes income from Line 3. Premiums Retained, Line 4. Examination/Evidence Fees, and Line 5. Closing Fees. Excludes the following

a) Expense Line 3a. Evidence/Examination Fees - Title Agents (industry transfer item, removed from both income and expense)

b) Expense Line 4a. Closing Fees Paid - Title Agents (industry transfer item, removed from both income and expense)

(3) Expense excludes the following

Expense Line 3a. Evidence/Examination Fees - Title Agents (industry transfer item, removed from both income and expense)

Expense Line 4a. Closing Fees Paid - Title Agents (industry transfer item, removed from both income and expense)

Expense Line 24. Loss & Loss Adjustment Expense - This is captured as Loss/LAE instead of Expense

Expense Line 25. Tax Certificates (pass through item, removed from both income and expense)

Expense Line 26. Recording Fees (pass through item, removed from both income and expense)

Expense Line 28 thru 31 - Ineligible Expense not included in rating analysis.

Attachment 4 – Estimated 2023 Experience

The rate study relies on data published by TDI through 2022, which doesn't include the full impact from the downturn in title insurance that started in the fall of 2022. In order to estimate the 2023 experience, we surveyed 37 large size agents making up about 50% of total premiums and asked them to provide their 2023 experience using the same methodology that will be used for the 2023 Agent Statistical Data call. Please note, the survey was conducted in August 2024 and 2023 financial information should be completed by the time of the survey.

Attachment 5 - Exhibit A present the results of the survey. The expense ratio in 2023 was about 10% point higher than pre-COVID periods with similar premium volume. In addition, 34 out of the 37 agents had net income in 2023 that is less than in 2022 supporting the downturn in title insurance.

The survey only included 37 large size agents making up about 50% of total premiums but the rating analysis includes experience for all agents and underwriters. The expense ratio used for the rating analysis was estimated using the survey as a proxy by assuming the following:

- The expense ratio difference between the survey and the rating analysis was determined for the past two years.

Expense Ratio		
Survey	Rating Analysis	Difference
75.20%	66.37%	-8.82%
82.82%	71.90%	-10.91%
	Selected = Average	-9.87%

- The 2023 rating expense ratio was estimated by applying the difference in the expense ratio as determined above to the 2023 survey expense ratio.

Survey 2023 Expense Ratio	94.52%
Difference	-9.87%
Estimated 2023 Rating Expense Ratio	84.65%

We estimate that the expense ratio in 2023 will be 84.65% based on the survey resulting in a rate change of 0.0% if we only relied on 2023 estimated experience. Please note, this is an estimate of the 2023 expense based on our survey and actual experience could turn out worse than the survey once we consider all agents and underwriters.

TEXAS TITLE AGENT STATISTICAL REPORT

Agency Survey

Title Insurance Experience - Excludes Escrow and Non-Policy Abstract

	Agent Survey Results (1)				Rating
Calendar Year	Gross Title Income	Expense	Net Income	Expense Ratio	Expense Ratio (2)
2018	1,041,382,106	885,106,938	156,275,168	84.99%	80.87%
2019	1,189,913,723	1,022,635,014	167,278,709	85.94%	79.07%
2020	1,368,144,963	1,128,499,330	239,645,633	82.48%	71.36%
2021	1,881,871,421	1,415,104,154	466,767,267	75.20%	66.37%
2022	1,646,926,769	1,364,009,880	282,916,889	82.82%	71.90%
2023	1,084,705,055	1,025,278,165	59,426,890	94.52%	**84.65%**
2023 vs. 2022	-34.1%	-24.8%	-79.0%		

Notes

(1) We surveyed top agents in Texas and asked the following question.

We are requesting that you complete the gross title income and expense by type of operation (title, escrow and non-policy abstract) for the CY2023 period in the blue highlighted sections. In order to expedite the process, please complete data request in the blue highlighted section in the attached Excel file in the format provided. When completing the data request, please use the same methodology that you used in prior years to complete the statistical data call such as allocation of income and expense by type of operation.

A total of 37 agents responded. These 37 agents represent about 50% of total retain premiums.

(2) Rating Expense Ratio was estimated for 2023 based on difference between survey expense ratio and rating expense ratio.

Attachment 5 – Linear Regression Model

Exhibit A – Linear Regression Analysis

The expense ratio for title insurance is highly correlated with premium volume. Generally, the higher the premium volume the lower the expense ratio and vice versa. This inverse relationship between expense ratio and premium volume is because a significant portion of title industry's expense are fixed, at least in the short term.

A scatter plot is developed with expense ratio (y-axis) and retain premium (x-axis) from 1998 through 2022. A linear regression analysis determines the line of best fit using historical data between expense ratio and retain premiums. This line of best fit is used to estimate the expense ratio based on premium volume using the formula:

Expense Ratio = Coefficient * Premium Volume + Intercept

Exhibit A of Attachment 4 presents the output of the linear regression model projecting the expense ratio based on on-level retained premiums. The intercept was determined to be 1.070224 and the coefficient was determined to be -0.00000000012191. Attachment 6 – Exhibit A present the projected premiums based on premium volume published by ALTA. The projected premium is expected to be $2.13B. The estimated expense ratio using the linear regression model is determined using the following formula:

Expense Ratio = -0.00000000012191* $2.13B + 1.070224 = 81.0%

The linear regression model estimates the expense ratio will be 81.0%, which results in a rate change of -4.0%.

Exhibit B – Scenario Validation

The rating analysis relies on historical data to determine a range of rate change. The basis for using historical data is that historical experience is the best indicator of the projected experience in the rating period. Several scenarios were used to determine the rate change as described in Section IV Rating Analysis. Some of the scenarios are more reasonable than the others. Attachment 5 – Exhibit B compares the expense ratio from the linear regression graph to each of the scenarios used in the rating analysis.

- The 5 years, 10 years and 15 years have expense ratio less than 80% and understates the expense ratio compared to the linear regression model. These scenarios were not used for the rate indication because they give too much weight to pandemic periods 2020 through 2022 when premium was significantly higher and expense ratio was significantly lower than what we would expect in the rating period due to the downturn in title insurance that started in the fall of 2022

- The 20 years, 3 years prior to COVID and 5 years prior to COVID have expense ratio that is similar to the linear regression model. These scenarios have premium volume that is similar to the projected premiums.

- The estimated 2023 expense ratio has the highest expense ratio resulting from the downturn in title insurance.

The 20 years, 3 years prior to COVID and 5 years prior to COVID scenarios appear to be the most reasonable scenarios and the closest to the linear regression model. However, the expense ratio in 2023 is expected to be worse than any of the scenarios presented because of the significant downturn in title insurance primarily driven by higher interest rates starting in the fall of 2022. Please note, the 2023 experience is an estimated based on our survey of large size agents and actual experience in 2023 could turn out worse than the survey once we consider the experience for all agents and underwriters.

Texas Land Title Association
Total - Agents & Underwriters
Linear Regression Model
Dependent Variable (Y) = Actual On-Level Expense Ratio (1998-2022)
Independent Variable (X) = On-Level Adjusted Retained Premiums (1998-2022)

