The Florida Office of Insurance Regulation

An Analysis of Florida's Title Insurance Market

Three Studies that Provide a Comprehensive, Multi-Faceted Review of the Florida Title Insurance Industry

July 2006

This document was produced pursuant to
Section 627.782, Florida Statutes.

Executive Summary

Pursuant to the statutory requirements to regulate title insurers and to adopt rates for title insurance, the Office of Insurance Regulation (the "Office") has sponsored three (3) studies of the title insurance business in Florida. The three (3) studies should be read together as a comprehensive, multi-faceted review of the Florida title insurance industry.

The first study is by G. Stacy Sirmans, who is the Kenneth G. Bacheller Professor of Real Estate at Florida State University. The Sirmans study examines the regulatory treatment of title insurance premiums and title insurance, in order to place Florida title insurers in a national context. The Sirmans study notes that the Florida title insurance industry appears to be dominated by five (5) title insurance groups who account for ninety-three percent (93%) of total Florida premiums. The Sirmans study provides an initial comparative analysis of total title insurance costs between Florida and three "all-inclusive rate" states, where reported title insurance costs include the charges for premium and other title services. Comparisons are also made of the rate structure in Florida relative to several "non-inclusive" states.

The second study is by Randy E. Dumm, who is an Associate Professor of Risk Management and Insurance at the Florida State University College of Business, and David A. Macpherson, who is the Rod and Hope Brim Eminent Scholar in Economics at the Florida State University. The Dumm-Macpherson study is a financial analysis of the Florida title insurance industry. The Dumm-Macpherson study concludes that Florida title insurers have experienced dramatic premium revenue growth, while also exhibiting a loss ratio which is low relative to title insurers in other Southeastern states. The "loss ratio" is commonly understood to be the ratio of loss costs to premium revenue. The relatively low loss ratio and relatively high profitability of the title industry suggest a relatively high pricing structure for Florida title insurers. Based on a relatively small data sample, the Dumm-Macpherson study suggests the need for a more detailed examination of the specific cost and revenue components of premium, primary title services and related title services for all Florida title insurers.

The final study is by a credentialed actuary now employed in the Department of Financial Services' Office of the Consumer Advocate, Stephen A. Alexander. The Alexander report is a comparison of what a Florida consumer pays for title insurance and related title services in contrast to what is paid by consumers in other states. The report is based on publicly available statistics, a data submission by Florida title insurers representing virtually the entire industry, and the small sample of actual closing statements utilized by the Dumm-Macpherson study. As in the Dumm-Macpherson study, the loss ratio experienced by Florida title insurers is found to be relatively low. The study suggests tying the premium rates to loss ratio, thereby rendering the rates more likely to mirror the actuarial risk incurred by the title insurer. Alexander notes that his conclusions are consistent with the conclusions of the prior 1997 study of the title industry performed for the Department of Insurance, statutory predecessor to the Office for the regulation of title insurers, by actuary David Cox.

All three studies note that the Florida market for title insurance is dominated by five (5) firms who sell most of their coverage through agents and agencies. The authors draw both economic and political consequences from this concentration. In all three studies the authors conclude that most Florida consumers of title insurance services appear to be paying more for comparable title insurance than consumers in other states. As a result of these studies and in accord with its statutory mandate, the Office will shortly commence an exhaustive analysis of title insurance premiums and related charges. The Office is currently promulgating a rule to accomplish this analysis and to provide the basis for setting premium and limiting related title services charges.

The Florida Office of Insurance Regulation

A Preliminary Examination of Title Insurance Regulation, Pricing and Costs Structures

July 2006

This preliminary report was produced pursuant to Section 627.782, Florida Statutes.

ACKNOWLEDGMENT

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NOTE:
This report is a preliminary overview of the state of the title insurance in Florida. The 2006 Florida Legislature provided in Specific Appropriation 2614, $150,000 to the Office of Insurance Regulation to gather title insurance data in accordance with section 624.501(27)(e)(2), Florida Statutes. The data shall be collected from licensed agents, agencies, and insurers. The information collected shall be sufficient to give due consideration to the factors set forth in section 627.782, Florida Statutes. To assist with its data collection and analysis, the office shall retain the services of an independent actuary with experience and expertise in the title insurance industry.

