Briefing Book

Collaborative Rulemaking Proceedings & Setting Title Insurance Rates

Texas Land Title Association
November 12, 2018

Introduction

The Texas Land Title Association believes a fair and reasonable title insurance rate can be established through a collaborative rulemaking process. This briefing book offers a starting place for that dialogue. It contains an executive summary, coverage on special topics, economic and actuarial analysis, and a working draft of a petition for a rate rulemaking hearing and rate rule proposals for the reader's review and consideration.

The briefing book is as much a reference tool as a roadmap for meaningful discussions about title insurance rates in Texas. The executive summary offers an outline of important issues and an overview of the substance of the materials. The special topics are resource documents. These short papers cover the regulatory framework in Texas, the commissioner's powers over the title insurance industry, and an introduction to title insurance services, professionals, and products. This coverage introduces key terms and concepts unique to Texas. The ideas presented in these special topic sections, like the "all-inclusive rate" or the "mono-line requirement," have a powerful impact on the ratemaking process.

The briefing book is offered in the spirit of cooperation. TLTA openly reports in these pages the full findings and supporting tables of its consultants – the economist Dr. Jay Hartzell and the actuaries Messrs. Chuck Faerber and Kheim Ngo. For ease of reference, the economic and actuarial analysis is introduced by a one-page summary. Curricula vitae are also provided.

The briefing book also provides a recommended procedural approach to arriving at a fair and reasonable rate under the current statutory provisions. This will be the second rate rulemaking proceeding under the new regulatory scheme. TLTA has prepared a draft of a petition and a rate rule proposal and hopes to finalize these documents by working together with all interested parties before submitting formal filings.

TLTA invites feedback and requests the opportunity to discuss the contents of this briefing book together. TLTA's economist and actuaries are located in Austin and will be available to participate. To schedule a meeting, please contact me at 512-472-6593 or by e-mail at Leslie@tlta.com.

Leslie Midgley, CEO
Texas Land Title Association

Contents

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Executive Summary

EXECUTIVE SUMMARY

The changes to the Texas Title Insurance Act during the 82nd Legislative Session offered the Texas Department of Insurance (TDI), the Texas title insurance industry, the Office of Public Insurance Counsel (OPIC), and other interested parties a new solution to the old problem of setting title insurance rates: the collaborative rulemaking process. In the last rate making process, the Texas Land Title Association (TLTA), OPIC, and TDI worked to determine a fair, reasonable, and adequate price for title insurance policies across this state through meaningful dialogue, reasoned analysis, and the open exchange of information and ideas. This proved to be a success and set an important precedent for title insurance rate setting. TLTA again seeks this process and has created this briefing book in that spirit of cooperation.

TLTA recommends an adjustment of -3.4% to the existing rate schedule. TLTA believes this rate adjustment is indicated by the findings of Dr. Hartzell and Messrs. Faerber and Ngo as well given the impact of amendments, if adopted, to Rate Rules R-5, R-8, and R-20 and the new rate tiers. Additionally, TLTA urges prudence given economic uncertainties, the risk of agent insolvencies (especially independent and smaller agents), and the growing and necessary investments in cyber security.

The *Briefing Book: Collaborative Rulemaking Proceedings & Setting Title Insurance Rates in Texas* is as much a resource book as a roadmap for overcoming the challenges associated with promulgating an "all-inclusive" title insurance rate:

1. This briefing book is a reference tool that provides a starting place for meaningful dialogue. TLTA's members are happy to meet with any interested party that wants a more in-depth perspective on any aspect of the Texas title insurance industry.

For the uninitiated and expert alike, the special topic sections in the briefing book contain useful background information and convenient legal citations (footnotes included). Part 2 is a short overview of the regulatory framework and ratemaking process in Texas. The legislative intent is stated (the purpose of the Act is to regulate title completely) and the department's oversight role (from licensing to promulgating forms to setting the rate) is described here. The new periodic hearing (now approximately every five years unless requested as opposed to the old biennial schedule) and the default ratemaking process (a rulemaking proceeding with a 120-day petition triggered timeline) are all reviewed here. The key rate components—a provision for loss, expense, and profit—create a conceptual placeholder for the detailed analysis to come.

Part 3 is a quick exploration of the title insurance professionals, services, and products that make Texas so very unique, that offer consumers so much peace of mind, and that create confidence in this state's real estate marketplace. The roles and responsibilities of escrow officers, title insurance agents, direct operations, and title insurance companies are described here.

Other nuances of the title insurance industry are explained in the special topic sections; for example, the mono-line requirement, the "all-inclusive" rate, and the various public benefits associated with insurance against defects in the title to real property (prevents losses, promotes accuracy in land records, etc.). It is important to note that title insurance agents and title insurance companies are often confused because it is common to use the names interchangeably. Therefore, when referenced as a group, the term *title insurance firms*, as opposed to *title insurance companies*, is used in this briefing book to avoid confusion.

2. The detailed economic and actuarial analysis in this briefing book frames difficult issues and recommends reasoned answers. TLTA's consultants welcome the opportunity to openly exchange this information and the basis for their ideas with department staff, OPIC, and other stakeholders.

TLTA's economist, Dr. Jay Hartzell of the University of Texas at Austin, is Dean of the McCombs School of Business. He teaches cost of capital theory and practice. He graduated with a doctorate in Finance from UT in 1998 and has an extensive teaching career that began at the Stern School of Business at New York University. He has been published in *Real Estate Economics*, the *Journal of Finance*, the *Journal of Law and Economics* and presented widely. His curriculum vitae can be found in Part 4.

Dr. Hartzell relies on his considerable experience and expertise to address a very important question: "What is the cost of capital?" He uses the most widely accepted methodologies – the Capital Asset Pricing Model and the Discounted Cash Flow. He applies the CAPM and DCF to large data sets in six industries that capture the systemic risk inherent to the Texas title insurance industry. He applies statistical measures to prevent skewed results and makes 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 (income statements maintained by the department and Duff & Phelps estimate of size premium).

After a comprehensive analysis Dr. Hartzel answers: "The cost of capital is 13.1%." Dr. Hartzell welcomes the opportunity to discuss his one-page summary in Part 5 and his complete findings and supporting tables in Part 6 with the department's analysts, actuaries, and policymakers.

TLTA's actuaries, Messrs. Chuck Faerber and Khiem Ngo of the Austin actuarial consulting firm of Rudd & Wisdom, are introduced by way of their curricula vitae in Part 7. Mr. Faerber has been a consulting actuary with the firm since 1978. He specializes in property and casualty insurance. Mr. Ngo joined the firm in 2007. He consults large group insurance programs including the Texas Medicaid Program, Texas Children's Health Insurance Program, the State of Texas Group Benefit Program, and the UT Employee Group Insurance Program. Both are fellows of the Society of Actuaries and members of the American Academy of Actuaries.

Messrs. Faerber and Ngo analyze data from annual statements and experience reports published by the department to prepare a response to the essential question: "What is the indicated rate?" Relying on ten and fifteen year data sets (a fifteen year period is reasonable in order to control for volatility), the actuaries concluded that the loss and loss adjustment expense ratio for each period, respectively, is 3.14% and 3.15%; the expense ratio is 78.96% and 82.42%; and the provision for catastrophic claims is 1%. Incorporating Dr. Hartzell's suggested cost of capital and observing the historically low rate of returns on treasury and corporate bonds as well as the recent tax cuts, the actuaries determine that the profit load is 8.5%. After taking account of the rate impact of changing the refinance credit, the most accurate reasonable rate adjustment is -3.4%. The actuaries incorporating the numerous variances, arrive at a range for a rate decrease between -3.4% to -7.3%. The proposed rate adjustment falls squarely within the range. Note that the largest rate decrease in the past 30 years was -6.5% in 2004. Both gentlemen look forward to discussing their one-page summary in Part 8 and the detailed analysis and supporting documentation for their conclusions in Part 9 with the department's actuaries, OPIC, and other stakeholder groups.

3. The working draft rate rulemaking petition and rule proposals follow the approach from the last ratemaking process. TLTA's legal counsel invites department staff's feedback and direction in a series of public meetings before submitting a formal filing with the office of the chief clerk.

Part 10 is a working draft of the petition for a rate rulemaking proceeding. It is not intended as a formal filing, but a suggested approach to triggering the formal ratemaking process. It incorporates language from and observes the requirements imposed by TEX. GOV'T CODE § 2001.021 (governing petitions to adopt a rule in Texas), TEX. INS. CODE § 2703.202 (establishing procedures for holding hearings before the commissioner to change the premium rate), and 28 TEX. ADMIN. CODE § 1.202 (providing requirements for public proposals and petitions for rulemaking at the department).

Part 10 also contains the required rule proposal. In large part, the proposed rule tracks the requirements of the Government Code (e.g., public benefits and costs are described based on TLTA membership input, and statutory authority for promulgating the rule are provided). The rule also meets many of the conventions required for publication in the *Texas Register* (e.g., formatting of proposed text in 28 TEX. ADMIN. CODE § 9.1).

Appendix A, attached and incorporated by reference into the proposed amendment to 28 TEX. ADMIN. CODE § 9.1, is the *Schedule of Basic Premium Rates for Title Insurance*. TLTA requests that the Schedule be made effective September 1, 2019. TLTA's actuaries have completed a revised Schedule based on a rate decrease of -3.4%. TLTA believes this rate schedule is reasonable based on the findings of Dr. Hartzell and Messrs. Faerber and Ngo as well given the impact of amendments, if adopted, to Rate Rules R-5, R-8, and R-20 and the new rate tiers not to mention economic uncertainties, agent insolvency risk, and new investments in cyber security. The proposed rate schedule now starts with a policy amount of $25,000 (which has a .18% rate impact) and contains three new rate tiers for high dollar transactions: $25,000,000 to $50,000,000; $50,000,001 to $100,000,000; and greater than $100,000,000 (which collectively has a -.23% impact). This modernization of the rate schedule recognizes the size of transactions in the current market place. Note, based on the current rate schedule the three new rate tiers would have multipliers of .00160, .00145, and .00130 respectively. These multipliers have been decreased in the proposed schedule based on the proposed rate decrease of -3.4%.

Appendix B contains the proposed revisions to Rate Rule R-5. These changes would extend the simultaneous rate credit for 90 days when a Loan Policy with a face amount of $5,000,000 or more is issued within that timeframe on the same property covered by the previous Owner's Policy. Some purchasers close with cash to ensure the property can be acquired and then place financing at a later date. This prevents the purchaser from having to pay the full title premium when the financing is secured within the appropriate time period. This represents a significant savings over the status quo to these consumers. The premium is $100 for each Loan Policy under these circumstances.

Appendix C contains the proposed revisions to Rate Rule R-8. These changes would simplify and expand the credit on a Mortgagee Policy on a loan to take up, renew, extend, or satisfy an existing lien that is already insured by a Mortgagee Policy, most commonly referred to as the refinance credit. Instead of six different credits, there would be two: a 50% refinance credit if the Mortgagee Policy is issued within four years from the date of the Mortgagee Policy insuring the old mortgage; and, a 25% refinance credit for the period of time between four and eight years. The estimated rate impact of this rule proposal is -2.01%.

Appendix D contains the proposed revisions to Rate Rule R-20. These changes would extend the credit for developers of large construction projects from one year to two years providing significant savings to these consumers. The amendments would also provide for a simultaneous issue rate for the Loan Policy.

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Special Topic: Regulatory Framework & Ratemaking Process

SPECIAL TOPIC:
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 Commissioner of Insurance is charged with supervising the industry.[2] He oversees more than 7,500 licensed individuals and entities that engage in the business of title insurance.[3] He promulgates rules and the very form and content of policies and endorsements.[4] He collects industry-wide data and sets rates.[5] He establishes the process for properly handling claims.[6]

The process for setting rates in Texas was amended during the 82nd Legislative Session; the commissioner may now hold a periodic hearing as opposed to the strict requirement to adhere to a biennial schedule.[7] The 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 must be held before the commissioner. It is conducted as a 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]

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 this information is drawn from the department's statistical report.[12] Actuaries and economists analyze the loss experience, expense of operations, and other data to arrive at a recommended rate indication. Each component of the rate—the provisions for loss, expense, and profit—is then presented along with their reasoning for the commissioner's and TDI Staff's consideration.

TLTA believes fair and reasonable rates can be established through a collaborative rulemaking proceeding. TLTA hopes to engage in informal talks with TDI Staff and other interested parties about the components of the rate and the initial findings of its actuaries and economist. TLTA would like to introduce Messrs. Chuck Faerber and Kheim Ngo, local consulting actuaries from the firm of Rudd & Wisdom, and Dr. Jay Hartzell, the Dean at the McCombs School of Business at The University of Texas at Austin, in round table discussions with all interested parties. TLTA's consultants are available to present their recommendations in additional detail and answer any questions. Please contact TLTA at 512-472-6593 and ask for Aaron Day or Leslie Midgley for more information about these experts, their work, or to schedule a meeting.

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[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).
[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] *See* 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 90 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 §§ 2703.152(a) and 2703.153(a).

3

Special Topic:
Title Insurance Professionals, Services, & Products

Title insurance professionals are incentivized to work hard to ensure that consumers receive an excellent level of service and a high quality product. The behind-the-scenes work of examiners and escrow officers prevents losses. The closer, recognized by the title insurance agent-employer for their attention to detail and good judgment, aims to provide efficient real estate closings and the secure transfer of land and money. Underwriters help to minimize risk by providing good counsel and helping the agent work through complex transactions. When a title problem does arise, that one-time, all-inclusive premium paid by the consumer at closing and good for the life of the loan or ownership of the home, provides title insurance companies with the means to investigate, defend, and pay those claims.[13] Title insurance offers peace of mind and creates confidence in the Texas real estate market.

Many participants contribute at all stages of the process that culminates in the issuance of a title insurance policy:

Escrow Officers

Licensed escrow officers are the workhorses of the title insurance industry. Title insurance agents and direct operations employ these dedicated professionals. Escrow officers countersign forms, supervise the preparation and delivery of forms, sign escrow checks, and perform the closing of the transaction.[14] An escrow officer has many responsibilities at closing. They will determine that all taxes are properly pro-rated and paid, that consideration has passed, and that all proceeds have been properly disbursed. The escrow officer will determine that a final search of the record is made; for example, checking to see if judgment liens were filed in the interim. The escrow officer also works to see that all necessary papers have been filed for record. They will double-check that the legal description of the property is correct and that documents are recorded in the proper order. Texas escrow officers closed over 2.1 million transactions in 2015 and handled more than $285 billion in purchase money, loan proceeds, earnest money deposits, and other escrow funds in calendar year 2017.[15] There are 7,379 active escrow officer licenses in Texas as of October 2018.[16]

Title Insurance Agents & Direct Operations

A title insurance agent's employees solicit business, collect premiums, and issue policies on behalf of the title insurance company.[17] A direct operation's staff performs the same functions as a title insurance agent's employees; however, the entity operates under a license as a wholly owned subsidiary of the title insurance company.[18] These entities receive authorization from the department to engage in the business of title insurance by county.[19] Licensees currently provide local service in 253 of the 254 counties in Texas. Title insurance agents and direct operations issued 3,770,381 policies in 2016.[20] There were 582 licensed title insurance agents in Texas and 10 direct operations based on reported figures from 2017.[21]

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[13] *See, e.g.,* TEX. INS. CODE §§ 2501.003(12) (title insurance insures an owner of real property, or another with an interest in the real property, against loss or damage resulting from a lien or encumbrance or defect in the title to the real property) *and* 2501.005 (defining the business of title insurance).
[14] *See, e.g.,* TEX. INS. CODE § 2501.003(4) *and* 28 TEX. ADMIN. CODE § 9.1, adopting Procedural Rule P-1.s. *and* Administrative Rule L-2.I.A. of the *Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas* by reference (defining escrow officers).
[15] *See* TEX. DEP'T OF INS., STATE OF TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT COMPILATION (INDUSTRY EXPERIENCE REPORT) at 33 (Dec. 2017) *and* TEX. DEP'T OF INS., TEXAS DEPARTMENT OF INSURANCE 2017 ANNUAL REPORT at 19 (Nov. 20, 2017).
[16] TEX. DEP'T OF INS., LICENSED ESCROW OFFICERS (Oct. 24, 2018) *available at* https://apps.tdi.state.tx.us/sfsdatalookup/StartLookupAction.do?inquiryId=31.
[17] *See, e.g.,* TEX. INS. CODE § 2501.003(13) *and* Procedural Rule P-1.h. of the Basic Manual (defining title insurance agent).
[18] TEX. INS. CODE § 2501.003(3) *and* Procedural Rule P-1.y. of the Basic Manual (defining direct operation).
[19] *See, e.g.,* TEX. INS. CODE §§ 2651.002, 2651.009, *and* 2651.051. *See also* Administrative Rules L-1.V.A.3. *and* L-1.VI.E. of the Basic Manual (describing licensing requirements for title insurance agents and direct operations).
[20] TEX. DEP'T OF INS., TEXAS TITLE INSURANCE AGENT EXPERIENCE REPORT COMPILATION CALENDAR YEAR 2016 at i (June 2018).
[21] TEX. DEP'T OF INS., TEXAS DEPARTMENT OF INSURANCE 2017 ANNUAL REPORT at 16 (Nov. 20, 2017). TDI manages a combined total of 596 title insurance agent and direct operations licensees. TEX. DEP'T OF INS., LICENSED TITLE AGENTS/DIRECT OPERATIONS BY COUNTY (Oct. 24, 2018) *available at* https://apps.tdi.state.tx.us/sfsdatalookup/StartLookupAction.do?inquiryId=30.

Title Insurance Companies

An authorized title insurance company underwrites policies and handles claims.[22] The title insurance company advises the title insurance agent on underwriting questions and aids in risk mitigation. On receipt of a claim, such as an undisclosed mechanic's lien, a title insurance company's team will investigate the validity of a claim, and if valid, indemnify the insured and institute legal proceedings to clear title. Title insurance companies paid over $17 million in claims and incurred almost $15 million in loss adjustment expenses in 2015.[23] Texas has 28 admitted title insurance companies of which 22 were active in 2016.[24] Each of these licensees, all subject to the mono-line requirement, is entirely focused on and sells only title insurance.[25]

Compensation packages that attract, develop, and retain the most talented title insurance professionals are dependent on the premium rate that is set by the commissioner. Title insurance companies receive 15 percent of the premium from each policy; title insurance agents take 85 percent.[26] If two title insurance agents perform work, one examining title and the other closing the transaction, then the 85 percent split is further divided between these entities based on promulgated formulas or by prior written agreement.[27] These premium dollars are used to pay the salaries of licensed escrow officers and other employees.

For more information about the title insurance services and products that ensure an efficient, secure, and strong real estate market in Texas; or, to speak directly with an escrow officer, the owner of a title insurance agent, or a representative from a title insurance company that can provide further insight into the industry and how it works, please contact TLTA at 512-472-6593 and ask for Aaron Day or Leslie Midgley.

[22] *See* TEX. INS. CODE §§ 2501.003(14) *and* 2703.052 (defining title insurance company's roles and responsibilities).
[23] *See* INDUSTRY EXPERIENCE REPORT at 52.
[24] *See* ANNUAL REPORT at 48 *and* 62 *and* TEX. DEP'T OF INS., AUTHORIZED INSURANCE COMPANIES IN TEXAS (Oct. 24, 2018) *available at* https://apps.tdi.state.tx.us/sfsdatalookup/NoParamPreAction.do?extDataLookupName=AUTHCOMPS.
[25] *See* TEX. INS. CODE § 2502.001 (companies may engage in no other insurance business but title insurance).
[26] *See* Procedural Rule P-23(f) of the Basic Manual.
[27] *See* Procedural Rule P-22 *and* P-24 of the Basic Manual.

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Consulting Actuaries:

Curricula Vitae of Messrs. Chuck Faerber & Kheim Ngo

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.
- ♦ Joint responsibility with another principal, Chris McCaul, 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 systems.

Khiem Dinh Ngo, F.S.A, A.C.A.S

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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:
Microsoft Excel, Access, PowerPoint, and Word
A Programming Language (APL), Visual Basic, MS Sequel Server

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Consulting Actuaries: Summary of Findings

November 14, 2018

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, an 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.

Responsibilities

We have been asked by Texas Land and Title Association (TLTA) to conduct a rate study for Texas title insurance agents and companies and review the adequacy of the current title insurance rates. We have relied on historical experience data and program information provided to us by the following:

- Annual Statement experience from 2003 through 2016 provided by Texas Department of Insurance (TDI).
- State of Texas Title Insurance Industry Experience Reports from 1985 through 2016.
- Texas Title Insurance Statistical Plan data call provided by underwriting companies.
- Suggested cost of capital provided by Dr. Jay Hartzell.

Recommendations

Based on our study, a reasonable rate decrease range from -3.4 to -7.3%. The table below presents the recommended rate change in additional detail. The averages of the loss, LAE, and expense ratios, weighted by retained premium volume, for the past 10, and 15 years were used to determine the indicated rates. We recommend using at least ten years of financial experience to set the rates due to the cyclical nature of title insurance in order to reduce volatility from year to year. The indicated rate was calculated using a profit load of 8.5% based on a cost of capital of 13.1% provided by Dr. Jay Hartzell. The indicated rate provides a reasonable provision to cover i) expected expense, ii) expected loss & LAE, iii) catastrophic load, and iv) underwriting profit. The indicated rate also considers proposed changes including 1) the impact of increasing the discounts for refinance policies issued within eight years since loan origination, 2) increasing the lowest rate tier from a policy amount of $10,000 to $25,000 and 3) add new rate tiers for policies in excess of $25M.

	Past 10 Yrs (2007-2016)	***Past 15 Yrs (2002-2016)***	
(1) Loss & LAE Ratio	3.14%	3.15%	Attachment 2 - Exhibit 1
(2) Expense Ratio	78.96%	82.42%	Attachment 2 - Exhibit 1
(3) Provision for Catastrophic Claims	1.00%	1.00%	
(4) Total Loss, Expense, and Catastrophic Ratio	83.10%	86.57%	= (1) + (2) + (3)
Adjustments to Loss, Expense, and Catastrophic Ratio			
(5) Refinance Credit Discount Change	-2.01%	-2.01%	Attachment 4 - Exhibit 1
(6) Increase Minimum Rate Tier	0.18%	0.18%	Attachment 4 - Exhibit 2
(7) Add New Large Policy Rate Tiers	-0.23%	-0.23%	Attachment 4 - Exhibit 3
(8) Adjusted Loss, Expense, and Catastrophic Ratio	84.85%	88.39%	=(4) / [1 + (5)+(6)+(7)]
(9) Profit Load - 8.50%	8.50%	8.50%	Attachment 3 - Exhibit 1
(10) Indicated Rate Change	**-7.3%**	**-3.4%**	=(8) / [1 - (9)] - 1

Charles V Faerber

Khiem Ngo

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

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

Rudd and Wisdom, Inc.

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Consulting Actuaries: Full Report and Supporting Tables

Texas Land Title Association

Rate Study

September 14, 2018

Prepared for:
Texas Land Title Association

Prepared by:

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

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

Rudd and Wisdom, Inc.

I. Actuarial Certification

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.

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:

- Annual Statement experience from 2003 through 2016 provided by Texas Department of Insurance (TDI).
- State of Texas Title Insurance Industry Experience Reports from 1985 through 2016.
- Texas Title Insurance Statistical Plan data call provided by underwriting companies.
- Suggested cost of capital provided by Dr. Jay Hartzell.

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

III. Overview of the Rating Methodology

This report details the development of the indicated rate for title insurance firms in Texas. The actuarial model used to derive the indicated rate relies primarily on the experience of title insurance companies and agencies 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 1985 through 2016. The indicated rate provides a reasonable provision to cover i) expected expense, ii) expected loss & LAE, iii) catastrophic load, and iv) underwriting profit. The weighted averages of the loss, LAE, and expense ratios for the past 10 and 15 years were used to determine the indicated rates.

The indicated rate also considers proposed changes including 1) the impact of increasing the discounts for refinance policies issued within eight years since loan origination, 2) increasing the lowest rate tier from a policy amount of $10,000 to $25,000 and 3) add new rate tiers for policies in excess of $25M.

We recommend using at least ten years of financial experience to set the rates due to the cyclical nature of the title insurance industry. There is volatility from year to year and using more years in the experience period has the advantage of smoothing these fluctuations. Based on our study, a reasonable rate decrease range from -3.4% to -7.3%. The chart below and Attachment 1 present the indicated rate change.

	Past 10 Yrs (2007-2016)	***Past 15 Yrs (2002-2016)***	
(1) Loss & LAE Ratio	3.14%	3.15%	Attachment 2 - Exhibit 1
(2) Expense Ratio	78.96%	82.42%	Attachment 2 - Exhibit 1
(3) Provision for Catastrophic Claims	1.00%	1.00%	
(4) Total Loss, Expense, and Catastrophic Ratio	83.10%	86.57%	= (1) + (2) + (3)
Adjustments to Loss, Expense, and Catastrophic Ratio			
(5) Refinance Credit Discount Change	-2.01%	-2.01%	Attachment 4 - Exhibit 1
(6) Increase Minimum Rate Tier	0.18%	0.18%	Attachment 4 - Exhibit 2
(7) Add New Large Policy Rate Tiers	-0.23%	-0.23%	Attachment 4 - Exhibit 3
(8) Adjusted Loss, Expense, and Catastrophic Ratio	84.85%	88.39%	=(4) / [1 + (5)+(6)+(7)]
(9) Profit Load - 8.50%	8.50%	8.50%	Attachment 3 - Exhibit 1
(10) Indicated Rate Change	**-7.3%**	**-3.4%**	=(8) / [1 - (9)] - 1

IV. Underwriting Profit Load

The indicated rates include a profit load provision 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. Jay Hartzell. He has recommended using a cost of capital of 13.10%. 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 8.50% using a 13.10% cost of capital. Attachment 3 presents the underwriting profit load calculations.

V. Adjustments to Loss, LAE and Expense Ratio

Re-finance Credit Change

The current rate schedule provides discounted title insurance rates for property owners, who refinance their mortgage loans in the first seven years after the original loan is issued. As part of this rate analysis, we have studied the impact of increasing the discounts to 50% through the first four years since load origination and 25% for years five through eight since load origination. Please note that we do not have historical data for loans refinanced in the eighth year. For the purposes of this analysis, we assumed that the premium volume in year eight is 80% of the premium volume from year seven. Attachment 4 - Exhibit 1 presents the derivation of the impact of the proposed refinance credit change. We've estimated that this will reduce aggregate premiums by 2.01%.

Increase Lowest Rate Tier

The current rate schedule starts with a policy amount of $10,000. The proposed rate schedule will start with a policy amount of $25,000. Attachment 4 - Exhibit 2 presents the derivation of the impact of the increasing the lowest rate tier from a policy amount of $10,000 to $25,000. We've estimated this change will increase aggregate premiums by 0.18%.

Add New Large Policy Rate Tiers

The current rate schedule's largest rate tier is policies greater than $25M. The proposed rate schedule will add new rate tiers for policy range $25M-$50M, $50M-$100M and Over $100M. Attachment 4 - Exhibit 3 presents the derivation of the impact of adding rate tiers for policy in excess of $25M. We've estimated this change will reduce aggregate premiums by 0.23%.

VI. Attachments

Attachment 1 - Summary of Indicated Rate Change

Attachment 1 presents information regarding the suggested rate change. The averages of the loss, LAE, and expense ratios, weighted by retained premium volume, for the past 10, and 15 years were used to determine the indicated rates. We recommend using at least ten years of financial experience to set the rates due to the cyclical nature of title insurance in order to reduce volatility from year to year. The indicated rate was calculated using a profit load of 8.5% based on a cost of capital of 13.1% provided by Dr. Jay Hartzell. The indicated rate provides a reasonable provision to cover i) expected expense, ii) expected loss & LAE, iii) catastrophic load, and iv) underwriting profit. The weighted averages of the loss, LAE, and expense ratios for the past 10 and 15 years were used to determine the indicated rates.

The indicated rate also considers proposed changes including 1) the impact of increasing the discounts for refinance policies issued within eight years since loan origination, 2) increasing the lowest rate tier from a policy amount of $10,000 to $25,000 and 3) add new rate tiers for policies in excess of $25M.

We recommend using at least ten years of financial experience to set the rates due to the cyclical nature of the title insurance industry. There is volatility from year to year and using more years in the experience period has the advantage of smoothing these fluctuations.

Based on our study, a reasonable rate decrease range from -3.4% to -7.3%.

Texas Land Title Association

Review Of Title Experience
All Agencies And Underwriters Combined

Summary Of Overall Rate Indications

	Past 10 Yrs (2007-2016)	***Past 15 Yrs (2002-2016)***	
(1) Loss & LAE Ratio	3.14%	3.15%	Attachment 2 - Exhibit 1
(2) Expense Ratio	78.96%	82.42%	Attachment 2 - Exhibit 1
(3) Provision for Catastrophic Claims	1.00%	1.00%	
(4) Total Loss, Expense, and Catastrophic Ratio	83.10%	86.57%	= (1) + (2) + (3)
Adjustments to Loss, Expense, and Catastrophic Ratio			
(5) Impact of Refinace Credit	-2.01%	-2.01%	Attachment 4 - Exhibit 1
(6) Increase Limit to $25K	0.18%	0.18%	Attachment 4 - Exhibit 2
(7) Add New Large Policy Tiers	-0.23%	-0.23%	Attachment 4 - Exhibit 3
(8) Adjusted Loss, Expense, and Catastrophic Rati	84.85%	88.39%	=(4) / [1 + (5)+(6)+(7)]
(9) Profit Load - 8.50%	8.50%	8.50%	Attachment 3 - Exhibit 1
(10) Indicated Rate Change	**-7.3%**	**-3.4%**	=(8) / [1 - (9)] - 1

Attachment 2 - Summary of Claim and Expense Experience

Attachment 2 presents information regarding on-level premiums, expenses, and losses & LAE from 1989 through 2016. Income and expenses have been adjusted to eliminate the double counting of income and expense arising when underwriters or agents pay another agent for title services. Tax certificates and recording fees were excluded from both income and expense. In addition, expense also excludes damages for bad faith suits, fines or penalties, donations and lobbying expenses, trade association fees, and loss & LAE. A summary of the each exhibit in Attachment 2 is shown below.

Exhibit 1 - Summary of Loss & Expense Ratios for All Title Firms
Exhibit 2 - Summary of Loss & Expense Ratios for Independent Agents
Exhibit 3 – Summary of Loss & Expense Ratios for Affiliated Agents
Exhibit 4 – Summary of Loss & Expense Ratios for Direct Operations
Exhibit 5 – Summary of Loss & Expense Ratios for Underwriters

Please note, 2016 underwriter data was not available at the time of the analysis. Thus, for the purpose of the rating analysis, underwriter experience for 2016 was assumed to be the same as 2015. The underwriter experience is approximately 15% of all title firm experience, so the difference between using 2015 and 2016, were it available, would not be expected to produce a material difference on the overall rate change.