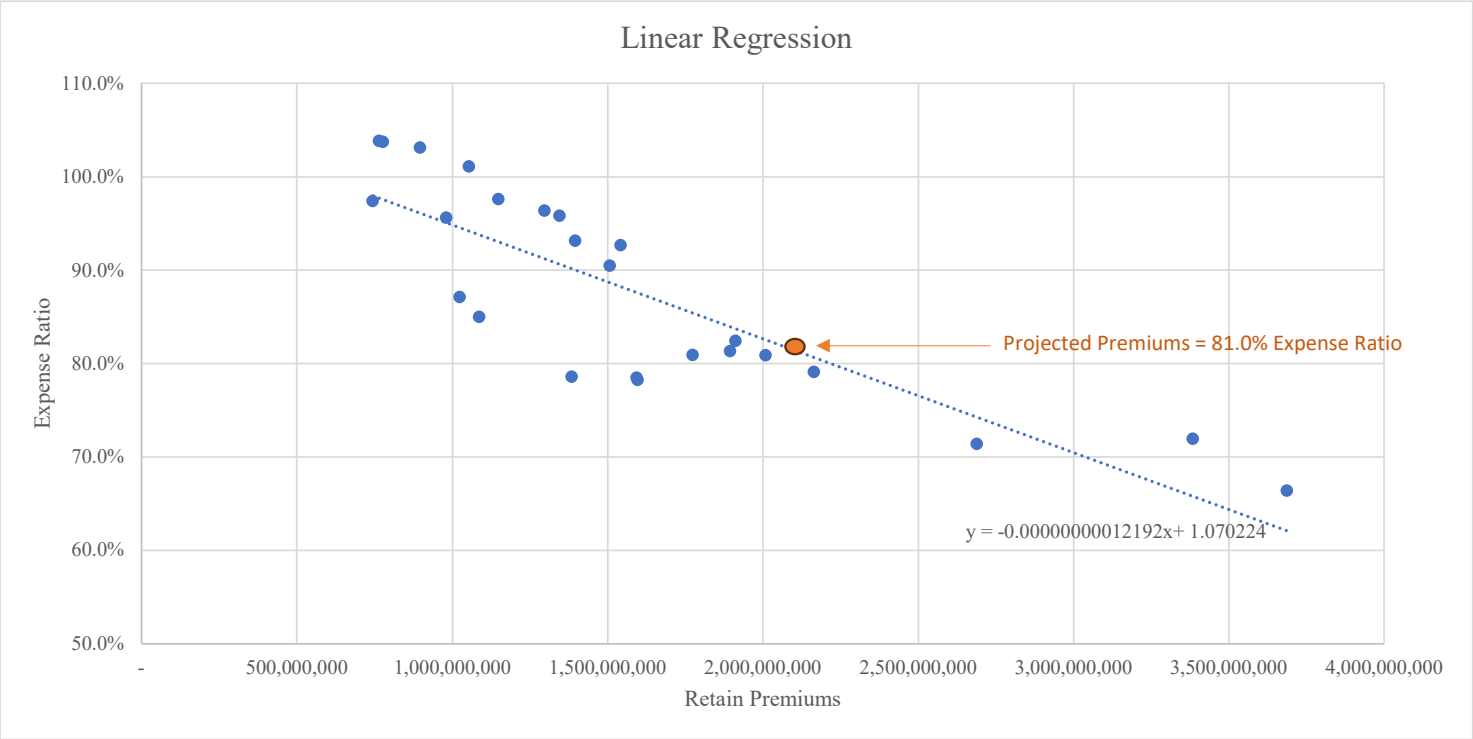
SUMMARY OUTPUT

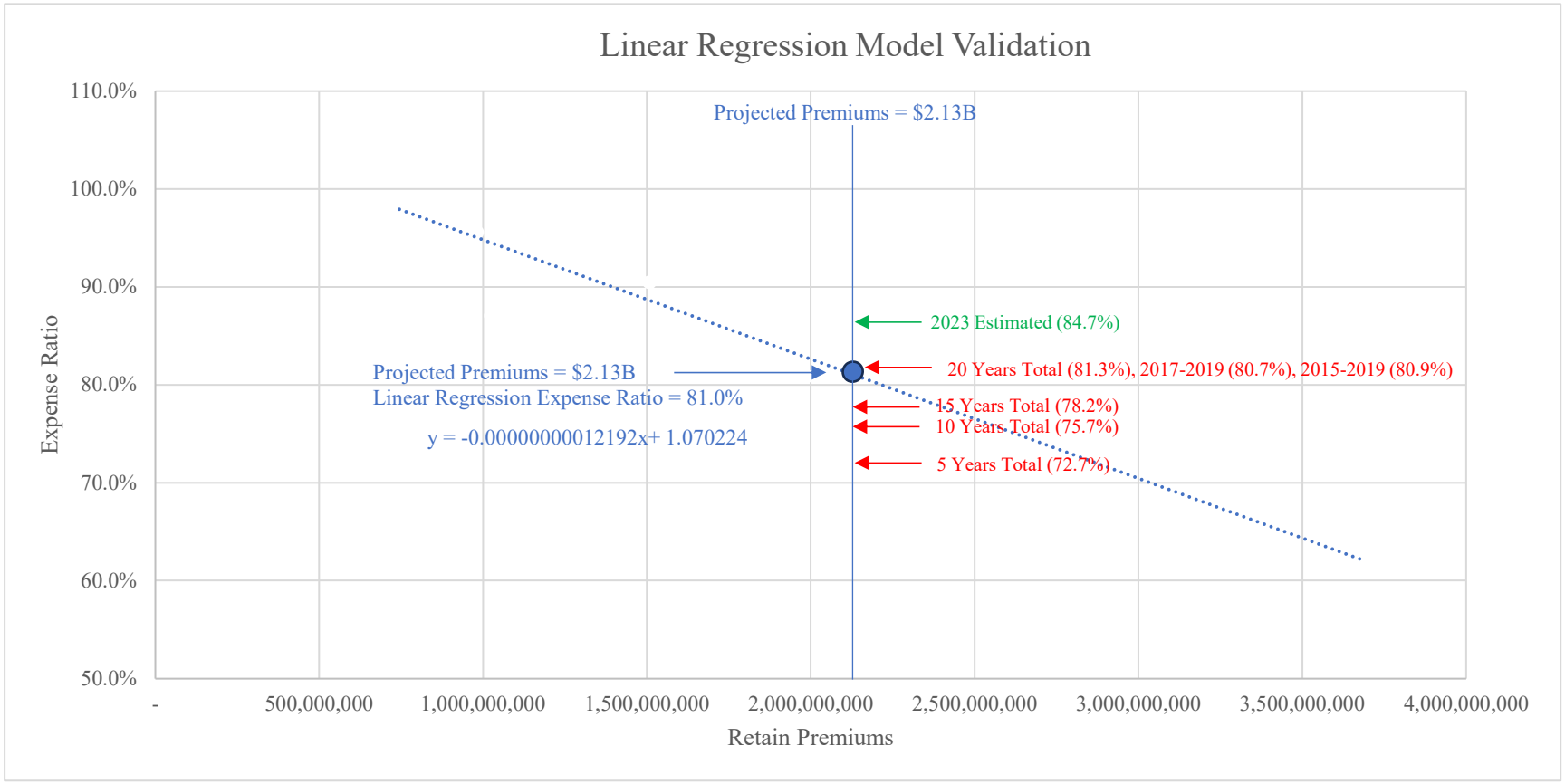
Regression Statistics	
Multiple R	0.8454702
R Square	0.7148198
Adjusted R Square	0.7024206
Standard Error	0.0595604
Observations	25

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.2045129	0.2045129	57.6507574	0.0000001
Residual	23	0.0815912	0.0035474		
Total	24	0.2861041			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	1.070224	0.028123	38.055674	0.000000	1.012048	1.128400	1.012048	1.128400
X Variable 1	(0.00000000012192)	0.00000000	(7.59280959)	0.00000010	(0.00000000)	(0.00000000)	(0.00000000)	(0.00000000)




Linear Regression Model Validation
110.0%
100.0%
90.0%
80.0%
70.0%
60.0%
50.0%
Expense Ratio
Projected Premiums = $2.13B
2023 Estimated (84.7%)
Projected Premiums = $2.13B
Linear Regression Expense Ratio = 81.0%
y = -0.00000000012192x+ 1.070224
20 Years Total (81.3%), 2017-2019 (80.7%), 2015-2019 (80.9%)
15 Years Total (78.2%)
10 Years Total (75.7%)
5 Years Total (72.7%)
-
500,000,000
1,000,000,000
1,500,000,000
2,000,000,000
2,500,000,000
3,000,000,000
3,500,000,000
4,000,000,000
Retain Premiums

Attachment 6 – ALTA Written Premium

Although the 2021 and 2022 data reflect a period of unusual profitability for the title industry, more recent data reflects a significant downward market trend that raises concerns and uncertainty that requires substantial consideration to ensure an adequate and reasonable rate. The pandemic spurred a steep drop in interest rates, continued rise in home prices, shortages in supply, and an increased demand for refinancing of homes, the market – both residential and commercial - has since experienced a significant decrease in activity starting in the fall of 2022.

Exhibit B.1 through Exhibit B.6 presents the written premiums by state for each year from CY2018 through 1st quarter of CY2024 as reported on the ALTA Industry Annual Statement Compilation data derived from NAIC data.

Exhibit A presents the derivation of the projected Texas written premiums which is expected to be $2.13B, or 37.0% less than CY2022 written premiums.

Another data source confirming that the Texas title market is experiencing a significant downturn is the current Quarterly Guaranty Fee Report that the Texas Title Insurance Guaranty Association produced. In accordance with Texas Insurance Code § 2602.151, a guaranty fee is collected on each owner or mortgagee title insurance policy issued in Texas. Exhibit C presents the Quarter Guaranty/GARC Fees and Polices Quarter 2023 Report. It reports that the number of policies reported where a guaranty fee is collected from the Texas Title Insurance Guaranty Association for Q1 and Q2 of 2023 is 30% less than same time period in 2022 and 40% less than same time period in 2021.

Texas Land Title Association
ALTA Industry Annual Statement Compilation
Written Premiums - State Summary
Texas

	Premium Written	YOY % Change	
CY2018	2,140,910,335		(a) = Attachment 6 - Exhibit B.1
CY2019	2,214,499,994	3.4%	(b) = Attachment 6 - Exhibit B.1
CY2020	2,524,757,054	14.0%	(c) = Attachment 6 - Exhibit B.2
CY2021	3,521,963,070	39.5%	(d) = Attachment 6 - Exhibit B.3
CY2022	3,385,048,825	-3.9%	(e) = Attachment 6 - Exhibit B.4
CY2023	2,260,900,559	-33.2%	(f) = Attachment 6 - Exhibit B.5
CY23Q1	522,896,482		
CY24Q1	492,939,114	-5.7%	(g) = Attachment 6 - Exhibit B.6
CY22 On-Level Premiums	3,384,487,812		(h) = Attachment 2 - Exhibit A
% Difference from CY2022		-37.0%	(i) = [1 + (f)] * [1 + (g)] - 1
Projected Premiums	**2,131,017,610**		(j) = (h) * [1 + (i)]

State Summary
Market Share Analysis
Based on 2019 Total Premium
as of 12/31/19

	State	Premium Written 12/31/2019	Premium Written 12/31/2018	% Increase/ Decrease
1	Texas	2,214,499,994	2,140,910,335	**3.4%**
2	California	1,780,948,965	1,626,577,188	**9.5%**
3	Florida	1,617,781,194	1,510,763,693	**7.1%**
4	New York	1,141,453,670	1,096,711,695	**4.1%**
5	Pennsylvania	641,260,019	593,297,428	**8.1%**
6	Arizona	516,426,496	472,097,637	**9.4%**
7	New Jersey	485,438,997	442,554,083	**9.7%**
8	Illinois	482,663,470	482,695,178	**0.0%**
9	Ohio	443,443,438	413,971,815	**7.1%**
10	Georgia	438,590,975	396,016,535	**10.8%**
11	Colorado	410,959,902	373,751,971	**10.0%**
12	Washington	407,586,569	375,131,832	**8.7%**
13	Michigan	383,913,931	387,911,580	**-1.0%**
14	Virginia	361,827,493	333,952,339	**8.3%**
15	Massachusetts	321,423,367	298,509,392	**7.7%**
16	Utah	295,838,900	269,408,585	**9.8%**
17	Maryland	286,241,171	271,648,410	**5.4%**
18	Oregon	252,029,960	219,231,208	**15.0%**
19	Canada	244,179,287	236,255,302	**3.4%**
20	Tennessee	236,830,826	218,193,358	**8.5%**
21	North Carolina	223,812,517	199,566,909	**12.1%**
22	Nevada	217,938,362	208,408,079	**4.6%**
23	Wisconsin	188,814,457	188,550,814	**0.1%**
24	South Carolina	167,848,861	158,973,158	**5.6%**
25	Louisiana	161,127,466	153,845,424	**4.7%**
26	Minnesota	160,674,635	152,038,957	**5.7%**
27	Indiana	145,258,000	132,485,570	**9.6%**
28	Idaho	143,436,424	123,080,038	**16.5%**
29	Connecticut	118,775,972	112,153,846	**5.9%**
30	Alabama	111,607,153	108,978,745	**2.4%**
31	New Mexico	102,489,945	95,634,713	**7.2%**
32	Kentucky	96,883,011	86,623,856	**11.8%**
33	Hawaii	90,598,725	84,130,522	**7.7%**
34	Oklahoma	79,215,422	77,200,889	**2.6%**
35	Dist. Of Columbia	76,499,313	71,504,701	**7.0%**
36	Delaware	68,285,372	62,374,034	**9.5%**
37	Arkansas	67,206,546	62,391,200	**7.7%**
38	Aggregate Other Alien	64,182,892	73,442,302	**-12.6%**
39	Nebraska	60,672,950	59,753,416	**1.5%**
40	Montana	54,494,736	53,389,094	**2.1%**
41	Missouri	54,217,674	55,272,370	**-1.9%**
42	Mississippi	51,531,061	48,304,199	**6.7%**
43	Kansas	50,796,964	48,306,228	**5.2%**
44	New Hampshire	41,450,446	40,414,888	**2.6%**
45	Maine	40,245,090	37,258,176	**8.0%**
46	Rhode Island	36,601,134	35,286,563	**3.7%**
47	Wyoming	30,863,874	27,772,478	**11.1%**
48	Alaska	30,548,729	28,279,554	**8.0%**
49	West Virginia	23,461,778	21,252,478	**10.4%**
50	South Dakota	23,350,842	22,097,750	**5.7%**
51	Vermont	14,643,528	15,591,207	**-6.1%**
52	North Dakota	12,594,272	11,718,698	**7.5%**
53	Puerto Rico	12,198,178	8,921,467	**36.7%**
54	Iowa	11,020,011	10,969,226	**0.5%**
55	Guam	5,287,562	5,454,451	**-3.1%**
56	Mexico	3,119,239	1,606,807	**94.1%**
57	US Virgin Islands	1,510,082	867,105	**74.2%**
58	Northern Mariana Islands	348,423	902,241	**-61.4%**
59	**Totals**	**15,806,950,270**	**14,844,391,717**	**6.5%**