A Preliminary Examination of Title Insurance Regulation, Pricing and Costs Structures

Executive Summary

Assurance of good title is critical in real estate transactions. The typical way that this assurance is provided is with the issuance of a title insurance policy. This study provides a preliminary analysis of title insurance costs in Florida. The cost of title insurance in Florida is compared to costs in all-inclusive states and non-inclusive states.

The cost of title insurance in Florida is determined by examining HUD-1 settlements forms. A sample of 48 Florida HUD-1 forms is used to perform a preliminary analysis of the premium costs and related services charges. Along with the premium, consumers also pay related charges such as title search, settlement fees, and document preparation. The total cost of title insurance in Florida averaged about 14 percent of total settlement costs.

Florida title insurance premium costs are compared to premiums across different price ranges and across states. The First American web site is used to calculate premiums by price range for Florida and other states. Since First American is one of the largest writers of title insurance, the quoted rates should be somewhat representative of typical rates. Rates are calculated assuming prior coverage and no prior coverage.

The cost of title insurance in Florida is compared directly to the all-inclusive states of California, Texas, and Pennsylvania. All-inclusive states are those in which the quoted rate for title insurance includes costs other than just the premium. However, the definition of “all-inclusive” may vary slightly across state. For example, California’s quoted cost includes the title insurance premium plus title search and examination costs but does not include other settlement or closing charges. On the other hand, quoted rates in other all-inclusive states include not only the title premium and title search/examination costs but other settlement and closing costs as well. Comparisons are made based on prior and no prior coverage. A comparison is made of the average title cost for the all-inclusive states to the Florida premium (which does not include related charges) in order to get an estimate of the

breakeven point for related charges. This breakeven amount is then compared to the actual related charges from the Florida HUD-1 forms.

The First American web site is also used to compare Florida title insurance costs relative to non-inclusive states. The quoted rates should allow a direct comparison of the premium only (excluding related charges). Comparisons are made for prior and no prior coverage.

Some conclusions from the analysis are:

- Title insurance premiums in 2004 totaled $15.5 billion and exceeded the premiums collected for medical malpractice and many other types of insurance;
- The title insurance industry is concentrated with two insurance groups accounting for 50 percent of total premiums in 2004 and six groups accounting for 99 percent of total premiums in Florida;
- Using the total cost for the all-inclusive states and the Florida premium to calculate an estimated breakeven amount for related services charges in Florida shows that the estimated breakeven charges are less than the average actual charges from the Florida HUD-1 forms in all coverage ranges with no prior purchase. For example, in the $151,000 to $200,000 coverage range, the estimated breakeven charges are $160 compared to the actual charges of $465;
- With no prior coverage and simultaneous policies, Florida's premium is about 45 percent higher than the average premium for non-inclusive states at lower coverage levels;
- With no prior coverage and simultaneous policies, Florida's premium is about 115 percent higher than the average premium for non-inclusive states at $500,000 of coverage;

- With prior coverage and simultaneous policies, Florida's premium at $500,000 of coverage is about 40 percent greater than the average premium for non-inclusive states;
- With no prior coverage and purchase of lender or owner policy only, Florida's premium at $500,000 of coverage is 136 percent greater than the average premium for non-inclusive states;
- With prior coverage and purchase of lender or owner policy only, Florida's premium at $500,000 of coverage is 100 percent greater than the average premium for non-inclusive states;
- Over the period 1995 to 2004 total direct premiums written increased about 280 percent to $15.5 billion nationwide countrywide;
- Over the period 1995 to 2004 total direct premiums in Florida increased about 310 percent to $1.8 billion;
- Over the period 1995 to 2004 the Florida share of title insurance premiums relative to the total has remained relatively constant at about 10 percent;
- Although total title insurance premiums in the U.S. declined in 2004, the total premiums in Florida increased likely due in large part to a continued Florida housing boom and rapidly rising home prices;
- From 1995 to 2004 the method of delivery of title insurance services in Florida did not change appreciably: About 85 percent of title insurance is written by non-affiliated agencies, five percent is written by affiliated agencies, and ten percent is written directly by the title company;
- From a sample of 48 Florida HUD-1 forms over the period 2000 to 2005, the average total cost of title insurance (premium and related services charges) was $2,048 and averaged about 14 percent of total settlement costs. Title insurance premiums comprise

a substantial part of total title insurance costs with title insurance premiums representing, on average, about 66 percent of total title insurance costs;