Texas Land Title Association

Summary Of Loss & Expense Ratios

Total - Agents and Underwriters

Calendar Year	*Retained Premium*	*On-Level Factor*	*On-Level Retained Premium*	*Gross Title Income*	*Transfers To Title Agents Included In(2)*	*Gross Title Income Net Transfer*	*Expense*
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6) = (4) - (5)*	*(7)*
1989	296,748,981	0.962	285,446,369	322,425,930	16,837,937	305,587,993	304,208,468
1990	335,697,210	0.915	307,086,652	364,029,619	13,836,353	350,193,266	337,399,808
1991	378,478,795	0.853	322,834,893	409,639,373	15,251,128	394,388,245	364,004,825
1992	503,962,303	0.849	427,886,253	538,398,926	21,426,329	516,972,597	446,050,118
1993	625,171,783	0.856	535,386,474	665,028,172	23,811,643	641,216,529	540,336,826
1994	608,121,905	0.856	520,785,248	650,158,276	28,568,034	621,590,242	555,230,740
1995	530,924,961	0.856	454,675,100	577,102,362	36,897,334	540,205,028	518,746,667
1996	614,890,912	0.856	526,582,111	673,723,403	30,011,549	643,711,854	574,856,516
1997	691,075,107	0.856	591,824,959	760,863,857	38,984,780	721,879,077	644,516,174
1998	918,196,208	0.867	796,388,361	1,003,809,355	54,171,322	949,638,033	797,166,878
1999	939,277,148	0.883	829,190,519	1,028,747,021	55,636,602	973,110,419	876,180,618
2000	915,291,835	0.883	808,016,369	1,006,681,013	54,239,796	952,441,217	862,281,285
2001	1,077,280,719	0.883	951,019,580	1,182,333,694	69,995,923	1,112,337,771	1,004,467,470
2002	1,258,856,485	0.892	1,122,858,139	1,369,270,332	70,113,356	1,299,156,976	1,152,184,412
2003	1,523,141,413	0.939	1,430,930,809	1,657,150,374	85,398,711	1,571,751,663	1,381,923,854
2004	1,331,285,062	0.971	1,292,159,126	1,526,383,547	72,554,928	1,453,828,619	1,313,653,203
2005	1,358,053,623	1.005	1,364,409,569	1,591,547,037	72,599,932	1,518,947,104	1,378,070,164
2006	1,460,998,364	1.005	1,467,836,110	1,723,515,457	97,237,994	1,626,277,463	1,515,340,115
2007	1,389,340,247	1.035	1,438,480,899	1,665,353,564	113,355,748	1,551,997,817	1,483,379,034
2008	1,057,944,530	1.038	1,098,011,728	1,270,038,704	38,219,719	1,231,818,985	1,206,621,313
2009	907,770,054	1.038	942,149,742	1,094,032,997	32,520,009	1,061,512,988	1,034,085,480
2010	934,775,690	1.038	970,178,154	1,131,462,827	29,945,764	1,101,517,063	970,620,674
2011	984,762,012	1.038	1,022,057,592	1,188,806,454	29,650,291	1,159,156,164	989,404,718
2012	1,268,546,444	1.038	1,316,589,702	1,502,559,295	33,924,689	1,468,634,606	1,149,478,700
2013	1,482,507,444	1.013	1,501,155,336	1,786,360,519	41,183,863	1,745,176,656	1,319,763,871
2014	1,530,492,330	1.000	1,530,492,330	1,825,182,631	54,821,936	1,770,360,695	1,373,685,010
2015	1,704,580,579	1.000	1,704,580,579	2,005,235,921	46,706,686	1,958,529,236	1,500,230,953
2016	1,812,045,540	1.000	1,812,045,540	2,109,508,325	52,133,524	2,057,374,802	1,603,794,619
10 Years Total	13,072,764,872		13,335,741,603	15,578,541,239	472,462,229	15,106,079,011	12,631,064,372
15 Years Total	20,005,099,819		20,013,935,355	23,446,407,986	870,367,149	22,576,040,837	19,372,236,121
20 Years Total	24,546,220,836		23,990,375,143	28,428,842,926	1,143,395,572	27,285,447,354	23,556,848,545

Notes: Data from TDI Experience Reports.
Gross Title Income excludes tax certificates and recording fees.
Expense excludes tax certificates, recording fees, damage for bad faith suits, fines or penalties, donation and lobbying and trade association fees.
Gross Title Income and Expense also excludes income and expense arising when underwriters or agents pay another agent for title services.

Texas Land Title Association

Summary Of Loss & Expense Ratios

Total - Agents and Underwriters

Calendar Year	*Additional Unearned Premium*	*Transfers To Title Agents Included In(5)*	*Expense Net Transfer*	*Expense Included In Rate*	*Loss & LAE*	*Expense Ratio*	*Loss & LAE Ratio*
	(8)	*(9)*	*(10) = (7) - (9)*	*(11)=(8)+(10)*(1)/(6)*	*(12)*	*(13) = (11)/(3)*	*(14) = (12)/(3)*
1989	3,143,224	16,837,937	287,370,531	282,201,676	33,782,282	98.9%	11.8%
1990	4,081,230	13,836,353	323,563,455	314,250,955	27,057,826	102.3%	8.8%
1991	4,603,631	15,251,128	348,753,697	339,288,756	28,069,039	105.1%	8.7%
1992	6,241,146	21,426,329	424,623,789	420,178,720	35,242,028	98.2%	8.2%
1993	13,162,021	23,811,643	516,525,183	516,762,529	20,799,646	96.5%	3.9%
1994	8,339,454	28,568,034	526,662,706	523,590,670	16,634,285	100.5%	3.2%
1995	4,437,785	36,897,334	481,849,333	478,009,531	18,352,514	105.1%	4.0%
1996	7,107,228	30,011,549	544,844,967	527,557,825	10,799,822	100.2%	2.1%
1997	8,825,522	38,984,780	605,531,394	588,517,726	15,292,558	99.4%	2.6%
1998	3,574,018	54,171,322	742,995,556	721,969,531	16,509,731	90.7%	2.1%
1999	8,927,714	55,636,602	820,544,016	800,942,914	21,140,434	96.6%	2.5%
2000	4,193,778	54,239,796	808,041,488	780,718,107	19,842,088	96.6%	2.5%
2001	7,045,092	69,995,923	934,471,547	912,065,318	18,335,658	95.9%	1.9%
2002	8,878,506	70,113,356	1,082,071,056	1,057,383,184	31,096,918	94.2%	2.8%
2003	20,833,908	85,398,711	1,296,525,144	1,277,260,852	40,870,014	89.3%	2.9%
2004	24,143,714	72,554,928	1,241,098,275	1,160,629,522	41,479,307	89.8%	3.2%
2005	18,484,082	72,599,932	1,305,470,232	1,185,673,231	49,224,084	86.9%	3.6%
2006	11,502,725	97,237,994	1,418,102,121	1,285,482,674	47,719,447	87.6%	3.3%
2007	12,551,994	113,355,748	1,370,023,286	1,238,989,603	51,647,343	86.1%	3.6%
2008	(4,283,461)	38,219,719	1,168,401,594	999,195,207	55,226,701	91.0%	5.0%
2009	(18,186,359)	32,520,009	1,001,565,471	838,318,603	35,639,008	89.0%	3.8%
2010	(11,471,165)	29,945,764	940,674,910	786,809,740	40,018,351	81.1%	4.1%
2011	(5,899,805)	29,650,291	959,754,428	809,460,309	58,064,436	79.2%	5.7%
2012	1,500,493	33,924,689	1,115,554,011	965,070,375	32,209,248	73.3%	2.4%
2013	10,090,537	41,183,863	1,278,580,008	1,096,229,509	39,906,444	73.0%	2.7%
2014	(22,601,407)	54,821,936	1,318,863,074	1,117,567,274	33,991,728	73.0%	2.2%
2015	23,228,575	46,706,686	1,453,524,267	1,288,284,615	34,869,621	75.6%	2.0%
2016	23,228,575	52,133,524	1,551,661,095	1,389,863,651	37,626,235	76.7%	2.1%
10 Years Total	8,157,977	472,462,229	12,158,602,143	10,529,788,886	419,199,115	79.0%	3.1%
15 Years Total	92,000,912	870,367,149	18,501,868,972	16,496,218,349	629,588,885	82.4%	3.1%
20 Years Total	124,567,036	1,143,395,572	22,413,452,972	20,300,431,943	720,709,353	84.6%	3.0%

Notes: Data from TDI Experience Reports.
Gross Title Income excludes tax certificates and recording fees.
Expense excludes tax certificates, recording fees, damage for bad faith suits, fines or penalties, donation and lobbying and trade association fees.
Gross Title Income and Expense also excludes income and expense arising when underwriters or agents pay another agent for title services.

Texas Land Title Association

Summary Of Loss & Expense Ratios

Independent Agents

Calendar Year	*Retained Premium* (1)	*On-Level Factor* (2)	*On-Level Retained Premium* (3)	*Gross Title Income* (4)	*Transfers To Title Agents Included In(2)* (5)	*Gross Title Income Net Transfer* (6) = (4) - (5)	*Expense* (7)
1989	168,435,697	0.962	162,020,297	186,654,572	12,487,648	174,166,924	184,459,620
1990	186,838,988	0.915	170,915,211	206,431,354	9,822,230	196,609,124	202,688,132
1991	211,177,446	0.853	180,130,166	234,622,787	12,450,645	222,172,142	226,033,387
1992	274,330,157	0.849	232,918,419	300,650,097	15,221,727	285,428,370	274,257,919
1993	360,232,867	0.856	308,497,296	391,290,773	17,096,055	374,194,718	361,988,895
1994	349,848,760	0.856	299,604,523	380,613,708	20,800,158	359,813,550	366,405,358
1995	306,336,587	0.856	262,341,439	338,845,247	16,860,135	321,985,112	338,279,977
1996	357,672,113	0.856	306,304,310	396,797,573	20,564,489	376,233,084	378,883,667
1997	243,881,886	0.856	208,856,296	273,120,124	16,408,368	256,711,756	251,345,220
1998	322,946,708	0.867	280,104,619	358,318,287	24,258,407	334,059,880	320,367,494
1999	289,066,383	0.883	255,186,773	323,958,093	23,693,837	300,264,256	299,114,121
2000	282,873,481	0.883	249,719,701	314,440,255	25,553,068	288,887,188	289,026,946
2001	331,997,566	0.883	293,086,268	368,468,531	28,330,051	340,138,480	324,762,427
2002	389,112,062	0.892	347,075,025	431,003,072	29,688,632	401,314,440	386,706,285
2003	458,178,498	0.939	430,440,486	505,622,998	34,939,890	470,683,108	454,393,953
2004	409,197,602	0.971	397,171,448	481,059,990	30,405,726	450,654,264	437,709,992
2005	406,149,603	1.005	408,050,460	501,582,380	22,644,064	478,938,316	451,543,620
2006	453,917,205	1.005	456,041,622	570,536,224	40,529,907	530,006,317	519,776,930
2007	442,974,914	1.035	458,642,837	551,371,331	39,889,848	511,481,483	518,144,656
2008	350,028,050	1.038	363,284,551	436,168,290	14,707,688	421,460,602	436,546,829
2009	329,987,211	1.038	342,484,712	411,571,142	12,637,859	398,933,283	384,981,201
2010	340,092,889	1.038	352,973,119	418,653,386	12,786,665	405,866,721	384,612,139
2011	355,236,193	1.038	368,689,941	438,428,986	11,400,511	427,028,475	396,657,825
2012	443,006,022	1.038	459,783,849	545,107,992	14,147,292	530,960,700	447,088,947
2013	551,705,694	1.013	558,645,388	676,599,839	15,048,760	661,551,079	547,632,796
2014	591,831,472	1.000	591,831,472	714,378,409	21,275,068	693,103,341	582,356,223
2015	657,487,980	1.000	657,487,980	781,726,998	17,645,496	764,081,502	628,514,393
2016	693,245,800	1.000	693,245,800	831,033,039	20,022,545	811,010,494	650,333,232
10 Years Total	4,755,596,225		4,847,069,650	5,805,039,412	179,561,732	5,625,477,680	4,976,868,241
15 Years Total	6,872,151,195		6,885,848,690	8,294,844,075	337,769,951	7,957,074,125	7,226,999,021
20 Years Total	8,342,917,219		8,172,802,347	9,933,149,366	456,013,681	9,477,135,684	8,711,615,230

Notes: Data from TDI Experience Reports.
Gross Title Income excludes tax certificates and recording fees.
Expense excludes tax certificates, recording fees, damage for bad faith suits, fines or penalties, donation and lobbying and trade association fees.
Gross Title Income and Expense also excludes income and expense arising when underwriters or agents pay another agent for title services.

Texas Land Title Association

Summary Of Loss & Expense Ratios

Independent Agents

Calendar Year	*Additional Unearned Premium*	*Transfers To Title Agents Included In(5)*	*Expense Net Transfer*	*Expense Included In Rate*	*Loss & LAE*	*Expense Ratio*	*Loss & LAE Ratio*
	(8)	*(9)*	*(10) = (7) - (9)*	*(11)=(8)+(10)*(1)/(6)*	*(12)*	*(13) = (11)/(3)*	*(14) = (12)/(3)*
1989	-	12,168,865	172,290,755	166,621,267	1,734,408	102.8%	1.1%
1990	-	9,804,678	192,883,454	183,298,458	1,272,235	107.2%	0.7%
1991	-	11,896,470	214,136,917	203,539,863	1,583,836	113.0%	0.9%
1992	-	14,805,446	259,452,473	249,364,272	1,458,290	107.1%	0.6%
1993	-	15,716,935	346,271,960	333,351,955	1,606,428	108.1%	0.5%
1994	-	19,262,326	347,143,032	337,529,143	1,682,980	112.7%	0.6%
1995	-	16,210,723	322,069,254	306,416,639	1,359,813	116.8%	0.5%
1996	-	19,962,911	358,920,756	341,213,866	718,508	111.4%	0.2%
1997	-	15,492,549	235,852,671	224,065,291	580,066	107.3%	0.3%
1998	-	20,748,401	299,619,093	289,651,663	700,368	103.4%	0.3%
1999	-	20,065,624	279,048,497	268,641,831	715,412	105.3%	0.3%
2000	-	19,627,313	269,399,634	263,791,596	338,883	105.6%	0.1%
2001	-	20,994,592	303,767,836	296,497,421	523,764	101.2%	0.2%
2002	-	25,355,107	361,351,178	350,363,924	562,198	100.9%	0.2%
2003	-	30,193,548	424,200,405	412,930,699	1,045,683	95.9%	0.2%
2004	-	22,378,211	415,331,781	377,124,511	1,212,283	95.0%	0.3%
2005	-	18,699,275	432,844,345	367,060,962	975,266	90.0%	0.2%
2006	-	23,595,948	496,180,982	424,947,925	1,678,141	93.2%	0.4%
2007	-	18,370,552	499,774,104	432,835,593	2,148,774	94.4%	0.5%
2008	-	14,692,261	421,854,568	350,355,244	1,031,184	96.4%	0.3%
2009	-	12,321,934	372,659,267	308,254,030	1,113,928	90.0%	0.3%
2010	-	12,614,048	371,998,091	311,712,932	1,219,600	88.3%	0.3%
2011	-	11,413,630	385,244,195	320,476,711	1,360,915	86.9%	0.4%
2012	-	14,008,373	433,080,574	361,339,930	2,397,511	78.6%	0.5%
2013	-	14,499,734	533,133,062	444,610,485	1,262,112	79.6%	0.2%
2014	-	20,611,935	561,744,288	479,665,772	1,617,316	81.0%	0.3%
2015	-	16,947,371	611,567,022	526,250,099	1,474,646	80.0%	0.2%
2016	-	19,312,836	631,020,396	539,391,589	2,742,039	77.8%	0.4%
10 Years Total	-	154,792,674	4,822,075,567	4,074,892,384	16,368,025	84.1%	0.3%
15 Years Total	-	275,014,763	6,951,984,258	6,007,320,404	21,841,597	87.2%	0.3%
20 Years Total	-	371,943,241	8,339,671,989	7,349,968,205	24,700,091	89.9%	0.3%

Notes: Data from TDI Experience Reports.
Gross Title Income excludes tax certificates and recording fees.
Expense excludes tax certificates, recording fees, damage for bad faith suits, fines or penalties, donation and lobbying and trade association fees.
Gross Title Income and Expense also excludes income and expense arising when underwriters or agents pay another agent for title services.

Texas Land Title Association

Summary Of Loss & Expense Ratios

Affiliated Agents

Calendar Year	*Retained Premium* (1)	*On-Level Factor* (2)	*On-Level Retained Premium* (3)	*Gross Title Income* (4)	*Transfers To Title Agents Included In(2)* (5)	*Gross Title Income Net Transfer* (6) = (4) - (5)	*Expense* (7)
1989	49,331,549	0.962	47,452,603	54,384,834	3,238,673	51,146,161	55,404,916
1990	54,905,770	0.915	50,226,301	60,487,083	2,815,501	57,671,582	62,731,215
1991	62,943,895	0.853	53,689,892	68,485,921	2,307,773	66,178,148	71,960,356
1992	95,943,249	0.849	81,460,056	101,653,108	4,577,654	97,075,454	94,645,326
1993	94,853,676	0.856	81,231,074	100,489,918	4,371,029	96,118,889	86,582,180
1994	78,639,090	0.856	67,345,178	84,887,755	5,241,155	79,646,600	83,303,496
1995	71,085,622	0.856	60,876,517	79,037,323	16,860,135	62,177,188	78,822,500
1996	78,818,986	0.856	67,499,238	88,337,767	5,304,230	83,033,537	80,110,955
1997	198,958,048	0.856	170,384,286	222,363,010	12,454,988	209,908,022	205,095,400
1998	283,139,121	0.867	245,577,904	313,715,007	19,713,535	294,001,472	262,370,755
1999	364,601,434	0.883	321,868,846	403,848,216	24,072,944	379,775,272	364,804,040
2000	366,603,301	0.883	323,636,087	410,480,481	21,794,154	388,686,328	364,239,341
2001	438,779,837	0.883	387,353,276	489,214,184	29,458,410	459,755,774	428,987,485
2002	512,949,714	0.892	457,534,094	564,335,731	27,013,038	537,322,693	486,043,310
2003	611,709,377	0.939	574,676,643	679,437,011	34,382,857	645,054,154	570,774,305
2004	478,131,557	0.971	464,079,462	571,677,744	26,316,310	545,361,434	510,876,971
2005	513,378,148	1.005	515,780,854	607,798,551	28,994,966	578,803,585	549,623,074
2006	563,928,078	1.005	566,567,367	677,282,230	45,321,633	631,960,597	595,857,827
2007	529,738,475	1.035	548,475,206	646,348,096	54,630,611	591,717,485	555,818,783
2008	390,393,890	1.038	405,179,154	475,047,679	18,114,259	456,933,421	453,113,114
2009	367,685,402	1.038	381,610,635	437,466,168	19,437,372	418,028,796	407,650,726
2010	370,229,854	1.038	384,251,452	446,667,891	16,669,580	429,998,311	382,992,985
2011	370,995,086	1.038	385,045,665	446,591,162	17,738,018	428,853,144	386,761,634
2012	569,801,806	1.038	591,381,729	670,216,684	19,176,917	651,039,767	520,919,012
2013	623,350,700	1.013	631,191,589	757,918,334	25,336,902	732,581,432	569,536,464
2014	595,208,297	1.000	595,208,297	734,490,349	28,045,577	706,444,772	575,594,895
2015	654,536,079	1.000	654,536,079	793,731,205	27,719,435	766,011,770	625,193,072
2016	730,817,104	1.000	730,817,104	855,827,329	29,402,639	826,424,690	704,863,086
10 Years Total	5,202,756,693		5,307,696,911	6,264,304,897	256,271,310	6,008,033,588	5,182,443,771
15 Years Total	7,882,853,567		7,886,335,330	9,364,836,164	418,300,114	8,946,536,050	7,895,619,257
20 Years Total	9,534,935,308		9,335,155,730	11,204,457,062	525,794,144	10,678,662,919	9,521,116,278

Notes: Data from TDI Experience Reports.
Gross Title Income excludes tax certificates and recording fees.
Expense excludes tax certificates, recording fees, damage for bad faith suits, fines or penalties, donation and lobbying and trade association fees.
Gross Title Income and Expense also excludes income and expense arising when underwriters or agents pay another agent for title services.

Texas Land Title Association

Summary Of Loss & Expense Ratios

Affiliated Agents

Calendar Year	*Additional Unearned Premium*	*Transfers To Title Agents Included In(5)*	*Expense Net Transfer*	*Expense Included In Rate*	*Loss & LAE*	*Expense Ratio*	*Loss & LAE Ratio*
	(8)	*(9)*	*(10) = (7) - (9)*	*(11)=(8)+(10)*(1)/(6)*	*(12)*	*(13) = (11)/(3)*	*(14) = (12)/(3)*
1989	-	3,155,997	52,248,919	50,395,183	3,341,453	106.2%	7.0%
1990	-	2,810,470	59,920,745	57,047,068	1,402,810	113.6%	2.8%
1991	-	2,205,055	69,755,301	66,346,226	2,889,523	123.6%	5.4%
1992	-	4,452,465	90,192,861	89,140,928	7,156,739	109.4%	8.8%
1993	-	4,018,423	82,563,757	81,476,970	1,071,912	100.3%	1.3%
1994	-	4,853,657	78,449,839	77,457,467	904,605	115.0%	1.3%
1995	-	16,210,723	62,611,777	71,582,476	2,377,995	117.6%	3.9%
1996	-	5,149,064	74,961,891	71,157,034	192,056	105.4%	0.3%
1997	-	11,759,823	193,335,577	183,250,114	434,718	107.6%	0.3%
1998	-	16,861,137	245,509,618	236,438,875	814,221	96.3%	0.3%
1999	-	20,386,679	344,417,361	330,656,240	1,625,287	102.7%	0.5%
2000	-	16,740,090	347,499,250	327,756,248	1,456,599	101.3%	0.5%
2001	-	21,830,786	407,156,699	388,580,547	1,457,220	100.3%	0.4%
2002	-	23,070,058	462,973,251	441,972,766	795,265	96.6%	0.2%
2003	-	29,712,184	541,062,121	513,093,003	889,635	89.3%	0.2%
2004	-	19,368,455	491,508,516	430,917,402	1,558,946	92.9%	0.3%
2005	-	23,943,796	525,679,277	466,258,780	5,279,787	90.4%	1.0%
2006	-	26,385,624	569,472,203	508,166,753	2,097,216	89.7%	0.4%
2007	-	25,159,146	530,659,637	475,076,086	8,765,563	86.6%	1.6%
2008	-	18,095,258	435,017,856	371,669,712	15,080,860	91.7%	3.7%
2009	-	18,951,470	388,699,256	341,888,031	933,115	89.6%	0.2%
2010	-	16,444,544	366,548,441	315,599,323	968,652	82.1%	0.3%
2011	-	17,758,430	369,003,204	319,219,708	913,332	82.9%	0.2%
2012	-	18,988,610	501,930,402	439,298,587	1,783,616	74.3%	0.3%
2013	-	24,412,532	545,123,932	463,843,840	767,519	73.5%	0.1%
2014	-	27,171,411	548,423,484	462,068,970	787,563	77.6%	0.1%
2015	-	26,622,746	598,570,326	511,461,951	737,691	78.1%	0.1%
2016	-	28,360,448	676,502,638	598,239,265	2,239,780	81.9%	0.3%
10 Years Total	-	221,964,595	4,960,479,176	4,298,365,473	32,977,691	81.0%	0.6%
15 Years Total	-	344,444,713	7,551,174,544	6,658,774,177	43,598,541	84.4%	0.6%
20 Years Total	-	432,023,228	9,089,093,050	8,125,456,201	49,386,586	87.0%	0.5%

Notes: Data from TDI Experience Reports.
Gross Title Income excludes tax certificates and recording fees.
Expense excludes tax certificates, recording fees, damage for bad faith suits, fines or penalties, donation and lobbying and trade association fees.
Gross Title Income and Expense also excludes income and expense arising when underwriters or agents pay another agent for title services.

Texas Land Title Association

Summary Of Loss & Expense Ratios
Direct Operations

Attachment 2 - Exhibit 4

Calendar Year	*Retained Premium*	*On-Level Factor*	*On-Level Retained Premium*	*Gross Title Income*	*Transfers To Title Agents Included In(2)*	*Gross Title Income Net Transfer*	*Expense*
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6) = (4) - (5)*	*(7)*
1989	28,765,094	0.962	27,669,485	30,043,835	1,111,615	28,932,220	32,542,986
1990	30,043,062	0.915	27,482,574	32,654,737	1,198,622	31,456,115	34,760,974
1991	29,903,595	0.853	25,507,172	30,957,818	492,709	30,465,109	27,445,979
1992	40,748,956	0.849	34,597,663	42,024,480	1,626,948	40,397,532	36,984,684
1993	54,276,183	0.856	46,481,199	54,962,927	2,344,559	52,618,368	42,564,669
1994	53,575,679	0.856	45,881,300	55,691,953	2,526,722	53,165,231	53,647,836
1995	50,563,500	0.856	43,301,721	54,200,887	3,177,065	51,023,822	51,772,047
1996	61,172,529	0.856	52,387,113	68,289,253	4,142,830	64,146,423	60,300,884
1997	124,182,908	0.856	106,348,129	139,248,005	10,121,424	129,126,581	124,576,016
1998	154,906,178	0.867	134,356,335	170,423,315	10,199,380	160,223,935	129,911,440
1999	104,027,454	0.883	91,835,066	114,897,565	7,869,822	107,027,743	92,060,114
2000	101,900,646	0.883	89,957,527	114,191,107	6,892,575	107,298,532	96,476,422
2001	139,083,560	0.883	122,782,471	153,124,845	12,207,462	140,917,383	122,037,128
2002	169,597,555	0.892	151,275,382	182,756,858	13,411,686	169,345,171	150,439,378
2003	212,363,961	0.939	199,507,500	228,152,467	16,075,964	212,076,503	189,632,900
2004	185,732,410	0.971	180,273,809	211,487,149	15,832,891	195,654,258	181,152,676
2005	181,352,592	1.005	182,201,356	217,051,976	20,960,903	196,091,074	185,572,662
2006	192,816,856	1.005	193,719,275	220,231,022	11,386,454	208,844,568	183,502,083
2007	169,523,979	1.035	175,520,004	209,006,364	18,835,289	190,171,076	169,256,298
2008	128,573,215	1.038	133,442,628	162,239,554	5,397,772	156,841,782	139,087,873
2009	57,301,223	1.038	59,471,374	76,885,085	444,778	76,440,307	63,478,619
2010	63,318,328	1.038	65,716,363	90,910,670	489,519	90,421,151	66,409,298
2011	84,158,421	1.038	87,345,726	119,228,542	511,761	118,716,781	81,042,511
2012	40,632,983	1.038	42,171,863	63,388,062	600,480	62,787,582	45,290,155
2013	47,676,022	1.013	48,275,720	81,005,801	798,201	80,207,600	52,638,570
2014	65,820,825	1.000	65,820,825	90,247,234	5,501,291	84,745,943	68,285,150
2015	80,638,825	1.000	80,638,825	111,822,777	1,341,755	110,481,022	92,057,040
2016	76,064,941	1.000	76,064,941	104,693,016	2,708,339	101,984,677	94,131,853
10 Years Total	813,708,762		834,468,269	1,109,427,105	36,629,186	1,072,797,919	871,677,367
15 Years Total	1,755,572,137		1,741,445,591	2,169,106,578	114,297,084	2,054,809,493	1,761,977,066
20 Years Total	2,379,672,882		2,286,725,117	2,860,991,415	161,587,747	2,699,403,668	2,327,038,187

Notes: Data from TDI Experience Reports.
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Gross Title Income and Expense also excludes income and expense arising when underwriters or agents pay another agent for title services.