State Summary
Market Share Analysis
Based on 2020 Total Premium
as of 12/31/20

	State	Premium Written 12/31/2020	Premium Written 12/31/2019	% Increase/ Decrease
1	Texas	2,524,757,054	2,214,499,994	**14.0%**
2	California	2,263,892,709	1,780,948,965	**27.1%**
3	Florida	1,901,109,939	1,617,781,194	**17.5%**
4	New York	1,015,420,771	1,141,453,670	**-11.0%**
5	Pennsylvania	826,185,031	641,260,019	**28.8%**
6	Arizona	648,999,205	516,426,496	**25.7%**
7	Colorado	589,080,758	410,959,902	**43.3%**
8	New Jersey	585,322,275	485,438,997	**20.6%**
9	Illinois	547,463,496	482,663,470	**13.4%**
10	Georgia	545,509,871	438,590,975	**24.4%**
11	Ohio	533,179,414	443,443,438	**20.2%**
12	Michigan	519,766,854	383,913,931	**35.4%**
13	Virginia	516,143,884	361,827,493	**42.6%**
14	Washington	516,036,968	407,586,569	**26.6%**
15	Massachusetts	402,608,151	321,423,367	**25.3%**
16	Utah	398,836,651	295,838,900	**34.8%**
17	Maryland	379,620,661	286,241,171	**32.6%**
18	Oregon	376,272,515	252,029,960	**49.3%**
19	North Carolina	299,955,340	223,812,517	**34.0%**
20	Tennessee	294,842,826	236,830,826	**24.5%**
21	Canada	274,507,703	244,179,287	**12.4%**
22	Nevada	240,514,228	217,938,362	**10.4%**
23	Wisconsin	234,531,637	188,814,457	**24.2%**
24	Minnesota	219,831,457	160,674,635	**36.8%**
25	South Carolina	212,098,322	167,848,861	**26.4%**
26	Louisiana	198,760,122	161,127,466	**23.4%**
27	Idaho	197,091,363	143,436,424	**37.4%**
28	Indiana	180,944,827	145,258,000	**24.6%**
29	Connecticut	154,920,902	118,775,972	**30.4%**
30	Alabama	145,609,639	111,607,153	**30.5%**
31	New Mexico	130,250,103	102,489,945	**27.1%**
32	Kentucky	124,693,891	96,883,011	**28.7%**
33	Hawaii	120,231,947	90,598,725	**32.7%**
34	Oklahoma	100,985,486	79,215,422	**27.5%**
35	Dist. Of Columbia	81,741,868	76,499,313	**6.9%**
36	Arkansas	81,371,948	67,206,546	**21.1%**
37	Montana	79,536,491	54,494,736	**46.0%**
38	Nebraska	76,194,668	60,672,950	**25.6%**
39	Delaware	73,217,620	68,285,372	**7.2%**
40	Missouri	69,839,208	54,217,674	**28.8%**
41	Kansas	67,491,227	50,796,964	**32.9%**
42	Mississippi	63,848,274	51,531,061	**23.9%**
43	New Hampshire	58,744,014	41,450,446	**41.7%**
44	Aggregate Other Alien	54,502,483	64,182,892	**-15.1%**
45	Maine	53,116,596	40,245,090	**32.0%**
46	Alaska	45,468,661	30,548,729	**48.8%**
47	Rhode Island	44,802,401	36,601,134	**22.4%**
48	Wyoming	38,917,181	30,863,874	**26.1%**
49	South Dakota	30,899,719	23,350,842	**32.3%**
50	West Virginia	30,661,769	23,461,778	**30.7%**
51	Vermont	19,175,098	14,643,528	**30.9%**
52	Iowa	16,724,926	11,020,011	**51.8%**
53	North Dakota	16,393,335	12,594,272	**30.2%**
54	Puerto Rico	9,968,998	12,198,178	**-18.3%**
55	Guam	5,521,799	5,287,562	**4.4%**
56	US Virgin Islands	1,570,184	1,510,082	**4.0%**
57	Mexico	1,322,543	3,119,239	**-57.6%**
58	Northern Mariana Islands	304,101	348,423	**-12.7%**
59	**Totals**	**19,241,311,112**	**15,806,950,270**	**21.7%**

State Summary
Market Share Analysis
Based on 2021 Total Premium
as of 12/31/21

	State	Premium Written 12/31/2021	Premium Written 12/31/2020	% Increase/ Decrease
1	Texas	3,521,963,070	2,524,757,054	**39.5%**
2	Florida	2,891,199,893	1,901,109,939	**52.1%**
3	California	2,820,894,780	2,263,892,709	**24.6%**
4	New York	1,450,109,819	1,015,420,771	**42.8%**
5	Pennsylvania	1,176,892,907	826,185,031	**42.4%**
6	Arizona	873,878,463	648,999,205	**34.7%**
7	New Jersey	823,346,306	585,322,275	**40.7%**
8	Georgia	750,177,601	545,509,871	**37.5%**
9	Illinois	737,621,626	547,463,496	**34.7%**
10	Virginia	708,890,429	516,143,884	**37.3%**
11	Ohio	699,199,917	533,179,414	**31.1%**
12	Colorado	690,581,869	589,080,758	**17.2%**
13	Michigan	689,983,481	519,766,854	**32.7%**
14	Washington	640,498,007	516,036,968	**24.1%**
15	Maryland	529,527,266	379,620,661	**39.5%**
16	Massachusetts	524,040,444	402,608,151	**30.2%**
17	Utah	520,613,909	398,836,651	**30.5%**
18	Canada	425,773,668	274,507,703	**55.1%**
19	Oregon	425,763,064	376,272,515	**13.2%**
20	North Carolina	420,393,104	299,955,340	**40.2%**
21	Tennessee	419,818,819	294,842,826	**42.4%**
22	Nevada	302,982,280	240,514,228	**26.0%**
23	South Carolina	297,572,740	212,098,322	**40.3%**
24	Wisconsin	291,471,389	234,531,637	**24.3%**
25	Minnesota	284,868,024	219,831,457	**29.6%**
26	Idaho	270,772,053	197,091,363	**37.4%**
27	Louisiana	247,891,549	198,760,122	**24.7%**
28	Indiana	231,906,060	180,944,827	**28.2%**
29	Connecticut	227,967,123	154,920,902	**47.2%**
30	Alabama	203,980,919	145,609,639	**40.1%**
31	New Mexico	167,266,141	130,250,103	**28.4%**
32	Kentucky	163,624,763	124,693,891	**31.2%**
33	Hawaii	153,423,831	120,231,947	**27.6%**
34	Oklahoma	145,029,210	100,985,486	**43.6%**
35	Delaware	121,951,650	73,217,620	**66.6%**
36	Arkansas	118,140,279	81,371,948	**45.2%**
37	Montana	109,051,765	79,536,491	**37.1%**
38	Dist. Of Columbia	105,141,397	81,741,868	**28.6%**
39	Nebraska	102,321,621	76,194,668	**34.3%**
40	Missouri	90,692,416	69,839,208	**29.9%**
41	Mississippi	88,263,598	63,848,274	**38.2%**
42	Aggregate Other Alien	85,237,676	54,502,483	**56.4%**
43	Kansas	83,594,848	67,491,227	**23.9%**
44	New Hampshire	75,460,271	58,744,014	**28.5%**
45	Maine	75,388,619	53,116,596	**41.9%**
46	Rhode Island	68,786,085	44,802,401	**53.5%**
47	Wyoming	59,112,742	38,917,181	**51.9%**
48	Alaska	53,760,274	45,468,661	**18.2%**
49	South Dakota	41,916,275	30,899,719	**35.7%**
50	West Virginia	41,138,896	30,661,769	**34.2%**
51	Vermont	27,150,167	19,175,098	**41.6%**
52	Iowa	27,113,691	16,724,926	**62.1%**
53	Puerto Rico	20,853,617	9,968,998	**109.2%**
54	North Dakota	20,589,900	16,393,335	**25.6%**
55	Guam	6,769,726	5,521,799	**22.6%**
56	Mexico	3,146,849	1,322,543	**137.9%**
57	US Virgin Islands	2,129,610	1,570,184	**35.6%**
58	Northern Mariana Islands	204,876	304,101	**-32.6%**
59	**Totals**	**26,157,841,372**	**19,241,311,112**	**35.9%**

State Summary
Market Share Analysis
Based on 2022 Total Premium
as of 12/31/22

	State	Premium Written 12/31/2022	Premium Written 12/31/2021	% Increase/ Decrease
1	Texas	3,385,048,825	3,521,963,070	-3.9%
2	Florida	2,691,856,932	2,891,199,893	-6.9%
3	California	1,887,795,924	2,820,894,780	-33.1%
4	New York	1,363,369,537	1,450,109,819	-6.0%
5	Pennsylvania	898,461,610	1,176,892,907	-23.7%
6	Arizona	701,210,448	873,878,463	-19.8%
7	Georgia	684,050,035	750,177,601	-8.8%
8	New Jersey	666,674,151	823,346,306	-19.0%
9	Ohio	645,349,612	699,199,917	-7.7%
10	Illinois	626,743,259	737,621,626	-15.0%
11	Michigan	557,516,633	689,983,481	-19.2%
12	Virginia	535,647,696	708,890,429	-24.4%
13	Colorado	478,634,363	690,581,869	-30.7%
14	Washington	444,294,473	640,498,007	-30.6%
15	Tennessee	427,569,126	419,818,819	1.8%
16	Maryland	412,034,323	529,527,266	-22.2%
17	Massachusetts	409,128,827	524,040,444	-21.9%
18	Canada	387,349,347	425,773,668	-9.0%
19	Utah	385,406,730	520,613,909	-26.0%
20	North Carolina	363,350,156	420,393,104	-13.6%
21	South Carolina	275,706,989	297,572,740	-7.3%
22	Wisconsin	274,301,886	291,471,389	-5.9%
23	Oregon	266,647,632	425,763,064	-37.4%
24	Nevada	241,888,697	302,982,280	-20.2%
25	Louisiana	213,355,372	247,891,549	-13.9%
26	Minnesota	206,526,858	284,868,024	-27.5%
27	Alabama	202,223,886	203,980,919	-0.9%
28	Connecticut	197,393,805	227,967,123	-13.4%
29	Idaho	194,184,515	270,772,053	-28.3%
30	Indiana	186,234,150	231,906,060	-19.7%
31	Kentucky	147,710,202	163,624,763	-9.7%
32	New Mexico	140,466,739	167,266,141	-16.0%
33	Oklahoma	138,792,532	145,029,210	-4.3%
34	Arkansas	110,572,395	118,140,279	-6.4%
35	Hawaii	107,639,110	153,423,831	-29.8%
36	Delaware	107,410,838	121,951,650	-11.9%
37	Montana	91,975,287	109,051,765	-15.7%
38	Aggregate Other Alien	86,579,742	85,237,676	1.6%
39	Mississippi	84,719,311	88,263,598	-4.0%
40	Nebraska	84,050,837	102,321,621	-17.9%
41	Dist. Of Columbia	83,883,223	105,141,397	-20.2%
42	Missouri	79,428,353	90,692,416	-12.4%
43	Kansas	68,926,980	83,594,848	-17.5%
44	Maine	65,679,899	75,388,619	-12.9%
45	New Hampshire	61,407,872	75,460,271	-18.6%
46	Rhode Island	52,945,594	68,786,085	-23.0%
47	Wyoming	45,957,572	59,112,742	-22.3%
48	Alaska	38,434,173	53,760,274	-28.5%
49	West Virginia	38,130,364	41,138,896	-7.3%
50	South Dakota	37,588,563	41,916,275	-10.3%
51	Vermont	24,297,879	27,150,167	-10.5%
52	Iowa	20,916,973	27,113,691	-22.9%
53	Puerto Rico	20,735,503	20,853,617	-0.6%
54	North Dakota	17,047,736	20,589,900	-17.2%
55	Guam	9,208,012	6,769,726	36.0%
56	US Virgin Islands	2,966,489	2,129,610	39.3%
57	Mexico	2,736,094	3,146,849	-13.1%
58	Northern Mariana Islands	335,863	204,876	63.9%
59	**Totals**	**21,980,499,932**	**26,157,841,372**	-16.0%