- The average total cost of title insurance (premium and related services charges) was 1.05 percent of the contract price and the cost as a percentage of the contract price decreases as the contract price increases. This should be the result of two factors: title insurers' underwriting costs in the form of title research are somewhat consistent across transactions and the insurance rate structure;
- Examining the cost of title insurance in Florida using the First American web site shows that the cost per unit of coverage decreases as the coverage increases (as expected) and is less when prior coverage exists, i.e., an owner's policy had been purchased within the last three years. Given that the time period to qualify for reissue rates is longer in most states (i.e., 5 or 10 years versus 3 years) and the average length of time between sales is likely greater than three years, it could be easier for consumers in other states to qualify for reissue rates than for consumers in Florida;
- With simultaneous policies and increasing coverage from $50,000 to $500,000, the cost per thousand decreases about 17 percent with no prior coverage and about 18 percent with prior coverage;
- With separate lender or owner policies and increasing coverage from $50,000 to $500,000, the cost per thousand decreases about 20 percent with no prior coverage and about 15 percent with prior coverage;
- With no prior coverage, it is interesting to note that the Florida premium excluding any related services charges is greater than the average total cost of the all-inclusive states in the upper coverage ranges;

- With prior coverage, however, the Florida premium excluding any related services charges is less than the average total cost of the all-inclusive states for all coverage ranges;
- With no prior coverage, Florida's premium is higher than the average premium for non-inclusive states at every coverage level for both simultaneous policies and a single policy purchase ;
- With prior coverage and simultaneous policies, Florida's premium is greater than the average for non-inclusive states for all coverage ranges except $50,000; and
- With prior coverage and purchase of lender or owner policy only, Florida's premium is greater than the average premium for non-inclusive states for all coverage ranges.

This preliminary study could provide the basis for a more comprehensive integrated comparative cost and financial analysis of the title insurance industry in Florida. This could include a larger sample of HUD-1 forms and a data call to all title insurers for premium rate quotes and related services charges. A more sophisticated statistical analysis could be performed relating the cost of title insurance to state characteristics such as rate setting requirements (promulgated, unregulated, etc.), total title charges (all-inclusive, risk rate, etc.), loss ratios, and distribution methods. The data call could also require Florida insurers to provide measures for premiums earned and losses incurred by size of risk over some historical period such as the last five years. The loss data could be developed to ultimate using standard actuarial techniques. The data could then be analyzed to determine whether the current rates by layer of coverage are appropriate.

A Preliminary Examination of Title Insurance Regulation, Pricing and Costs Structures

I. Introduction

Assurance of good title is a critical component of a real estate transaction. The typical methods of title assurance are a title search, title abstract, attorney's letter of opinion, title certificate, and title insurance. Title insurance is designed to provide assurance to the homeowner and/or the lender that ownership can be transferred clear of encumbrances. Title insurance also provides a signal to the national capital markets of the quality of local title searches. Since real estate can be subject to claims by a number of market participants including lenders, heirs, taxing jurisdictions, etc., title insurance has value by certifying that no prior liens or claims exist. Title insurance is present in 85 percent of residential sales transactions in the U.S. (Arrunada, 2001).