Texas Land Title Association
Summary Of Loss & Expense Ratios
Direct Operations

Calendar Year	*Additional Unearned Premium*	*Transfers To Title Agents Included In(5)*	*Expense Net Transfer*	*Expense Included In Rate*	*Loss & LAE*	*Expense Ratio*	*Loss & LAE Ratio*
	(8)	*(9)*	*(10) = (7) - (9)*	*(11)=(8)+(10)*(1)/(6)*	*(12)*	*(13) = (11)/(3)*	*(14) = (12)/(3)*
1989	-	1,083,238	31,459,748	31,278,022	375,780	113.0%	1.4%
1990	-	1,196,480	33,564,494	32,056,730	158,121	116.6%	0.6%
1991	-	470,779	26,975,200	26,478,010	523,435	103.8%	2.1%
1992	-	1,582,455	35,402,229	35,710,199	260,485	103.2%	0.8%
1993	-	2,155,426	40,409,243	41,682,392	716,570	89.7%	1.5%
1994	-	2,339,912	51,307,924	51,704,033	404,411	112.7%	0.9%
1995	-	3,054,692	48,717,355	48,277,841	121,922	111.5%	0.3%
1996	-	4,021,639	56,279,245	53,670,082	5,000	102.4%	0.0%
1997	-	9,556,505	115,019,511	110,615,934	113,400	104.0%	0.1%
1998	-	8,723,608	121,187,832	117,165,665	51,702	87.2%	0.0%
1999	-	6,664,724	85,395,390	83,001,517	29,129	90.4%	0.0%
2000	-	5,294,187	91,182,235	86,595,114	117,326	96.3%	0.1%
2001	-	9,046,601	112,990,527	111,520,129	117,233	90.8%	0.1%
2002	-	11,454,039	138,985,339	139,192,476	211,941	92.0%	0.1%
2003	-	13,892,156	175,740,744	175,978,951	299,708	88.2%	0.2%
2004	-	11,652,798	169,499,878	160,904,348	487,329	89.3%	0.3%
2005	-	17,309,335	168,263,327	155,616,418	496,605	85.4%	0.3%
2006	-	6,629,035	176,873,048	163,298,980	405,163	84.3%	0.2%
2007	-	8,674,254	160,582,044	143,147,463	500,493	81.6%	0.3%
2008	-	5,392,110	133,695,763	109,598,946	348,889	82.1%	0.3%
2009	-	433,659	63,044,960	47,259,796	50,652	79.5%	0.1%
2010	-	482,911	65,926,387	46,165,621	19,009	70.2%	0.0%
2011	-	512,350	80,530,161	57,087,896	60,106	65.4%	0.1%
2012	-	594,584	44,695,571	28,924,738	-	68.6%	0.0%
2013	-	769,080	51,869,490	30,831,629	-	63.9%	0.0%
2014	-	5,329,819	62,955,331	48,896,404	-	74.3%	0.0%
2015	-	1,288,670	90,768,370	66,250,787	12,868	82.2%	0.0%
2016	-	2,612,341	91,519,512	68,259,532	-	89.7%	0.0%
10 Years Total	-	26,089,778	845,587,589	646,422,813	992,017	77.5%	0.1%
15 Years Total	-	87,027,140	1,674,949,925	1,441,413,987	2,892,763	82.8%	0.2%
20 Years Total	-	126,312,766	2,200,725,421	1,950,312,345	3,321,553	85.3%	0.1%

Notes: Data from TDI Experience Reports.
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Texas Land Title Association

Summary Of Loss & Expense Ratios

Underwriting Company

Calendar Year	*Retained Premium*	*On-Level Factor*	*On-Level Retained Premium*	*Gross Title Income*	*Transfers To Title Agents Included In(2)*	*Gross Title Income Net Transfer*	*Expense*
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6) = (4) - (5)*	*(7)*
1989	50,216,641	0.962	48,303,983	51,342,689	-	$ 51,342,689	31,800,946
1990	63,909,390	0.915	58,462,567	64,456,445	-	$ 64,456,445	37,219,487
1991	74,453,859	0.853	63,507,663	75,572,847	-	$ 75,572,847	38,565,103
1992	92,939,941	0.849	78,910,115	94,071,241	-	$ 94,071,241	40,162,189
1993	115,809,057	0.856	99,176,905	118,284,554	-	$ 118,284,554	49,201,082
1994	126,058,376	0.856	107,954,248	128,964,860	-	$ 128,964,860	51,874,050
1995	102,939,252	0.856	88,155,423	105,018,905	-	$ 105,018,905	49,872,143
1996	117,227,284	0.856	100,391,451	120,298,810	-	$ 120,298,810	55,561,010
1997	124,052,265	0.856	106,236,248	126,132,718	-	$ 126,132,718	63,499,538
1998	157,204,201	0.867	136,349,502	161,352,746	-	$ 161,352,746	84,517,189
1999	181,581,877	0.883	160,299,834	186,043,147	-	$ 186,043,147	120,202,343
2000	163,914,407	0.883	144,703,054	167,569,170	-	$ 167,569,170	112,538,576
2001	167,419,757	0.883	147,797,565	171,526,134	-	$ 171,526,134	128,680,429
2002	187,197,154	0.892	166,973,639	191,174,671	-	$ 191,174,671	128,995,440
2003	240,889,576	0.939	226,306,181	243,937,898	-	$ 243,937,898	167,122,696
2004	258,223,493	0.971	250,634,408	262,158,664	-	$ 262,158,664	183,913,564
2005	257,173,280	1.005	258,376,899	265,114,130	-	$ 265,114,130	191,330,809
2006	250,336,225	1.005	251,507,845	255,465,981	-	$ 255,465,981	216,203,275
2007	247,102,879	1.035	255,842,852	258,627,773	-	$ 258,627,773	240,159,297
2008	188,949,375	1.038	196,105,395	196,583,181	-	$ 196,583,181	177,873,497
2009	152,796,218	1.038	158,583,021	168,110,602	-	$ 168,110,602	177,974,934
2010	161,134,619	1.038	167,237,219	175,230,880	-	$ 175,230,880	136,606,252
2011	174,372,312	1.038	180,976,260	184,557,764	-	$ 184,557,764	124,942,748
2012	215,105,633	1.038	223,252,261	223,846,557	-	$ 223,846,557	136,180,586
2013	259,775,028	1.013	263,042,638	270,836,545	-	$ 270,836,545	149,956,041
2014	277,631,736	1.000	277,631,736	286,066,639	-	$ 286,066,639	147,448,742
2015	311,917,695	1.000	311,917,695	317,954,941	-	$ 317,954,941	154,466,448
2016	311,917,695	1.000	311,917,695	317,954,941	-	$ 317,954,941	154,466,448
10 Years Total	2,300,703,192		2,346,506,773	2,399,769,824	-	2,399,769,824	1,600,074,993
15 Years Total	3,494,522,920		3,500,305,745	3,617,621,168	-	3,617,621,168	2,487,640,776
20 Years Total	4,288,695,427		4,195,691,949	4,430,245,083	-	4,430,245,083	2,997,078,850

Notes: Data from TDI Experience Reports.
Gross Title Income excludes tax certificates and recording fees.
Expense excludes tax certificates, recording fees, damage for bad faith suits, fines or penalties, donation and lobbying and trade association fees.
Gross Title Income and Expense also excludes income and expense arising when underwriters or agents pay another agent for title services.

Texas Land Title Association

Summary Of Loss & Expense Ratios

Underwriting Company

Calendar Year	*Additional Unearned Premium*	*Transfers To Title Agents Included In(5)*	*Expense Net Transfer*	*Expense Included In Rate*	*Loss & LAE*	*Expense Ratio*	*Loss & LAE Ratio*
	(8)	*(9)*	*(10) = (7) - (9)*	*(11)=(8)+(10)*(1)/(6)*	*(12)*	*(13) = (11)/(3)*	*(14) = (12)/(3)*
1989	3,143,224	429,837	31,371,109	33,826,301	28,330,641	70.0%	58.7%
1990	4,081,230	24,725	37,194,762	40,960,312	24,224,660	70.1%	41.4%
1991	4,603,631	678,824	37,886,279	41,928,937	23,072,245	66.0%	36.3%
1992	6,241,146	585,963	39,576,226	45,341,429	26,366,514	57.5%	33.4%
1993	13,162,021	1,920,859	47,280,223	59,452,748	17,404,736	59.9%	17.5%
1994	8,339,454	2,112,139	49,761,911	56,979,880	13,642,289	52.8%	12.6%
1995	4,437,785	1,421,196	48,450,947	51,929,275	14,492,784	58.9%	16.4%
1996	7,107,228	877,935	54,683,075	60,394,109	9,884,258	60.2%	9.8%
1997	8,825,522	2,175,903	61,323,635	69,137,675	14,164,374	65.1%	13.3%
1998	3,574,018	7,838,176	76,679,013	78,281,535	14,943,440	57.4%	11.0%
1999	8,927,714	8,519,575	111,682,768	117,932,356	18,770,606	73.6%	11.7%
2000	4,193,778	12,578,206	99,960,370	101,973,965	17,929,279	70.5%	12.4%
2001	7,045,092	18,123,944	110,556,485	114,954,828	16,237,440	77.8%	11.0%
2002	8,878,506	10,234,152	118,761,288	125,168,886	29,527,514	75.0%	17.7%
2003	20,833,908	11,600,823	155,521,873	174,412,332	38,634,987	77.1%	17.1%
2004	24,143,714	19,155,464	164,758,100	186,428,688	38,220,749	74.4%	15.2%
2005	18,484,082	12,647,525	178,683,284	191,815,341	42,472,425	74.2%	16.4%
2006	11,502,725	40,627,387	175,575,888	183,553,050	43,538,927	73.0%	17.3%
2007	12,551,994	61,151,796	179,007,501	183,582,616	40,232,513	71.8%	15.7%
2008	(4,283,461)	40,090	177,833,407	166,644,240	38,765,768	85.0%	19.8%
2009	(18,186,359)	812,946	177,161,988	142,836,690	33,541,313	90.1%	21.2%
2010	(11,471,165)	404,261	136,201,991	113,774,202	37,811,090	68.0%	22.6%
2011	(5,899,805)	(34,119)	124,976,868	112,179,787	55,730,083	62.0%	30.8%
2012	1,500,493	333,122	135,847,464	132,043,286	28,028,121	59.1%	12.6%
2013	10,090,537	1,502,517	148,453,524	152,480,916	37,876,813	58.0%	14.4%
2014	(22,601,407)	1,708,771	145,739,971	118,841,304	31,586,849	42.8%	11.4%
2015	23,228,575	1,847,899	152,618,549	172,949,243	32,644,416	55.4%	10.5%
2016	23,228,575	1,847,899	152,618,549	172,949,243	32,644,416	55.4%	10.5%
10 Years Total	8,157,977	69,615,182	1,530,459,811	1,468,281,526	368,861,382	62.6%	15.7%
15 Years Total	92,000,912	163,880,533	2,323,760,243	2,329,659,824	561,255,984	66.6%	16.0%
20 Years Total	124,567,036	213,116,336	2,783,962,513	2,811,940,183	643,301,123	67.0%	15.3%

Notes: Data from TDI Experience Reports.
Gross Title Income excludes tax certificates and recording fees.
Expense excludes tax certificates, recording fees, damage for bad faith suits, fines or penalties, donation and lobbying and trade association fees.
Gross Title Income and Expense also excludes income and expense arising when underwriters or agents pay another agent for title services.

Attachment 3 - Summary of Cost of Capital and Underwriting Profit

The indicated rates include a profit load provision that together with investment income and miscellaneous income provides an adequate return to the title insurance companies and agents.

Exhibit 1 presents a summary of the development of the target underwriting profit. The cost of capital was determined by Dr. Jay Hartzell to be 13.10%. The pre-tax investment gain (Exhibit 2), financial leverage ratios (Exhibit 2) and the tax rate on investment (Exhibit 3) were used to determine the pre-tax underwriting profit load. We have determined the underwriting profit load to be 8.50% using a 13.10% cost of capital.

Exhibit 2 presents a summary of the development of the investment returns and financial leverage ratios. We have relied on Annual Statement data from 2003 through 2016 for all companies licensed in Texas. The Annual Statement data for each company does not separate the experience by states other than direct premiums written in Texas. In order to give more weight to companies that do more business in Texas, we used a weighted average of the numbers using direct premiums written in Texas as weights. The average pre-tax gain on invested assets was determined to be 5.5%. The invested asset to capital leverage ratio was determined to be 1.49 and the premium to capital leverage ratio was determined to be 0.91.

Exhibit 3 presents a summary of the development of the average tax rate on investments. We assumed the tax rate on investment income – tax exempt is 5.25%, tax rate on investment income – dividends is 10% and tax rate of 21% for all other investment income. We have determined that the weighted average tax rate on investment income is 14.28%.

Attachment 3 - Exhibit 1

Texas Land Title Association

Development of Target Underwriting Profit

	Weighted Average [1]	
1. Basis For Financial Leverage Factors		
2. Target Return on Capital	13.10%	From Dr. Jay Hartzell
3. Pre-Tax Return on Invested Assets	5.45%	Att. 3 - Exh. 2
4. Tax on Investment Return	14.28%	Att. 3 - Exh. 3
5. After-Tax Return on Invested Assets	4.67%	=(3) x [1 - (4)]
6. Invested Assets / Capital Leverage Factor	1.49	Att. 3 - Exh. 2
7. After-Tax Return on Investments / Capital	6.98%	=(5)*(6)
8. Required After-Tax Return From Underwriting/Capital [(2) - (7)]	6.12%	=(2)-(7)
9. Premium / Capital Leverage Factor	0.91	Att. 3 - Exh. 2
10. Indicated After-Tax Return From Underwriting / Premium [(8) / (9)]	6.72%	=(8)/(9)
11. Indicated Pre-Tax Return From Underwriting / Premium [(10) / 0.79] [2]	**8.5%**	=(10)/0.79

Notes:
(1) Used weighted average Annual Statement data for all companies licensed in Texas using written premium as weights
(2) Assumed corporate tax rate of 21%

Attachment 3 - Exhibit 2

Texas Land Title Association

Development of Investment Returns and Financial Leverage Ratios

		2003	2004	2005	2006
Investment Gain:					
1. Invested Assets	AS Page 2, Line 10	604,476,903	721,992,095	879,297,349	861,178,025
2. Average Invested Assets	Average of (1)		663,234,499	800,644,722	870,237,687
3. Investment Gain (Annualized)	AS Page 4, Line 11	57,340,432	44,179,440	69,901,716	60,801,255
4. Capital Gains Tax Adjustment	AS Exh. of Cap. Gain				
5. Pre-Tax Investment Gain	(3) + (4)	57,340,432	44,179,440	69,901,716	60,801,255
6. Pre-Tax Inv Gain / Avg Invested Assets	(5) / (2)		6.7%	8.7%	7.0%
Calculation of GAAP Adjusted Capital:					
7. Statutory Reserve on Known Claims	AS Page 3, Line 1	45,784,476	54,927,847	70,309,432	72,218,689
8. Statutory Premium Reserve	AS Page 3, Line 2	290,043,576	353,352,668	405,955,837	432,968,656
9. Statutory Premium and Loss Reserves	(7) + (8)	335,828,052	408,280,515	476,265,269	505,187,345
10. Schedule P Reserves	AS Part 2B, Col 4, Line 7	234,586,965	283,096,895	350,143,205	393,762,068
11. Equity in Reserves (Gross of Tax)	(9) - (10)	101,241,087	125,183,620	126,122,064	111,425,277
12. Equity in Reserves (Net of Tax)	79% of (11)	79,980,459	98,895,060	99,636,431	88,025,969
13. Non-Admitted Assets	AS Page 2, Col 2, Line 26	109,491,546	121,557,340	171,586,849	207,874,534
14. Surplus as Regards Policyholders	AS Page 3, Line 30	296,868,691	326,672,105	370,356,503	365,155,886
15. GAAP Adjusted Capital (Year End)	(12) + (13) + (14)	486,340,696	547,124,505	641,579,783	661,056,389
16. GAAP Adjusted Capital Yearly Avg	Average of (15)		516,732,600	594,352,144	651,318,086
Operating Income:					
17. Total Operating Income	AS Page 4, Line 3	1,497,144,764	1,632,169,937	1,867,042,519	1,866,604,697
18. Amount Paid to or Retained by Title Agents	AS O&I Ex Part 3, Line 2, Col 8	1,010,150,240	1,110,572,338	1,252,481,225	1,211,032,037
19. Underwriting Retained Operating Income	(17) - (18)	486,994,524	521,597,599	614,561,294	655,572,660
Financial Leverage Ratios To (GAAP Adjusted) Capital:					
20. Invested Assets / Capital	(1) / (16)		1.40	1.48	1.32
21. Operating Income / Capital	(19) / (16)		1.01	1.03	1.01

Note: Invested assets, investment gains, statutory reserves, statutory premium reserves, Schedule P reserves, non-admitted assets, surplus, total operating income, and amounts paid to title agents are weighted averages of all companies licensed in Texas using written premium as weights.

Attachment 3 - Exhibit 2

Texas Land Title Association

Development of Investment Returns and Financial Leverage Ratios

		2007	2008	2009	2010
Investment Gain:					
1. Invested Assets	AS Page 2, Line 10	797,650,876	769,547,489	815,250,336	998,681,678
2. Average Invested Assets	Average of (1)	829,414,450	783,599,183	792,398,913	906,966,007
3. Investment Gain (Annualized)	AS Page 4, Line 11	57,155,997	31,323,183	64,583,705	41,679,350
4. Capital Gains Tax Adjustment	AS Exh. of Cap. Gain				
5. Pre-Tax Investment Gain	(3) + (4)	57,155,997	31,323,183	64,583,705	41,679,350
6. Pre-Tax Inv Gain / Avg Invested Assets	(5) / (2)	6.9%	4.0%	8.2%	4.6%
Calculation of GAAP Adjusted Capital:					
7. Statutory Reserve on Known Claims	AS Page 3, Line 1	84,867,185	104,566,395	103,941,408	125,153,750
8. Statutory Premium Reserve	AS Page 3, Line 2	456,795,831	442,958,438	434,165,213	532,212,220
9. Statutory Premium and Loss Reserves	(7) + (8)	541,663,016	547,524,833	538,106,621	657,365,970
10. Schedule P Reserves	AS Part 2B, Col 4, Line 7	486,873,127	554,883,024	545,434,304	616,154,558
11. Equity in Reserves (Gross of Tax)	(9) - (10)	54,789,888	(7,358,191)	(7,327,683)	41,211,412
12. Equity in Reserves (Net of Tax)	79% of (11)	43,284,012	(5,812,971)	(5,788,870)	32,557,016
13. Non-Admitted Assets	AS Page 2, Col 2, Line 26	239,891,404	209,633,222	189,783,427	213,056,512
14. Surplus as Regards Policyholders	AS Page 3, Line 30	266,669,185	264,550,119	347,831,800	385,007,902
15. GAAP Adjusted Capital (Year End)	(12) + (13) + (14)	549,844,601	468,370,370	531,826,357	630,621,430
16. GAAP Adjusted Capital Yearly Avg	Average of (15)	605,450,495	509,107,485	500,098,363	581,223,894
Operating Income:					
17. Total Operating Income	AS Page 4, Line 3	1,630,050,134	1,273,983,337	1,239,754,219	1,404,364,962
18. Amount Paid to or Retained by Title Agents	AS O&I Ex Part 3, Line 2, Col 8	1,004,880,377	759,865,795	758,783,882	865,816,228
19. Underwriting Retained Operating Income	(17) - (18)	625,169,757	514,117,542	480,970,338	538,548,734
Financial Leverage Ratios To (GAAP Adjusted) Capital:					
20. Invested Assets / Capital	(1) / (16)	1.32	1.51	1.63	1.72
21. Operating Income / Capital	(19) / (16)	1.03	1.01	0.96	0.93

Note: Invested assets, investment gains, statutory reserves, statutory premium reserves, Schedule P reserves, non-admitted assets, surplus, total operating income, and amounts paid to title agents are weighted averages of all companies licensed in Texas using written premium as weights.

Attachment 3 - Exhibit 2

Texas Land Title Association

Development of Investment Returns and Financial Leverage Ratios

		2011	2012	2013	2014
Investment Gain:					
1. Invested Assets	AS Page 2, Line 10	987,553,078	1,095,710,696	1,080,406,865	1,078,738,541
2. Average Invested Assets	Average of (1)	993,117,378	1,041,631,887	1,088,058,780	1,079,572,703
3. Investment Gain (Annualized)	AS Page 4, Line 11	54,834,932	52,415,660	40,683,334	35,785,276
4. Capital Gains Tax Adjustment	AS Exh. of Cap. Gain				
5. Pre-Tax Investment Gain	(3) + (4)	54,834,932	52,415,660	40,683,334	35,785,276
6. Pre-Tax Inv Gain / Avg Invested Assets	(5) / (2)	5.5%	5.0%	3.7%	3.3%
Calculation of GAAP Adjusted Capital:					
7. Statutory Reserve on Known Claims	AS Page 3, Line 1	134,609,178	84,863,197	77,025,352	74,484,072
8. Statutory Premium Reserve	AS Page 3, Line 2	500,731,919	511,907,428	518,988,492	466,075,476
9. Statutory Premium and Loss Reserves	(7) + (8)	635,341,096	596,770,625	596,013,843	540,559,548
10. Schedule P Reserves	AS Part 2B, Col 4, Line 7	527,772,427	512,912,166	517,803,889	518,517,498
11. Equity in Reserves (Gross of Tax)	(9) - (10)	107,568,669	83,858,459	78,209,954	22,042,049
12. Equity in Reserves (Net of Tax)	79% of (11)	84,979,249	66,248,183	61,785,864	17,413,219
13. Non-Admitted Assets	AS Page 2, Col 2, Line 26	208,546,180	196,347,721	112,326,119	90,418,412
14. Surplus as Regards Policyholders	AS Page 3, Line 30	378,395,873	508,464,621	539,380,496	559,445,621
15. GAAP Adjusted Capital (Year End)	(12) + (13) + (14)	671,921,302	771,060,525	713,492,479	667,277,252
16. GAAP Adjusted Capital Yearly Avg	Average of (15)	651,271,366	721,490,913	742,276,502	690,384,866
Operating Income:					
17. Total Operating Income	AS Page 4, Line 3	1,349,298,981	1,608,682,576	1,761,468,172	1,653,660,952
18. Amount Paid to or Retained by Title Agents	AS O&I Ex Part 3, Line 2, Col 8	807,181,023	1,021,588,357	1,155,381,497	1,029,410,745
19. Underwriting Retained Operating Income	(17) - (18)	542,117,958	587,094,218	606,086,675	624,250,207
Financial Leverage Ratios To (GAAP Adjusted) Capital:					
20. Invested Assets / Capital	(1) / (16)	1.52	1.52	1.46	1.56
21. Operating Income / Capital	(19) / (16)	0.83	0.81	0.82	0.90

Note: Invested assets, investment gains, statutory reserves, statutory premium reserves, Schedule P reserves, non-admitted assets, surplus, total operating income, and amounts paid to title agents are weighted averages of all companies licensed in Texas using written premium as weights.

Attachment 3 - Exhibit 2

Texas Land Title Association

Development of Investment Returns and Financial Leverage Ratios

		2015	2016	2017	Total
Investment Gain:					
1. Invested Assets	AS Page 2, Line 10	1,006,896,586	964,199,600	925,777,837	12,982,881,052
2. Average Invested Assets	Average of (1)	1,042,817,563	985,548,093	944,988,719	12,822,230,585
3. Investment Gain (Annualized)	AS Page 4, Line 11	40,560,696	50,651,670	54,375,697	698,931,910
4. Capital Gains Tax Adjustment	AS Exh. of Cap. Gain				0
5. Pre-Tax Investment Gain	(3) + (4)	40,560,696	50,651,670	54,375,697	698,931,910
6. Pre-Tax Inv Gain / Avg Invested Assets	(5) / (2)	3.9%	5.1%	5.8%	**5.5%**
Calculation of GAAP Adjusted Capital:					
7. Statutory Reserve on Known Claims	AS Page 3, Line 1	52,305,230	76,012,216	71,291,278	1,186,575,229
8. Statutory Premium Reserve	AS Page 3, Line 2	455,155,640	428,190,682	404,706,391	6,344,164,890
9. Statutory Premium and Loss Reserves	(7) + (8)	507,460,870	504,202,898	475,997,669	7,530,740,119
10. Schedule P Reserves	AS Part 2B, Col 4, Line 7	458,805,558	403,991,385	390,048,280	6,560,198,386
11. Equity in Reserves (Gross of Tax)	(9) - (10)	48,655,313	100,211,513	85,949,388	970,541,733
12. Equity in Reserves (Net of Tax)	79% of (11)	38,437,697	79,167,095	67,900,017	766,727,969
13. Non-Admitted Assets	AS Page 2, Col 2, Line 26	95,714,696	72,096,771	62,214,081	2,191,047,267
14. Surplus as Regards Policyholders	AS Page 3, Line 30	522,335,517	491,654,830	466,176,127	5,792,096,586
15. GAAP Adjusted Capital (Year End)	(12) + (13) + (14)	656,487,909	642,918,696	596,290,224	8,749,871,822
16. GAAP Adjusted Capital Yearly Avg	Average of (15)	661,882,581	649,703,303	619,604,460	8,694,897,058
Operating Income:					
17. Total Operating Income	AS Page 4, Line 3	1,623,182,280	1,562,946,424	1,578,598,312	22,051,807,502
18. Amount Paid to or Retained by Title Agents	AS O&I Ex Part 3, Line 2, Col 8	1,072,369,066	1,048,259,488	1,031,553,650	14,129,175,708
19. Underwriting Retained Operating Income	(17) - (18)	550,813,214	514,686,936	547,044,662	7,922,631,794
Financial Leverage Ratios To (GAAP Adjusted) Capital:					
20. Invested Assets / Capital	(1) / (16)	1.52	1.48	1.49	**1.49**
21. Operating Income / Capital	(19) / (16)	0.83	0.79	0.88	**0.91**

Note: Invested assets, investment gains, statutory reserves, statutory premium reserves, Schedule P reserves, non-admitted assets, surplus, total operating income, and amounts paid to title agents are weighted averages of all companies licensed in Texas using written premium as weights.

Attachment 3 - Exhibit 3

Texas Land Title Association

Income from Investments

	Description	2006	2007	2008	2009	2010	2011
(1)	Investment Income - Tax Exempt - Before Expenses	9,557,935	10,446,493	7,782,624	4,520,835	3,947,375	3,892,258
(2)	Investment Income - Dividends - Before Expenses	11,508,213	14,683,323	11,439,154	15,507,304	9,477,292	17,409,991
(3)	Investment Income - Other - Before Expenses	35,013,627	38,244,048	20,904,109	28,622,042	20,666,457	17,254,191
(4)	Net Realized Capital Gains (Losses)	506,631	(3,308,268)	(23,958,833)	(1,233,647)	(7,446,060)	5,145,278
(5)	Net Unrealized Capital Gains (Losses)	(522,235)	(20,008,442)	(29,654,319)	9,476,733	37,401,546	(9,200,180)
(6)	Investment Expenses and Other Deductions (Excludes Interest Paid on Borrowed Money, Notes and Encumbrances on Real Estate, See Line 13)	3,361,238	2,515,885	2,735,988	1,934,096	1,917,063	2,145,166
(7)	TOTAL INCOME FROM INVESTMENTS (1 + 2 + 3 + 4+ 5 - 6)	52,702,933	37,541,268	(16,223,253)	54,959,170	62,129,547	32,356,371

Attachment 3 - Exhibit 3

Texas Land Title Association

Income from Investments

	Description	2012	2013	2014	2015	Totals	Tax Rate
(1)	Investment Income - Tax Exempt - Before Expenses	3,844,994	5,012,078	3,545,609	2,967,099	55,517,300	5.25%
(2)	Investment Income - Dividends - Before Expenses	14,803,620	16,011,934	12,985,866	14,901,538	138,728,234	10.00%
(3)	Investment Income - Other - Before Expenses	18,118,643	18,329,026	19,163,417	16,424,981	232,740,541	21.00%
(4)	Net Realized Capital Gains (Losses)	3,394,643	892,545	(1,256,007)	(1,121,107)	(28,384,825)	21.00%
(5)	Net Unrealized Capital Gains (Losses)	10,155,944	5,091,368	(7,405,669)	(8,671,755)	(13,337,010)	21.00%
(6)	Investment Expenses and Other Deductions (Excludes Interest Paid on Borrowed Money, Notes and Encumbrances on Real Estate, See Line 13)	2,453,397	3,588,330	3,984,333	3,223,205	27,858,701	21.00%
(7)	TOTAL INCOME FROM INVESTMENTS (1 + 2 + 3 + 4+ 5 - 6)	47,864,447	41,748,622	23,048,883	21,277,551	357,405,540	**14.28%**

Attachment 4

Exhibit 1 - Refinance Credit Change

The current rate schedule provides discounted title insurance rates for property owners, who refinance their mortgage loans in the first seven years after the original loan is issued. As part of this rate analysis, we have studied the impact of increasing the discounts to 50% through the first four years since load origination and 25% for years five through eight since load origination. Please note that we do not have historical data for loans refinanced in the eighth year. For the purposes of this analysis, we assumed that the premium volume in year eight is 80% of the premium volume from year seven.

The table below presents the current and proposed discounts for refinanced mortgages.

Title Insurance Rate Discounts for Refinanced Mortgages		
Years Since Original	***Current Discounts***	***Proposed Discounts***
1	40%	50%
2	40%	50%
3	35%	50%
4	30%	50%
5	25%	25%
6	20%	25%
7	15%	25%
8	0%	25%

Refinance data was provided by the underwriters from their Texas Title Insurance Statistical Plan data call in Schedule S-3 Codes 4001-4007. Refinance policies for the 2012-2016 years were repriced assuming the proposed refinance discounts and the difference in premiums were determined. Please note that not all underwriters submitted data. Our refinance study only included 76.3% of total premiums. As a result, we gross up the estimated impact of the refinance credit change to estimate the impact to all title companies.

Attachment 4 – Exhibit 1 presents the derivation of the impact of the proposed refinance credit change. We’ve estimated that this will reduce premiums by 2.01%.

Exhibit 2 – Increase Lowest Rate Tier

The current rate schedule starts with a policy amount of $10,000. The proposed rate schedule will start with a policy amount of $25,000. We used data from Schedule S-3 of the Underwriters Experience Report to estimate the impact of this change. Schedule S-3 includes premiums by policy range. We estimated the current and proposed rate by policy range assuming the midpoint of each policy range. We estimated the premiums under the proposed rate schedule by applying an adjustment factor equal to the propose rate divided by the current rate and multiply to the current premiums.

Attachment 4 - Exhibit 2 presents the derivation of the impact of the increasing the lowest rate tier from a policy limit of $10,000 to $25,000. We've estimated this change will increase aggregate premiums by 0.18%.

Exhibit 3 – Add New Large Policy Rate Tier

The current rate schedule's largest rate tier is policies greater than $25M. The proposed rate schedule will add new rate tiers for policy range $25M-$50M, $50M-$100M and Over $100M. The table below presents the current and propose large policy rate tiers.

Current Large Policy Rate Tier

Policy Range	Subtract	Multiply by	Add
[$100,001 - $1,000,000]	100,000	0.00554	875
[$1,000,001 - $5,000,000]	1,000,000	0.00456	5,861
[$5,000,001 - $15,000,000]	5,000,000	0.00376	24,101
[$15,000,001 - $25,000,000]	15,000,000	0.00267	61,701
[Greater than $25,000,000]	25,000,000	0.00160	88,401

Proposed Large Policy Rate Tier

Policy Range	Subtract	Multiply by	Add
[$100,001 - $1,000,000]	100,000	0.00554	875
[$1,000,001 - $5,000,000]	1,000,000	0.00456	5,861
[$5,000,001 - $15,000,000]	5,000,000	0.00376	24,101
[$15,000,001 - $25,000,000]	15,000,000	0.00267	61,701
[$25,000,001 - $50,000,000]	25,000,000	0.00160	88,401
[$50,000,001 - $1000,000,000]	50,000,000	0.00145	128,401
[Greater than $100,000,000]	100,000,000	0.00130	200,901

We used data from Schedule S-3 of the Underwriters Experience Report to estimate the impact of this change. Schedule S-3 includes premiums by policy range. We estimated the current and proposed rate by policy range assuming the midpoint of each policy range. We estimated the premiums under the proposed rate schedule by applying an adjustment factor equal to the propose rate divided by the current rate and multiply to the current premiums.

Attachment 4 - Exhibit 3 presents the derivation of the impact of adding new large policy rate tiers. We've estimated this change will reduce premiums by 0.23%.