State Summary
Market Share Analysis
Based on 2023 Total Premium
as of 6/30/23

	State	Premium Written 6/30/2023	Premium Written 6/30/2022	% Increase/ Decrease
1	Texas	1,117,132,483	1,865,906,269	-40.1%
2	Florida	932,925,672	1,466,766,154	-36.4%
3	California	642,536,057	1,141,236,800	-43.7%
4	New York	429,559,356	748,046,810	-42.6%
5	Pennsylvania	278,726,341	488,646,834	-43.0%
6	Georgia	242,214,757	374,432,542	-35.3%
7	Arizona	238,413,661	422,802,387	-43.6%
8	Illinois	227,558,162	339,713,396	-33.0%
9	New Jersey	207,647,682	374,159,868	-44.5%
10	Ohio	199,762,076	325,461,861	-38.6%
11	Michigan	190,707,397	284,259,632	-32.9%
12	Virginia	172,696,252	304,036,183	-43.2%
13	Colorado	148,278,818	271,884,878	-45.5%
14	Tennessee	140,835,835	225,114,779	-37.4%
15	Canada	140,458,612	220,024,393	-36.2%
16	Washington	135,539,019	252,406,400	-46.3%
17	Massachusetts	128,813,115	213,451,630	-39.7%
18	Maryland	128,542,113	230,337,642	-44.2%
19	North Carolina	117,727,985	199,926,044	-41.1%
20	Utah	113,503,658	224,579,256	-49.5%
21	South Carolina	98,472,596	148,683,406	-33.8%
22	Wisconsin	95,025,753	138,129,248	-31.2%
23	Oregon	79,783,061	155,043,485	-48.5%
24	Nevada	74,263,999	141,641,934	-47.6%
25	Indiana	71,958,900	97,365,922	-26.1%
26	Louisiana	68,717,466	120,366,771	-42.9%
27	Minnesota	63,932,472	112,570,040	-43.2%
28	Alabama	63,136,891	107,911,117	-41.5%
29	Connecticut	62,927,154	101,395,611	-37.9%
30	Idaho	57,936,910	114,783,295	-49.5%
31	Kentucky	52,935,665	74,452,186	-28.9%
32	Oklahoma	49,643,799	72,917,381	-31.9%
33	New Mexico	47,944,895	82,324,799	-41.8%
34	Arkansas	41,739,937	57,631,458	-27.6%
35	Hawaii	38,950,490	65,055,597	-40.1%
36	Aggregate Other Alien	37,766,863	43,933,560	-14.0%
37	Delaware	32,373,215	59,946,052	-46.0%
38	Mississippi	31,061,698	44,748,875	-30.6%
39	Nebraska	30,003,327	44,103,191	-32.0%
40	Missouri	28,084,547	40,984,185	-31.5%
41	Montana	28,009,598	47,944,934	-41.6%
42	Dist. Of Columbia	27,238,094	47,384,243	-42.5%
43	Kansas	26,051,808	36,908,791	-29.4%
44	Maine	20,475,300	33,799,265	-39.4%
45	Rhode Island	18,236,392	28,048,360	-35.0%
46	New Hampshire	18,109,607	31,409,124	-42.3%
47	Wyoming	15,359,503	25,232,295	-39.1%
48	West Virginia	13,858,327	19,418,241	-28.6%
49	Alaska	12,221,193	20,961,912	-41.7%
50	South Dakota	12,025,806	20,040,267	-40.0%
51	Vermont	10,802,693	13,689,856	-21.1%
52	Puerto Rico	7,085,711	10,244,098	-30.8%
53	Iowa	6,684,038	11,670,023	-42.7%
54	North Dakota	5,738,717	8,524,138	-32.7%
55	Guam	2,068,290	3,691,727	-44.0%
56	US Virgin Islands	1,392,823	1,526,014	-8.7%
57	Mexico	660,005	1,054,137	-37.4%
58	Northern Mariana Islands	521,840	142,444	266.3%
59	**Totals**	**7,286,778,434**	**12,158,871,740**	-40.1%

State Summary
Market Share Analysis
Based on 2024 Total Premium
as of 3/31/24

	State	Premium Written 3/31/2024	Premium Written 3/31/2023	% Increase/ Decrease
1	Texas	492,939,114	522,896,482	-5.7%
2	Florida	421,668,094	421,697,958	0.0%
3	California	292,673,711	283,768,919	3.1%
4	New York	190,591,630	213,156,771	-10.6%
5	Pennsylvania	128,441,365	133,285,912	-3.6%
6	Georgia	118,807,197	109,056,097	8.9%
7	Arizona	103,876,252	97,166,857	6.9%
8	Ohio	101,045,343	98,474,661	2.6%
9	Illinois	98,902,855	94,521,160	4.6%
10	New Jersey	95,405,258	99,622,715	-4.2%
11	Michigan	88,929,766	86,493,936	2.8%
12	Virginia	84,916,062	78,175,772	8.6%
13	Tennessee	68,059,799	65,859,579	3.3%
14	Canada	61,958,063	59,946,143	3.4%
15	Colorado	61,859,727	67,893,143	-8.9%
16	Maryland	59,307,706	58,450,929	1.5%
17	Massachusetts	58,102,752	58,675,447	-1.0%
18	Washington	57,730,934	58,390,512	-1.1%
19	Utah	53,729,538	52,605,856	2.1%
20	North Carolina	53,025,953	56,185,698	-5.6%
21	Wisconsin	52,716,934	47,810,041	10.3%
22	South Carolina	47,237,773	48,933,937	-3.5%
23	Nevada	35,069,983	31,953,525	9.8%
24	Indiana	34,824,249	33,110,112	5.2%
25	Oregon	33,628,902	36,382,144	-7.6%
26	Louisiana	32,336,823	33,045,615	-2.1%
27	Connecticut	30,029,820	31,861,200	-5.7%
28	Alabama	29,959,226	31,752,997	-5.6%
29	Minnesota	29,576,649	31,429,368	-5.9%
30	Kentucky	28,366,448	25,835,689	9.8%
31	Idaho	27,048,833	27,338,446	-1.1%
32	New Mexico	22,382,435	21,864,020	2.4%
33	Mississippi	21,303,101	14,607,918	45.8%
34	Oklahoma	19,680,945	24,758,429	-20.5%
35	Aggregate Other Alien	18,829,888	18,564,338	1.4%
36	Delaware	17,672,594	16,181,170	9.2%
37	Arkansas	17,352,828	19,310,494	-10.1%
38	Hawaii	17,265,220	13,780,796	25.3%
39	Kansas	14,069,921	12,425,360	13.2%
40	Nebraska	13,676,450	15,593,771	-12.3%
41	Montana	12,988,614	14,187,919	-8.5%
42	Dist. Of Columbia	12,246,956	13,354,912	-8.3%
43	Missouri	12,187,904	13,044,458	-6.6%
44	Maine	11,111,234	10,050,261	10.6%
45	New Hampshire	10,334,447	9,082,417	13.8%
46	Rhode Island	8,561,691	8,793,963	-2.6%
47	South Dakota	6,688,937	6,134,409	9.0%
48	Wyoming	6,436,887	6,985,592	-7.9%
49	West Virginia	6,044,447	6,810,264	-11.2%
50	Vermont	5,704,848	6,081,641	-6.2%
51	Alaska	5,123,837	5,624,840	-8.9%
52	Puerto Rico	4,368,286	3,656,366	19.5%
53	North Dakota	3,233,813	3,342,623	-3.3%
54	Iowa	3,036,345	4,120,554	-26.3%
55	Mexico	1,675,437	262,246	538.9%
56	Guam	1,150,647	866,597	32.8%
57	US Virgin Islands	360,539	419,843	-14.1%
58	Northern Mariana Islands	229,703	543,096	-57.7%
59	**Totals**	**3,346,484,713**	**3,366,225,918**	-0.6%

Texas Title Insurance Guaranty Association
Title Guaranty/GARC Fees and Policies Quarter 2023 Report

Policies Reported

Year	1st Q	2nd Q	3rd Q	4th Q	Totals
2004	288,644	388,908	368,946	339,339	1,385,837
2005	312,800	393,331	407,882	358,790	1,472,803
2006	346,287	415,750	404,321	355,302	1,521,660
2007	325,214	366,145	340,542	283,709	1,315,610
2008	280,705	279,453	255,025	200,505	1,015,688
2009	212,453	266,830	254,483	233,221	966,987
2010	189,898	259,685	229,007	236,180	914,770
2011	191,988	230,458	242,042	230,523	895,011
2012	252,572	277,150	298,627	289,157	1,117,506
2013	274,085	339,953	321,053	264,311	1,199,402
2014 (GARC)	210,631	297,366	296,444	276,227	1,080,668
2015 (No Fee)					
2016	N/A	315,545	345,339	303,802	964,686
2017	271,656	338,974	322,629	301,431	1,234,690
2018 (GARC)	250,964	344,116	317,757	292,358	1,205,195
2019	N/A	217,584	360,361	346,985	924,930
2020	324,342	409,986	507,231	481,515	1,723,074
2021	445,557	524,519	511,210	477,847	1,959,133
2022	394,047	435,916	381,096	266,472	1,477,531
2023	258,721	325,417			

Number of Agents Who **Remitted Timely** GF's During the 2nd Q: **705 (77%)**
(1Q-23 651 (71%)
Number of Agents Who **Remitted Late** During the 2nd Q: **16**
(1Q-23 21)
Number of Agents **Non-Filers** who during Submit During 2nd Q: .**72**[1]
(1Q-23 102)
Number of Agents Who remitted other quarters in 2nd Q**: 61**
(1Q-74)
Number of Agents who received rejection notices: 2nd **41**
(1Q-23 38)

Fees Collected for 2023

2023 1st Quarter Guaranty Fees collected - **517,442.00**
2023 2nd Quarter Guaranty Fees collected - $**650,728.00**
2023 3rd Quarter Guaranty Fees collected - $_____
2023 4th Quarter Guaranty Fees collected - $_____
Total Guaranty Fees Collected: **$1,168,170.00**

[1] On or about August 23, 2023, Non-filer report emailed to TDI. A blast email from TDI was sent to Non-filer which generated an additional $23,828.00 recorded in the 3Q-23 spreadsheet.

Attachment 7 – Underwriting Profit Load

The underwriting profit load provision is a margin in the rates that together with investment and miscellaneous income provides an adequate return to the title insurance firms considering the capital required, the expenses incurred, and risks involved with selling title insurance.

The suggested cost of capital was provided by Dr. Greg Hallman and Mr. Kevin Jewell. They have recommended using a cost of capital of 15.4%. Attachment 11 presents an update to their Cost of Capital Report. We removed the return on investment to determine the appropriate underwriting profit load to include in the rates. We have determined the underwriting profit load to be 12.00%. Attachment 7 presents the underwriting profit load calculations and summarized below.

- The after-tax return of capital is assumed to be 15.4% and comes directly from Dr. Hallman's and Mr. Jewell's cost of capital analysis. It represents the total return from both investments and underwriting (i.e. profit load through rating).

- The historical pre-tax return on invested assets is assumed to be 5.62% and is 1.02% higher than the current 20-year Treasury bill. The historical pre-tax return on invested assets is then converted into an after-tax return and the return on invested assets is converted into return on capital by applying historical leverage ratio which results in an after-tax return on capital of 6.93%.

- The after-tax return on capital from underwriting is 8.47% which equals the total return on capital (15.4%) minus the return on capital that the companies are assumed to achieve through investments (6.93%).

- The after-tax return on capital from underwriting is then converted into after tax return on premiums from underwriting by applying historical leverage ratio.

- The after-tax return on premiums from underwriting is then converted into pre-tax return on premiums from underwriting resulting in our profit load assumption of 12.0%.

