MITCHELL | WILLIAMS

Stanton Strickland
Direct Dial: 512-480-5123
Fax 512-322-0301
E-mail: sstrickland@mwlaw.com

500 West 5th Street, Suite 1150
Austin, TX 78701-3835
Telephone: 512-480-5100
Fax: 512-322-0301

December 8, 2023

Via email: *Jne.Byckovski@tdi.texas.gov*

Via email: *DBolduc@opic.texas.gov*

Ms. J'ne Byckovski
Chief Actuary
Texas Department of Insurance
1601 Congress Avenue
Austin, TX 78701

Mr. David Bolduc
Public Counsel
Office of Public Insurance Counsel
1601 Congress Avenue
Austin, TX 78701

Re: Follow up to meeting on Monday, December 4, 2023

Dear J'ne and David,

We thank you for the opportunity to meet with you and your respective staff last Monday to talk about the title rate review that is currently under way. We appreciate the opportunity to provide you with the Texas Land Title Association ("TLTA") Title Insurance Rate Report and context for its recommendations.

During the meeting we discussed how the current title insurance market and expenses are very different than what the industry experienced in 2020 and 2021. Mr. Khiem Ngo, one of TLTA's consulting actuaries, described two surveys aimed at gathering current data from TLTA members to more accurately determine their current income and expenses. In our meeting you had questions regarding the survey. We are hopeful that the following description of the surveys will answer your questions and demonstrate the reliability of the data that TLTA gathered with the surveys.

Survey #1

The first survey TLTA conducted asked members how their expense in 2023 compared to 2019. The questions asked in the survey include:

Question 1 - Comparing pre-pandemic expenses to current year expenses, are your average monthly expenses in 2023 higher or lower than your average monthly expenses in 2019? (to get a comparable monthly average, please divide your total 2019 expenses by 12 and divide the first 3 quarters of expenses for 2019 by 9)

Ms. J'ne Byckovski
Texas Department of Insurance
Mr. David Bolduc
Office of Public Insurance Counsel
December 8, 2023

Question 2 - If your 2023 average monthly expenses are higher than your 2019 average monthly expenses, by what percent have they increased? _____%

Question 3 - What is an example of an expense that you had in 2019 that is now higher? Please identify the expense and how much it cost in 2019 and how much it now costs in 2023.

Question 4 - What is an example of a new expense that you did not have in 2019? How much does it cost?

Question 5 - Is there other information we should know about your current level of expenses and how it differs from pre-pandemic expense levels?

The response to questions #1 and #2 is compiled and presented in Attachment 5 Exhibit C of the actuarial report we previously submitted to you. In summary, 141 out of a total of 157 responses (90%) said average expense in 2023 is higher than 2019. 94 out of a total of 157 responses (60%) said average expense in 2023 is at least 20% higher than 2019.

For question #3, the most common expenses that are higher in 2023 compared to 2019 are salaries and benefits, rent and supplies and cyber security insurance. All of these costs have increased significantly due to labor supply and inflation.

For question #4, the most common new expense includes cyber security premiums and information technology products to monitor and keep computer system secure. The improvements in technology over the years have made it easier for cyber criminals to commit fraud. Information technology products are needed to monitor computer systems to prevent fraud. In addition, cyber security insurance is needed to protect agents in the event of a fraud and premiums have increased significantly due to increased risk exposure.

Survey #2
In the second survey, TLTA requested data for the top agents regarding income and expense for the past several years. The survey posed the following question to the top agents:

We are conducting a study on recent Texas title experience and request your participation. The attached file presents your experience from 2019 through 2021 as reported by Texas Department of Insurance (TDI) from the Texas Title Agent Statistical Report. We are requesting that you complete the gross title income and expense by type of operation (title, escrow and non-policy abstract) for CY2022, and CY2023 through Q3 in the gray highlighted sections. When completing the data request, please use the same methodology that you used in prior years to complete the statistical data call such as allocation of income and expense by type of operation.

Ms. J'ne Byckovski
Texas Department of Insurance
Mr. David Bolduc
Office of Public Insurance Counsel
December 8, 2023

We had a total of 10 agents that responded. These 10 agents account for approximately 20% of total gross title income in 2021. The attached file "TLTA Data Request VO.xlsx" aggregates the data for all the respondents. In 2019, the net income percent was 15.6% for these agents. In 2023 through Q3, the net income percent was 6.9%. The lower net income percent is mostly due to higher expense in 2023 compared to 2019. Please note, the agents that responded are large size agents. The typical agents' net income percent in 2023 is likely significantly less than the top agents that responded.

Thank you again for taking the time to meet with us and the opportunity to walk you through the TLTA Title Insurance Rate Report. We hope we have addressed your questions from the meeting. If you have any additional questions or would like anything further, please let us know. Thank you.

Sincerely yours,

MITCHELL, WILLIAMS, SELIG,
GATES & WOODYARD, P.L.L.C.

By:

Stanton Strickland

Enclosures
cf: SS

cc: Rodney Anderson, President, TLTA Board of Directors
        Leslie Midgley, Executive Vice President & CEO, TLTA
        Aaron Day, Director of Governmental Affairs and Counsel, TLTA

Agency Name   XXXXX
Agency Number   XXXXX
Agency Type   XXXXX
Agency Address   XXXXX

Calendar Year	Gross Title Income				Expense				Net Income				Data Source		Net Income %
	Title	Escrow	Non Policy Abstract	Total	Title	Escrow	Non Policy Abstract	Total	Title	Escrow	Non Policy Abstract	Total			
2019	443,387,969	91,186,546	4,663,794	539,238,309	406,494,568	46,395,520	2,418,133	455,308,221	36,893,401	44,791,026	2,245,661	83,930,088	PDF	Excel	15.6%
2020	533,073,626	126,695,564	5,602,344	665,371,534	483,196,577	60,934,350	2,877,449	547,008,376	49,877,049	65,761,214	2,724,895	118,363,158	PDF	Excel	17.8%
2021	730,154,278	142,506,735	6,525,336	879,186,349	583,594,769	65,372,319	3,055,090	652,022,178	146,559,509	77,134,416	3,470,246	227,164,171	PDF	Excel	25.8%
2022	631,457,928	107,403,359	5,736,554	744,597,841	561,128,491	60,785,816	2,766,475	624,680,781	70,329,437	46,617,543	2,970,079	119,917,060			16.1%
2023 (Jan-Sept)	354,684,294	69,308,883	4,911,433	428,904,610	350,783,297	46,619,464	2,111,745	399,514,506	3,900,997	22,689,419	2,799,688	29,390,104			**6.9%**

2021 All Agents   3,494,592,401

Percent of Total   20.9%