Texas Land Title Association

Texas Refinance Transactions

	2012 - 2016 Combined [1]					Proposed		
Years Since Original	*Re-Fi Policy Count [2] (1)*	*Schedule S-3 All Premium (3)*	*Re-Fi Discount (4)*	*Re-Fi Premiums Prior to Discount (5)=(6)/[1-(4)]*	*Re-Fi Premiums With Discount [2] (6)*	*Re-Fi Discount (8)*	*Re-Fi Premiums With Discount (9)=(5)*[1-(8)]*	*Difference (10)=(9)-(6)*
1	74,398	5,366,131,873	40%	146,693,268	88,015,961	50%	73,346,634	(14,669,327)
2	78,604	5,366,131,873	40%	168,837,587	101,302,552	50%	84,418,793	(16,883,759)
3	77,986	5,366,131,873	35%	165,074,126	107,298,182	50%	82,537,063	(24,761,119)
4	73,805	5,366,131,873	30%	145,286,657	101,700,660	50%	72,643,328	(29,057,331)
5	68,270	5,366,131,873	25%	125,321,073	93,990,805	25%	93,990,805	-
6	68,470	5,366,131,873	20%	113,967,714	91,174,171	25%	85,475,786	(5,698,386)
7	54,469	5,366,131,873	15%	98,558,797	83,774,977	25%	73,919,098	(9,855,880)
8	43,575	5,366,131,873	0%	78,847,037	78,847,037	25%	59,135,278	(19,711,759)
Total	539,577	5,366,131,873		1,042,586,260	746,104,346		625,466,785	(120,637,561)

Premium Impact 2012-2016	(120,637,561)	(1)
% of Total Premiums in Study	76.3%	(2)
Gross up Impact 2012-2016	(158,024,204)	(3)=(1)/(2)
On-Level Premiums 2012-2016	7,864,863,489	(4)
Refinance Impact	**-2.01%**	(5)=(3)/(4)

Notes:

(1) Experience from 2012-2016 from Underwriter's Schedule S-3 Experience Report.
Not all underwriters provided data. This study accounts for 76.3% of total Texas title premiums.

(2) Policy count and policy premiums for years 1 through 7 since original load pulled from Schedule S-3 Codes 4001-4007.
Policy count and policy premiums for years 8 assumed to be 80% of year 7.

Texas Land Title Associatior

Impact of Increasing Rate Tier Lower Policy Limit from $10,000 to $25,000

Policy Range ($000)			Gross Revenue Excluding Special Charges and Credits And Endorsements[1]			Current Premiums per Midpoint Policy	Proposed Premiums per Midpoint Policy	Impact of Increasing Rate Tier Lower Limit Increase to $25K		
More Than	No More Than	Midpoint	2014	2015	Average			Adjustment Factor[2]	Projected Revenue	Difference
(1)	(2)	(3)=Avg[(1),(2)]	(4)	(5)	(6)=Avg[(4),(5)]	(7)	(8)	(9) = (8)/(7)	(10)=(6)*(9)	(11)=(10)-(6)
	0	0	1,182,829	1,101,451	1,142,140	238	345	1.45	1,655,623	513,483
0 -	4.5	2.25	699,149	892,745	795,947	238	345	1.45	1,153,789	357,842
4.5 -	10	7.25	1,513,616	1,738,816	1,626,216	238	345	1.45	2,357,330	731,114
10 -	20	15	3,848,975	4,153,207	4,001,091	272	345	1.27	5,074,913	1,073,822
20 -	30	25	5,878,831	5,448,762	5,663,796	345	345	1.06	5,819,681	155,884
30 -	40	35	7,517,532	6,926,391	7,221,961	415	415	1.00	7,221,961	-
40 -	50	45	9,765,409	8,873,307	9,319,358	487	487	1.00	9,319,358	-
50 -	60	55	11,934,353	10,955,491	11,444,922	556	556	1.00	11,444,922	-
60 -	70	65	14,763,016	13,384,585	14,073,800	628	628	1.00	14,073,800	-
70 -	80	75	19,170,233	17,475,059	18,322,646	700	700	1.00	18,322,646	-
80 -	90	85	21,240,942	19,434,506	20,337,724	770	770	1.00	20,337,724	-
90 -	100	95	23,538,687	22,228,942	22,883,814	842	842	1.00	22,883,814	-
100 -	200	150	294,718,607	311,050,083	302,884,345	1,152	1,152	1.00	302,884,345	-
200 -	300	250	197,019,711	248,000,858	222,510,285	1,706	1,706	1.00	222,510,285	-
300 -	400	350	123,783,028	152,231,941	138,007,485	2,260	2,260	1.00	138,007,485	-
400 -	500	450	77,589,872	92,140,297	84,865,085	2,814	2,814	1.00	84,865,085	-
500 -	1000	750	144,972,074	161,070,185	153,021,129	4,476	4,476	1.00	153,021,129	-
1,000 -	2000	1500	92,398,750	96,428,920	94,413,835	8,141	8,141	1.00	94,413,835	-
2,000 -	3000	2500	47,338,731	49,080,106	48,209,418	12,701	12,701	1.00	48,209,418	-
3,000 -	4000	3500	31,233,054	32,798,267	32,015,660	17,261	17,261	1.00	32,015,660	-
4,000 -	5000	4500	24,350,178	27,069,289	25,709,733	21,821	21,821	1.00	25,709,733	-
5,000 -	15000	10000	120,228,217	128,674,286	124,451,252	42,901	42,901	1.00	124,451,252	-
15,000 -	25000	20000	54,301,362	59,676,966	56,989,164	75,051	75,051	1.00	56,989,164	-
25,000 -	50000	37500	71,745,976	74,905,375	73,325,676	108,401	108,401	1.00	73,325,676	-
50,000 -	75000	62500	25,793,514	27,042,639	26,418,077	148,401	148,401	1.00	26,418,077	-
75,000 -	100000	87500	28,824,679	16,017,880	22,421,280	188,401	188,401	1.00	22,421,280	-
Over 100,000		125000	48,792,810	41,583,184	45,187,997	248,401	248,401	1.00	45,187,997	-
Total			1,504,144,135	1,630,383,539	1,567,263,837				1,570,095,982	2,832,145

Average On-Level Premiums 2015-2016	1,617,536,455
Increasing Lower Policy Limit Impact	**0.18%**

Notes:

(1) Revenue from Underwriter's Schedule S-3 Experience Report - All Companies, All Transactions

(2) Assumes the minimum premiums are based on policy limit of $25K. Adjustment Factors equal $325 (premiums for $25k policy) divided by average midpoint premiums. For policy range 20-30, Adjustment factor based on policy limit of $22,500. Adjustment factors only apply for half of premiums.

Texas Land Title Associatior
Impact of Adding Large Policy Rate Tiers

Policy Range ($000)			Gross Revenue Excluding Special Charges and Credits And Endorsements[1]			Current Premiums per Midpoint Policy	Proposed Premiums per Midpoint Policy	Impact of Adding Large Policy Rate Tiers[2]		
More Than	No More Than	Midpoint	2014	2015	Average			Adjustment Factor	Projected Revenue	Difference
(1)	(2)	(3)=Avg[(1),(2)]	(4)	(5)	(6)=Avg[(4),(5)]	(7)	(8)	(9) = (8)/(7)	(10)=(6)*(9)	(11)=(10)-(6)
	0	0	1,182,829	1,101,451	1,142,140	238	238	1.00	1,142,140	-
0 -	4.5	2.25	699,149	892,745	795,947	238	238	1.00	795,947	-
4.5 -	10	7.25	1,513,616	1,738,816	1,626,216	238	238	1.00	1,626,216	-
10 -	20	15	3,848,975	4,153,207	4,001,091	272	272	1.00	4,001,091	-
20 -	30	25	5,878,831	5,448,762	5,663,796	345	345	1.00	5,663,796	-
30 -	40	35	7,517,532	6,926,391	7,221,961	415	415	1.00	7,221,961	-
40 -	50	45	9,765,409	8,873,307	9,319,358	487	487	1.00	9,319,358	-
50 -	60	55	11,934,353	10,955,491	11,444,922	556	556	1.00	11,444,922	-
60 -	70	65	14,763,016	13,384,585	14,073,800	628	628	1.00	14,073,800	-
70 -	80	75	19,170,233	17,475,059	18,322,646	700	700	1.00	18,322,646	-
80 -	90	85	21,240,942	19,434,506	20,337,724	770	770	1.00	20,337,724	-
90 -	100	95	23,538,687	22,228,942	22,883,814	842	842	1.00	22,883,814	-
100 -	200	150	294,718,607	311,050,083	302,884,345	1,152	1,152	1.00	302,884,345	-
200 -	300	250	197,019,711	248,000,858	222,510,285	1,706	1,706	1.00	222,510,285	-
300 -	400	350	123,783,028	152,231,941	138,007,485	2,260	2,260	1.00	138,007,485	-
400 -	500	450	77,589,872	92,140,297	84,865,085	2,814	2,814	1.00	84,865,085	-
500 -	1000	750	144,972,074	161,070,185	153,021,129	4,476	4,476	1.00	153,021,129	-
1,000 -	2000	1500	92,398,750	96,428,920	94,413,835	8,141	8,141	1.00	94,413,835	-
2,000 -	3000	2500	47,338,731	49,080,106	48,209,418	12,701	12,701	1.00	48,209,418	-
3,000 -	4000	3500	31,233,054	32,798,267	32,015,660	17,261	17,261	1.00	32,015,660	-
4,000 -	5000	4500	24,350,178	27,069,289	25,709,733	21,821	21,821	1.00	25,709,733	-
5,000 -	15000	10000	120,228,217	128,674,286	124,451,252	42,901	42,901	1.00	124,451,252	-
15,000 -	25000	20000	54,301,362	59,676,966	56,989,164	75,051	75,051	1.00	56,989,164	-
25,000 -	50000	37500	71,745,976	74,905,375	73,325,676	108,401	108,401	1.00	73,325,676	-
50,000 -	75000	62500	25,793,514	27,042,639	26,418,077	148,401	146,526	0.99	26,084,293	(333,784)
75,000 -	100000	87500	28,824,679	16,017,880	22,421,280	188,401	182,776	0.97	21,751,858	(669,422)
Over 100,000		125000	48,792,810	41,583,184	45,187,997	248,401	233,401	0.94	42,459,264	(2,728,733)
Total			1,504,144,135	1,630,383,539	1,567,263,837				1,563,531,898	(3,731,938)

Average On-Level Premiums 2015-2016 1,617,536,455
Adding Large Policy Tiers Impact **-0.23%**

Notes:
(1) Revenue from Underwriter's Schedule S-3 Experience Report - All Companies, All Transactions
(2) Impact of adding new rate tiers for policy range $25M-$50M, $50M-$100M and Over $100M

7

Consulting Economist:

Curriculum Vitae of Dr. Jay Hartzell

Jay C. Hartzell

Dean, McCombs School of Business
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Academic Leadership Experience

McCombs School of Business, The University of Texas at Austin

Dean *2016 to present*

- Responsible for all facets of the McCombs School of Business, including strategic direction, resource development, external relations, faculty and staff development, budget, and cross-campus relationships and collaborations.
- School includes approximately 4,800 undergraduate business majors (BBAs), 1,200 Masters in Business Administration (MBA) students, plus students in Masters in Professional Accounting (MPA), Masters in Technology Commercialization (MSTC), and Masters of Science in Finance (MSF), Business Analytics (MSBA), Marketing, and Information Technology & Management (MSITM), and five Ph.D. programs.
- School includes roughly 130 tenured and tenure-track professors, as part of approximate 220 full-time-equivalent (FTE) faculty, plus over 320 staff members (FTEs).

Senior Associate Dean for Academic Affairs *2014 to 2016*

- Managed internal operations of the McCombs School.
- Oversight of budgets, hiring, and compensation for faculty and staff.
- Direct reports included three Associate Deans (for Graduate Programs, Undergraduate Programs, and Research), six Department Chairs, Director of Information Technology, Director of Placement Services, and Assistant Director for Human Resources Planning.

Executive Director, Real Estate Finance and Investment Center (REFIC) *2007 to 2016*

- Head of McCombs Center of Excellence designed to support real estate education and research.
- Previously served as Associate Director, 2005 to 2007.

Chair, Department of Finance *2011 to 2014*

- Chair of academic department with approximately 40 faculty and 10 staff.
- Responsible for departmental and center budgets, course scheduling, faculty hiring and promotion process.

Prior Academic Appointments

McCombs School of Business, The University of Texas at Austin
Allied Bancshares Centennial Fellow in Finance *2008 to 2013*
Associate Professor of Finance *2006 to 2011*
Assistant Professor of Finance *2001 to 2006*

Stern School of Business, New York University
Assistant Professor of Finance *1998 to 2001*

Education

Ph.D. in Finance, The University of Texas at Austin, 1998
Minors: Real Estate, Economics.

B.S. in Business Administration and Economics, Trinity University, 1991
Graduated *Cum Laude*. National Merit Scholar.

Publications

"Getting the Incentives Right: Backfilling and Biases in Executive Compensation Data" with Stuart L. Gillan, Andrew Koch and Laura T. Starks. 2018. *Review of Financial Studies* 31, 1460-1498.

"Human Capital and the Supply of Religion" with Joseph Engelberg, Raymond Fisman, and Christopher A. Parsons. 2016. *Review of Economics and Statistics* 98, 415-427.

"On the Optimality of Shareholder Control: Evidence from the Dodd-Frank Financial Reform Act" with Jonathan Cohn and Stuart Gillan. 2016. *Journal of Finance* 71, 1623-1668.

"Institutional Investors as Monitors of Corporate Diversification Decisions: Evidence from Real Estate Investment Trusts" with Libo Sun and Sheridan Titman. 2014. *Journal of Corporate Finance* 25, 61-72.

"Returns in the Nontraded REIT Industry: Evidence from Full-Cycle Events" with Jung-Eun Kim, Vee Kimbrell and James Sprow. 2012. *Real Estate Finance* 29 (4), 1-17.

"Trade-offs in Corporate Governance: Evidence from Board Structures and Charter Provisions" with Stuart L. Gillan and Laura T. Starks. 2011. *The Quarterly Journal of Finance* 1, 667-705.

"Incentive Compensation and the Likelihood of Termination: Theory and Evidence from Real Estate Organizations" with Greg Hallman and Chris Parsons. 2011. *Real Estate Economics* 39, 507-546.

"Is a Higher Calling Enough? Incentive Compensation in the Church" with Chris Parsons and David Yermack. 2010. *Journal of Labor Economics* 28, 509-539.

"Alternative Benchmarks for Evaluating Mutual Fund Performance" with Tobias Mühlhofer and Sheridan Titman. 2010. *Real Estate Economics* 38, 121-154.

"Explicit vs. Implicit Contracts: Evidence from CEO Employment Agreements" with Stuart Gillan and Robert Parrino. 2009. *Journal of Finance* 64, 1629-1655.

"The Role of Corporate Governance in Initial Public Offerings: Evidence from Real Estate Investment Trusts" with Jarl Kallberg and Crocker Liu. 2008. *Journal of Law and Economics* 51, 539-562.

"Why Do Firms Hold So Much Cash? A Tax-Based Explanation" with Fritz Foley, Sheridan Titman and Garry Twite. 2007. *Journal of Financial Economics* 86, 579-607 (Lead article).

"The Effect of Corporate Governance on Investment: Evidence from Real Estate Investment Trusts" with Libo Sun and Sheridan Titman. 2006. *Real Estate Economics* 34, 343-376 (Lead article). Winner of the 2006 Edwin S. Mills *Real Estate Economics* Best Paper Award.

"Active Institutional Shareholders and Costs of Monitoring: Evidence from Executive Compensation" with Andres Almazan and Laura T. Starks. 2005. *Financial Management* 34(4), 5-34 (Lead article).

"The Impact of CEO Turnover on Equity Volatility" with Matthew J. Clayton and Joshua Rosenberg. 2005. *Journal of Business* 78, 1779-1808.

"The Role of the Underlying Real Asset Market in REIT IPOs" with Jarl G. Kallberg and Crocker H. Liu. 2005. *Real Estate Economics* 33, 27-50.

"What's In It For Me? Private Benefits Obtained by CEOs Whose Companies are Acquired" with Eli Ofek and David Yermack. 2004. *Review of Financial Studies* 17, 37-61.

"Institutional Investors and Executive Compensation" with Laura T. Starks. 2003. *Journal of Finance* 58, 2351-2374.

"Market Reaction to Public Information: The Atypical Case of the Boston Celtics" with Gregory W. Brown. 2001. *Journal of Financial Economics* 60, 333-370.

Professional and Academic Activities and Service

Editorial Board, *Real Estate Finance*, 20012-present.

American Real Estate and Urban Economics Association (AREUEA), Board of Directors, 2009-2012. Member, 1998-present.

Urban Land Institute. Advisory Board (previously known as Executive Committee), Austin District Council, 2010-present. Member, Industrial & Office Park Development Council (Red and Gold flights), 2009-present. Full member, 2008-present.

Financial Management Association, Board of Directors, 2014-2016.

Editorial Board, *Real Estate Economics*, 2007-2016.

Associate Editor, *Review of Financial Studies*, 2009-2012.

National Council of Real Estate Investment Fiduciaries. Data Products Council, 2009. Member, 2008-present.

Financial Management Association. Track chair, real estate, annual meeting, 2007. Program committee, European meeting, 2006. Program committee, annual meeting, 2004, 2005. Corporate finance awards committee, annual meeting, 2003. Member, 1998-present.

Western Finance Association. Program committee, annual meeting, 2006, 2010, 2011, 2015. Member, 1998-present.

Conference on Financial Economics and Accounting. Co-organizer, Finance, 19th Annual

Meeting, 2008.

American Finance Association. Member, 1998-present.

Service for the University of Texas at Austin
Executive Director, Real Estate Finance and Investment Center (REFIC), 2007-2016.
Chair, Graduate Assembly (University wide), 2014-2015.
Member, Faculty Council Executive Committee (University wide), 2014-2015.
Member, Graduate Assembly (University wide), 2009-2016.
Chair, Graduate Assembly Academic Committee, 2013-2014.
Member, Finance Department Executive Committee, 2006-2014.
Member, Finance Department PhD Committee, 2003-2014.
Associate Director, REFIC, 2005-2007.
Member, University Outstanding Graduate Thesis Award Committee, 2010.
Guest speaker, MBA Alumni Network, El Paso, 2010; Seattle and Austin, 2009.
Guest speaker, UT LAMP program, 2009.
Speaker on Real Estate Valuation, VALCON 2009, Co-sponsored by UT School of Law.
Member, Planning Committee, 2009 Mortgage Lending Institute, Sponsored by UT School of Law.
Speaker, 2009 Mortgage Lending Institute (Austin and Dallas), Sponsored by UT School of Law.
Guest speaker, Austin Bar Association Real Estate Section meeting, 2010.
Speaker, 2009 Land Use Conference, Sponsored by UT School of Law.
Judge, MBA Finance Tournament, 2001-2006, 2008-2009.
Assistant Graduate Advisor and Minority Liaison, Finance Department, 2005-2008.
Member, McCombs Option I Policy Committee, 2006-2008.
Panel Chair, IC^2 Conference on Corporate Governance in Early-Stage Companies, 2005, 2006.
Member, Plus Program Committee, 2003-2005.
Judge, MBA Consulting Challenge, 2002, 2003, 2004.
Member, MBA Scholarship Committee, 2002.

PhD Dissertation Committees
UT-Austin: Jennifer Brown (accounting), Alan Crane (co-chair), Chang Mo Kang, Ayla Kayhan, Andreas Lawson, Jie Lian, Andras Marosi, Gonzalo Maturana, Bill Mayew (accounting), Thomas Moeller, Carlos Molina, Saumya Mohan (co-chair), Chris Parsons (co-chair), Lorenzo Preve, Casey Schwab (accounting), Zekiye Selvili, Nate Sharp (accounting), Stephanie Sikes (accounting), Libo Sun (co-chair), Erin Towery (accounting), Vahap Uysal, Malcolm Wardlaw, Peggy Weber (accounting), Li Yong, Christopher Yust (accounting).
NYU: Eliezer Fich (economics), Charu Raheja, Jayanthi Sunder.

Ad Hoc Referee for the following journals:
The Accounting Review; American Economic Review; Financial Management; International Journal of Managerial Finance; International Journal of Manpower; International Review of Finance; Journal of Banking and Finance; Journal of Corporate Finance; Journal of Economics, Management, and Strategy; Journal of Economic Behavior and Organization; Journal of Finance; Journal of Financial and Quantitative Analysis; Journal of Financial Economics; Journal of Financial Intermediation; Journal of Financial Markets, Instruments and Institutions; Journal of Institutional and Theoretical Economics; Journal of Law, Economics, and Organizations; Journal of Real Estate Research; Journal of Risk and Insurance; Journal of Urban Economics; Management Science; Public Finance Review; Quarterly Review of Economics and Finance; Real Estate Economics; Review of Economic Studies; Review of Financial Studies.

Academic Presentations (includes presentations made by co-authors at major conferences)

Academic Departments

Arizona State University (2001), Australian National University (2007), Babson College (2002), Baylor University (2007), College of William and Mary (2004), Georgia State University (1998), Indiana University (2010), Marquette University (2000), McGill University (2008), National University of Singapore (2009), New York University (1998), New York University-Columbia Joint Seminar (2000), Ohio State University (2009, 2005), Oklahoma State University (2002), Penn State University (2007, 2005, 1998), Rice University (2012, 1998), Singapore Management University (2009), Southern Methodist University (2005, 2000, 1998), Stanford University (1998), Texas Tech University (2007), Tulane University (1998), University of Alabama (2009), University of Alberta (1998), University of Arizona (2012), University of British Columbia (2003), University of California - Berkeley (2007), University of California - Los Angeles (2008), University of Cincinnati (2009), University of Colorado at Boulder (2010), University of Delaware (2007), University of Florida (2010, 1998), University of Illinois at Urbana-Champaign (2000), University of Michigan Ann Arbor (2011, 1998), University of Minnesota (2003), University of North Carolina at Chapel Hill (2003, 1998), University of Oklahoma (2007, 2002), University of Oregon (2001), University of South Florida (2007), University of Southern California (2002), University of Texas at Austin (2000), University of Texas at Dallas (2006), University of Texas at San Antonio (2005), University of Washington (2009), Villanova University (2014).

Conferences
American Finance Association (AFA) annual meeting (2007, 2006, 2003, 1999, 1998), American Real Estate and Urban Economics Association (AREUEA) annual meeting (2010, 2009, 2008, 2005, 2004, 2003), Association for the Study of Religion Economics and Culture (ASREC) annual meeting (2009), Association of Financial Economists (AFE) annual meeting (2004), Dartmouth Center for Corporate Governance/Journal of Financial Economics (JFE) Conference on Contemporary Governance Issues (2000), Financial Management Association (FMA) annual meeting (2004, 1998, 1997), Harvard Business School/JFE Conference on Complementary Research Methodologies (1999), Homer Hoyt Institute/Weimer School of Advanced Studies in Real Estate and Land Economics (2015, 2010), Hong Kong University of Science and Technology Symposium (2007), Indian School of Business Summer Research Conference (2011), National Bureau of Economic Research (NBER) Corporate Governance meeting (2005), NBER Economics of Religion conference (2009), NBER Program on Law and Economics (2011), NBER Summer Institute: Corporate Governance Workshop (2004), Real Estate Research Conference (Vail, CO, 2002), Real Estate Research Institute (RERI) Conference (2008, 2007), Society for Financial Studies Finance Cavalcade (2011), UC-Irvine Commercial Real Estate Academic Symposium (2010), University of Delaware Corporate Governance Symposium (2003), University of North Carolina at Chapel Hill Tax Symposium (2005), Western Finance Association (WFA) annual meeting (2009, 2003).

Other Participation in Academic Conferences

Discussant
AFA annual meeting (2002, 2009, 2010, 2102), AFA / AFE joint session (2003), AFE annual meeting (1999, 2007), AREUEA annual meeting (1999, 2000, 2004, 2007, 2008, 2012), AREUEA mid-year meeting (2009, 2010) Financial Economics and Accounting (1999), Financial Research Association (2010), FMA annual meeting (1999, 2002, 2003, 2004, 2006), FMA annual meeting – Tutorial on empirical methodology (2009), FMA annual meeting – Panel discussion (2008), Mitsui Symposium, University of Michigan (2005), Real Estate Research Institute (2011), Texas Finance Festival (2000, 2007), WFA annual meeting (2001, 2010, 2011, 2014).

Session Chair
AREUEA annual meeting (2010), AREUEA mid-year meeting (2009), FMA annual meeting (2004, 2005), WFA annual meeting (2006, 2010, 2015.)

Teaching Experience

The University of Texas at Austin
PhD Course: *Empirical Corporate Finance*. MBA courses: *Financial Management*, *Real Estate Analysis*, *Real Estate Markets*, *Real Estate Investment and Development Decisions*, *Seminar in Real Estate Finance*, *Valuation*. BBA courses: *Business Finance*, *Integrative Finance (Honors)*, *Real Estate Finance and Syndication*.

Teaching honors and awards: Voted the "Outstanding Professor" by the graduating class of the Houston MBA program. Twice voted the "Outstanding Core Instructor" by graduating MBA classes. Named to the Honor Roll for teaching multiple times for both the MBA and Executive MBA programs.

New York University
MBA Course: *Corporate Finance*. BBA Course: *Corporate Finance Topics*.

Honors and Awards

Best Paper Award, Indian School of Business Summer Research Conference, 2011.
Outstanding Editorial Board Member, *Real Estate Economics*, 2010.
Post Doctoral Award, Weimer School of Advanced Studies in Real Estate and Land Economics, Homer Hoyt Institute, 2010.
Real Estate Research Institute (RERI) Grant Recipient (with Alan Crane), 2007.
RERI Grant Recipient (with Tobias Mühlhofer and Sheridan Titman), 2006.
CBA Foundation Research Excellence Award for Assistant Professors, 2006.
Finance Department nominee for Assistant Professor Teaching Award, 2003, 2004.
University Preemptive Fellowship, UT-Austin, 1993-1995.
University Continuing Fellowship, UT-Austin, 1995-1997.
Austin Mortgage Bankers Association Scholarship, 1995.
Lola Wright Foundation Scholarship, 1995-1997.

Non-Academic Experience

Consulting practice, Austin, Texas.
Expert witness and financial consulting. *2007 to present*
Retained as expert witness in multiple cases involving cost of capital, market efficiency, valuation, real estate transactions, contracting issues and market conditions, as well as several cases regarding compensation for regulated utilities. Retained as consulting expert by multiple clients for matters involving corporate governance, valuation, and mortgage issues (commercial and subprime). Declaration and deposition in re FDIC v. Goldman, Sachs & Co. and Deutsche Bank Securities, Inc., 2018. Declaration, deposition and testimony in re China Integrated Energy, Inc., Securities Litigation, 2015. Declaration in re Diamond Foods, Inc., Securities Litigation, 2013. Deposed in Triangle Restaurants, Inc., et al. v. ERP Operating Limited Partnership et al., 2010. Provided testimony on behalf of Entergy Arkansas, Inc. (Docket No. 09-084-U, written testimony), 2009 and (Docket No. 13-028-U, written and oral testimony), 2013. Provided (written and oral) testimony on behalf of Entergy Texas, Inc. (Docket No. 37744), 2010 and (Docket No. 39896), 2012. Provided (written and oral) testimony and deposed on behalf of Entergy Louisiana LLC (Docket No. U-20925), 2008. Provided (written and oral) testimony on behalf of Entergy Gulf States, Inc. (Docket No. 34800), 2008.

Hewitt Associates, The Woodlands, Texas.

Benefits Consultant. *1991 to 1993*
Consulted with clients on administration and ongoing design of defined contribution retirement plans. Earned Certified Employee Benefits Specialist (CEBS) designation.

Lola Wright Foundation, Austin, Texas.
Investment Performance Consultant. *1995 to 1997*
While in graduate school, analyzed performance of foundation's investment managers.

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Consulting Economist: Summary of Findings

SUMMARY: COST OF CAPITAL ASSESSMENT
Texas Title Insurance Industry

Qualifications
I am the Trammell Crow Regents Professor of Business and the Dean of the McCombs School of Business at The University of Texas at Austin. I also hold the Lois and Richard Folger Dean's Leadership Chair and the Centennial Chair in Business Education Leadership. My research and teaching are in the areas of corporate finance and real estate finance. I have taught valuation, including cost of capital theory and practice, at both the undergraduate and graduate levels. I have published in the top finance and real estate journals, held multiple editorial positions for those journals, and hold a Ph.D. in finance from The University of Texas at Austin.

Responsibilities
I was asked by Texas Land and Title Association (TLTA) to estimate the cost of capital for the Texas Title Industry. To arrive at my estimate, I have relied on historical data (stock returns and financial statements) for a set of publicly-traded companies, Annual Statement experience provided by Texas Department of Insurance (TDI), and estimates of historical risk premiums and industry compositions from Duff & Phelps.

Recommendation
My estimated cost of capital for the Texas Title Industry is 13.1%.

Summary of Methodology
To arrive at this estimate, I use two widely-accepted methodologies, as applied to publicly-traded firms from six industries that are related to the title industry as a whole. The first methodology is the Discounted Cash Flow (DCF) approach, also known as the Dividend Discount or Gordon Growth model. The second approach is the Capital Asset Pricing Model (CAPM). The six industries are Title Insurance (SIC code 6361), Operative Builders (SIC code 1531), Accident and Health Insurance (SIC code 6321), Fire, Marine and Casualty Insurance (SIC code 6331), Insurance Agents, Brokers and Service (SIC code 6411), and Real Estate Agents and Managers (SIC code 6531). These industries are chosen in order to capture the systematic risk (or cyclicality) inherent in the Texas Title Industry's exposure to both real estate market conditions and variation in the realized returns on their investments. For each firm, I calculate (a) the estimated cost of equity capital using both approaches, after adjusting for the effects of each firm's leverage and cash holdings, and, (b) the cost of debt. For each industry, I then calculate (i) the median cost of equity under both approaches ("unlevered," or absent any debt/cash effects), and, (ii) the median cost of debt. It is worth noting that the use of medians mitigates the effects of any extreme observations or outliers. The cost of unlevered equity for the Texas Title Industry is the average across all six industries of the average of the DCF and CAPM estimates (which are, in turn, industry-level medians). Similarly, the cost of debt is the average of the industry-level medians across the five industries where that cost is reported as an expense.

In order arrive at a final cost of capital estimate for the Texas Title Industry, I make two adjustments relative to the broader set of national, publicly-traded comparable companies. First, I add a size premium to the cost of equity in order to account for the widely-documented fact that the returns (and associated costs of equity) of smaller firms tend to be greater than those of larger firms, combined with the fact that the publicly-traded comparable firms tend to be larger than the typical Texas Title Industry firm. Secondly, I use the implied weights of debt and equity for the Texas Title Industry (as reported in the TDI data) to arrive at a Weighted Average Cost of Capital. I calculate the cost of capital both with and without any tax effects – the latter assumption is equivalent to assuming that the typical Texas Title Industry firm is structured in a way that avoids double taxation. The exact assumptions regarding the costs and weights of debt and the tax rate are not materially important due to the small amount of interest expense and debt reported by Texas Title Industry firms.

Respectfully submitted,

Jay C. Hartzell, Ph.D. October 2018

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Consulting Economist: Full Report and Supporting Tables

COST OF CAPITAL ASSESSMENT
Texas Title Insurance Industry
Prepared by:
Professor Jay C. Hartzell
October 2018

Summary

To calculate the cost of capital for the Texas Title Industry, I utilize two widely-accepted methods – a Discounted Cash Flow (DCF) approach, and a Capital Asset Pricing Model (CAPM) approach. For both of these methods, I rely upon data from a set of publicly-traded companies, as well as historical returns and current yields. My final results are below.