Attachment 7 - Exhibit A

Texas Land Title Association

Development of Target Underwriting Profit

1. Basis For Financial Leverage Factors	***ALTA '***	
2. Target Return on Capital (After-Tax)	15.40%	From Dr. Greg Hallman
3. Current 20 Year T-Bill Yield (Avg Last Year)	4.60%	
4. Pre-Tax Risk Premium	1.02%	Att. 7 - Exh. B
5. Pre-Tax Return on Invested Assets[2]	5.62%	=(3)+(4)
6. Tax on Investment Return	20.21%	Att. 7 - Exh. C
7. After-Tax Return on Invested Assets	4.48%	=(5) x [1 - (6)]
8. Invested Assets / Capital Leverage Factor	1.55	Att. 7 - Exh. B
9. After-Tax Return on Capital	6.93%	=(7)*(8)
10. Required After-Tax Return From Underwriting/Capital	8.47%	=(2)-(9)
11. Premium / Capital Leverage Factor	0.90	Att. 7 - Exh. B
12. Indicated After-Tax Return From Underwriting / Premium	9.45%	=(10)/(11)
13. Indicated Pre-Tax Return From Underwriting / Premium[3]	**12.0%**	=(12)/0.79

Notes:
(1) Average from ALTA Industry Annual Statement Compilation data.
(2) Average 20 Year T-Bill Yield for past year plus risk premium from Att. 7 - Exh. B
(3) Assumed corporate tax rate of 21%

Attachment 7 - Exhibit B

ALTA Industsry Annual Statement Compilation

Development of Investment Returns and Financial Leverage Ratios

		2011	2012	2013	2014	2015
Investment Gain:						
1. Invested Assets	AS Page 2, Line 12	7,272,246,195	7,817,727,401	7,786,435,944	7,836,300,065	8,042,154,514
2. Average Invested Assets	Average of (1)	7,272,246,195	7,544,986,798	7,802,081,673	7,811,368,005	7,939,227,290
3. Investment Gain (Annualized)	AS Page 4, Line 11	367,414,255	330,366,550	268,729,325	200,401,838	248,826,858
4. Capital Gains Tax Adjustment	AS Exh. of Cap. Gain	5,936,046	13,833,751	6,342,449	7,541,253	4,000,158
5. Pre-Tax Investment Gain	(3) + (4)	373,350,301	344,200,301	275,071,774	207,943,091	252,827,016
6. Pre-Tax Inv Gain / Avg Invested Assets	(5) / (2)	5.1%	4.6%	3.5%	2.7%	3.2%
7. U.S. Gov't Bond Yield (20 Year)		3.6%	2.5%	3.1%	3.1%	2.5%
8. Pre-Tax Inv Gain Risk Premium	(6) - (7)	1.5%	2.0%	0.4%	-0.4%	0.6%
Calculation of GAAP Adjusted Capital:						
9. Statutory Reserve on Known Claims	AS Page 3, Line 1	992,770,278	610,749,986	555,440,581	542,370,344	433,994,217
10. Statutory Premium Reserve	AS Page 3, Line 2	3,778,988,633	3,788,444,738	3,871,703,806	3,641,290,531	3,817,887,743
11. Statutory Premium and Loss Reserves	(9) + (10)	4,771,758,911	4,399,194,724	4,427,144,387	4,183,660,875	4,251,881,960
12. Schedule P Reserves	AS Part 2B, Col 4, Line 7	3,856,184,819	3,735,143,470	3,745,237,513	3,769,577,996	3,740,761,535
13. Equity in Reserves (Gross of Tax)	(11) - (12)	915,574,092	664,051,254	681,906,874	414,082,879	511,120,425
14. Equity in Reserves (Net of Tax)	79% of (13)	723,303,533	524,600,491	538,706,430	327,125,474	403,785,136
15. Non-Admitted Assets	AS Page 2, Col 2, Line 28	1,371,592,287	1,152,552,271	776,685,138	638,383,972	741,541,052
16. Surplus as Regards Policyholders	AS Page 3, Line 32	2,628,489,504	3,493,003,371	3,675,733,525	3,821,028,785	3,921,347,115
17. GAAP Adjusted Capital (Year End)	(14) + (15) + (16)	4,723,385,324	5,170,156,133	4,991,125,093	4,786,538,231	5,066,673,303
18. GAAP Adjusted Capital Yearly Avg	Average of (17)	4,723,385,324	4,946,770,728	5,080,640,613	4,888,831,662	4,926,605,767
Operating Income:						
19. Total Operating Income	AS Page 4, Line 3	10,408,559,061	12,225,350,968	13,431,912,783	12,204,486,972	13,649,313,575
20. Amount Paid to or Retained by Title Agents	AS O&I Ex Part 3, Line 2, Col 8	6,441,039,137	8,145,769,295	9,211,448,963	8,072,952,447	9,357,212,320
21. Underwriting Retained Operating Income	(19) - (20)	3,967,519,924	4,079,581,673	4,220,463,820	4,131,534,525	4,292,101,255
Financial Leverage Ratios To (GAAP Adjusted) Capital:						
22. Invested Assets / Capital	(2) / (18)	1.54	1.53	1.54	1.60	1.61
23. Operating Income / Capital	(21) / (18)	0.84	0.82	0.83	0.85	0.87

Attachment 7 - Exhibit B

ALTA Industsry Annual Statement Compilation

Development of Investment Returns and Financial Leverage Ratios

		2016	2017	2018	2019	2020
Investment Gain:						
1. Invested Assets	AS Page 2, Line 12	8,635,174,727	8,687,410,814	8,865,235,535	9,803,677,034	10,537,087,524
2. Average Invested Assets	Average of (1)	8,338,664,621	8,661,292,771	8,776,323,175	9,334,456,285	10,170,382,279
3. Investment Gain (Annualized)	AS Page 4, Line 11	385,619,379	380,909,600	212,394,181	415,560,125	243,077,030
4. Capital Gains Tax Adjustment	AS Exh. of Cap. Gain	16,678,487	15,178,767	14,670,621	20,857,424	(4,651,693)
5. Pre-Tax Investment Gain	(3) + (4)	402,297,866	396,088,367	227,064,802	436,417,549	238,425,337
6. Pre-Tax Inv Gain / Avg Invested Assets	(5) / (2)	4.8%	4.6%	2.6%	4.7%	2.3%
7. U.S. Gov't Bond Yield (20 Year)		2.2%	2.7%	3.0%	2.4%	1.4%
8. Pre-Tax Inv Gain Risk Premium	(6) - (7)	2.6%	1.9%	-0.4%	2.3%	1.0%
Calculation of GAAP Adjusted Capital:						
9. Statutory Reserve on Known Claims	AS Page 3, Line 1	622,724,306	621,480,501	647,723,456	627,355,983	636,469,739
10. Statutory Premium Reserve	AS Page 3, Line 2	3,976,023,364	3,900,296,825	3,948,553,585	4,096,948,255	4,384,451,437
11. Statutory Premium and Loss Reserves	(9) + (10)	4,598,747,670	4,521,777,326	4,596,277,041	4,724,304,238	5,020,921,176
12. Schedule P Reserves	AS Part 2B, Col 4, Line 7	3,703,918,462	3,695,937,670	3,713,695,182	3,725,786,788	4,019,505,415
13. Equity in Reserves (Gross of Tax)	(11) - (12)	894,829,208	825,839,656	882,581,859	998,517,450	1,001,415,761
14. Equity in Reserves (Net of Tax)	79% of (13)	706,915,074	652,413,328	697,239,669	788,828,786	791,118,451
15. Non-Admitted Assets	AS Page 2, Col 2, Line 28	635,506,200	569,260,608	670,535,853	658,268,205	775,363,893
16. Surplus as Regards Policyholders	AS Page 3, Line 32	4,205,954,904	4,198,713,692	4,275,714,525	4,970,259,112	5,479,416,412
17. GAAP Adjusted Capital (Year End)	(14) + (15) + (16)	5,548,376,178	5,420,387,628	5,643,490,047	6,417,356,103	7,045,898,756
18. GAAP Adjusted Capital Yearly Avg	Average of (17)	5,307,524,741	5,484,381,903	5,531,938,837	6,030,423,075	6,731,627,429
Operating Income:						
19. Total Operating Income	AS Page 4, Line 3	14,880,808,953	15,547,959,110	15,787,420,773	16,770,259,259	20,354,684,578
20. Amount Paid to or Retained by Title Agents	AS O&I Ex Part 3, Line 2, Col 8	10,273,216,199	10,491,209,538	10,423,882,902	11,143,057,749	13,909,876,253
21. Underwriting Retained Operating Income	(19) - (20)	4,607,592,754	5,056,749,572	5,363,537,871	5,627,201,510	6,444,808,325
Financial Leverage Ratios To (GAAP Adjusted) Capital:						
22. Invested Assets / Capital	(2) / (18)	1.57	1.58	1.59	1.55	1.51
23. Operating Income / Capital	(21) / (18)	0.87	0.92	0.97	0.93	0.96

Attachment 7 - Exhibit B

ALTA Industsry Annual Statement Compilation

Development of Investment Returns and Financial Leverage Ratios

		2021	2022	2023	Total	Selected (Avg)
Investment Gain:						
1. Invested Assets	AS Page 2, Line 12	12,204,441,144	10,996,954,500	10,364,975,803	108,484,845,397	
2. Average Invested Assets	Average of (1)	11,370,764,334	11,600,697,822	10,680,965,152	106,622,491,245	
3. Investment Gain (Annualized)	AS Page 4, Line 11	341,257,836	311,261,596	488,735,548	3,705,818,573	
4. Capital Gains Tax Adjustment	AS Exh. of Cap. Gain	31,162,167	(19,459,714)	(6,622,535)	112,089,716	
5. Pre-Tax Investment Gain	(3) + (4)	372,420,003	291,801,882	482,113,013	3,817,908,289	
6. Pre-Tax Inv Gain / Avg Invested Assets	(5) / (2)	3.3%	2.5%	4.5%	3.6%	
7. U.S. Gov't Bond Yield (20 Year)		2.0%	3.3%	3.3%		
8. Pre-Tax Inv Gain Risk Premium	(6) - (7)	1.3%	-0.8%	1.2%		**1.02%**
Calculation of GAAP Adjusted Capital:						
9. Statutory Reserve on Known Claims	AS Page 3, Line 1	647,897,808	643,657,507	635,991,780	7,582,634,706	
10. Statutory Premium Reserve	AS Page 3, Line 2	5,074,434,429	5,317,022,327	5,089,538,338	49,596,045,673	
11. Statutory Premium and Loss Reserves	(9) + (10)	5,722,332,237	5,960,679,834	5,725,530,118	57,178,680,379	
12. Schedule P Reserves	AS Part 2B, Col 4, Line 7	4,469,951,130	4,719,039,733	4,600,772,021	46,894,739,713	
13. Equity in Reserves (Gross of Tax)	(11) - (12)	1,252,381,107	1,241,640,101	1,124,758,097	10,283,940,666	
14. Equity in Reserves (Net of Tax)	79% of (13)	989,381,075	980,895,680	888,558,897	8,124,313,126	
15. Non-Admitted Assets	AS Page 2, Col 2, Line 28	897,456,599	991,401,725	1,122,478,996	9,878,547,803	
16. Surplus as Regards Policyholders	AS Page 3, Line 32	6,311,257,364	5,253,970,635	5,068,870,575	52,234,888,944	
17. GAAP Adjusted Capital (Year End)	(14) + (15) + (16)	8,198,095,038	7,226,268,040	7,079,908,468	70,237,749,873	
18. GAAP Adjusted Capital Yearly Avg	Average of (17)	7,621,996,897	7,712,181,539	7,153,088,254	68,986,308,515	
Operating Income:						
19. Total Operating Income	AS Page 4, Line 3	27,157,161,661	22,975,383,576	16,209,445,067	195,393,301,269	
20. Amount Paid to or Retained by Title Agents	AS O&I Ex Part 3, Line 2, Col 8	18,862,728,211	15,721,111,976	10,792,049,692	132,053,504,990	
21. Underwriting Retained Operating Income	(19) - (20)	8,294,433,450	7,254,271,600	5,417,395,375	63,339,796,279	
Financial Leverage Ratios To (GAAP Adjusted) Capital:						
22. Invested Assets / Capital	(2) / (18)	1.49	1.50	1.49	1.55	**1.55**
23. Operating Income / Capital	(21) / (18)	1.09	0.94	0.76	0.92	**0.90**