Title insurance insures good title and provides protection to the buyer and/or lender against such problems as unknown recorded liens, defects in public records, forgeries, improperly delivered deeds, etc. As Malloy and Klapow (2000) discuss, problems with title can result from both on and off record risks. Off record risks include not recording a document and mistakes by the recording office. On record risks include forged documents and fraudulent conveyances. Title insurance generally excludes from coverage any known defects and risks such as zoning and environmental regulations, eminent domain, defects causing no loss or damage, and defects subsequent to the date of the policy. Title insurance policies generally contain a clause that obligates the title company to defend the insured to the extent that the dispute involves a defect covered by the policy.

There are two main types of title insurance policies: an owner's policy and a lender's policy. The owner's policy generally covers an amount equal to the purchase price while the lender's policy covers the amount of the mortgage. The demand for title insurance is derived from the demand for real estate and/or real estate financing. The demand for real estate and real estate financing is a function of mortgage interest rates and other factors. As a result of the continued housing boom in the U.S., the title industry reported near-record performance in 2004, following a record year in 2003. Operating revenues in 2004 declined slightly from the historically high 2003 level (*Best's Report*, October 11, 2005). In 2004 the size of the title insurance industry was $15.5 billion for direct premiums written. This is up from $11 billion in 2003. Unlike property and casualty insurers who average an 87 percent loss payout ratio, title insurers average about 5 percent (Asaro, October 31, 2005). Title insurers paid approximately $661.7 million in claims in 2003 and $582 million in 2002. Because of the nature of the business, the title industry spends ten times what it pays in claims to perform title searches and cure title problems (ALTA Press Release, November 28, 2005).

As of 2004, there were 24 title insurance companies operating in Florida with total direct premiums written of $1.81 billion. The fact that some title companies are under common ownership reduces the effective number of independent, competitive firms. As of 2004, there were twelve insurance groups in Florida.

The Florida Office of Insurance Regulation (OIR) was created in 2003 and seeks to ensure that insurance companies in Florida are financially viable while providing insurance products to Florida consumers at a fair price. The Florida OIR is charged with administering state laws governing insurers relative to licensing, premium rates, solvency, and other factors. To fulfill its statutory responsibility of overseeing the financial viability and solvency of insurance companies, the OIR has developed performance measures and standards to evaluate performance. In addition to the OIR, the Florida Commissioner of Insurance Regulation serves as a member of the National Association of Insurance Commissioners (NAIC). The NAIC serves to protect the public interest and promote competitive insurance markets.

Given the importance of title insurance in providing guarantees to purchasers of real property and considering the cost that this insurance adds to the real estate transaction, title insurance continues to be an insurance product that demands regulatory oversight and scrutiny. Section 627.782 of the Florida Code regulates title insurance rates and charges for related title services. In accordance with Section 627.782, title insurance premiums in Florida are promulgated by the Office of Insurance

Regulation (OIR). Charges for related title services (provided for in Section 627.7711) are permitted, can be no less than actual cost, and are not currently regulated by the OIR, except that they can be no less than actual cost. However, Section 627.782 permits limitations to be placed by rule on related title service charges. The Code also (1) requires that the insurer retain no less than 30 percent of the risk premium, (2) requires uniform policy forms, and (3) provides preemption of Federal anti-trust laws.

Subsection 627.782(7) of the Florida Statute reads: "The commission shall, in accordance with the standards provided in subsection (2), review the premium as needed, but not less frequently than once every 3 years, and shall, based upon the review required by the subsection, revise the premium if the results of the review so warrant." Per this requirement, this project provides an updated examination of title insurance rates in Florida by providing to the Office of Insurance Regulation (OIR):

(1) current information regarding the structure and regulatory treatment of the title insurance industry across states;

(2) current title insurance pricing behavior and costs within the State of Florida; and

(3) comparison pricing and cost results with states that use all inclusive title insurance rates.

The cost of title insurance in Florida is determined by examining HUD-1 settlements forms. A sample of 48 Florida HUD-1 forms is used to perform a preliminary analysis of the premium costs and related services charges for title insurance. Along with the premium, consumers also pay related charges such as title search, settlement fees, and document preparation. The total cost of title insurance in Florida averaged about 14 percent of total settlement costs.