	Summary: Cost of Capital	Agents	Underwriters
[1]	Cost of Levered Equity with Tax Rate = 0%	13.26%	13.77%
[2]	Cost of Capital with Tax Rate = 0%	**13.18%**	**13.18%**
[3]	Cost of Levered Equity with Tax Rate = 21%	13.24%	13.65%
[4]	Cost of Capital with Tax Rate = 21%	**13.16%**	**12.99%**

As indicated, I arrive at cost of capital estimates that range from 12.99% to 13.18%. While numbers within this range can be supported by the data, as a conservative estimate that incorporates this range, my estimate is an annual cost of capital of 13.1%.

Qualifications

I am the Trammell Crow Regents Professor of Business and the Dean of the McCombs School of Business at The University of Texas at Austin. I also hold the Lois and Richard Folger Dean's Leadership Chair and the Centennial Chair in Business Education Leadership. My research and teaching are in the areas of corporate finance and real estate finance. I have taught valuation, including cost of capital theory and practice, at both the undergraduate and graduate levels. I have published in the top finance and real estate journals, held multiple editorial positions for those journals, and hold a Ph.D. in finance from The University of Texas at Austin.

Background on Cost of Capital

My goal in this analysis is to arrive at an estimate of 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 intuition behind a cost of capital is that of opportunity cost. A firm is investing on behalf of its capital providers – whether they are stockholders (owners) or bondholders (lenders). By allowing the firm to invest on their behalf, the capital providers are forgoing alternative investments of similar risk that offer some expected return. Thus, the capital providers implicitly demand or require a rate of return as compensation for the risk they face and for the opportunity cost of not being able to invest their money elsewhere. The goal of any cost of capital calculation is to arrive at a number that quantifies this opportunity cost.

The key to estimating this number is the notion of risk. 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 that returns are commensurate with risk (on average), so capital providers will both demand and tend to earn higher returns when they own or lend to riskier companies.

The remaining question is how to measure the risk (and implied required return) for the Texas Title Industry. If the bulk of the firms were publicly traded, this would be a more straightforward process, as one could use their historical returns and fundamental (financial) data to estimate their investors' required rates of return. However, given that the vast majority of the agencies and some of the underwriters are not publicly traded, I rely on comparable companies in order to arrive at a cost of capital estimate. I discuss the selection of comparable companies in the next section.

Selection of Comparable Companies

Both approaches require that one identifies a set of companies that capture the risks of the Texas Title Industry as a whole, that can serve as a proxy for the required returns that would be demanded by an owner of a Texas Title firm in exchange for the provision of capital to the business. Because the cost of capital encompasses both title agencies and underwriters, and because there are few publicly-traded firms in the industry (and those are weighted more toward underwriters), I utilize a set of additional industries as proxies for the broad title industry's systematic risk (and therefore, cost of equity capital) for both methodologies. These industries are as follows:

- Title Insurance (SIC code 6361),
- Operative Builders (SIC code 1531),
- Accident and Health Insurance (SIC code 6321),
- Fire, Marine and Casualty Insurance (SIC code 6331),
- Insurance Agents, Brokers and Service (SIC code 6411), and
- Real Estate Agents and Managers (SIC code 6531).

These industries are chosen due to their similarities to the systematic or market risk of the title industry as a whole. By "systematic risk," one can think of the correlation (or technically, covariance) between the returns of a particular firm and the returns for the market as a whole. Firms with stock returns that move more closely with the market's returns are said to have more systematic risk because investors receive greater (lesser) returns at times when the rest of the market is also up (down), when they "need" these returns less (more). These industries represent exposure to the conditions in the broad real estate market (Operative Builders; Real Estate Agents and Managers), and the insurance industry (Title Insurance; Accident and Health Insurance; Fire, Marine and Casualty Insurance; and Insurance Agents, Brokers and Service). By using both the real estate and insurance sectors, the comparable companies reflect the fact that firms in the Texas Title Industry face risks regarding the health of the real estate market (like the real estate firms in the comparable company set) and returns on their investments (like the insurance companies in the comparable company set).

I identified 93 publicly traded companies in these six SIC codes. I use averages across these industries for both methodologies, thus incorporating information and data from all six industries rather than imposing additional assumptions about the relative informativeness of one industry over another.

It is worth noting that the key ideas of risk and return do not necessarily correspond perfectly to profitability. As discussed further below, finance theory dictates that a "good" or suitable comparable company for cost of capital purposes is one with similar systematic risk (implying a similar required rate of return for investors). This does not necessarily imply that the level of profitability is similar between the comparable companies and the Texas Title Industry.

DCF Approach

The DCF approach – also known as the Dividend Discount Model or Gordon Growth Model – inverts a standard equity valuation formula in order 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 $P_0 = D_1/(r_e\text{-}g)$, 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.

For each comparable company in each industry, I collect or calculate these two inputs.[1] I require that the dividend yield be positive in order for a firm to be included in the DCF approach.

Each firm's expected growth in dividends is calculated in up to three ways (depending on data availability) – a fundamentals-based calculation, the firm's historical growth in earnings over the previous five years, and 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 each year – 2015, 2016, and 2017 – and then calculate the average across these three years for each firm. The forward-looking (expected) growth in earnings over the next five years is based on

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

analysts' estimates. The historical earnings growth over the past five years is based on actual earnings. My final growth rate estimate for each firm is the average across these three methods.[2]

In summary, for each firm, I calculate a cost of equity using the DCF approach as the sum of the dividend yield and the expected growth in dividends. Then, for each of the six industries, I calculate the median cost of equity. By using the median, the effects of extreme observations or outliers are mitigated. The final step for the DCF method is to adjust for leverage. I discuss this step below, after the CAPM approach. My DCF Cost of Equity Results are in the attached schedules.

CAPM Approach

The CAPM asserts that a firm's cost of equity can be calculated as the sum of the risk-free rate 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 inherent in the firm's equity) times the market risk premium (the price of systematic risk per unit). For all firms, the risk-free rate is assumed to be the October 12, 2018 yield on 20-year Treasuries of 3.25%,[3] and the market risk premium is as reported by Duff and Phelps, 7.07%.[4] Thus, the one input that differs from firm to firm is the equity beta. This is calculated for each firm by using all available monthly returns (up to five years), along with the total returns on the S&P 500 Index (as the proxy for the market return).[5]

Equity betas reflect two conceptually separate effects. One is the asset (or unlevered) beta, which incorporates the systematic risk inherent in the firm, while ignoring any effects of leverage. The second is due to each firm's financial risk or leverage. Notably, the leverage effect could either increase the firm's observed beta (due to the presence of debt) or decrease the observed beta (due to an excess of cash above and beyond any debt in the firm's capital structure).

For example, consider a hypothetical case of three insurance companies, one with a large amount of long-term debt and very little cash, one with an amount of long-term debt that is approximately equal to its cash holdings, and one with a large amount of cash relative to its long-term debt. These three firms could have identical systematic risk in terms of their operating business (i.e., the insurance business in which they compete), but significantly different observed equity betas. Conceptually, this is because the presence of debt (and its fixed costs of interest) increases the risk of equity, while the presence of cash (and its low correlation with the market) decreases the risk of equity. The first firm (with the most debt) would have the highest equity beta, followed by the second firm (with no effective debt), while the third firm would have the lowest beta (because its shareholders effectively own a combination of an insurance company and cash).

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[2] 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. This requirement, along with the use of medians, mitigates the potential effects of outliers.
[3] See http://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/textview.aspx?data=yield
[4] To match the risk-free rate, this is the long-run average of the difference in returns between the market and long-run US government bonds, as reported in the 2018 Duff & Phelps Cost of Capital Navigator.
[5] I require that a firm have at least 12 months of return data available and a statistically significant beta estimate in order for it to be included.

Thus, it is important to adjust for each 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 net debt, defined as long- term debt minus cash (and cash equivalents or short-term investments).[6] For each year (for up to four previous years), I calculate the weight of equity as the ratio of the firm's end-of-year market capitalization to the sum of the market capitalization of equity and after-tax net debt. I then calculate the average weight of equity over the four-year period.[7]

Given these firm-specific weights, I calculate the asset (or unlevered) beta for each firm, assuming that the beta of net debt for each firm is zero. This can be calculated using the equation, Asset beta = Equity beta * Weight of equity. Consider an example, where a firm has an observed equity beta of 2, but its capital structure consists of 50% debt and 50% equity. In this case, the asset beta would be 1. Alternatively, consider a case where a firm has an equity beta of 0.5 but half of its assets consist of cash (and it has no debt). This firm would also have an asset beta of 1 (because the weight of equity would be 2).

Next, for each of the six industries, I calculate the asset beta as the median asset beta 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 asset betas, I then calculate an overall average asset beta for the Texas Title Industry by taking the average across industries. This is then used in conjunction with the risk-free rate and market risk premium in order to arrive at a CAPM-based unlevered cost of equity for the Texas Title Industry.

Adjusting the DCF Cost of Equity for Leverage

In order to combine the estimated cost of equity from the DCF approach with that of the CAPM approach, I first need to adjust the DCF estimates for leverage (for the same reason that I needed to adjust the CAPM estimates for leverage). To do so, for each industry, I calculate a leverage adjustment factor, equal to the ratio of the industry's median asset beta to its median equity beta. The DCF-based unlevered cost of equity for the industry is equal to the original (levered) DCF estimate, times this adjustment factor. Finally, as with the CAPM-based approach, I calculate the DCF-based cost of unlevered equity for the Texas Title Industry as the average cost of unlevered equity across the six industries.

Aggregating the Two Methods and Accounting for Size

Having arrived at two estimates of the Texas Title Industry's cost of unlevered equity – one for the DCF approach and one for the CAPM approach – I average these two to arrive at a final unlevered cost of equity for the Texas Title Industry. This estimate is based solely on publicly-traded comparable companies, the vast majority of which are significantly larger than a typical Texas title company. In order to arrive at a better estimate for the Texas Title Industry's cost of

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[6] This concept is discussed in many standard finance textbooks. For one such example, see Corporate Finance, by Jonathan Berk and Peter DeMarzo, Prentice Hall, 2011.

[7] In order to minimize the effects of outliers, I cap the historical effective tax rate at 35% and limit the weight of equity to be no greater than 10. Even these extreme values have little ultimate impact, because I calculate the median unlevered beta for each industry (rather than the mean).

equity, then, one should account for the effects of firm size, or the observation that the returns (or costs of equity) of small firms tend to be greater than those of larger firms.

Duff & Phelps Cost of Capital Navigator presents summary statistics for this effect. As this source shows, Micro-cap stocks (in the 9th or 10th decile of firm size) have earned an arithmetic average return of 17.99% between 1926 and 2017. This compares to an average return of 15.28% for Low-cap stocks (deciles six through eight) and 13.89% for Mid-cap stocks (deciles three through five). These differences in average returns over such a long horizon and the implied differences in risk are consistent with smaller firms facing a larger cost of capital than otherwise similar, larger counterparts. Put another way, the fact that shareholders of the smallest publicly-traded firms have earned significantly larger returns over a very long period suggests that they required a premium as compensation for the extra risk inherent in owning the smallest stocks.

The next question is where the typical Texas Title Industry firm falls on this size spectrum relative to the publicly-traded comparable companies. To answer this, I calculate imputed market capitalizations for all Texas Title firms using their disclosed income statements from the Texas Department of Insurance along with assumed multiples of revenues and net income.[8] The attached figure shows the distribution of the size of the Texas Title Industry firms along with the publicly-traded comparable companies, and the cutoffs for the 9th and 10th deciles based on the Duff & Phelps data. As the figure shows, the publicly-traded comparable companies are significantly larger than the Texas Title Industry firms and most are well above the 9th decile of firm size. In contrast, aside from a small number of large underwriters, the Texas Title Industry firms are in Duff & Phelps's Micro-cap category, with essentially all of the independent agents well below even the threshold for the smallest (10th) decile.

Thus, from the data, it appears that a size adjustment is justified to compensate for the fact that the Texas Title Industry firms tend to be among the smallest firms in the broader market, unlike the publicly-traded comparable companies. To make this adjustment, I use Duff & Phelps estimate of the size premium for the bottom two deciles of publicly-traded firms (that have market capitalizations of less than $657 million). Duff & Phelps calculates this premium to be approximately 3.48% per year. I believe that this is a conservative estimate of the size premium due to the fact that (a) the vast majority of Texas Title Industry firms (except for a few underwriters) are well below the size cutoff for the 10th decile of firm size, and (b) the estimated size premium is larger for the 10th decile than for the 9th decile. To incorporate this size premium, I simply add the 3.48% premium to the estimated cost of equity. Before incorporating the effects of leverage (i.e., debt) but after including the size premium, I calculate the cost of unlevered equity for the Texas Title Industry to be 13.18% (see the attached Schedule 2).

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 is likely to be another source of added risk for capital providers to the Texas Title Industry (relative to the publicly-traded benchmarks), implying that

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[8] I examined a variety of revenue multiples and net income multiples. I present calculations using a revenue multiple of 0.9, but arrive at similar conclusions using multiples of net income ranging from 10 to 16.66, which are consistent with 10-percent to six- percent differences between the required return on equity and the expected growth in net income.

one could reasonably add a premium to the cost of capital calculation as compensation for this risk. However, in order to err on the conservative side, I have not included a liquidity premium in my calculations at this point.

Cost of Debt

Once I have calculated the unlevered cost of equity (as an average of the two methods), the next step is to combine this with a cost of debt in order to arrive at a Weighted Average Cost of Capital. To do this, I utilize the financial information disclosed for the Texas Title Industry to the extent possible. Given this financial information, it is worth noting that the results are quite robust to the exact choices made, as the Texas Title Industry does not exhibit a significant degree of debt as a source of capital. As a result, the assumptions made regarding the cost of debt and/or precise weight of debt do not have significant impacts on the final estimated cost of capital.

That said, in order to arrive at as accurate of an estimate as possible, I take the following steps: First, for each industry other than operative builders, I calculate each comparable firm's cost of debt for each year by dividing its interest paid by its long-term debt (for up to four years). Then, I average across years for each firm, to arrive at a firm-level estimate of the cost of debt. Next, I compute the median across firms for each industry. Finally, I calculate the average across five industries.[9] As shown in the attached schedules, I arrive at an estimated cost of debt of 5.3%. In the next section, I combine this with the cost of equity in order to arrive at a weighted average cost of capital.

Weighted Average Cost of Capital

In order to combine this cost of debt with a cost of levered equity, I first need to adjust the cost of capital for the appropriate leverage level of the Texas Title Industry. To do this, I start with an estimated weight of debt and equity for the industry. This amount of debt is derived by dividing the disclosed interest expense for all agents by the estimated cost of debt (obtained from the previous step). Similarly, I estimate the implied enterprise value for the agents in Texas by dividing the disclosed net income before interest for the industry as a whole by the estimated unlevered cost of equity. By dividing the estimated value of debt by the estimated enterprise value, I obtain an estimated weight of debt. One minus this weight gives an implied weight of equity.

I am able to separately estimate the weight of debt for Texas underwriters, because these firms disclose balance-sheet data. For these firms, instead of calculating the implied value of debt, I calculate the weight of debt using the book value of debt and the book value of assets.

Given these weights of debt and equity for the Texas Title Industry, I can "lever" the cost of equity capital in order to account for the small, but positive effect of debt on the cost of equity. This is accomplished using the standard formula, $r_e = r_0 + (1-t)(D/E)(r_0 - r_d)$, where r_e is the cost of (levered) equity, r_0 is the cost of unlevered equity (obtained by average the DCF and CAPM estimates from above), t is the firm's tax rate, (D/E) is the debt-to-equity ratio for the Texas Title

[9] Most builders capitalize the interest cost into the buildings they sell, rather than expensing the interest cost. This makes the reported interest expense an under-report of the cost of debt. Therefore, Operative Builders are excluded from this calculation.

Industry, and r_d is the estimated cost of debt (from publicly-traded comparable companies in five related industries, as explained above).

Finally, given the weights of debt and equity, the levered cost of equity, and the cost of debt, I calculate the WACC using the standard formula, $r_{WACC} = r_e w_e + (1\text{-}t) r_d w_d$. Two final facts are worth noting. First, I calculate the cost of capital under two different assumptions about the tax rate faced by the typical Texas Title Industry firm – that the rate is 21% or zero. A corporate tax rate of zero is equivalent to assuming that the typical Texas Title Industry firm is held in an organizational form that provides single taxation. That said, the particular tax rate assumption is not economically significant due to the second point – because the weight of debt is very small, the estimated WACC is very close to the estimate of the unlevered cost of equity. As mentioned earlier, the specific assumptions made about re-levering this cost of equity, the exact cost of debt, and the precise weights of debt and equity for the Texas Title Industry appear to have very little impact on the final estimate. This is based on the very low disclosed interest expense for the industry (implying a very small amount of debt used as capital), along with a very small amount of debt disclosed on the underwriters' balance sheets.[10]

As shown in the attached Schedules 3 and 3A, I estimate the weighted average cost of capital to range from 12.99% to 13.18%, depending on the tax rate used, and whether one uses the debt-to-equity ratios implied by the agents' income statements or the underwriters' balance sheets. As mentioned above, numbers within this range can be supported by the data, but I conclude that 13.1% is a conservative estimate of the annual cost of capital in the Texas Title Industry that incorporates this range.

Conclusion

I estimate that the cost of capital is 13.1% for the Texas Title Industry. This analysis is based on two standard methodologies for estimating the cost of equity – a Discounted Cash Flow (DCF) analysis and the application of the Capital Asset Pricing Model (CAPM). These methodologies are applied to a set of publicly-traded companies from six industries that are designed to capture the risks and returns inherent in both the real estate and insurance industries. My use of industry medians mitigates the effects of any outliers, and given the very small amount of debt used in Texas Title firms, my analysis is not sensitive to the exact assumptions used regarding the weights or costs of debt. Finally, in order to use large, publicly-traded companies as proxies for the Texas Title Industry, I make two adjustments – one that accounts for differences in the amounts of cash and debt present in the comparable firms relative to the Texas Title Industry, and one that accounts for the dramatic differences in firm size.

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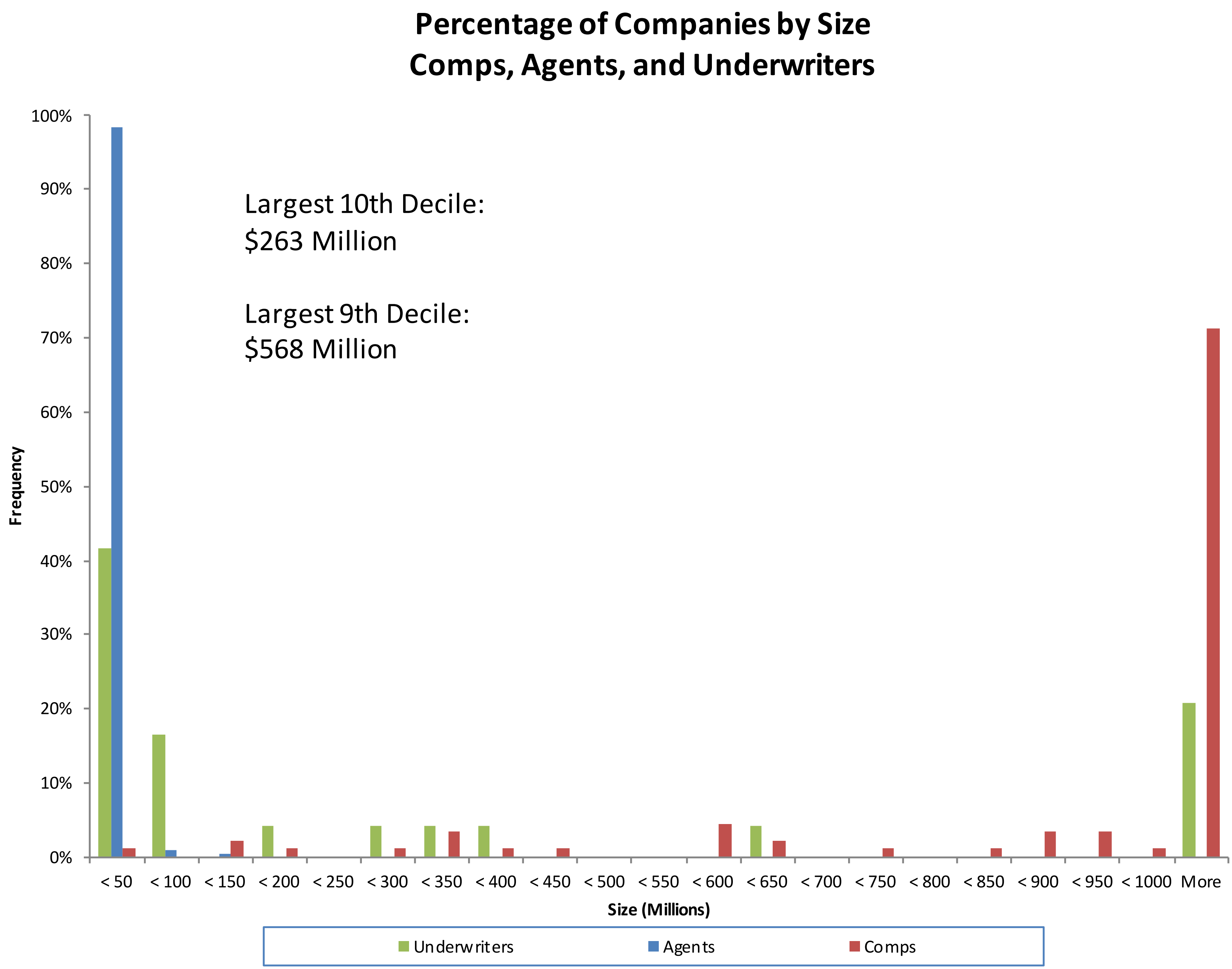
[10] The difference here is due to the fact that income statements are disclosed for agents, but not balance sheets.



Percentage of Companies by Size
Comps, Agents, and Underwriters
Largest 10th Decile:
$263 Million
Largest 9th Decile:
$568 Million
Frequency
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
< 50
< 100
< 150
< 200
< 250
< 300
< 350
< 400
< 450
< 500
< 550
< 600
< 650
< 700
< 750
< 800
< 850
< 900
< 950
< 1000
More
Size (Millions)
Underwriters
Agents
Comps

Schedule 1: DCF, Unlevered Beta and Cost of Debt

		DCF Cost of Capital			CAPM Unlevered Beta		Cost of Debt
SIC	Count	Count	Mean	Median	Count	Median	Median
1531	19	5	6.98%	6.43%	15	0.78	NA
6321	6	5	8.53%	8.45%	4	0.95	5.60%
6331	46	37	10.46%	11.14%	32	0.87	5.50%
6361	4	4	11.48%	12.37%	3	0.76	4.80%
6411	10	7	10.36%	10.01%	6	0.88	4.30%
6531	8	6	10.76%	9.97%	3	1.21	6.20%
Sum/Mean	93	64	9.76%	9.73%	63	0.91	5.28%

Notes and Sources

[1] SIC codes as reported by NASDAQ.

[2] DCF methodology not used for firms which do not pay dividends.
All data publicly available.

[3] Betas are calculated using 5 year regressions against the S&P 500.

[4] Cost of Debt calculated as interest expense/long term debt.

Schedule 2: Unlevered Cost of Equity

		Agents
[1]	Beta	0.91
[2]	Cost of Debt	5.28%
[3]	20-yr Treasury Yield	3.25%
[4]	Risk Premium Over Long-Term Govt	7.07%
[5]	CAPM Cost of Unlevered Equity	9.68%
[6]	DCF Cost of Unlevered Equity	9.73%
[7]	Cost of Unlevered Equity	9.70%
[8]	Size Premium	3.48%
[9]	Cost of Unlevered Equity with Size	13.18%

Notes and Sources:

[1]	From Schedule 1
[2]	From Schedule 1
[3]	Internet Source: https://www.treasury.gov/
[4]	The long-run average of the difference in returns between the market and long-run US government bonds, as reported in the 2018 Duff & Phelps Cost of Capital Navigator.
[5]	[3] + [1] * [4]
[6]	From Schedule 1
[7]	Mean of [5] and [6]
[8]	Micro cap size premium, per 2018 Duff & Phelps Cost of Capital Navigator
[9]	[7] + [8]

Schedule 3: Cost of Capital (21% Tax Rate)

		Agents	Underwriters
[1]	Interest expense 2016 - agents	1,719,552	
[2]	Imputed Debt Amount	32,567,273	
[3]	Net income after interest	436,168,772	
[4]	Net income before interest	434,449,220	
[5]	Imputed Unlevered Enterprise Value	3,295,667,984	
[6]	Weight of debt	1.0%	6.9%
[7]	Weight of equity	99.0%	93.1%
[8]	Cost of Debt	5.29%	5.29%
[9]	Estimated Tax Rate	21%	21%
[10]	Cost of Levered Equity	13.24%	13.65%
[11]	Cost of Capital	13.16%	12.99%

Notes and Sources:

[1] From the 2016 Texas Title Insurance Agent Experience Report Compilation
[2] [1]/ [8]
[3] From the 2016 Texas Title Insurance Agent Experience Report Compilation
[4] [3] + [1]
[5] [4] / Cost of Capital from Schedule 2
[6] [2] / [5] ; Title Insurance Industry Expience Report Compilation Calendar Years 2011-2015
[7] 1 - [6]
[8] Schedule 2
[9] Assumption
[10] [[9] from Schedule 2] + (1 - [9])*([6]/[7])*(Cost of Unlevered Equity from Schedule 2 - [8])
[11] [10]*[7] + [8] * [6] * (1-[9])

Schedule 3A: Cost of Capital (0% Tax Rate)

		Agents	Underwriters
[1]	Interest expense 2016 - agents	1,719,552	
[2]	Imputed Debt Amount	32,567,273	
[3]	Net income after interest	436,168,772	
[4]	Net income before interest	434,449,220	
[5]	Imputed Unlevered Enterprise Value	3,295,667,984	
[6]	Weight of debt	1.0%	6.9%
[7]	Weight of equity	99.0%	93.1%
[8]	Cost of Debt	5.29%	5.29%
[9]	Estimated Tax Rate	0%	0%
[10]	Cost of Levered Equity	13.26%	13.77%
[11]	Cost of Capital	13.18%	13.18%

Notes and Sources:

[1] From the 2016 Texas Title Insurance Agent Experience Report Compilation
[2] [1]/ [8]
[3] From the 2016 Texas Title Insurance Agent Experience Report Compilation
[4] [3] + [1]
[5] [4] / Cost of Capital from Schedule 2
[6] [2] / [5] ; Title Insurance Industry Expience Report Compilation Calendar Years 2011-2015
[7] 1 - [6]
[8] Schedule 2
[9] Assumption
[10] [[9] from Schedule 2] + (1 - [9])*([6]/[7])*(Cost of Unlevered Equity from Schedule 2 - [8])
[11] [10]*[7] + [8] * [6] * (1-[9])

Appendix 1 Beta Backup

Ticker	SIC	Company Name	Equity Beta	Months	Weight of Equity	Cost of Debt	Asset Beta
AVHI	1531	A V Homes Inc	0.78	60	0.72	2.1%	0.56
BZH	1531	Beazer Homes USA	2.48	60	0.39	2.1%	0.96
CCS	1531	Century Communities Inc	0.97	52	0.66	0.0%	0.64
CHCI	1531	Comstock Hldgs Cos		60	0.29	1.3%	
DHI	1531	D.R. Horton	1.08	60	0.91		0.98
GRBK	1531	Green Brick Partners		60	0.78	0.7%	
HOV	1531	Hovnanian Enterprises Inc	1.63	60	0.26	5.3%	0.42
KBH	1531	KB Home	1.34	60	0.59	0.7%	0.78
LGIH	1531	LGI Homes Inc		59	0.76		
MDC	1531	M.D.C. Holdings	1.43	60	0.80	0.1%	1.14
MHO	1531	M/I Homes	1.07	60	0.70	3.2%	0.75
MTH	1531	Meritage Corp	1.04	60	0.71	0.7%	0.74
NVR	1531	NVR Inc	0.47	60	0.99	3.7%	0.47
NWHM	1531	New Home Co Llc	1.38	57	0.80		1.11
PHM	1531	Pultegroup	1.03	60	0.87	0.0%	0.89
TMHC	1531	Taylor Morrison Home Corporatio	1.24	60	0.51	0.1%	0.63
TOL	1531	Toll Brothers Inc	1.33	60	0.76	0.0%	1.02
TPH	1531	Tri Pointe Homes Inc	1.50	60	0.76	0.2%	1.14
WLH	1531	William Lyon Homes	1.52	60			
AFL	6321	Aflac Incorporated		60	0.99	5.7%	
AIZ	6321	Assurant Inc	0.48	60	1.06	4.9%	0.51
CNO	6321	Cno Financial Group	1.11	60	0.62	2.7%	0.69
GTS	6321	Triple-S Management Corp		60	1.12	18.8%	
PFG	6321	Principal Financial Group Inc	1.43	60	0.97	5.4%	1.39
UNM	6321	Unumprovident Corp	1.36	60	0.89	5.9%	1.21
ACGL	6331	Arch Capital Grp Ltd		60	1.00	4.0%	
AFG	6331	American Financial Group	0.76	60	1.04	6.2%	0.79
AFSI	6331	Amtrust Financial		60	0.92	6.0%	
AHL	6331	Aspen Insurance Holdings		60	1.30	5.3%	
AIG	6331	American International Group	1.28	60	0.86	4.5%	1.09
ALL	6331	Allstate Corp	0.91	60	0.95	5.5%	0.86
AMSF	6331	Amerisafe Inc	0.73	60	1.06		0.78
AXS	6331	Axis Capital Holdings		60	0.99	5.5%	
BCRH	6331	Blue Capital Reinsurance Holdi		59	1.02		
BRK-B	6331	Berkshire Hath Hld Cl B	0.90	60	1.00	4.7%	0.90
CB	6331	Chubb Ltd	0.99	60	0.96	5.1%	0.96
CINF	6331	Cincinnati Financial	0.83	60	0.99	6.7%	0.82
CNA	6331	Cna Financial Corp	1.07	60	0.96	6.5%	1.02
EIG	6331	Employers Holdings Inc	1.00	60	1.03	5.9%	1.03
ESGR	6331	Enstar Group Ltd	0.69	60	1.15	3.7%	0.80
GBLI	6331	Global Indemnity Plc	0.94	60	0.95	7.2%	0.90
GLRE	6331	Greenlight Cap. Re.	0.82	60	1.09		0.89
HIG	6331	Hartford Financial Services Group	0.93	60	0.94	5.9%	0.87
HMN	6331	Horace Mann Educators Corp	0.72	60	0.98	7.1%	0.71
HRTG	6331	Heritage Insurance Holdings	1.22	53	1.13	3.8%	1.38
JRVR	6331	James River Gp HD		46	0.98	3.9%	
KFS	6331	Kingsway Financial Services	0.78	60	0.80	6.9%	0.62
KMPR	6331	Kemper Corp	1.15	60	0.95	8.2%	1.10