Attachment 7 - Exhibit C

ALTA Industsry Annual Statement Compilation

Income from Investments

	Description	2013	2014	2015	2016	2017	2018
(1)	U.S. Gov't Bonds - Taxable	6,222,063	6,260,085	6,029,138	5,850,777	6,287,963	8,989,085
(2)	Bonds - Tax Exempt	39,242,420	34,606,078	30,378,272	28,318,613	26,811,121	14,299,932
(3)	Corporate Bonds - Taxable	113,214,189	111,826,379	122,187,916	128,456,011	124,552,748	133,480,408
(4)	Preferred Stock	13,834,782	12,099,220	16,000,637	18,488,055	18,190,189	23,876,503
(5)	Common Stock	66,322,740	41,310,813	51,100,560	30,152,114	32,240,194	37,459,073
(6)	Mortgage Loans	1,849,696	1,524,152	1,068,887	1,807,553	3,250,957	2,814,466
(7)	Real Estate	20,876,313	21,043,255	17,805,853	24,203,854	29,001,271	26,878,234
(8)	Cash/Short-Term Investment	1,291,101	1,282,862	711,661	2,458,913	6,424,232	16,845,535
(9)	TOTAL INCOME FROM INVESTMENTS	262,853,304	229,952,844	245,282,924	239,735,890	246,758,675	264,643,236
	Wtd Tax Rate	18.1%	18.1%	18.3%	18.3%	18.5%	19.2%

Attachment 7 - Exhibit C

ALTA Industsry Annual Statement Compilation

Income from Investments

	Description	2019	2020	2021	2022	2022	Totals	Tax Rate
(1)	U.S. Gov't Bonds - Taxable	10,074,784	8,435,513	7,649,174	8,451,706	12,751,293	87,001,581	21.00%
(2)	Bonds - Tax Exempt	7,766,098	9,602,182	5,419,506	4,765,352	4,108,217	205,317,791	5.25%
(3)	Corporate Bonds - Taxable	156,563,813	145,194,182	137,536,132	158,114,533	200,598,842	1,531,725,153	21.00%
(4)	Preferred Stock	23,932,122	23,680,016	15,999,614	17,400,928	10,566,362	194,068,428	10.00%
(5)	Common Stock	40,630,480	52,232,221	67,588,093	83,370,361	51,443,571	553,850,220	21.00%
(6)	Mortgage Loans	2,050,380	2,009,071	1,636,975	600,721	172,807	18,785,665	21.00%
(7)	Real Estate	26,923,305	26,573,764	27,043,577	22,838,331	20,122,093	263,309,850	21.00%
(8)	Cash/Short-Term Investment	24,613,359	7,431,810	1,590,576	13,767,360	53,772,484	130,189,893	21.00%
(9)	TOTAL INCOME FROM INVESTMENTS	292,554,341	275,158,759	264,463,647	309,309,292	353,535,669	2,984,248,581	19.20%
	Wtd Tax Rate	19.7%	19.5%	20.0%	20.1%	20.5%	19.2%	
						Selected	**20.2%**	

Attachment 8 – Development of On-Level Factors

Historical premiums were adjusted by applying an "on-level" factor, which reflect what the premiums would be using the rates that are currently in effect. The "on-level" factor is presented in Attachment 8 and derived from historical rate changes and policy changes.

Effective Date	*Rate Change*	*Rate Index*	*Calendar Year*	*Average Premium Index*	*Premium On-Level Factor*	*Average Policy Change Index*	*Present Rate On-Level Factor*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
Rate Change History							
Prior		1.000	1985	1.000	1.225	0.981	1.202
03/21/88	9.9%	1.099	1986	1.000	1.225	0.981	1.202
08/01/88	4.1%	1.144	1987	1.000	1.225	0.981	1.202
01/01/89	13.6%	1.300	1988	1.096	1.118	0.981	1.096
03/01/89	3.6%	1.347	1989	1.339	0.915	0.981	0.897
02/01/90	4.9%	1.413	1990	1.408	0.870	0.981	0.853
02/01/91	7.5%	1.519	1991	1.510	0.811	0.981	0.796
10/30/92	-1.0%	1.504	1992	1.517	0.808	0.981	0.792
08/01/98	-3.0%	1.459	1993	1.504	0.814	0.981	0.799
11/01/02	-6.0%	1.371	1994	1.504	0.814	0.981	0.799
07/01/04	-6.5%	1.282	1995	1.504	0.814	0.981	0.799
02/01/07	-3.2%	1.241	1996	1.504	0.814	0.981	0.799
05/01/13	3.8%	1.288	1997	1.504	0.814	0.981	0.799
09/01/19	-4.9%	1.225	1998	1.485	0.825	0.981	0.809
			1999	1.459	0.840	0.981	0.824
Current		1.225	2000	1.459	0.840	0.981	0.824
			2001	1.459	0.840	0.981	0.824
Policy Change History			2002	1.444	0.848	0.981	0.832
09/01/19	-1.9%	0.981	2003	1.371	0.894	0.981	0.877
Current		1.000	2004	1.327	0.923	0.981	0.906
			2005	1.282	0.956	0.981	0.937
			2006	1.282	0.956	0.981	0.937
			2007	1.244	0.985	0.981	0.966
			2008	1.241	0.987	0.981	0.968
			2009	1.241	0.987	0.981	0.968
			2010	1.241	0.987	0.981	0.968
			2011	1.241	0.987	0.981	0.968
			2012	1.241	0.987	0.981	0.968
			2013	1.272	0.963	0.981	0.945
			2014	1.288	0.951	0.981	0.933
			2015	1.288	0.951	0.981	0.933
			2016	1.288	0.951	0.981	0.933
			2017	1.288	0.951	0.981	0.933
			2018	1.288	0.951	0.981	0.933
			2019	1.267	0.967	0.987	0.954
			2020	1.225	1.000	1.000	1.000
			2021	1.225	1.000	1.000	1.000
			2022	1.225	1.000	1.000	1.000

Notes:
(1), (2) Rate changes provided in Commissioner Orders from prior rate hearings.
(3) Calculated based on (2).
(5), (7) Calculated based on (3).
(6) = [Current (3)] / (5).
(7) = [Current (3)] / (3).
(8) = (6) * (7)

Attachment 9 – Agent Retained Premiums

Starting in 2004, underwriter premiums transferred to agents didn't match the sum of retained premiums for all agents. The reason for this is because the home office premiums for Agents that was previously reported in Retained Premiums (Line 3) started to be reported in Examination/Evidence Fee (Line 4) and/or Closing Fee (Line 5). As a result, in order to account for the HOI premiums, we need to add Retained Premiums (Line 3), Examination/Evidence Fee (Line 4) and/or Closing Fee (Line 5). However, this will overstate the Agents premiums due to double counting of some industry transfers. As a result, we need to remove the Evidence/Examination Fees (Expense Line 3a.) and Closing Fees Paid (Expense Line 4a) reported on the Expense lines. The formula used to determine the Adjusted Retained Premiums is

Adjusted Retained Premiums = Retained Premiums (Income Line 3) + Examination/Evidence Fee (Income Line 4) + Closing Fee (Income Line 5) – Evidence/Examination Fees (Expense Line 3a.) – Closing Fees Paid (Expense Line 4a)

Attachment 9 compares the premiums retained by agents reported by the underwriters and the Adjusted Retained Premiums calculated for the agents. The difference is immaterial and due to reporting time differences between underwriters and agents.

Texas Land Title Association
Agent Retain Premium Adjusted for Home Office Issue
Retain Premiums Comparison - Agents vs. Underwriters

Year	UW Reported Premiums Retained by Agents Underwriter (1)	Agents Adjusted Retained Premiums (2)	% Diff
1998	745,726,638	762,345,294	2%
1999	813,275,313	762,477,395	-6%
2000	794,066,622	764,357,374	-4%
2001	894,015,079	920,738,501	3%
2002	1,074,979,764	1,080,302,047	0%
2003	1,285,294,007	1,294,761,626	1%
2004	1,234,418,328	1,174,296,983	-5%
2005	1,227,436,713	1,232,248,667	0%
2006	1,387,875,843	1,368,819,784	-1%
2007	1,373,443,558	1,314,103,138	-4%
2008	1,057,903,593	997,650,961	-6%
2009	863,642,687	861,002,606	0%
2010	900,828,360	896,635,954	0%
2011	985,578,640	948,784,209	-4%
2012	1,213,832,540	1,214,798,711	0%
2013	1,443,895,345	1,430,540,382	-1%
2014	1,442,443,041	1,431,074,396	-1%
2015	1,571,811,465	1,590,093,320	1%
2016	1,707,727,443	1,697,170,032	-1%
2017	1,720,976,701	1,715,257,944	0%
2018	1,800,096,342	1,788,887,544	-1%
2019	1,876,526,451	1,901,740,080	1%
2020	2,202,572,954	2,264,729,856	3%
2021	3,103,258,552	3,099,348,376	0%
2022	2,968,083,740	2,797,911,985	-6%
Total	35,689,709,718	35,310,077,165	-1%
2004-2022	30,082,352,295	29,725,094,928	-1%
2017-2022	13,671,514,740	13,567,875,785	-1%
2012-2022	21,051,224,574	20,931,552,626	-1%
2007-2022	26,232,621,412	25,949,729,494	-1%

Notes:
(1) Title Premiums Retained by Agents reported by Underwriter on Income Line 2 in Attachment 3 - Exhibit A
(2) Adjusted Retain Premiums from Agents in Attachment 3 - Exhibit B.
Includes income from Line 3. Premiums Retained, Line 4. Examination/Evidence Fees, and Line 5. Closing Fees. Excludes the following
Expense Line 3a. Evidence/Examination Fees - Title Agents
Expense Line 4a. Closing Fees Paid - Title Agents

Attachment 10 – Provision for Catastrophic Loss

The loss and LAE ratios were developed using the past 20 years of data. This period doesn't include catastrophic claims. Attachment 10 presents the historical loss and LAE ratios and the provision for catastrophic claims. The provision for catastrophic claims was defined as the loss and LAE ratio in excess of 5.0%. The loss and LAE ratio have not exceeded 5% in any single year using the past 20 years of data. However, using the 37 years of data reflects the catastrophic event from the savings and loan crisis experienced in the late 1980s and early 1990s. The straight average 38-year provision for catastrophic claims is 1.4%.

We have selected a margin of 1.0% in the rating analysis for the provision of catastrophic losses that is not reflected in our 20-year historical loss and LAE ratios.