Florida title insurance premium costs are compared to premiums across different price ranges and across states. The First American web site is used to calculate premiums by price range for Florida and other states. Since First American is one of the largest writers of title insurance, the quoted rates should be somewhat representative of typical rates. Rates are calculated assuming prior coverage and no prior coverage.

The report also compares the cost of title insurance in Florida to the all-inclusive states of California, Texas, and Pennsylvania. All-inclusive states are those in which the title costs include charges other than just the premium. However, the definition of "all-inclusive" may vary slightly across states. For example, California's quoted cost includes the title insurance premium plus title search and examination fees but does not include other settlement or closing costs. On the other hand, quoted rates in other all-inclusive states include the title premium and search/examination fees plus other closing and settlement costs. Comparisons are made based on prior and no prior coverage. A comparison is made of the average title cost for the all-inclusive states to the Florida premium (which does not include related charges) in order to get some idea of the breakeven point for related charges. This breakeven amount is then compared to the actual related charges from the Florida HUD-1 forms.

The First American web site is used to compare Florida title insurance costs relative to non-inclusive states. The quoted rates should allow a direct comparison of the premium only (excluding related charges). Comparisons are made for prior and no prior coverage.

II. The Evolution of Title Insurance

Title insurance lore says that title insurance started with the 1868 Pennsylvania Supreme Court decision of *Watson vs. Muirhead*. A conveyancer had examined a title and issued an opinion of clear title. However, there was an outstanding prior lien that caused Muirhead to lose his property at a sheriff's sale. Muirhead sued the conveyancer and lost. The Court held that the conveyancer did not guarantee title and therefore could not be held liable for erroneous opinions if the conveyancer acted within professional standards. This decision resulted in a dramatic increase in demand for the most reputable conveyancers. In 1874 Pennsylvania enacted legislation permitting the issuance of title insurance. In 1876 a group of conveyancers incorporated and formed the Real Estate Title Insurance Company. Title insurance became more prominent after World War I and then became the norm with the real estate boom that followed World War II. Since the secondary mortgage market requires title insurance on newly originated loans, a large part of the recent growth in title insurance has been a result of it being required by institutional lenders.

Title insurance has always differed from other insurance in several ways: (1) the premium is a one-time charge and is primarily a service fee to cover the expense of searching the public record, (2) the title company retains liability into perpetuity, i.e., there is no fixed term of coverage, (3) the policy insures past occurrences and not future events, (4) title companies have substantial expense in maintaining title plants, (5) the policy cannot be cancelled by the company or the insured, and (6) only a small portion of the premium is paid out in claims.

Since the title industry's risk exposure is based on events that have already occurred, the title industry has specialized in loss mitigation. The title insurance approach is to identify risk and eliminate it from coverage. This way, the insurer does not assume a known risk. Because of this risk elimination, the number of claims is relatively few. Title insurance exempts from coverage liens and defects in the title search and generally provides protection for errors and omissions in the conveyance and against hidden defects that escape discovery. Because incurred losses account for a very small part of the title insurance premium dollar, the level of title insurance losses have little relationship to the level of premiums written each year.

Along with loss avoidance, another component of insuring title is information gathering. Some title companies maintain title plants that duplicate public records. Historically, maintaining title plants and performing title searches has been very labor and capital intensive. However, as Baen and Guttery discuss (1997), technology is impacting courthouses, ad valorem tax offices, and title insurance companies. Technological innovations now allow electronic filing and more efficient merging of data. For example, technological advances allowing laser disc to replace microfilm should produce instant chains of title. They conclude that the increased competition resulting from these innovations should result more competitive pricing in title insurance.

Historically, title insurance has been almost exclusively a product confined to the U.S., although it is now beginning to spread worldwide. According to Calder, Compton, and Stein (2004), the use of international title insurance has increased markedly over the last several years. They point out that title insurance began to be written in Mexico in the late 1970s, in Canada in 1989 and that title insurance is now present in sixty countries. Outside the U.S., Canada has the most established title insurance business. They attribute the increased international use to international lenders becoming more familiar with the benefits of title insurance and expanded U.S. investment overseas. Mattson-Tieg (2004) points out that, to expand into foreign markets, title firms are using a variety of strategies ranging from simply establishing offshore businesses to establishing a market presence via branch offices and subsidiaries.