Ticker	SIC	Company Name	Equity Beta	Months	Weight of Equity	Cost of Debt	Asset Beta
KNSL	6331	Kinsale Capital Group Inc		27	1.05	3.8%	
L	6331	Loews Corp	0.66	60	0.79	5.3%	0.52
MCY	6331	Mercury General Corp	0.53	60	1.08	1.8%	0.57
MHLD	6331	Maiden Holdings Ltd	1.12	60	0.81	8.7%	0.90
MKL	6331	Markel Corp	0.96	60	1.09	5.0%	1.05
NAVG	6331	Navigators Grp Inc		60	0.99	5.9%	
NGHC	6331	National General Hld		56	0.90	6.2%	
PGR	6331	Progressive Corp	0.70	60	1.00	4.9%	0.70
PRA	6331	Pro-Assurance Corp	0.65	60	1.03	4.3%	0.66
RE	6331	Everest Re Group	0.42	60	1.08	5.6%	0.45
RLI	6331	Rli Corp		60			
RNR	6331	Renaissancere Holdings Ltd	0.58	60		5.3%	
SIGI	6331	Selective Ins Group	1.26	60	0.94	5.9%	1.18
TCPC	6331	TCP Capital Corp	0.76	60	0.63	3.7%	0.48
THG	6331	The Hanover Insurance Group	0.92	60	0.91	7.0%	0.84
TIPT	6331	Tiptree Fncl Cl A		60	0.46	10.7%	
TPRE	6331	Third Point Reinsurance Ltd Co	1.08	60			
TRV	6331	The Travelers Companies Inc	1.26	60	0.97	5.8%	1.22
UFCS	6331	United Fire Group I		60	1.07		
UIHC	6331	United Insurance Hld	1.64	60	1.14	2.3%	1.87
UVE	6331	Universal Insurance Holdings Inc	1.82	60	1.14	3.6%	2.08
WRB	6331	W.R. Berkley Corp	0.82	60	0.87	5.8%	0.72
Y	6331	Alleghany Corp	0.88	60	0.98	5.7%	0.86
ARGO	6361	Argo Group Intl Hlds		9		5.1%	
FAF	6361	First American Corp	0.70	60	1.09	4.4%	0.76
FNF	6361	Fidelity National Financial	0.66	60	0.96	5.8%	0.63
STC	6361	Stewart Information Services Corp	0.72	60	1.07	3.4%	0.77
AJG	6411	Arthur J. Gallagher & Co	1.14	60	0.87	4.7%	0.99
AON	6411	AON Plc	0.99	60	0.89	5.1%	0.88
BRO	6411	Brown & Brown		60	0.94	3.6%	
CRVL	6411	Corvel Cp	0.61	60	1.03		0.63
EHTH	6411	Ehealth Inc		60	1.16		
ERIE	6411	Erie Indemnity Co	0.41	60	1.04	1.0%	0.43
FANH	6411	Fanhua Inc	1.54	60			
HIIQ	6411	Health Insurance Inn		60	1.10	0.8%	
MMC	6411	Marsh & Mclennan Companies	0.93	60	0.94	4.3%	0.88
WLTW	6411	Willis Towers Wts	1.64	60	0.89	5.6%	1.45
BXG	6531	Bluegreen Vacations Corporation		11	1.00	6.3%	
JLL	6531	Jones Lang Lasalle Inc	1.63	60	0.95	7.0%	1.55
MMI	6531	Marcus & Millichap	1.20	60	1.13	17.7%	1.36
NMRK	6531	Newmark Group Inc Class A		10	0.78		
RDFN	6531	Redfin Corp		15	1.09		
RLGY	6531	Realogy Holdings Corp	1.18	60	0.69	6.2%	0.82
RMAX	6531	Re/Max Holdings Inc		60	0.88	4.6%	
VAC	6531	Marriot Vacations Worldwide Cor	1.40	60	0.87	1.4%	1.21

Appendix 2: DCF Backup

Ticker	SIC	Company Name	FYE1	FYE2	FYE3	FYE4
AVHI	1531	A V Homes Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
BZH	1531	Beazer Homes USA	9/30/2017	9/30/2016	9/30/2015	9/30/2014
CCS	1531	Century Communities Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
CHCI	1531	Comstock Hldgs Cos	12/31/2017	12/31/2016	12/31/2015	12/31/2014
DHI	1531	D.R. Horton	9/30/2017	9/30/2016	9/30/2015	9/30/2014
GRBK	1531	Green Brick Partners	12/31/2017	12/31/2016	12/31/2015	12/31/2014
HOV	1531	Hovnanian Enterprises Inc	10/31/2017	10/31/2016	10/31/2015	10/31/2014
KBH	1531	KB Home	11/30/2017	11/30/2016	11/30/2015	11/30/2014
LGIH	1531	LGI Homes Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
MDC	1531	M.D.C. Holdings	12/31/2017	12/31/2016	12/31/2015	12/31/2014
MHO	1531	M/I Homes	12/31/2017	12/31/2016	12/31/2015	12/31/2014
MTH	1531	Meritage Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
NVR	1531	NVR Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
NWHM	1531	New Home Co Llc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
PHM	1531	Pultegroup	12/31/2017	12/31/2016	12/31/2015	12/31/2014
TMHC	1531	Taylor Morrison Home Corporatio	12/31/2017	12/31/2016	12/31/2015	12/31/2014
TOL	1531	Toll Brothers Inc	10/31/2017	10/31/2016	10/31/2015	10/31/2014
TPH	1531	Tri Pointe Homes Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
WLH	1531	William Lyon Homes	12/31/2017	12/31/2016	12/31/2015	12/31/2014
AFL	6321	Aflac Incorporated	12/31/2017	12/31/2016	12/31/2015	12/31/2014
AIZ	6321	Assurant Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
CNO	6321	Cno Financial Group	12/31/2017	12/31/2016	12/31/2015	12/31/2014
GTS	6321	Triple-S Management Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
PFG	6321	Principal Financial Group Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
UNM	6321	Unumprovident Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
ACGL	6331	Arch Capital Grp Ltd	12/31/2017	12/31/2016	12/31/2015	12/31/2014
AFG	6331	American Financial Group	12/31/2017	12/31/2016	12/31/2015	12/31/2014
AFSI	6331	Amtrust Financial	12/31/2017	12/31/2016	12/31/2015	12/31/2014
AHL	6331	Aspen Insurance Holdings	12/31/2017	12/31/2016	12/31/2015	12/31/2014
AIG	6331	American International Group	12/31/2017	12/31/2016	12/31/2015	12/31/2014
ALL	6331	Allstate Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
AMSF	6331	Amerisafe Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
AXS	6331	Axis Capital Holdings	12/31/2017	12/31/2016	12/31/2015	12/31/2014
BCRH	6331	Blue Capital Reinsurance Holdi	12/31/2017	12/31/2016	12/31/2015	12/31/2014
BRK-B	6331	Berkshire Hath Hld Cl B	12/31/2017	12/31/2016	12/31/2015	12/31/2014
CB	6331	Chubb Ltd	12/31/2017	12/31/2016	12/31/2015	12/31/2014
CINF	6331	Cincinnati Financial	12/31/2017	12/31/2016	12/31/2015	12/31/2014
CNA	6331	Cna Financial Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
EIG	6331	Employers Holdings Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
ESGR	6331	Enstar Group Ltd	12/31/2017	12/31/2016	12/31/2015	12/31/2014
GBLI	6331	Global Indemnity Plc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
GLRE	6331	Greenlight Cap. Re.	12/31/2017	12/31/2016	12/31/2015	12/31/2014
HIG	6331	Hartford Financial Services Group	12/31/2017	12/31/2016	12/31/2015	12/31/2014
HMN	6331	Horace Mann Educators Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
HRTG	6331	Heritage Insurance Holdings	12/31/2017	12/31/2016	12/31/2015	12/31/2014
JRVR	6331	James River Gp HD	12/31/2017	12/31/2016	12/31/2015	12/31/2014
KFS	6331	Kingsway Financial Services	12/31/2017	12/31/2016	12/31/2015	12/31/2014

Ticker	SIC	Company Name	FYE1	FYE2	FYE3	FYE4
KMPR	6331	Kemper Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
KNSL	6331	Kinsale Capital Group Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
L	6331	Loews Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
MCY	6331	Mercury General Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
MHLD	6331	Maiden Holdings Ltd	12/31/2017	12/31/2016	12/31/2015	12/31/2014
MKL	6331	Markel Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
NAVG	6331	Navigators Grp Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
NGHC	6331	National General Hld	12/31/2017	12/31/2016	12/31/2015	12/31/2014
PGR	6331	Progressive Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
PRA	6331	Pro-Assurance Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
RE	6331	Everest Re Group	12/31/2017	12/31/2016	12/31/2015	12/31/2014
RLI	6331	Rli Corp				
RNR	6331	Renaissancere Holdings Ltd	12/31/2017	12/31/2016	12/31/2015	12/31/2014
SIGI	6331	Selective Ins Group	12/31/2017	12/31/2016	12/31/2015	12/31/2014
TCPC	6331	TCP Capital Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
THG	6331	The Hanover Insurance Group	12/31/2017	12/31/2016	12/31/2015	12/31/2014
TIPT	6331	Tiptree Fncl Cl A	12/31/2017	12/31/2016	12/31/2015	12/31/2014
TPRE	6331	Third Point Reinsurance Ltd Co				
TRV	6331	The Travelers Companies Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
UFCS	6331	United Fire Group I	12/31/2017	12/31/2016	12/31/2015	12/31/2014
UIHC	6331	United Insurance Hld	12/31/2017	12/31/2016	12/31/2015	12/31/2014
UVE	6331	Universal Insurance Holdings Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
WRB	6331	W.R. Berkley Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Y	6331	Alleghany Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
ARGO	6361	Argo Group Intl Hlds	12/31/2017	12/31/2016	12/31/2015	12/31/2014
FAF	6361	First American Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
FNF	6361	Fidelity National Financial	12/31/2017	12/31/2016	12/31/2015	12/31/2014
STC	6361	Stewart Information Services Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
AJG	6411	Arthur J. Gallagher & Co	12/31/2017	12/31/2016	12/31/2015	12/31/2014
AON	6411	AON Plc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
BRO	6411	Brown & Brown	12/31/2017	12/31/2016	12/31/2015	12/31/2014
CRVL	6411	Corvel Cp	3/31/2018	3/31/2017	3/31/2016	3/31/2015
EHTH	6411	Ehealth Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
ERIE	6411	Erie Indemnity Co	12/31/2017	12/31/2016	12/31/2015	12/31/2014
FANH	6411	Fanhua Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
HIIQ	6411	Health Insurance Inn	12/31/2017	12/31/2016	12/31/2015	12/31/2014
MMC	6411	Marsh & Mclennan Companies	12/31/2017	12/31/2016	12/31/2015	12/31/2014
WLTW	6411	Willis Towers Wts	12/31/2017	12/31/2016	12/31/2015	12/31/2014
BXG	6531	Bluegreen Vacations Corporation	12/31/2017	12/31/2016	12/31/2015	12/31/2014
JLL	6531	Jones Lang Lasalle Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
MMI	6531	Marcus & Millichap	12/31/2017	12/31/2016	12/31/2015	12/31/2014
NMRK	6531	Newmark Group Inc Class A	12/31/2017	12/31/2016	12/31/2015	
RDFN	6531	Redfin Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
RLGY	6531	Realogy Holdings Corp	12/31/2017	12/31/2016	12/31/2015	12/31/2014
RMAX	6531	Re/Max Holdings Inc	12/31/2017	12/31/2016	12/31/2015	12/31/2014
VAC	6531	Marriot Vacations Worldwide Cor	12/31/2017	12/30/2016	1/1/2016	1/2/2015

Company Name	dividend 1	dividend 2	dividend 3	dividend 4
A V Homes Inc	$ -	$ -	$ -	$ -
Beazer Homes USA	$ -	$ -	$ -	$ -
Century Communities Inc	$ -	$ -	$ -	$ -
Comstock Hldgs Cos	$ -	$ -	$ -	$ -
D.R. Horton	$ 149,600,000	$ 118,700,000	$ 91,600,000	$ 48,600,000
Green Brick Partners	$ -	$ -	$ -	$ 13,121,000
Hovnanian Enterprises Inc	$ -	$ -	$ -	$ -
KB Home	$ 8,642,000	$ 8,586,000	$ 9,186,000	$ 8,982,000
LGI Homes Inc	$ -	$ -	$ -	$ -
M.D.C. Holdings	$ 51,897,000	$ 49,088,000	$ 48,868,000	$ 48,820,000
M/I Homes	$ 3,656,000	$ 4,875,000	$ 4,875,000	$ 4,875,000
Meritage Corp	$ -	$ -	$ -	$ -
NVR Inc	$ -	$ -	$ -	$ -
New Home Co Llc	$ -	$ -	$ -	$ -
Pultegroup	$ 112,748,000	$ 124,666,000	$ 115,958,000	$ 75,646,000
Taylor Morrison Home Corporatio	$ -	$ -	$ -	$ -
Toll Brothers Inc	$ 38,587,000	$ 38,587,000	$ 38,587,000	$ 38,587,000
Tri Pointe Homes Inc	$ -	$ -	$ -	$ 8,606,000
William Lyon Homes	$ -	$ -	$ -	$ -
Aflac Incorporated	$ 661,000,000	$ 658,000,000	$ 656,000,000	$ 654,000,000
Assurant Inc	$ 119,000,000	$ 125,300,000	$ 94,200,000	$ 77,495,000
Cno Financial Group	$ 59,600,000	$ 54,800,000	$ 52,000,000	$ 51,000,000
Triple-S Management Corp	$ -	$ -	$ -	$ -
Principal Financial Group Inc	$ 540,000,000	$ 464,900,000	$ 457,500,000	$ 409,600,000
Unumprovident Corp	$ 196,000,000	$ 182,600,000	$ 174,200,000	$ 159,400,000
Arch Capital Grp Ltd	$ 46,041,000	$ 28,070,000	$ 21,938,000	$ 21,938,000
American Financial Group	$ 109,000,000	$ 98,000,000	$ 88,000,000	$ 79,000,000
Amtrust Financial	$ 190,985,000	$ 156,075,000	$ 116,886,000	$ 68,337,000
Aspen Insurance Holdings	$ 92,400,000	$ 94,500,000	$ 88,700,000	$ 88,100,000
American International Group	$ 1,172,000,000	$ 1,372,000,000	$ 1,028,000,000	$ 712,000,000
Allstate Corp	$ 641,000,000	$ 602,000,000	$ 599,000,000	$ 564,000,000
Amerisafe Inc	$ -	$ 13,803,506	$ 11,426,833	$ 8,986,182
Axis Capital Holdings	$ -	$ 172,232,000	$ 158,740,000	$ 157,707,000
Blue Capital Reinsurance Holdi	$ 7,912,752	$ 7,907,000	$ 7,904,000	$ 7,900,000
Berkshire Hath Hld Cl B	$ -	$ -	$ -	$ -
Chubb Ltd	$ 1,308,000,000	$ 1,173,000,000	$ 862,000,000	$ 862,000,000
Cincinnati Financial	$ 319,355,000	$ 306,000,000	$ 292,158,000	$ 278,000,000
Cna Financial Corp	$ 298,770,000	$ 813,000,000	$ 811,000,000	$ 270,500,000
Employers Holdings Inc	$ -	$ 11,500,000	$ 7,700,000	$ 7,600,000
Enstar Group Ltd	$ -	$ -	$ -	$ -
Global Indemnity Plc	$ -	$ -	$ -	$ -
Greenlight Cap. Re.	$ -	$ -	$ -	$ -
Hartford Financial Services Group	$ 341,000,000	$ 334,000,000	$ 316,000,000	$ 282,000,000
Horace Mann Educators Corp	$ -	$ 44,310,000	$ 42,523,000	$ 39,237,000
Heritage Insurance Holdings	$ 8,249,000	$ 6,806,000	$ 6,806,000	$ 6,806,000
James River Gp HD	$ -	$ 26,188,000	$ 18,205,000	$ 69,998,000
Kingsway Financial Services	$ -	$ -	$ -	$ -

Company Name	dividend 1	dividend 2	dividend 3	dividend 4
Kemper Corp	$ 49,500,000	$ 49,200,000	$ 49,700,000	$ 51,800,000
Kinsale Capital Group Inc	$ 5,039,000	$ 2,097,000	$ 2,097,000	$ 2,097,000
Loews Corp	$ 84,000,000	$ 84,000,000	$ 90,000,000	$ 95,000,000
Mercury General Corp	$ 137,886,000	$ 137,201,000	$ 136,386,000	$ 135,496,000
Maiden Holdings Ltd	$ 80,790,000	$ 76,883,000	$ 62,541,000	$ 56,416,000
Markel Corp	$ -	$ -	$ -	$ -
Navigators Grp Inc	$ 6,633,000	$ 3,930,000	$ 3,930,000	$ 3,930,000
National General Hld	$ 48,550,000	$ 34,356,000	$ 18,650,000	$ 4,860,000
Progressive Corp	$ -	$ 519,000,000	$ 403,600,000	$ 296,300,000
Pro-Assurance Corp	$ 65,916,142	$ 65,770,929	$ 69,371,780	$ 71,252,000
Everest Re Group	$ 207,242,000	$ 195,384,000	$ 175,107,000	$ 145,913,000
Rli Corp				
Renaissancere Holdings Ltd	$ 73,751,000	$ 73,964,000	$ 76,348,000	$ 68,293,000
Selective Ins Group	$ 37,045,000	$ 33,758,000	$ 31,052,000	$ 28,428,000
TCP Capital Corp	$ 82,610,362	$ 73,975,198	$ 71,629,074	$ 60,312,037
The Hanover Insurance Group	$ -	$ 80,400,000	$ 74,200,000	$ 67,000,000
Tiptree Fncl Cl A	$ 3,499,000	$ 3,191,000	$ 3,313,000	$ 3,313,000
Third Point Reinsurance Ltd Co				
The Travelers Companies Inc	$ 785,000,000	$ 757,000,000	$ 739,000,000	$ 729,000,000
United Fire Group I	$ -	$ 24,591,000	$ 21,658,000	$ 19,680,000
United Insurance Hld	$ 8,991,000	$ 4,974,000	$ 4,302,000	$ 3,336,000
Universal Insurance Holdings Inc	$ 19,489,072	$ 19,644,087	$ 16,990,571	$ 14,005,727
W.R. Berkley Corp	$ 66,780,290	$ 62,145,357	$ 58,034,000	$ 54,573,615
Alleghany Corp	$ -	$ -	$ -	$ -
Argo Group Intl Hlds	$ -	$ 26,600,000	$ 22,700,000	$ 18,200,000
First American Corp	$ 159,284,000	$ 131,541,000	$ 108,524,000	$ 89,939,000
Fidelity National Financial	$ 278,000,000	$ 239,000,000	$ 220,000,000	$ 203,000,000
Stewart Information Services Corp	$ 28,135,000	$ 27,840,000	$ 18,010,000	$ 2,334,000
Arthur J. Gallagher & Co	$ 282,700,000	$ 272,200,000	$ 257,500,000	$ 223,100,000
AON Plc	$ 364,000,000	$ 345,000,000	$ 323,000,000	$ 273,000,000
Brown & Brown	$ 77,712,000	$ 70,262,000	$ 64,108,000	$ 59,334,000
Corvel Cp	$ -	$ -	$ -	$ -
Ehealth Inc	$ -	$ -	$ -	$ -
Erie Indemnity Co	$ 145,765,000	$ 135,985,000	$ 126,858,000	$ 119,000,000
Fanhua Inc	$ 137,216,000	$ 137,216,000	$ 137,216,000	$ 137,216,000
Health Insurance Inn	$ 5,477,000	$ 5,477,000	$ 5,477,000	$ 5,477,000
Marsh & Mclennan Companies	$ 740,000,000	$ 682,000,000	$ 632,000,000	$ 582,000,000
Willis Towers Wts	$ 277,000,000	$ 199,000,000	$ 277,000,000	$ 210,000,000
Bluegreen Vacations Corporation	$ -	$ 70,000,000	$ 54,400,000	$ 54,400,000
Jones Lang Lasalle Inc	$ 33,100,000	$ 29,400,000	$ 25,600,000	$ 21,900,000
Marcus & Millichap	$ -	$ -	$ -	$ -
Newmark Group Inc Class A	$ 101,731,000	$ 101,731,000	$ 101,731,000	
Redfin Corp	$ -	$ -	$ 2,659,000	$ 225,000
Realogy Holdings Corp	$ -	$ 26,000,000	$ 26,000,000	$ 26,000,000
Re/Max Holdings Inc	$ 12,740,000	$ 10,578,000	$ 6,120,000	$ 2,901,000
Marriot Vacations Worldwide Cor	$ 38,028,000	$ 34,195,000	$ 23,793,000	$ 8,179,000

Company Name	net income 1	net income 2	net income 3	net income 4
A V Homes Inc	$ 21,936,000	$ 147,107,000	$ 11,950,000	$ 1,932,000
Beazer Homes USA	$ 31,813,000	$ 4,693,000	$ 344,094,000	$ 34,383,000
Century Communities Inc	$ 50,295,000	$ 49,540,000	$ 39,890,000	$ 20,022,000
Comstock Hldgs Cos	$ 5,025,000	$ 8,993,000	$ 4,567,000	$ 6,839,000
D.R. Horton	$ 1,038,400,000	$ 886,300,000	$ 750,700,000	$ 533,500,000
Green Brick Partners	$ 14,970,000	$ 23,756,000	$ 15,325,000	$ 50,026,000
Hovnanian Enterprises Inc	$ 332,193,000	$ 2,819,000	$ 16,100,000	$ 307,144,000
KB Home	$ 180,595,000	$ 105,615,000	$ 84,643,000	$ 918,349,000
LGI Homes Inc	$ 113,306,000	$ 75,031,000	$ 52,830,000	$ 28,211,000
M.D.C. Holdings	$ 141,835,000	$ 103,211,000	$ 65,791,000	$ 63,143,000
M/I Homes	$ 72,081,000	$ 56,609,000	$ 51,763,000	$ 50,789,000
Meritage Corp	$ 143,255,000	$ 149,541,000	$ 128,738,000	$ 142,241,000
NVR Inc	$ 537,521,000	$ 425,262,000	$ 382,927,000	$ 281,630,000
New Home Co Llc	$ 17,152,000	$ 21,022,000	$ 21,688,000	$ 4,787,000
Pultegroup	$ 447,221,000	$ 602,703,000	$ 494,090,000	$ 474,338,000
Taylor Morrison Home Corporatio	$ 91,220,000	$ 52,616,000	$ 61,049,000	$ 71,469,000
Toll Brothers Inc	$ 535,495,000	$ 382,095,000	$ 363,167,000	$ 340,032,000
Tri Pointe Homes Inc	$ 187,191,000	$ 195,171,000	$ 205,461,000	$ 84,197,000
William Lyon Homes	$ 48,135,000	$ 59,696,000	$ 57,336,000	$ 44,625,000
Aflac Incorporated	$ 4,604,000,000	$ 2,659,000,000	$ 2,533,000,000	$ 2,951,000,000
Assurant Inc	$ 519,600,000	$ 565,400,000	$ 141,600,000	$ 470,907,000
Cno Financial Group	$ 175,600,000	$ 358,200,000	$ 270,700,000	$ 51,400,000
Triple-S Management Corp	$ -	$ 17,438,000	$ 52,121,000	$ 65,660,000
Principal Financial Group Inc	$ 2,310,400,000	$ 1,316,500,000	$ 1,234,000,000	$ 1,144,100,000
Unumprovident Corp	$ 994,200,000	$ 931,400,000	$ 867,100,000	$ 402,100,000
Arch Capital Grp Ltd	$ 619,278,000	$ 692,738,000	$ 537,738,000	$ 834,355,000
American Financial Group	$ 475,000,000	$ 649,000,000	$ 352,000,000	$ 452,000,000
Amtrust Financial	$ 348,889,000	$ 410,986,000	$ 450,705,000	$ 415,680,000
Aspen Insurance Holdings	$ 267,700,000	$ 203,300,000	$ 322,300,000	$ 355,000,000
American International Group	$ 6,084,000,000	$ 849,000,000	$ 2,196,000,000	$ 7,529,000,000
Allstate Corp	$ 3,189,000,000	$ 1,877,000,000	$ 2,171,000,000	$ 2,850,000,000
Amerisafe Inc	$ 46,231,000	$ 77,865,000	$ 70,462,000	$ 53,666,000
Axis Capital Holdings	$ 368,969,000	$ 513,368,000	$ 641,631,000	$ 810,745,000
Blue Capital Reinsurance Holdi	$ 43,200,000	$ 14,300,000	$ 20,700,000	$ 15,100,000
Berkshire Hath Hld Cl B	$ 44,940,000,000	$ 24,074,000,000	$ 24,083,000,000	$ 19,872,000,000
Chubb Ltd	$ 3,861,000,000	$ 4,135,000,000	$ 2,834,000,000	$ 2,853,000,000
Cincinnati Financial	$ 1,045,000,000	$ 591,000,000	$ 634,000,000	$ 525,000,000
Cna Financial Corp	$ 899,000,000	$ 859,000,000	$ 479,000,000	$ 691,000,000
Employers Holdings Inc	$ 101,200,000	$ 106,700,000	$ 94,400,000	$ 100,700,000
Enstar Group Ltd	$ 311,458,000	$ 264,807,000	$ 220,291,000	$ 213,749,000
Global Indemnity Plc	$ -	$ 49,868,000	$ 41,469,000	$ 62,856,000
Greenlight Cap. Re.	$ 44,952,000	$ 44,881,000	$ 326,425,000	$ 109,592,000
Hartford Financial Services Group	$ 3,131,000,000	$ 896,000,000	$ 1,682,000,000	$ 798,000,000
Horace Mann Educators Corp	$ 169,400,000	$ 83,765,000	$ 93,482,000	$ 104,243,000
Heritage Insurance Holdings	$ 1,119,000	$ 33,865,000	$ 92,512,000	$ 47,097,000
James River Gp HD	$ 43,566,000	$ 74,471,000	$ 53,497,000	$ 44,685,000
Kingsway Financial Services	$ 15,469,000	$ 803,000	$ 1,107,000	$ 12,820,000

Company Name	net income 1	net income 2	net income 3	net income 4
Kemper Corp	$ 120,900,000	$ 16,800,000	$ 85,700,000	$ 114,500,000
Kinsale Capital Group Inc	$ 24,901,000	$ 26,167,000	$ 22,273,000	$ 12,973,000
Loews Corp	$ 1,164,000,000	$ 654,000,000	$ 260,000,000	$ 591,000,000
Mercury General Corp	$ 144,877,000	$ 73,044,000	$ 74,479,000	$ 177,949,000
Maiden Holdings Ltd	$ 169,896,000	$ 48,980,000	$ 124,476,000	$ 101,391,000
Markel Corp	$ 395,269,000	$ 455,689,000	$ 582,772,000	$ 321,182,000
Navigators Grp Inc	$ 40,494,000	$ 82,726,000	$ 81,057,000	$ 95,329,000
National General Hld	$ 105,845,000	$ 172,216,000	$ 142,252,000	$ 102,243,000
Progressive Corp	$ 1,592,200,000	$ 1,031,000,000	$ 1,267,600,000	$ 1,281,000,000
Pro-Assurance Corp	$ 107,264,000	$ 151,081,000	$ 116,197,000	$ 196,565,000
Everest Re Group	$ 468,968,000	$ 996,344,000	$ 977,869,000	$ 1,199,156,000
Rli Corp				
Renaissancere Holdings Ltd	$ 222,389,000	$ 502,962,000	$ 431,192,000	$ 532,718,000
Selective Ins Group	$ 168,826,000	$ 158,495,000	$ 165,861,000	$ 141,827,000
TCP Capital Corp	$ 67,931,014	$ 76,317,159	$ 58,147,967	$ 34,817,108
The Hanover Insurance Group	$ 186,200,000	$ 155,100,000	$ 331,500,000	$ 282,000,000
Tiptree Fncl Cl A	$ 3,604,000	$ 25,320,000	$ 5,779,000	$ 1,710,000
Third Point Reinsurance Ltd Co				
The Travelers Companies Inc	$ 2,056,000,000	$ 3,014,000,000	$ 3,439,000,000	$ 3,692,000,000
United Fire Group I	$ 51,023,000	$ 49,904,000	$ 89,126,000	$ 59,137,000
United Insurance Hld	$ 10,145,000	$ 5,698,000	$ 27,358,000	$ 41,013,000
Universal Insurance Holdings Inc	$ 106,935,000	$ 99,410,000	$ 106,484,000	$ 72,988,000
W.R. Berkley Corp	$ 549,094,000	$ 601,916,000	$ 503,694,000	$ 648,884,000
Alleghany Corp	$ 90,133,000	$ 456,921,000	$ 560,315,000	$ 679,239,000
Argo Group Intl Hlds	$ 50,300,000	$ 146,700,000	$ 163,200,000	$ 183,200,000
First American Corp	$ 423,049,000	$ 342,993,000	$ 288,086,000	$ 233,534,000
Fidelity National Financial	$ 771,000,000	$ 650,000,000	$ 527,000,000	$ 583,000,000
Stewart Information Services Corp	$ 48,659,000	$ 55,478,000	$ 6,204,000	$ 29,753,000
Arthur J. Gallagher & Co	$ 463,100,000	$ 414,400,000	$ 356,800,000	$ 303,400,000
AON Plc	$ 1,226,000,000	$ 1,396,000,000	$ 1,385,000,000	$ 1,397,000,000
Brown & Brown	$ 399,630,000	$ 257,491,000	$ 243,318,000	$ 206,896,000
Corvel Cp	$ 35,695,000	$ 29,479,000	$ 28,525,000	$ 28,590,000
Ehealth Inc	$ -	$ 4,882,000	$ 4,763,000	$ 16,205,000
Erie Indemnity Co	$ 196,999,000	$ 210,366,000	$ 174,678,000	$ 168,000,000
Fanhua Inc	$ 449,228,000	$ 157,047,000	$ 210,086,000	$ 161,760,000
Health Insurance Inn	$ 17,885,000	$ 4,513,000	$ 601,000	$ 339,000
Marsh & Mclennan Companies	$ 1,492,000,000	$ 1,768,000,000	$ 1,599,000,000	$ 1,465,000,000
Willis Towers Wts	$ 568,000,000	$ 450,000,000	$ 343,000,000	$ 362,000,000
Bluegreen Vacations Corporation	$ -	$ 74,951,000	$ 70,304,000	$ 57,546,000
Jones Lang Lasalle Inc	$ 254,200,000	$ 318,200,000	$ 438,700,000	$ 386,000,000
Marcus & Millichap	$ 51,524,000	$ 64,657,000	$ 66,350,000	$ 49,531,000
Newmark Group Inc Class A	$ 144,492,000	$ 168,401,000	$ 2,803,000	
Redfin Corp	$ 15,002,000	$ 22,526,000	$ 30,236,000	$ 24,730,000
Realogy Holdings Corp	$ 431,000,000	$ 213,000,000	$ 184,000,000	$ 143,000,000
Re/Max Holdings Inc	$ 12,815,000	$ 22,396,000	$ 16,412,000	$ 13,436,000
Marriot Vacations Worldwide Cor	$ 226,778,000	$ 137,348,000	$ 122,799,000	$ 80,756,000