Texas Land Title Association
Summary Of Loss & Expense Ratios
Provision for Catastrophic Loss
Total - Agents and Underwriter Experience

Calendar Year	*Adjusted Retained Premiums*	*On-Level Factor*	*On-Level Adjusted Retained Premium*	*Loss & LAE*	*Weighted Avg. On-Level Loss & LAE Ratio*	*Simple Average Loss & LAE Ratio Provision For Non-Catastrophic Claims*	*Provision For Catastrophic Claims*
	(1)	(2)	(3)=(1)*(2)	(4)	(5) = (4)/(3)	(6) =Min[(5), 5.0%]	(7) =Max[(5) - 5%, 0%]
1985	459,580,458	1.202	552,289,326	24,143,775	4.4%	4.4%	0.0%
1986	376,219,494	1.202	452,112,371	87,722,211	19.4%	5.0%	14.4%
1987	300,447,911	1.202	361,055,766	52,020,418	14.4%	5.0%	9.4%
1988	287,719,135	1.096	315,473,793	42,081,058	13.3%	5.0%	8.3%
1989	296,319,144	0.897	265,940,346	33,782,282	12.7%	5.0%	7.7%
1990	335,672,485	0.853	286,495,751	27,057,826	9.4%	5.0%	4.4%
1991	377,799,971	0.796	300,669,980	28,069,039	9.3%	5.0%	4.3%
1992	503,376,340	0.792	398,760,667	35,242,028	8.8%	5.0%	3.8%
1993	623,250,924	0.799	497,989,506	20,799,646	4.2%	4.2%	0.0%
1994	606,009,766	0.799	484,213,488	16,634,285	3.4%	3.4%	0.0%
1995	529,503,765	0.799	423,083,718	18,352,514	4.3%	4.3%	0.0%
1996	614,012,977	0.799	490,608,208	10,799,822	2.2%	2.2%	0.0%
1997	688,899,204	0.799	550,443,747	15,292,558	2.8%	2.8%	0.0%
1998	919,549,495	0.809	744,138,463	16,509,731	2.2%	2.2%	0.0%
1999	944,059,272	0.824	777,587,134	21,140,434	2.7%	2.7%	0.0%
2000	928,271,781	0.824	764,583,555	19,842,088	2.6%	2.6%	0.0%
2001	1,088,158,258	0.824	896,276,205	18,335,658	2.0%	2.0%	0.0%
2002	1,267,499,201	0.832	1,054,837,588	31,096,918	2.9%	2.9%	0.0%
2003	1,535,651,202	0.877	1,346,047,003	40,870,014	3.0%	3.0%	0.0%
2004	1,432,520,476	0.906	1,297,283,850	41,479,307	3.2%	3.2%	0.0%
2005	1,489,421,947	0.937	1,396,158,806	49,224,084	3.5%	3.5%	0.0%
2006	1,645,473,245	0.937	1,542,438,639	47,719,447	3.1%	3.1%	0.0%
2007	1,561,206,017	0.966	1,508,151,367	51,647,343	3.4%	3.4%	0.0%
2008	1,186,600,336	0.968	1,149,046,969	55,226,701	4.8%	4.8%	0.0%
2009	1,013,798,824	0.968	981,714,256	35,639,008	3.6%	3.6%	0.0%
2010	1,057,770,573	0.968	1,024,294,393	40,018,351	3.9%	3.9%	0.0%
2011	1,123,156,521	0.968	1,087,611,015	58,064,437	5.3%	5.0%	0.3%
2012	1,429,904,344	0.968	1,384,650,925	32,209,248	2.3%	2.3%	0.0%
2013	1,690,315,410	0.945	1,596,929,470	39,906,444	2.5%	2.5%	0.0%
2014	1,708,706,132	0.933	1,594,250,681	33,991,728	2.1%	2.1%	0.0%
2015	1,902,011,015	0.933	1,774,607,288	34,869,621	2.0%	2.0%	0.0%
2016	2,030,861,451	0.933	1,894,826,846	38,102,470	2.0%	2.0%	0.0%
2017	2,050,197,611	0.933	1,912,867,799	39,006,846	2.0%	2.0%	0.0%
2018	2,153,058,063	0.933	2,008,838,277	43,507,501	2.2%	2.2%	0.0%
2019	2,268,426,680	0.954	2,164,718,222	50,651,643	2.3%	2.3%	0.0%
2020	2,689,247,689	1.000	2,689,247,689	40,209,441	1.5%	1.5%	0.0%
2021	3,687,118,037	1.000	3,687,118,037	35,813,839	1.0%	1.0%	0.0%
2022	3,384,487,812	1.000	3,384,487,812	51,874,075	1.5%	1.5%	0.0%
15 Years Total	29,375,660,500		28,335,209,680	629,091,354	2.2%	2.6%	0.0%
20 Years Total	37,039,933,387		35,425,289,346	860,031,549	2.4%	2.8%	0.0%
38 Years Total	48,186,282,967		45,041,848,957	1,378,953,839	3.1%	3.3%	1.4%

Attachment 11 – Cost of Capital

Appendix to October 2023 TLTA Cost of Capital report
re: updating the 2023 cost of capital calculations for use in September 2024

Prepared by Dr. Greg Hallman, August 2024

Background

- I prepared a report for TLTA in October 2023 in which I calculated the cost of capital for the Texas Title Insurance Industry. I submitted this report and provided testimony regarding my calculations and my conclusions in a meeting with the Texas Department of Insurance and TLTA members in December 2023.
- In late July 2024 TLTA informed me that the Texas Department of Insurance has requested a formal rate hearing involving my calculated cost of capital on September 19, 2024. TLTA asked me if I thought that I would need to update my calculated cost of capital from 2023 in preparation for the September 2024 rate hearing. This appendix presents my review of economy-wide interest rates over the time since I calculated the cost of capital, my thinking about what parts of my cost of capital calculation should be updated, and a minor update to my cost of capital calculations from 2023 for use in the rate hearing in September 2024.

A broad review of economy-wide market interest rates

- Interest rates are a cost of capital. I reviewed various interest rates over the time period since my calculation of the cost of capital. All my interest rate charts, presented at the end of this appendix, are taken from the Federal Reserve of St. Louis website, FRED, and show the interest rate over the past 5 years. In my 2023 cost of capital report I calculated the cost of capital in July/August/September of 2023. Some interest rates are unchanged over the last year or so, some interest rates have declined a small amount, and some interest rates have increased a small amount.
    - Fed Funds rate – the Fed Funds rate is set by the Federal Reserve, and represents the cost of capital for banks borrowing from the Federal Reserve. The Fed Funds rate is unchanged since my cost of capital calculation, constant at 5.33%.
    - Bank Prime Loan Rate – the prime rate is the interest rate charged by banks on loans to their most credit-worthy customers. The Bank Prime Loan Rate is unchanged since my cost of capital calculation, constant at 8.5%.
    - Moody's seasoned Aaa Corporate Bond Yield – the Moody's AAA corporate rate is the rate that investors earn by investing in AAA bonds, or equivalently the rate paid by very creditworthy corporations on issued bonds. The

Moody's AAA bond yield is up slightly over the period July 2023 through today, increasing from 4.66% to approximately 5.12%.

- ICE BofA US High Yield Index Effective Yield – the US High Yield rate is the rate earned by investors from investing in riskier, non-investment grade bonds, or equivalently the borrowing rate paid by non-investment grade corporations in the bond market. The High Yield index is down over the period July 2023 through today, declining from approximately 8.25% to 7.3%.
- 30-year Fixed Rate Mortgage Average – home mortgage rates, as measured by the 30-year mortgage rate, are down by a small amount, but generally still right around 7%. Because current mortgage rates of around 7% are still well above the roughly 3% mortgage rates from the time period prior to 2022, the residential real estate market still has many home owners feeling 'stuck' in their current homes because they do not want to move to a different home and lose their current low mortgage rates. This large gap between low older mortgage rates and much higher current mortgage rates is a major cause of the reduction in residential home sales.

- My broad review of economy-wide market interest rates indicates to me that interest rates, and the economy-wide cost of capital in general, has not materially changed since the time of my cost of capital calculation in summer/fall of 2023. Two of the most basic interest rates, the Fed Funds rate and the Bank Prime rate, are unchanged, and the interest rates that have changed over the time period since my cost of capital calculation have changed by less than 1%.

<u>A more specific look at the cost of capital equations</u>

- The primary cost of capital models I used in my cost of capital calculation in 2023 are the Capital Asset Pricing Model, the CAPM, and the Fama-French (FF) 3-factor model. The first term in both of these cost of capital models, or equations, is a long-term risk-free interest rate, usually the rate on 10-year Treasury bonds. Both the CAPM and the FF equations add a risk-premium to the 10-year Treasury bond rate to represent the idea that the cost of capital for a risky firm or industry must be at least the rate that capital suppliers can earn on a risk-free investment, i.e., the 10-year Treasury rate, and an additional yield, i.e., the risk premium, to compensate capital suppliers for the risk they take when they supply capital to a risky firm or industry.

- The risk premium in an industry cost of capital is generally constant over time if the industry does not experience large changes in its business model or the way that it operates in the economy. The risk premium in the Texas Title industry cost of capital comes from the risk of operating in the real estate industry within the overall US economy. It is my opinion that the underlying real estate markets that affect the cost of capital for the Texas Title Insurance industry are in roughly the same depressed position as they were last year when I calculated the cost of capital, with

some notable increasing deterioration in the commercial office market. Interest rate increases over the last few years, specifically higher residential and commercial mortgage rates, have caused real estate transactions to be reduced, and this state of reduced transactions has been relatively the same since I calculated the cost of capital in 2023. I realize that this reduced level of transactions has caused continued, and in some ways, increasing pain in many parts of the real estate industry, including the title insurance sector of the industry, but it is my opinion that because the lower rate of real estate transactions was present when I calculated the cost of capital last summer/fall 2023, there is no reason to re-estimate the industry risk premiums included in my 2023 cost of capital report. Additionally, as previously stated, the risk premium in a firm or industry cost of capital is generally unchanged over time as long as the firm or industry is operating the same business model and faces the same business risks, which I believe is an accurate description of the Texas title insurance industry over the last year or so.

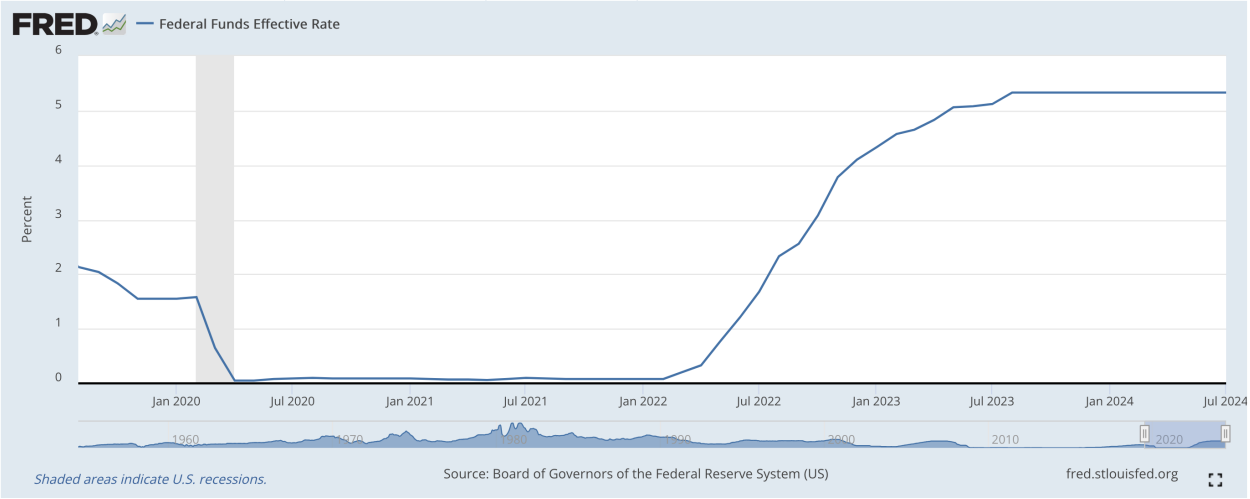
Conclusion and updated cost of capital

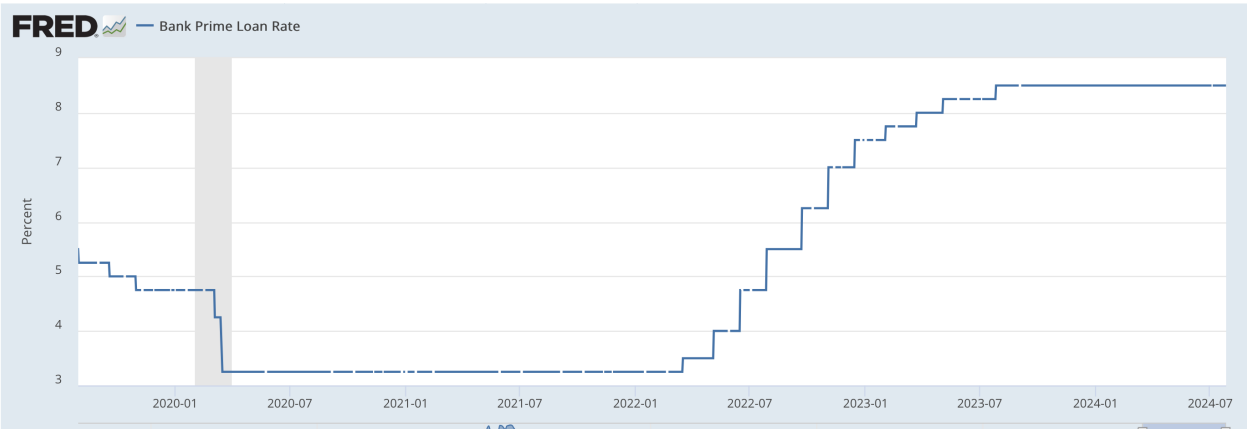
- The cost of capital equations I use contain a base risk-free rate, represented by the 10-year Treasury rate, and a risk premium. It is my opinion that the risk premium in the cost of capital I calculated does not need to be updated, but the rate on the 10-year Treasury bond should be updated.
- I used a 10-year Treasury rate of 4.59% in my 2023 cost of capital calculation. The current 10-year Treasury rate, measured on July 29, 2024, is 4.17%, reflecting a decline of 0.42%, or 42 basis points from the 4.59% rate used in my 2023 calculations and report.
- In my 2023 cost of capital report I carried my calculations to two decimal places and then rounded the final 15.83% to 15.8%. Updating the 15.83% cost of capital for the 0.42% decline in the 10-year Treasury rate gives me 15.83% - 0.42% = 15.41%, which I would again round to one decimal point for an updated cost of capital of 15.4%.