III. The Moral Hazard of Title Insurance

Title insurance is generally a small but required component of a much more substantial transaction. Although the homeowner actually pays the insurance premium, most title insurers consider the real estate attorney, the real estate broker, or the mortgage lender as the real customer. The homeowner is involved in a process that is both infrequent and unfamiliar. As Hofflander and Shulman (1977) discuss, the real estate closing agent has some control over the placement of services for closing-related services such as title insurance. As a result, the closing agent may have near-monopoly power and may have an incentive to engage in abusive behavior. Title insurers have been perceived as catering to these institutional participants and not to consumers. Add to this the fact that title insurance is required by the lender but paid for by the borrower and an environment is created where consumer confidence in the title insurance industry can be quickly eroded.

One concern with this type arrangement is the creation of reverse competition. Since the consumer has little knowledge of title insurance, title insurance companies and agents direct their energy towards the recommenders (home builders, lenders, brokers, etc.) and ignore the consumer. This creates an incentive to give kickbacks, referral fees, and other types of payments to recommenders to secure their business. This could have the effect of driving up the cost to the consumer.

The title insurance industry has come under scrutiny by consumer groups and regulators concerned with what are viewed as high rates for title insurance. Recent investigations of the title industry have been concerned with captive reinsurance agreements where title companies are rebating back a portion of the premium to captive reinsurance companies formed by home builders, real estate brokers, and others (*Best's Report*, October 11, 2005). The question is whether these payments amount to referral kickbacks with the concern that this can adversely affect consumers. Lehman (2005) reports that regulators are accusing title companies of entering into phony reinsurance agreements with captive reinsurers owned by home builders and real estate firms as a means of bypassing state and federal prohibition against payments of referral fees on title insurance business. The basis for this is the prohibition of referral fees outlined in the 1974 Real Estate Settlement Procedures Act (RESPA). Lehman quotes Peter Rousmaniere, a risk and insurance consultant as saying "This is the little village of insurance that nobody is paying attention to, and it's about as rotten as you can get."

Asaro (2005) reports that HUD has sixty active investigations into alleged violations of RESPA anti-kickback provisions. Asaro reports that regulators, in fact, have been concerned with this problem since 1997. The NAIC is working in conjunction with HUD in looking into these illegal practices.

Asaro also points that a number of states have investigated the problem of rebates. Some examples are: (a) in California title insurers have been accused of rebating premiums to sham captive reinsurance companies, (b) in February 2005, a California-based title company agreed to refund consumers $24 million in fees paid to reinsurance companies controlled by home builders, brokers, lenders, and real estate agents, (c) settlements in 2003 and 2004 in California totaled $50 million (this was in part for un-refunded interest earned on customer's escrow accounts), (d) in Colorado nine title insurance companies agreed to refund $103,000 to 2,000 homeowners rather than face sanctions, having been accused of giving kickbacks dating back to 1997, (e) Colorado is negotiating settlements with other major title insurers, (f) Minnesota regulators commenced an investigation into 19 title insurance companies regarding reinsurance agreements, (g) HUD recently announced a $6.2 million settlement with title insurers and lenders in Texas, (h) in March 2005 HUD announced a $450,000 settlement with title insurers and real estate companies in Oklahoma, (i) in April 2005 an investigation into fee sharing with lenders and realty companies was begun in Wisconsin, and (j) investigations have begun in Alaska, Massachusetts, and Washington.

IV. Previous Examination of Title Insurance Rates

A previous report completed in December 1997 by The David Cox Company examined title insurance rates in Florida. This report analyzed Florida's title insurance experience for the purpose of determining the appropriate risk premium and charges for related title services. Recommendations of this report were primarily to correct the subsidization of operations not intended to be funded by the risk premium and to promote competition and efficiency. Some specific recommendations were: (1) current title insurance risk rates were excessive and should be reduced by 13 percent, (2) that agents' share of the risk premium should remain at no more than 70 percent, (3) additional steps should be taken to assure that expenses used in rate-making are not excessive due to reverse competition.