Company Name	shareholder equity 1	shareholder equity 2	shareholder equity 3
A V Homes Inc	$ 431,970,000	$ 450,807,000	$ 301,681,000
Beazer Homes USA	$ 682,440,000	$ 642,853,000	$ 630,423,000
Century Communities Inc	$ 735,233,000	$ 473,636,000	$ 409,479,000
Comstock Hldgs Cos	$ 14,818,000	$ 11,155,000	$ 2,450,000
D.R. Horton	$ 7,747,100,000	$ 6,792,500,000	$ 5,894,300,000
Green Brick Partners	$ 416,347,000	$ 384,572,000	$ 359,532,000
Hovnanian Enterprises Inc	$ 595,670,000	$ 263,809,000	$ 263,383,000
KB Home	$ 1,926,311,000	$ 1,723,145,000	$ 1,690,834,000
LGI Homes Inc	$ 489,846,000	$ 355,201,000	$ 247,389,000
M.D.C. Holdings	$ 1,407,287,000	$ 1,320,070,000	$ 1,256,292,000
M/I Homes	$ 747,298,000	$ 606,011,000	$ 548,403,000
Meritage Corp	$ 1,576,825,000	$ 1,421,495,000	$ 1,258,937,000
NVR Inc	$ 1,605,492,000	$ 1,304,441,000	$ 1,239,165,000
New Home Co Llc	$ 263,990,000	$ 244,523,000	$ 220,775,000
Pultegroup	$ 4,154,026,000	$ 4,659,363,000	$ 4,759,325,000
Taylor Morrison Home Corporatio	$ 1,596,117,000	$ 551,810,000	$ 519,918,000
Toll Brothers Inc	$ 4,531,194,000	$ 4,229,292,000	$ 4,222,557,000
Tri Pointe Homes Inc	$ 1,929,722,000	$ 1,829,447,000	$ 1,664,683,000
William Lyon Homes	$ 780,472,000	$ 697,086,000	$ 632,095,000
Aflac Incorporated	$ 24,598,000,000	$ 20,482,000,000	$ 17,708,000,000
Assurant Inc	$ 4,270,600,000	$ 4,098,100,000	$ 4,523,967,000
Cno Financial Group	$ 4,847,500,000	$ 4,486,900,000	$ 4,138,500,000
Triple-S Management Corp	$ -	$ 863,163,000	$ 847,526,000
Principal Financial Group Inc	$ 12,849,300,000	$ 10,227,300,000	$ 9,311,600,000
Unumprovident Corp	$ 9,574,900,000	$ 8,968,000,000	$ 8,663,900,000
Arch Capital Grp Ltd	$ 7,834,420,000	$ 6,379,859,000	$ 5,841,542,000
American Financial Group	$ 5,330,000,000	$ 4,916,000,000	$ 4,592,000,000
Amtrust Financial	$ 2,276,053,000	$ 2,355,353,000	$ 2,241,280,000
Aspen Insurance Holdings	$ 2,413,900,000	$ 2,849,800,000	$ 2,862,800,000
American International Group	$ 65,171,000,000	$ 76,300,000,000	$ 89,658,000,000
Allstate Corp	$ 20,805,000,000	$ 18,827,000,000	$ 18,279,000,000
Amerisafe Inc	$ 425,423,000	$ 456,150,000	$ 453,981,000
Axis Capital Holdings	$ 4,566,264,000	$ 5,146,296,000	$ 5,239,039,000
Blue Capital Reinsurance Holdi	$ 127,100,000	$ 183,300,000	$ 187,600,000
Berkshire Hath Hld Cl B	$ 348,296,000,000	$ 282,070,000,000	$ 255,550,000,000
Chubb Ltd	$ 51,172,000,000	$ 48,275,000,000	$ 29,135,000,000
Cincinnati Financial	$ 8,243,000,000	$ 7,060,000,000	$ 6,427,000,000
Cna Financial Corp	$ 12,244,000,000	$ 11,969,000,000	$ 11,756,000,000
Employers Holdings Inc	$ 947,700,000	$ 840,600,000	$ 760,800,000
Enstar Group Ltd	$ 3,136,295,000	$ 2,801,923,000	$ 2,516,872,000
Global Indemnity Plc	$ -	$ 797,951,000	$ 749,926,000
Greenlight Cap. Re.	$ 831,324,000	$ 874,242,000	$ 825,391,000
Hartford Financial Services Group	$ 13,494,000,000	$ 16,903,000,000	$ 17,642,000,000
Horace Mann Educators Corp	$ 1,390,441,000	$ 1,293,982,000	$ 1,264,661,000
Heritage Insurance Holdings	$ 379,816,000	$ 357,959,000	$ 356,553,000
James River Gp HD	$ 694,699,000	$ 693,221,000	$ 681,038,000
Kingsway Financial Services	$ 38,682,000	$ 56,006,000	$ 41,951,000

Company Name	shareholder equity 1	shareholder equity 2	shareholder equity 3
Kemper Corp	$ 2,115,600,000	$ 1,975,200,000	$ 1,992,400,000
Kinsale Capital Group Inc	$ 238,189,000	$ 210,214,000	$ 113,451,000
Loews Corp	$ 19,204,000,000	$ 18,163,000,000	$ 17,561,000,000
Mercury General Corp	$ 1,761,387,000	$ 1,752,402,000	$ 1,820,885,000
Maiden Holdings Ltd	$ 767,174,000	$ 1,045,797,000	$ 867,821,000
Markel Corp	$ 9,504,148,000	$ 8,460,927,000	$ 7,834,150,000
Navigators Grp Inc	$ 1,225,965,000	$ 1,178,188,000	$ 1,096,148,000
National General Hld	$ 1,508,569,000	$ 1,473,586,000	$ 1,293,800,000
Progressive Corp	$ 9,284,800,000	$ 7,957,100,000	$ 7,289,400,000
Pro-Assurance Corp	$ 1,594,795,000	$ 1,798,702,000	$ 1,958,354,000
Everest Re Group	$ 8,369,232,000	$ 8,075,396,000	$ 7,608,585,000
Rli Corp			
Renaissancere Holdings Ltd	$ 3,991,375,000	$ 4,466,577,000	$ 4,332,184,000
Selective Ins Group	$ 1,712,957,000	$ 1,531,370,000	$ 1,398,041,000
TCP Capital Corp	$ 870,728,126	$ 790,935,991	$ 721,977,017
The Hanover Insurance Group	$ 2,997,700,000	$ 2,857,500,000	$ 2,844,400,000
Tiptree Fncl Cl A	$ 300,077,000	$ 293,431,000	$ 312,840,000
Third Point Reinsurance Ltd Co			
The Travelers Companies Inc	$ 23,731,000,000	$ 23,221,000,000	$ 23,598,000,000
United Fire Group I	$ 973,373,000	$ 941,884,000	$ 878,897,000
United Insurance Hld	$ 537,125,000	$ 241,327,000	$ 239,211,000
Universal Insurance Holdings Inc	$ 439,988,000	$ 371,190,000	$ 293,092,000
W.R. Berkley Corp	$ 5,411,344,000	$ 5,047,208,000	$ 4,600,246,000
Alleghany Corp	$ 8,514,063,000	$ 7,939,945,000	$ 7,554,707,000
Argo Group Intl Hlds	$ 1,819,700,000	$ 1,792,700,000	$ 1,668,100,000
First American Corp	$ 3,479,955,000	$ 3,008,179,000	$ 2,749,960,000
Fidelity National Financial	$ 4,447,000,000	$ 5,996,000,000	$ 5,754,000,000
Stewart Information Services Corp	$ 672,211,000	$ 641,200,000	$ 629,281,000
Arthur J. Gallagher & Co	$ 4,105,200,000	$ 3,596,600,000	$ 3,638,300,000
AON Plc	$ 4,583,000,000	$ 5,475,000,000	$ 6,002,000,000
Brown & Brown	$ 2,582,699,000	$ 2,360,211,000	$ 2,149,776,000
Corvel Cp	$ 171,176,000	$ 138,646,000	$ 131,948,000
Ehealth Inc	$ -	$ 77,601,000	$ 76,421,000
Erie Indemnity Co	$ 857,344,000	$ 816,910,000	$ 769,503,000
Fanhua Inc	$ 3,877,051,000	$ 3,286,852,000	$ 3,317,430,000
Health Insurance Inn	$ 84,205,000	$ 48,162,000	$ 39,971,000
Marsh & Mclennan Companies	$ 7,359,000,000	$ 6,192,000,000	$ 6,513,000,000
Willis Towers Wts	$ 10,126,000,000	$ 10,065,000,000	$ 2,229,000,000
Bluegreen Vacations Corporation	$ -	$ 249,436,000	$ 244,485,000
Jones Lang Lasalle Inc	$ 3,243,200,000	$ 2,789,700,000	$ 2,688,800,000
Marcus & Millichap	$ 314,888,000	$ 258,854,000	$ 188,990,000
Newmark Group Inc Class A	$ 260,410,000	$ 981,776,000	$ 800,193,000
Redfin Corp	$ 235,430,000	$ 563,734,000	$ 495,713,000
Realogy Holdings Corp	$ 2,618,000,000	$ 2,464,000,000	$ 2,418,000,000
Re/Max Holdings Inc	$ 467,743,000	$ 464,692,000	$ 449,671,000
Marriot Vacations Worldwide Cor	$ 1,045,020,000	$ 907,819,000	$ 976,267,000

Company Name	shareholder equity 4	roe 1	roe 2	roe 3	retention ratio 1	retention ratio 2	retention ratio 3
A V Homes Inc	$ 286,740,000	5%	39%	4%	100%	100%	100%
Beazer Homes USA	$ 279,118,000	5%	1%	76%	100%	100%	100%
Century Communities Inc	$ 365,205,000	8%	11%	10%	100%	100%	100%
Comstock Hldgs Cos	$ 2,131,000	39%	132%	199%	100%	100%	100%
D.R. Horton	$ 5,115,800,000	14%	14%	14%	86%	87%	88%
Green Brick Partners	$ 171,858,000	4%	6%	6%	100%	100%	100%
Hovnanian Enterprises Inc	$ 253,098,000	77%	1%	6%	100%	100%	100%
KB Home	$ 1,595,910,000	10%	6%	5%	95%	92%	89%
LGI Homes Inc	$ 182,499,000	27%	25%	25%	100%	100%	100%
M.D.C. Holdings	$ 1,228,336,000	10%	8%	5%	63%	52%	26%
M/I Homes	$ 496,132,000	11%	10%	10%	95%	91%	91%
Meritage Corp	$ 1,109,489,000	10%	11%	11%	100%	100%	100%
NVR Inc	$ 1,124,255,000	37%	33%	32%	100%	100%	100%
New Home Co Llc	$ 148,084,000	7%	9%	12%	100%	100%	100%
Pultegroup	$ 4,804,954,000	10%	13%	10%	75%	79%	77%
Taylor Morrison Home Corporatio	$ 478,397,000	8%	10%	12%	100%	100%	100%
Toll Brothers Inc	$ 3,854,376,000	12%	9%	9%	93%	90%	89%
Tri Pointe Homes Inc	$ 1,454,180,000	10%	11%	13%	100%	100%	100%
William Lyon Homes	$ 569,915,000	7%	9%	10%	100%	100%	100%
Aflac Incorporated	$ 18,347,000,000	20%	14%	14%	86%	75%	74%
Assurant Inc	$ 5,181,307,000	12%	13%	3%	77%	78%	33%
Cno Financial Group	$ 4,688,200,000	4%	8%	6%	66%	85%	81%
Triple-S Management Corp	$ 858,558,000	0%	2%	6%		100%	100%
Principal Financial Group Inc	$ 10,183,900,000	20%	13%	13%	77%	65%	63%
Unumprovident Corp	$ 8,521,900,000	11%	11%	10%	80%	80%	80%
Arch Capital Grp Ltd	$ 5,805,053,000	9%	11%	9%	93%	96%	96%
American Financial Group	$ 4,879,000,000	9%	14%	7%	77%	85%	75%
Amtrust Financial	$ 1,737,020,000	15%	18%	23%	45%	62%	74%
Aspen Insurance Holdings	$ 2,863,000,000	10%	7%	11%	65%	54%	72%
American International Group	$ 106,898,000,000	9%	1%	2%	81%	-62%	53%
Allstate Corp	$ 20,558,000,000	16%	10%	11%	80%	68%	72%
Amerisafe Inc	$ 446,968,000	10%	17%	16%	100%	82%	84%
Axis Capital Holdings	$ 5,193,278,000	8%	10%	12%	100%	66%	75%
Blue Capital Reinsurance Holdi	$ 180,500,000	28%	8%	11%	82%	45%	62%
Berkshire Hath Hld Cl B	$ 240,170,000,000	14%	9%	10%	100%	100%	100%
Chubb Ltd	$ 29,587,000,000	8%	11%	10%	66%	72%	70%
Cincinnati Financial	$ 6,573,000,000	14%	9%	10%	69%	48%	54%
Cna Financial Corp	$ 12,794,000,000	7%	7%	4%	67%	5%	-69%
Employers Holdings Inc	$ 686,800,000	11%	13%	13%	100%	89%	92%
Enstar Group Ltd	$ 2,304,850,000	10%	10%	9%	100%	100%	100%
Global Indemnity Plc	$ 908,290,000	0%	6%	5%		100%	100%
Greenlight Cap. Re.	$ 1,165,151,000	5%	5%	33%	100%	100%	100%
Hartford Financial Services Group	$ 18,720,000,000	21%	5%	9%	89%	63%	81%
Horace Mann Educators Corp	$ 1,336,463,000	13%	7%	7%	100%	47%	55%
Heritage Insurance Holdings	$ 255,089,000	0%	9%	30%	-637%	80%	93%
James River Gp HD	$ 687,921,000	6%	11%	8%	100%	65%	66%
Kingsway Financial Services	$ 37,464,000	33%	2%	3%	100%	100%	100%

Company Name		shareholder equity 4	roe 1	roe 2	roe 3	retention ratio 1	retention ratio 2	retention ratio 3
Kemper Corp	$	2,090,700,000	6%	1%	4%	59%	-193%	42%
Kinsale Capital Group Inc	$	92,586,000	11%	16%	22%	80%	92%	91%
Loews Corp	$	19,280,000,000	6%	4%	1%	93%	87%	65%
Mercury General Corp	$	1,875,446,000	8%	4%	4%	5%	-88%	-83%
Maiden Holdings Ltd	$	925,694,000	19%	5%	14%	52%	-57%	50%
Markel Corp	$	7,594,818,000	4%	6%	8%	100%	100%	100%
Navigators Grp Inc	$	1,027,224,000	3%	7%	8%	84%	95%	95%
National General Hld	$	1,004,694,000	7%	12%	12%	54%	80%	87%
Progressive Corp	$	6,928,600,000	18%	14%	18%	100%	50%	68%
Pro-Assurance Corp	$	2,157,944,000	6%	8%	6%	39%	56%	40%
Everest Re Group	$	7,451,120,000	6%	13%	13%	56%	80%	82%
Rli Corp								
Renaissancere Holdings Ltd	$	3,465,715,000	5%	11%	11%	67%	85%	82%
Selective Ins Group	$	1,275,586,000	10%	11%	12%	78%	79%	81%
TCP Capital Corp	$	731,129,028	8%	10%	8%	-22%	3%	-23%
The Hanover Insurance Group	$	2,844,000,000	6%	5%	12%	100%	48%	78%
Tiptree Fncl Cl A	$	284,462,000	1%	8%	2%	3%	87%	43%
Third Point Reinsurance Ltd Co								
The Travelers Companies Inc	$	24,836,000,000	9%	13%	14%	62%	75%	79%
United Fire Group I	$	817,415,000	5%	5%	11%	100%	51%	76%
United Insurance Hld	$	203,763,000	3%	2%	12%	11%	13%	84%
Universal Insurance Holdings Inc	$	199,916,000	26%	30%	43%	82%	80%	84%
W.R. Berkley Corp	$	4,589,945,000	11%	12%	11%	88%	90%	88%
Alleghany Corp	$	7,473,428,000	1%	6%	7%	100%	100%	100%
Argo Group Intl Hlds	$	1,646,700,000	3%	8%	10%	100%	82%	86%
First American Corp	$	2,572,917,000	13%	12%	11%	62%	62%	62%
Fidelity National Financial	$	5,994,000,000	15%	11%	9%	64%	63%	58%
Stewart Information Services Corp	$	693,185,000	7%	9%	1%	42%	50%	-190%
Arthur J. Gallagher & Co	$	3,229,400,000	12%	11%	10%	39%	34%	28%
AON Plc	$	6,571,000,000	24%	24%	22%	70%	75%	77%
Brown & Brown	$	2,113,745,000	16%	11%	11%	81%	73%	74%
Corvel Cp	$	127,923,000	23%	22%	22%	100%	100%	100%
Ehealth Inc	$	73,478,000	0%	6%	6%		100%	100%
Erie Indemnity Co	$	703,000,000	24%	27%	24%	26%	35%	27%
Fanhua Inc	$	3,210,752,000	13%	5%	6%	69%	13%	35%
Health Insurance Inn	$	38,621,000	27%	10%	2%	69%	-21%	-811%
Marsh & Mclennan Companies	$	7,054,000,000	22%	28%	24%	50%	61%	60%
Willis Towers Wts	$	1,985,000,000	6%	7%	16%	51%	56%	19%
Bluegreen Vacations Corporation	$	228,583,000	0%	30%	30%		7%	23%
Jones Lang Lasalle Inc	$	2,386,797,000	8%	12%	17%	87%	91%	94%
Marcus & Millichap	$	116,809,000	18%	29%	43%	100%	100%	100%
Newmark Group Inc Class A			23%	19%		30%	40%	-3529%
Redfin Corp	$	-	4%	4%	12%	100%	100%	91%
Realogy Holdings Corp	$	2,179,000,000	17%	9%	8%	100%	88%	86%
Re/Max Holdings Inc	$	254,810,000	3%	5%	5%	1%	53%	63%
Marriot Vacations Worldwide Cor	$	1,079,703,000	23%	15%	12%	83%	75%	81%

Company Name	fundamental g 1	fundamental g 2	fundamental g 3	fundamental g	forward dividend yield	forward five year g
A V Homes Inc	5.0%	39.1%	4.1%	16.0%		20.0%
Beazer Homes USA	4.8%	0.7%	75.7%	27.1%		4.0%
Century Communities Inc	8.3%	11.2%	10.3%	9.9%		34.0%
Comstock Hldgs Cos	38.7%	132.2%	199.4%	123.4%		10.0%
D.R. Horton	12.2%	12.1%	12.0%	12.1%	1.2%	21.5%
Green Brick Partners	3.7%	6.4%	5.8%	5.3%		20.0%
Hovnanian Enterprises Inc	77.3%	1.1%	6.2%	28.2%		-37.6%
KB Home	9.4%	5.7%	4.6%	6.6%	0.4%	21.5%
LGI Homes Inc	26.8%	24.9%	24.6%	25.4%		22.9%
M.D.C. Holdings	6.6%	4.2%	1.4%	4.1%	4.3%	16.5%
M/I Homes	10.1%	9.0%	9.0%	9.4%		12.5%
Meritage Corp	9.6%	11.2%	10.9%	10.5%		20.5%
NVR Inc	36.9%	33.4%	32.4%	34.3%		19.0%
New Home Co Llc	6.7%	9.0%	11.8%	9.2%		25.0%
Pultegroup	7.6%	10.2%	7.9%	8.5%	1.5%	44.2%
Taylor Morrison Home Corporatio	8.5%	9.8%	12.2%	10.2%		14.4%
Toll Brothers Inc	11.3%	8.1%	8.0%	9.2%	1.4%	20.1%
Tri Pointe Homes Inc	10.0%	11.2%	13.2%	11.4%		16.8%
William Lyon Homes	6.5%	9.0%	9.5%	8.3%		10.0%
Aflac Incorporated	17.5%	10.5%	10.4%	12.8%	2.2%	8.0%
Assurant Inc	9.6%	10.2%	1.0%	6.9%	2.1%	19.4%
Cno Financial Group	2.5%	7.0%	5.0%	4.8%	1.9%	10.0%
Triple-S Management Corp		2.0%	6.1%	4.1%		10.0%
Principal Financial Group Inc	15.3%	8.7%	8.0%	10.7%	3.5%	7.9%
Unumprovident Corp	8.6%	8.5%	8.1%	8.4%	2.6%	9.0%
Arch Capital Grp Ltd	8.1%	10.9%	8.9%	9.3%		1.9%
American Financial Group	7.1%	11.6%	5.6%	8.1%	1.5%	12.3%
Amtrust Financial	6.8%	11.1%	16.8%	11.6%	4.8%	10.0%
Aspen Insurance Holdings	6.7%	3.8%	8.2%	6.2%	2.3%	16.7%
American International Group	6.9%	-0.6%	1.2%	2.5%	2.4%	34.6%
Allstate Corp	12.9%	6.9%	8.1%	9.3%	1.8%	12.8%
Amerisafe Inc	10.5%	14.1%	13.1%	12.6%	1.4%	10.0%
Axis Capital Holdings	7.6%	6.6%	9.3%	7.8%	2.7%	5.0%
Blue Capital Reinsurance Holdi	22.7%	3.4%	7.0%	11.0%	11.6%	-5.1%
Berkshire Hath Hld Cl B	14.3%	9.0%	9.7%	11.0%		8.8%
Chubb Ltd	5.1%	7.7%	6.7%	6.5%	2.1%	9.9%
Cincinnati Financial	9.5%	4.2%	5.3%	6.3%	2.8%	4.9%
Cna Financial Corp	5.0%	0.4%	-2.7%	0.9%	3.1%	5.8%
Employers Holdings Inc	11.3%	11.9%	12.0%	11.7%	1.8%	10.0%
Enstar Group Ltd	10.5%	10.0%	9.1%	9.9%		10.0%
Global Indemnity Plc		6.4%	5.0%	5.7%	2.7%	10.0%
Greenlight Cap. Re.	5.3%	5.3%	32.8%	14.5%		10.0%
Hartford Financial Services Group	18.4%	3.3%	7.5%	9.7%	2.4%	19.7%
Horace Mann Educators Corp	12.6%	3.1%	3.9%	6.5%	2.6%	12.7%
Heritage Insurance Holdings	-1.9%	7.6%	28.0%	11.2%	1.7%	
James River Gp HD	6.3%	7.0%	5.2%	6.2%	2.9%	
Kingsway Financial Services	32.7%	1.6%	2.8%	12.4%		10.0%

Company Name	fundamental g 1	fundamental g 2	fundamental g 3	fundamental g	forward dividend yield	forward five year g
Kemper Corp	3.5%	-1.6%	1.8%	1.2%	1.2%	10.0%
Kinsale Capital Group Inc	8.9%	14.9%	19.6%	14.4%	0.5%	15.0%
Loews Corp	5.8%	3.2%	0.9%	3.3%	0.5%	11.5%
Mercury General Corp	0.4%	-3.6%	-3.3%	-2.2%	5.0%	37.9%
Maiden Holdings Ltd	9.8%	-2.9%	6.9%	4.6%	6.9%	12.0%
Markel Corp	4.4%	5.6%	7.6%	5.8%		16.5%
Navigators Grp Inc	2.8%	6.9%	7.3%	5.7%	0.4%	8.0%
National General Hld	3.8%	10.0%	10.8%	8.2%	0.6%	15.0%
Progressive Corp	18.5%	6.7%	12.2%	12.4%	1.6%	24.7%
Pro-Assurance Corp	2.4%	4.5%	2.3%	3.1%	2.7%	27.3%
Everest Re Group	3.2%	10.2%	10.7%	8.0%	2.3%	40.9%
Rli Corp					1.2%	9.8%
Renaissancere Holdings Ltd	3.5%	9.8%	9.1%	7.5%	1.0%	10.0%
Selective Ins Group	8.1%	8.5%	10.1%	8.9%	1.2%	13.1%
TCP Capital Corp	-1.8%	0.3%	-1.9%	-1.1%	10.1%	5.0%
The Hanover Insurance Group	6.4%	2.6%	9.0%	6.0%	1.8%	-1.1%
Tiptree Fncl Cl A	0.0%	7.3%	0.8%	2.7%	2.2%	
Third Point Reinsurance Ltd Co						15.0%
The Travelers Companies Inc	5.4%	9.6%	11.1%	8.7%	2.4%	17.2%
United Fire Group I	5.3%	2.8%	8.0%	5.4%	2.6%	10.0%
United Insurance Hld	0.3%	0.3%	10.4%	3.7%	1.1%	20.0%
Universal Insurance Holdings Inc	21.6%	24.0%	36.3%	27.3%	1.4%	
W.R. Berkley Corp	9.2%	11.2%	9.7%	10.0%	0.8%	15.2%
Alleghany Corp	1.1%	5.9%	7.5%	4.8%		8.5%
Argo Group Intl Hlds	2.8%	6.9%	8.5%	6.1%	1.7%	7.0%
First American Corp	8.1%	7.3%	6.7%	7.4%	3.3%	12.5%
Fidelity National Financial	9.4%	7.0%	5.2%	7.2%	3.1%	13.7%
Stewart Information Services Corp	3.1%	4.4%	-1.8%	1.9%	2.7%	5.0%
Arthur J. Gallagher & Co	4.7%	3.9%	2.9%	3.8%	2.2%	12.8%
AON Plc	17.1%	18.3%	16.9%	17.4%	1.0%	13.2%
Brown & Brown	13.0%	8.3%	8.4%	9.9%	1.0%	10.0%
Corvel Cp	23.0%	21.8%	22.0%	22.3%		
Ehealth Inc		6.3%	6.4%	6.3%		15.0%
Erie Indemnity Co	6.1%	9.4%	6.5%	7.3%	2.7%	10.0%
Fanhua Inc	8.7%	0.6%	2.2%	3.8%	3.7%	7.7%
Health Insurance Inn	18.7%	-2.2%	-12.4%	1.4%		10.4%
Marsh & Mclennan Companies	11.1%	17.1%	14.3%	14.1%	2.0%	11.0%
Willis Towers Wts	2.9%	4.1%	3.1%	3.4%	1.7%	12.0%
Bluegreen Vacations Corporation		2.0%	6.7%	4.4%	3.9%	-6.0%
Jones Lang Lasalle Inc	7.3%	10.5%	16.3%	11.4%	0.6%	10.4%
Marcus & Millichap	18.0%	28.9%	43.4%	30.1%		6.0%
Newmark Group Inc Class A	6.9%	7.5%		7.2%	3.4%	13.4%
Redfin Corp	3.8%	4.3%	11.1%	6.4%		5.0%
Realogy Holdings Corp	17.0%	7.7%	6.9%	10.5%	1.8%	20.0%
Re/Max Holdings Inc	0.0%	2.6%	2.9%	1.8%	1.8%	7.0%
Marriot Vacations Worldwide Cor	19.3%	10.9%	9.6%	13.3%	1.6%	21.5%

Company Name	back five year g	leverage factor	forward five year g clean	back five year g clean	fundamen tal g clean	g average	dcf levered
A V Homes Inc	41.5%	0.61			16.0%	16.0%	
Beazer Homes USA	-16.4%	0.61	4.0%			4.0%	
Century Communities Inc	28.1%	0.61			9.9%	9.9%	
Comstock Hldgs Cos		0.61	10.0%			10.0%	
D.R. Horton	22.6%	0.61			12.1%	12.1%	13%
Green Brick Partners	36.9%	0.61			5.3%	5.3%	
Hovnanian Enterprises Inc	56.8%	0.61					
KB Home	26.4%	0.61			6.6%	6.6%	7%
LGI Homes Inc	47.0%	0.61					
M.D.C. Holdings	15.4%	0.61	16.5%	15.4%	4.1%	12.0%	16%
M/I Homes	24.3%	0.61	12.5%		9.4%	10.9%	
Meritage Corp	6.8%	0.61		6.8%	10.5%	8.7%	
NVR Inc	31.8%	0.61	19.0%			19.0%	
New Home Co Llc	-2.1%	0.61			9.2%	9.2%	
Pultegroup	20.5%	0.61			8.5%	8.5%	10%
Taylor Morrison Home Corporatio	3.5%	0.61	14.4%	3.5%	10.2%	9.4%	
Toll Brothers Inc	24.9%	0.61			9.2%	9.2%	11%
Tri Pointe Homes Inc	21.4%	0.61	16.8%		11.4%	14.1%	
William Lyon Homes	8.7%	0.61	10.0%	8.7%	8.3%	9.0%	
Aflac Incorporated	5.0%	0.77	8.0%	5.0%	12.8%	8.6%	11%
Assurant Inc	2.1%	0.77	19.4%	2.1%	6.9%	9.5%	12%
Cno Financial Group	9.9%	0.77	10.0%	9.9%	4.8%	8.2%	10%
Triple-S Management Corp	18.9%	0.77	10.0%	18.9%	4.1%	11.0%	
Principal Financial Group Inc	7.1%	0.77	7.9%	7.1%	10.7%	8.6%	12%
Unumprovident Corp	7.8%	0.77	9.0%	7.8%	8.4%	8.4%	11%
Arch Capital Grp Ltd	7.4%	0.96	1.9%	7.4%	9.3%	6.2%	
American Financial Group	13.9%	0.96	12.3%	13.9%	8.1%	11.4%	13%
Amtrust Financial	-5.5%	0.96	10.0%		11.6%	10.8%	16%
Aspen Insurance Holdings	-9.0%	0.96	16.7%		6.2%	11.5%	14%
American International Group	-3.2%	0.96			2.5%	2.5%	5%
Allstate Corp	9.2%	0.96	12.8%	9.2%	9.3%	10.4%	12%
Amerisafe Inc	8.1%	0.96	10.0%	8.1%	12.6%	10.2%	12%
Axis Capital Holdings	-6.1%	0.96	5.0%		7.8%	6.4%	9%
Blue Capital Reinsurance Holdi	-10.9%	0.96			11.0%	11.0%	23%
Berkshire Hath Hld Cl B		0.96	8.8%		11.0%	9.9%	
Chubb Ltd	0.9%	0.96	9.9%	0.9%	6.5%	5.8%	8%
Cincinnati Financial	3.4%	0.96	4.9%	3.4%	6.3%	4.9%	8%
Cna Financial Corp	1.1%	0.96	5.8%	1.1%	0.9%	2.6%	6%
Employers Holdings Inc	30.9%	0.96	10.0%		11.7%	10.9%	13%
Enstar Group Ltd	17.3%	0.96	10.0%	17.3%	9.9%	12.4%	
Global Indemnity Plc	21.2%	0.96	10.0%		5.7%	7.9%	11%
Greenlight Cap. Re.	11.8%	0.96	10.0%	11.8%	14.5%	12.1%	
Hartford Financial Services Group	3.6%	0.96	19.7%	3.6%	9.7%	11.0%	13%
Horace Mann Educators Corp	-17.1%	0.96	12.7%		6.5%	9.6%	12%
Heritage Insurance Holdings	-3.3%	0.96			11.2%	11.2%	13%
James River Gp HD	-4.7%	0.96			6.2%	6.2%	9%
Kingsway Financial Services		0.96	10.0%		12.4%	11.2%	