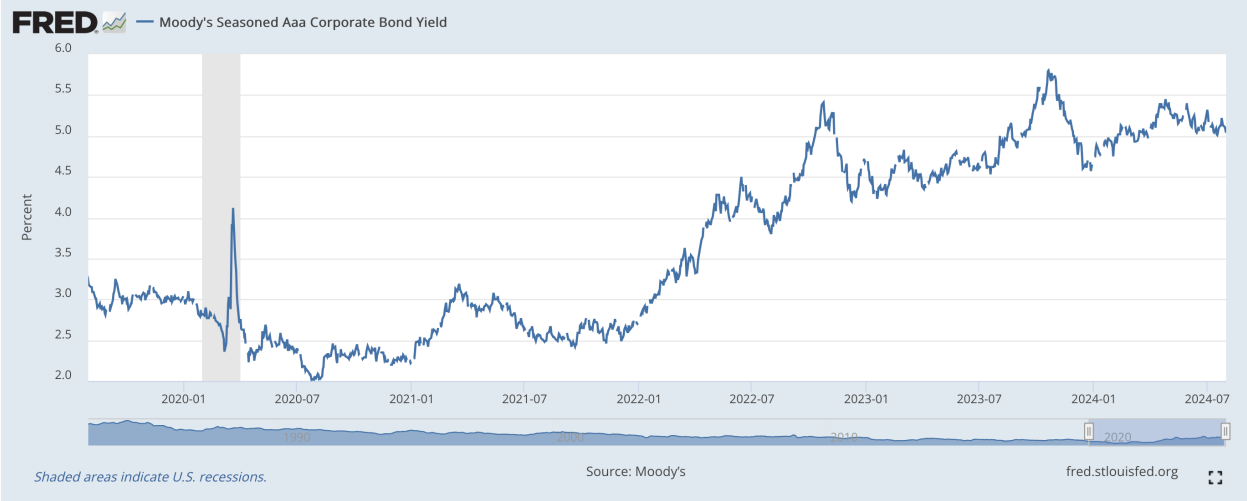
2024 COST OF CAPITAL FOR THE TEXAS TITLE INSURANCE INDUSTRY = 15.4%

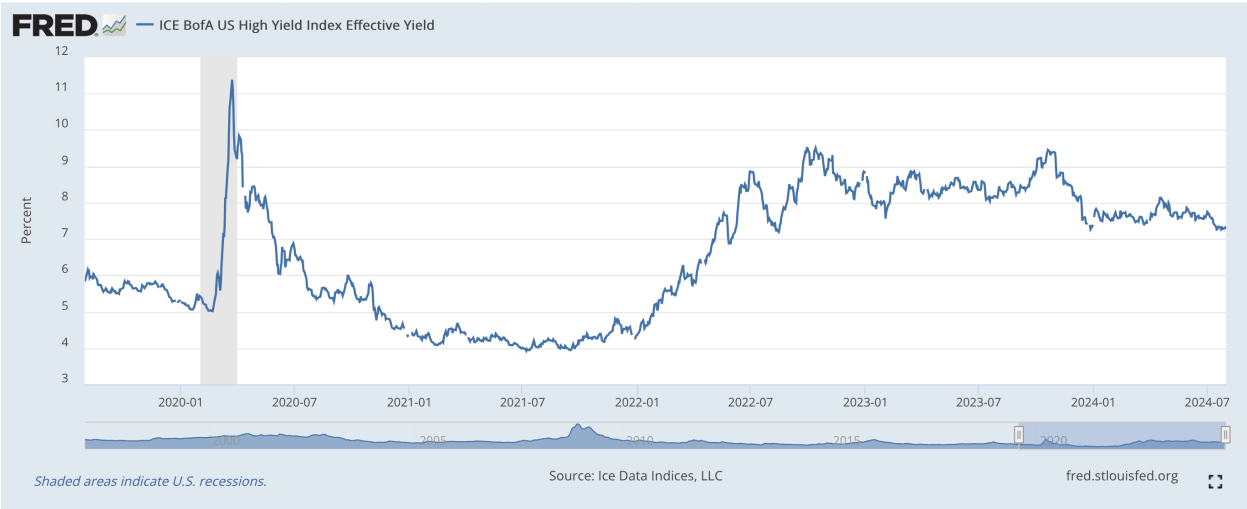
Interest Rate Charts

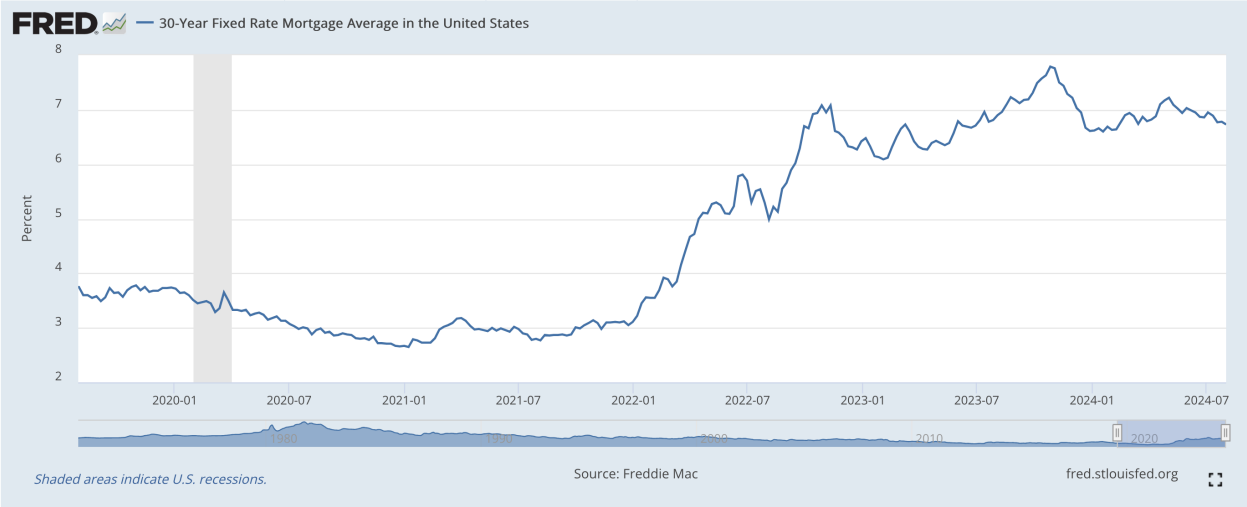
- The following interest rate charts are all taken from the Federal Reserve of St. Louis website, FRED (fred.stlouisfed.org)

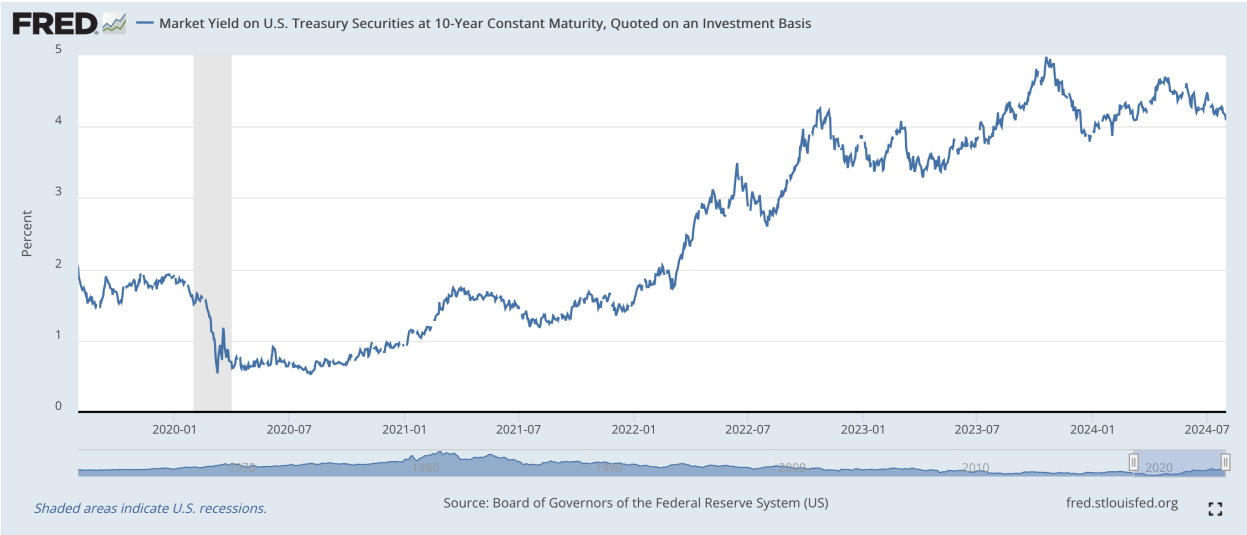





FRED
Moody's Seasoned Aaa Corporate Bond Yield
Percent
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
2020-01
2020-07
2021-01
2021-07
2022-01
2022-07
2023-01
2023-07
2024-01
2024-07
1990
2000
2010
2020
Shaded areas indicate U.S. recessions.
Source: Moody's
fred.stlouisfed.org


FRED
ICE BofA US High Yield Index Effective Yield
Percent
12
11
10
9
8
7
6
5
4
3
2020-01
2020-07
2021-01
2021-07
2022-01
2022-07
2023-01
2023-07
2024-01
2024-07
2000
2005
2010
2015
2020
Shaded areas indicate U.S. recessions.
Source: Ice Data Indices, LLC
fred.stlouisfed.org


FRED
30-Year Fixed Rate Mortgage Average in the United States
Percent
8
7
6
5
4
3
2
2020-01
2020-07
2021-01
2021-07
2022-01
2022-07
2023-01
2023-07
2024-01
2024-07
1980
1990
2000
2010
2020
Shaded areas indicate U.S. recessions.
Source: Freddie Mac
fred.stlouisfed.org


FRED
Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis
Percent
5
4
3
2
1
0
2020-01
2020-07
2021-01
2021-07
2022-01
2022-07
2023-01
2023-07
2024-01
2024-07
1980
1990
2000
2010
2020
Shaded areas indicate U.S. recessions.
Source: Board of Governors of the Federal Reserve System (US)
fred.stlouisfed.org