Company Name	back five year g	leverage factor	forward five year g clean	back five year g clean	fundamental g clean	g average	dcf levered
Kemper Corp	2.1%	0.96	10.0%	2.1%	1.2%	4.4%	6%
Kinsale Capital Group Inc		0.96	15.0%		14.4%	14.7%	15%
Loews Corp	1.3%	0.96	11.5%	1.3%	3.3%	5.4%	6%
Mercury General Corp	-22.5%	0.96					
Maiden Holdings Ltd	-4.4%	0.96	12.0%		4.6%	8.3%	15%
Markel Corp	10.4%	0.96	16.5%	10.4%	5.8%	10.9%	
Navigators Grp Inc	6.8%	0.96	8.0%	6.8%	5.7%	6.8%	7%
National General Hld	-1.3%	0.96	15.0%		8.2%	11.6%	12%
Progressive Corp	16.5%	0.96		16.5%	12.4%	14.5%	16%
Pro-Assurance Corp	-12.2%	0.96			3.1%	3.1%	6%
Everest Re Group	-4.8%	0.96			8.0%	8.0%	10%
Rli Corp	-10.6%	0.96	9.8%			9.8%	11%
Renaissancere Holdings Ltd	-5.7%	0.96	10.0%		7.5%	8.7%	10%
Selective Ins Group	14.9%	0.96	13.1%	14.9%	8.9%	12.3%	13%
TCP Capital Corp	0.1%	0.96	5.0%	0.1%		2.5%	13%
The Hanover Insurance Group	-0.8%	0.96			6.0%	6.0%	8%
Tiptree Fncl Cl A		0.96			2.7%	2.7%	5%
Third Point Reinsurance Ltd Co	1.3%	0.96	15.0%	1.3%		8.1%	
The Travelers Companies Inc	-5.3%	0.96	17.2%		8.7%	13.0%	15%
United Fire Group I	-8.2%	0.96	10.0%		5.4%	7.7%	10%
United Insurance Hld	0.8%	0.96		0.8%	3.7%	2.2%	3%
Universal Insurance Holdings Inc	13.2%	0.96		13.2%		13.2%	15%
W.R. Berkley Corp	-3.1%	0.96	15.2%		10.0%	12.6%	13%
Alleghany Corp	5.3%	0.96	8.5%	5.3%	4.8%	6.2%	
Argo Group Intl Hlds	12.0%	1.09	7.0%	12.0%	6.1%	8.3%	10%
First American Corp	21.3%	1.09	12.5%		7.4%	10.0%	13%
Fidelity National Financial	7.4%	1.09	13.7%	7.4%	7.2%	9.4%	13%
Stewart Information Services Corp	-0.7%	1.09	5.0%		1.9%	3.4%	6%
Arthur J. Gallagher & Co	10.7%	0.89	12.8%	10.7%	3.8%	9.1%	11%
AON Plc	10.5%	0.89	13.2%	10.5%	17.4%	13.7%	15%
Brown & Brown	8.4%	0.89	10.0%	8.4%	9.9%	9.5%	10%
Corvel Cp	4.5%	0.89		4.5%		4.5%	
Ehealth Inc	1.8%	0.89	15.0%	1.8%	6.3%	7.7%	
Erie Indemnity Co	9.4%	0.89	10.0%	9.4%	7.3%	8.9%	12%
Fanhua Inc	-11.9%	0.89	7.7%		3.8%	5.8%	9%
Health Insurance Inn	41.6%	0.89	10.4%		1.4%	5.9%	
Marsh & Mclennan Companies	13.4%	0.89	11.0%	13.4%	14.1%	12.8%	15%
Willis Towers Wts	50.8%	0.89	12.0%		3.4%	7.7%	9%
Bluegreen Vacations Corporation		0.99			4.4%	4.4%	8%
Jones Lang Lasalle Inc	5.0%	0.99	10.4%	5.0%	11.4%	8.9%	9%
Marcus & Millichap	11.1%	0.99	6.0%	11.1%		8.5%	
Newmark Group Inc Class A		0.99	13.4%		7.2%	10.3%	14%
Redfin Corp		0.99	5.0%		6.4%	5.7%	
Realogy Holdings Corp	7.2%	0.99		7.2%	10.5%	8.9%	11%
Re/Max Holdings Inc	10.8%	0.99	7.0%	10.8%	1.8%	6.5%	8%
Marriot Vacations Worldwide Cor	25.2%	0.99			13.3%	13.3%	15%

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Appendix 1:
Working Draft Petition and Rate Rule Proposals

TDI DOCKET NO. ___________

IN THE MATTER OF THE	§	**BEFORE THE**
	§	
	§	
PERIODIC TITLE INSURANCE RATE RULEMAKING HEARING,	§	**COMMISSIONER OF INSURANCE FOR**
	§	
	§	
	§	
TEXAS LAND TITLE ASSOCIATION	§	**THE STATE OF TEXAS**

PETITION TO HOLD THE PERIODIC TITLE INSURANCE RATE RULEMAKING HEARING AND FOR THE ADOPTION OF RULES

TO THE HONORABLE KENT SULLIVAN, COMMISSIONER OF INSURANCE:

In accordance with TEX. GOV'T CODE § 2001.021, TEX. INS. CODE §§ 2703.202 and 2703.203, and 28 TEX. ADMIN. CODE § 1.202, the Texas Land Title Association files this petition to hold the Periodic Title Insurance Rate Hearing as a rulemaking proceeding and to adopt proposed amendments to 28 TEX. ADMIN. CODE § 9.1.

1. TLTA, the Petitioner, has retained Burton & Bedell, P.L.L.C. to represent the association in the above referenced matter. Cass Burton will serve as the attorney of record. The law firm's mailing address, telephone number, and facsimile number are contained in the signature line below.

2. TLTA is an association composed of approximately 85 percent—well over the required 50 percent—of the number of title insurance agents and title insurance companies licensed or authorized by the department; and, on behalf of its membership, TLTA requests that the commissioner hold a rulemaking proceeding to fix and promulgate a new title insurance premium rate pursuant to TEX. INS. CODE § 2703.202(b).

3. TLTA requests that the commissioner adopt the proposed amendments to 28 TEX. ADMIN. CODE § 9.1, attached and incorporated into this petition by reference, and promulgate the *Schedule of Basic Premium Rates for Title Insurance*, attached as Appendix A; amend Rate Rule R-5, attached as Appendix B; amend Rate Rule R-8, attached as Appendix C; and, amend Rate Rule R-20, attached as Appendix D, all to be made part of the *Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

4. TLTA prays that the commissioner will assign this petition a reference number, provide a copy to the appropriate department staff for review and response, and notify the Petitioner via the attorney of record of

the name, address, and telephone number of the staff person reviewing the proposal and designated as contact person for inquiries, as well as the reference number assigned to the petition.

5. TLTA has provided a copy of its analysis and recommendations to department staff.

6. TLTA invites informal conferences with department staff to obtain the opinions and advice of interested persons about the contemplated rulemaking as per TEX. GOV'T CODE § 2001.031.

7. TLTA prays that the commissioner will instruct the Office of the Chief Clerk to submit the proposed rules as recommended by the petitioner to the *Texas Register* for publication and that the commissioner will publish a Notice of Public Hearing to consider the adoption of title insurance rates and these other matters that relate to regulating the business of title insurance.

The Texas Land Title Association respectfully requests that the Commissioner of Insurance grant this petition and award the relief requested.

Respectfully submitted,

____

Cass Burton
Burton & Bedell, P.L.L.C.
105 West 8th Street
Austin, Texas 78701
Tel: 512-705-8880
Fax: 512-354-7401
SBN: 24040613

ATTORNEY FOR THE
TEXAS LAND TITLE ASSOCIATION

CERTIFICATE OF SERVICE

In accordance with 28 TEX. ADMIN. CODE § 1.202, I certify that on November __, 2018, a true and correct copy of this petition, the proposed rules, and Appendices A through D have been sent to the following parties:

Amanda Brown, Deputy Chief Clerk
Office of the Chief Clerk
Texas Department of Insurance, MC 113-2A
P.O. Box 149104
Austin, Texas 78714-9104
VIA FAX AT 512-490-1064

Melissa Hamilton, Public Counsel & Executive Director
Office of Public Insurance Counsel
333 Guadalupe, Suite 3-120
Austin, Texas 78701
VIA FAX AT 512-322-4148

____
Cass Burton

TITLE 28. INSURANCE
PART 1. TEXAS DEPARTMENT OF INSURANCE
CHAPTER 9. TITLE INSURANCE
SUBCHAPTER A. BASIC MANUAL OF RULES, RATES AND FORMS FOR THE WRITING OF TITLE INSURANCE IN THE STATE OF TEXAS
28 TAC §9.1

1. Introduction. The Texas Land Title Association proposes amendments to 28 TEX. ADMIN. CODE § 9.1 concerning the rate to be charged for title insurance policies written in the State of Texas and certain other matters relating to regulating the business of title insurance. These amendments are necessary to implement the indicated rate changes and adopt the *Schedule of Basic Premium Rates for Title Insurance*, attached and incorporated by reference as Appendix A, as part of the *Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*. These amendments are also necessary to implement changes to the rate-related rules: Rate Rule R-5, attached and incorporated by reference as Appendix B; Rate Rule R-8, attached and incorporated by reference as Appendix C; and, Rate Rule R-20, attached and incorporated by reference as Appendix D. TLTA requests that the commissioner adopt the *Schedule* and rate-related rules to be effective on the ninetieth day from the entry date of the order, or on September 1, 2019, whichever is the later date.

The proposed amendments in Appendix A require title insurance companies and title insurance agents to charge the rate as fixed and promulgated by the commissioner. The rate is calculated based on formulas in the *Schedule*. Title insurance companies and title insurance agents may not charge a rate different from that set by the commissioner.

The proposed amendments to Rate Rule R-5 in Appendix B would extend the simultaneous rate credit for 90 days when a Loan Policy with a face value of $5,000,000 or more is issued within the timeframe on the same property covered by the previous Owner's Policy. The premium is $100 for each Loan Policy under these circumstances.

The proposed amendments to Rate Rule R-8 in Appendix C would simplify and expand the credit on a Mortgagee Policy on a loan to take up, renew, extend, or satisfy an existing lien that is already insured by a Mortgagee Policy, most commonly referred to as a refinance credit. Instead of six different credits over seven years, there would be two over eight years: a 50% refinance credit if the Mortgagee Policy is issued within four years from the date of the Mortgagee Policy insuring the old mortgage; and, a 25% refinance credit for the period of time between four and eight years.

The proposed amendments to Rate Rule R-20 in Appendix D would extend the period for receiving a credit where an Owner's Policy with a face amount of $5,000,000 or more was issued from one to two years after completion of improvements on the same land or a portion of it and addresses the simultaneous issue rate for the Loan Policy.

2. Public Benefits and Costs. TLTA anticipates public benefits to industry and consumers alike for each of the first five years the proposed amendments are in effect. By adopting the proposed rate change, the commissioner provides title insurance companies and title insurance agents with an adequate and reasonable rate of return. The proposed rate is adequate to pay for anticipated losses, generates enough revenue to cover the expected costs of operating a title business, and promises a reasonable amount of profit. The proposed rate and expanded credits also benefits consumers by reducing the cost of title insurance.

By adopting the proposed rate change, the commissioner also offers important protections to consumers and purchasers of title insurance. An adequate provision for losses and the associated expenses makes it possible to investigate claims, indemnify the purchaser of title insurance, and institute legal proceedings to clear their title. An adequate provision for expenses ensures reliable, consistent, and efficient service. It prevents losses. An adequate provision for profit creates market stability, attracts capital, and encourages long-term investments in the title industry. It prevents insolvencies. It ensures the safety of funds and the security of the real estate closing.

A rate change does impose costs on title insurance companies, title insurance agents, and software vendors. A rate decrease and expanded credits reduces revenue to title insurance firms. The following category of costs will also be incurred: technology (e.g., software programming and redevelopment), printing, labor, and training. Title insurance companies must update software, which includes, variously, rate and fee calculators, accounting, policy production, and escrow/title systems. Title insurance agents may also incur technology costs for updating internal policy production and escrow/title systems, depending variously on the licensee's reliance on the sponsoring underwriter or software vendor. Software vendors that provide business solutions to the title insurance industry will expend funds on software redevelopment. Title insurance companies and agents will pay for new rate cards and the printing of training materials. Underwriters, agents, and software vendors alike will incur labor costs. The number of full time employees required to perform these tasks is largely dependent on the size of the entity (estimates have ranged from one to three full time employees). Some training programs are conducted in-house, others are provided by software vendors for a fee.

There should be no adverse economic impact on small or micro-business. TLTA suggests that it is neither legal nor feasible to waive the requirements of the rules for small or micro-businesses; because, in accordance with TEX. INS. CODE § 2703.151(c), a premium may not be charged for a title insurance policy or for another prescribed or approved form at a rate different than the rate fixed and promulgated by the commissioner. All title insurance agents and title insurance companies, regardless of size, must charge the same rate and offer the same credits.

3. Text.

§9.1. Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas.

The Texas Department of Insurance adopts by reference the Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas as amended effective September 1, 2019 [~~June 10, 2018~~]. The document is available from and on file at the Texas Department of Insurance, Mail Code 104-PC, P.O. Box 149104, Austin, Texas 78714-9104. The document is also available on the TDI website at www.tdi.texas.gov, and by email from ChiefClerk@tdi.texas.gov.

4. Statutory Authority. The amendments are proposed under TEX. INS. CODE §§ 31.021(b), 36.001, 36.110, 2501.002, and 2551.003(a), 2703.001(b), 2703.151, 2703.202(b) – (c), 2703.203, and 2703.206; and, TEX. GOV'T CODE §§ 2001.021 – 2001.041. Insurance Code, Section 31.021(b) vests the commissioner with the statutory powers and duties of the department. Insurance Code, Section 36.001 provides that the commissioner may adopt any rules necessary and appropriate to implement the powers and duties of the department under the Insurance Code and other laws of this state. Insurance Code, Section 36.110 allows the commissioner to engage in negotiated rulemaking under Chapter 2008, Government Code. Insurance Code, Section 2501.002 explicitly states the legislative intent to completely regulate the business of title insurance, and Insurance Code, Section 2551.003(a) grants the commissioner rulemaking authority over the business of title insurance. Insurance Code, Chapter 2703 describes the commissioner's powers in additional detail. Insurance Code, Section 2703.001(b) states that the commissioner supervises and oversees the title insurance industry. Insurance Code, Section

2703.151 provides that the commissioner shall fix and promulgate premium rates to be charged by a title insurance agent or title insurance company for title insurance policies or for other forms prescribed and approved by the commissioner. Insurance Code, Section 2703.202(b) provides that the commissioner shall order a public hearing to consider charging a premium rate on written request of an association composed of at least 50 percent of the number of title insurance agents and title insurance companies licensed by the department; Insurance Code, Section 2703.203 provides that the commissioner shall hold a public hearing not earlier than July 1 after the fifth anniversary of the closing of a hearing held under this chapter to consider adoption of premium rates and other matters relating to regulating the business of title insurance; and, Insurance Code, Section 2703.206 provides that the commissioner may hold a hearing to consider the adoption of premium rates as the commissioner determines necessary. Insurance Code, Section 2703.202(c) provides that the commissioner shall hold a public hearing as a rulemaking hearing under Subchapter B, Chapter 2001, Government Code. Government Code, Sections 2001.021 to 2001.041 provides the procedures for proposing and adopting a rule under the Administrative Procedures Act.

5. Cross Reference to Statute. The following statutes are related to this proposal: Insurance Code, Chapters 2501 and 2703.

Submitted to the Texas Department of Insurance on the __th day of November, 2018 by:

____
Cass Burton
Burton & Bedell, P.L.L.C.
105 West 8th Street
Austin, Texas 78701
Tel: 512-705-8880
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SBN: 24040613

ATTORNEY FOR THE
TEXAS LAND TITLE ASSOCIATION

APPENDIX A

Schedule of Basic Premium Rates for Title Insurance

effective

12:01 a.m. September 1, 2019

TEXAS TITLE INSURANCE PREMIUM RATES

EFFECTIVE SEPTEMBER 1, 2019

Policies Up To And Including	Basic Premium	Policies Up To And Including	Basic Premium	Policies Up To And Including	Basic Premium	Policies Up To And Including	Basic Premium
25,000	333	44,000	463	63,000	593	82,000	723
25,500	336	44,500	466	63,500	596	82,500	726
26,000	340	45,000	470	64,000	600	83,000	730
26,500	343	45,500	473	64,500	603	83,500	733
27,000	347	46,000	477	65,000	607	84,000	736
27,500	350	46,500	480	65,500	610	84,500	740
28,000	354	47,000	483	66,000	613	85,000	743
28,500	357	47,500	487	66,500	617	85,500	747
29,000	360	48,000	490	67,000	620	86,000	750
29,500	364	48,500	494	67,500	624	86,500	754
30,000	367	49,000	497	68,000	627	87,000	757
30,500	371	49,500	501	68,500	630	87,500	760
31,000	374	50,000	504	69,000	634	88,000	764
31,500	377	50,500	507	69,500	637	88,500	767
32,000	381	51,000	511	70,000	641	89,000	771
32,500	384	51,500	514	70,500	644	89,500	774
33,000	388	52,000	518	71,000	648	90,000	777
33,500	391	52,500	521	71,500	651	90,500	781
34,000	395	53,000	524	72,000	654	91,000	784
34,500	398	53,500	528	72,500	658	91,500	788
35,000	401	54,000	531	73,000	661	92,000	791
35,500	405	54,500	535	73,500	665	92,500	795
36,000	408	55,000	538	74,000	668	93,000	798
36,500	412	55,500	542	74,500	671	93,500	801
37,000	415	56,000	545	75,000	675	94,000	805
37,500	418	56,500	548	75,500	678	94,500	808
38,000	422	57,000	552	76,000	682	95,000	812
38,500	425	57,500	555	76,500	685	95,500	815
39,000	429	58,000	559	77,000	689	96,000	818
39,500	432	58,500	562	77,500	692	96,500	822
40,000	436	59,000	565	78,000	695	97,000	825
40,500	439	59,500	569	78,500	699	97,500	829
41,000	442	60,000	572	79,000	702	98,000	832
41,500	446	60,500	576	79,500	706	98,500	836
42,000	449	61,000	579	80,000	709	99,000	839
42,500	453	61,500	583	80,500	713	99,500	842
43,000	456	62,000	586	81,000	716	100,000	846
43,500	460	62,500	589	81,500	719		

Premiums shall be calculated as follows for policies in excess of $100,000

1. For policies of $100,001 to $1,000,000
Basic Premium
(1) Subtract $100,000 from the policy amount
(2) Multiply result in 1.(1) by $0.00535 and round to the nearest whole dollar
(3) Add $846 to the result in 1.(2).

2. For policies of $1,000,001 to $5,000,000 Basic Premium
(1) Subtract $1,000,000 from the policy amount
(2) Multiply result in 2.(1) by $0.00440 and round to the nearest whole dollar
(3) Add $5,661 to the result in 2.(2).

3. For policies of $5,000,001 to $15,000,000 Basic Premium
(1) Subtract $5,000,000 from the policy amount
(2) Multiply result in 3.(1) by $0.00363 and round to the nearest whole dollar
(3) Add $23,261 to the result in 3.(2).

4. For policies of $15,000,001 to $25,000,000
Basic Premium
(1) Subtract $15,000,000 from the policy amount
(2) Multiply result in 4.(1) by $0.00257 and round to the nearest whole dollar
(3) Add $59,561 to the result in 4.(2).

5. For policies of $25,000,001 to $50,000,000
Basic Premium
(1) Subtract $25,000,000 from the policy amount
(2) Multiply result in 5.(1) by $0.00155 and round to the nearest whole dollar
(3) Add $85,261 to the result in 5.(2).

6. For policies of $50,000,001 to $100,000,000
Basic Premium
(1) Subtract $50,000,000 from the policy amount
(2) Multiply result in 6.(1) by $0.00140 and round to the nearest whole dollar
(3) Add $124,011 to the result in 6.(2).

7. For policies of $100,000,001 or More
Basic Premium
(1) Subtract $100,000,000 from the policy amount
(2) Multiply result in 7.(1) by $0.00126 and round to the nearest whole dollar
(3) Add $194,011 to the result in 7.(2).

APPENDIX B

Rate Rule R-5

R-5. Simultaneous Issuance of Owner's and Loan Policies

THIS RULE MAY NOT BE APPLIED in connection with the issuance of a series of Loan Policies issued by reason of notes being apportioned to individual units in connection with a master policy covering the aggregate indebtedness, including improvements. Individual Loan Policies must be issued at the Basic Rate.

A. Except as otherwise provided in this rule, when an Owner's Policy and Loan Policy(ies) are issued simultaneously, bearing the same date, and covering the same land, or a portion thereof, covered by the Owner's Policy and covering no other land, the Owner's Policy showing the lien(s) as an exception therein shall be issued at the Basic Rate, and the premium for the Loan Policy(ies) shall be $100.00 each.

B. Should the amount of the Loan Policy(ies) exceed the amount of the Owner's Policy, the Basic Rate shall be charged for the Owner's Policy and the premium for the Loan Policy(ies) shall be at the Basic Rate plus $100.00 for each Loan Policy, less the Basic Rate for the Owner's Policy.

C. If an Owner's Policy or Policies were previously issued:

   1. Covering the identical property to be covered by the Owner's Policy to be issued and
   2. The Owner's Policy is to be issued in accordance with P-8a and
   3. Within four (4) years after the date of the previously issued Owner's Policy or Policies and
   4. There has been no change in ownership of such property, credit shall be given against the premium of the Owner's Policy to be issued as provided in Rate Rule R-3; however, in no event shall the premium collected for such Owner's Policy be less than the regular minimum promulgated rate for an Owner's Policy.

D. An insured under an existing Owner's Policy or Policies not issued in accordance with P-8a may, after completion of improvements on the property insured, receive credit as provided in Rate Rule R-3 toward a new Owner's Policy in an amount greater than the existing Owner's Policy or Policies; however, in no event may the Owner's Policy be issued for less than the minimum promulgated basic premium rate.

   This subsection applies only if, in addition to the criteria established in R-5.C. (1), (3) and (4) above, the land is residential property.

E. When an Owner's Policy meeting the requirements of Rule R-2(b) is issued in the manner provided in Rule P-8a, and is issued simultaneously with a Loan Policy described in Rule R-2(a), bearing the same date, and covering the same land covered by the Loan Policy, or a portion thereof, and covering no other land, the premium for the Owner's Policy shall be $100.00. Should the amount of the Owner's Policy exceed the amount of the Loan Policy, the premium for the Owner's Policy shall be at the Basic

Rate plus $100.00 less the Basic Rate (to be paid as provided in Rule R-2(a)) for the Loan Policy.

In the application of this rule, if an Owner's Policy or Policies were previously issued covering the identical property to be covered by the owner's Policy to be issued and provided there has been no change in ownership of such property, credit shall be given against the premium for the Loan Policy to be issued as provided in R-3.

F. When a Loan Policy(ies) is issued within 90 days of the Policy Date of the Owner's Policy with a face amount of $5,000,000 or more, bearing the date and time of recording of the insured instrument, and covering the same land, or a portion thereof, covered by the Owner's Policy and covering no other land, and there has been no change in ownership of the property, the premium for the Loan Policy(ies) shall be $100.00 each. In the application of this rule, should the amount of the Loan Policy(ies) exceed the amount of the Owner's Policy, the premium for the Loan Policy(ies) shall be at the Basic Rate plus $100.00 for each Loan Policy, less the Basic Rate for the Owner's Policy.

Justification

The vibrant Texas real estate market often demands quick closings. Purchasers are regularly chosen based on their commitment to close more timely than other proposed purchasers. Often closings must occur more rapidly than a traditional Lender can obtain the required appraisals and inspections and fully approve and document the proposed loan transaction. Purchasers choose to close with cash to ensure the acquisition and place financing on the property at a later date when the financing is documented. Having an extended simultaneous issue rate to allow for subsequent financing will allow consumers to close their loan shortly after their purchase and not be unduly financially penalized with title insurance premiums.

APPENDIX C

Rate Rule R-8

R-8. Mortgagee Policy, on a Loan to Take Up, Renew, Extend or Satisfy an Existing Lien(s)

On a Mortgagee Policy, issued on a loan to fully take up, renew, extend or satisfy an old mortgage(s) that is already insured by a Mortgagee Policy(ies), the new policy being in the amount of the note of the new mortgage, the premium for the new policy shall be at the Basic Rate, but a credit shall reduce the premium by the following amount:

A. [~~40%~~] 50% of the premium calculated at the current rate on the written payoff balance of the old mortgage, such renewal occurring within [~~two (2)~~] four (4) years from the date of the Mortgagee Policy insuring the old mortgage;
B. [~~35%~~] 25% of the premium calculated at the current rate on the written payoff balance of the old mortgage, such renewal occurring more than [~~two (2)~~] four (4) years but less than [~~three (3)~~] eight (8) years from the date of the Mortgagee Policy insuring the old mortgage;
~~C.~~ [~~30% of the premium calculated at the current rate on the written payoff balance of the old mortgage, such renewal occurring more than three (3) years but less than four (4) years from the date of the Mortgagee Policy insuring the old mortgage;~~
~~D. 25% of the premium calculated at the current rate on the written payoff balance of the old mortgage, such renewal occurring more than four (4) years but less than five (5) years from the date of the Mortgagee Policy insuring the old mortgage;~~
~~E. 20% of the premium calculated at the current rate on the written payoff balance of the old mortgage, such renewal occurring more than five (5) years but less than six (6) years from the date of the Mortgagee Policy insuring the old mortgage;~~
F. ~~15% of the premium calculated at the current rate on the written payoff balance of the old mortgage, such renewal occurring more than six (6) years but less than seven (7) years from the date of the Mortgagee Policy insuring the old mortgage.~~]

After the lapse of [~~seven (7)~~] eight (8) years from the date of the Mortgagee Policy insuring the old mortgage, the Basic Rate shall apply.

Where more than one chain of title, as the term "chain of title" is from time to time defined by the Commissioner, was involved in the issuance of the original policy(ies), and the new policy includes one or more of such additional chains of title involved in the issuance of the original policy(ies), an additional premium charge as established by the Commissioner shall be added for each additional chain of title involved. (See Rule R-9 for definition of "additional chain.")

On Mortgagee Policies, issued on multiple loans to fully take up, renew, extend or satisfy an old mortgage insured by a single Mortgagee Policy, the new policies being in the amount of the new mortgages, the premium for the larger Mortgagee Title Policy shall be at the Basic Rate, but a credit shall be allowed upon the premium as set forth previously in this rule. The premium for the remaining new Mortgagee Title Policy(ies) shall be at the Basic Rate. A credit shall still be allowed upon the premium as set forth in this rule even if not all of the new loans are insured or if only one of the new loans is insured. The reduction in rate as herein prescribed shall not apply to any case where any additional property not covered by the original policy(ies) is included in the policy to be issued.

In the calculation of the credit, the amount from the written payoff balance shall not exceed 100% of the original amount of the old mortgage. In no event shall the premium collected be less than the regular minimum promulgated rate for a Mortgagee Policy.

THIS RULE MAY NOT BE APPLIED in connection with the issuance of a series of Mortgagee Policies issued by reason of notes being apportioned to individual units in connection with a master policy covering the aggregate indebtedness, including improvements. Individual Mortgagee Policies must be issued at the Basic Rate.

Justification

Many escrow officers have expressed concern with the complexity of refinance credit. Consumers and closers alike would benefit from a more simplified approach. Technology combined with streamlined processes in the refinance context has also resulted in increased productivity, examination efficiency and reduced loss risk. These considerations warrant an extension of the refinance credits. An expansion of the refinance credit availability and an increase in the discount will benefit all consumers for all property types.

APPENDIX D

Rate Rule R-20

R-20. Owner's Policy After Construction Period

When an Owner's Policy has been issued in the manner provided in Rule P-8.A. with a face amount of $5,000,000 or more and the premium for said Owner's Policy has been paid in full, upon completion of the improvements on the property covered thereby, the owner's acceptance thereof, and satisfactory evidence to the Company that all bills for labor and materials have been paid in full, an Owner's Policy may be issued by the Company which issued the previously issued Owner's Policy, at any time up to [~~one~~] two years after such completion of improvements, covering the same land, or a portion thereof, covered by said Owner's Policy and covering no other land, and the premium for the new Owner's Policy shall be the currently promulgated minimum policy Basic Premium Rate. Should the amount of the new Owner's Policy exceed the amount of the previously issued Owner's Policy, the premium for the new Owner's Policy shall be at (i) the Basic Rate plus (ii) the currently promulgated minimum policy Basic Premium Rate less (iii) the currently promulgated premium for the previously issued Owner's Policy, or in the event the previously issued Owner's Policy, was issued for a simultaneous issue rate under Rule R-5E, the currently promulgated premium for the Loan Policy referred to in said Rule R-5E.

Except as otherwise provided in this rule, when an Owner's Policy and Loan Policy(ies) are issued simultaneously, bearing the same date, and covering the same land, or a portion thereof, covered by the Owner's Policy and covering no other land, the Owner's Policy showing the lien(s) as an exception therein shall be issued as provided in this rule, and the premium for the Loan Policy(ies) shall be $100.00 each. In the application of this rule, should the amount of the Loan Policy(ies) exceed the amount of the Owner's Policy, the premium for the Loan Policy(ies) shall be at the Basic Rate plus $100.00 for each Loan Policy, less the Basic Rate for the Owner's Policy.

Justification

It can take in excess of one year (the current R-20 deadline) for a developer to market and sell a new project after completion of construction. Expanding the R-20 to two years will benefit consumers with a more reasonable time to complete a sale. Further, R-20 does not currently expressly authorize the recognition of a simultaneous issue rate for the Loan Policy. Expressly authorizing a simultaneous issue rate will remove any question about how to price simultaneously issued policies when the R-20 pricing is used.