V. An Analysis of Title Insurance Premiums

This study examines the regulatory treatment of title insurance premiums and title insurance companies across states. In addition, the study provides an initial comparative analysis of total title insurance costs between Florida and the all-inclusive rate states of California, Pennsylvania, and Texas. Comparisons are also made of the rate structure in Florida relative to the remaining non-inclusive states.

A. Market Structure of the Title Insurance Industry

The housing and mortgage financing/refinancing boom since the early-mid 1990s in the U.S. has proven to be very beneficial to the title insurance business. Table 1 shows the direct premiums written for title insurance relative to other types of insurance for 2004. It is interesting to note that title insurance has larger total premiums than medical malpractice and many other types of insurance.

The title insurance industry tends to be concentrated. Table 2 shows the 2004 Florida concentration ratios for the top five title insurance groups based on direct premiums written. As seen, the top six groups collected 99 percent of total direct premiums written. The two largest groups, Fidelity National Financial and Attorneys Title Co., collected 50 percent of total premiums. These two groups are followed by First American Title, Land America, Stewart Title Company, and Old Republic Group.

B. The Business of Title Insurance in Florida

Table 3 gives a comparison of title insurance total direct premiums written for each year from 1995 through 2004. Over this period, total premiums written in the U.S. increased almost 280 percent from $4.09 billion to $15.50 billion. Over the same period, total direct premiums in Florida increased about 310 percent from $440 million in 1995 to $1.81 billion in 2004. The share of Florida premiums to the total has stayed relatively constant at about 10 percent. Interestingly, the Florida share of premiums in 2004 reflects the continued boom in the Florida housing market as activity slowed in other areas. As total premiums in the U.S. declined for 2004, premiums in Florida increased.

The use of a mixed distribution system is common in the title insurance industry. There are three methods by which title insurance is delivered to consumers: (1) policies written directly by the company, (2) policies written by affiliated agents, and (3) policies written by non-affiliated agents. As Nyce and Boyer (1998) discuss, this mixed distribution system gives the title industry potential flexibility in its delivery system and this may allow rapid adaptation to changes in demand. Title insurers may use this flexibility to help balance the high costs in delivering title insurance. However, it is not clear that that these costs are being balanced by more effective distribution methods in Florida since the title insurance delivery systems have not changed significantly.

Table 4 gives the breakdown of direct premiums written by distribution method in Florida from 1995 to 2004. As seen, the method of delivery did not change appreciably over this period. Non-affiliated agencies have consistently written about 85 percent of Florida title insurance. About five percent is written by affiliated agencies and about 10 percent is written directly by the title company.

C. The Cost of Title Insurance in Florida

The cost of title insurance in terms of premium and related services charges can be determined by examining HUD-1 settlement forms. A sample of 48 HUD-1 forms for the period 2000 to 2005 was obtained from the Office of Insurance Regulation's Consumer Complaints Division. Table 5 gives summary statistics for these forms. Thirty-two of the 48 HUD-1 forms were simultaneous issue. The average contract price was $273,413. Relative to title insurance, the average lender's coverage was $286,222 with an average premium of $233, or $2.06 per $1,000 of coverage. The average owner's title coverage was $269,673 with an average insurance premium of $1,372, or $5.59 per $1,000 of coverage. Total settlement costs averaged $20,539. The average total cost of title insurance (premium and related services charges) was $2,048 and averaged about fourteen percent of total settlement costs.

Title insurance related services charges include such items as settlement fees, title search, title examination, and document preparation. Other than the title insurance premium and related endorsements, costs that most often appeared on the settlement statement included settlement fee, abstract/title search, title examination, and shipping/handling fee. Of these, the settlement fee had the highest average cost of $188. The average cost of performing the title search and providing an abstract cost was $123. Doing the title examination cost, on average, $95.

Table 6 shows the total cost of title insurance relative to the contract price for the 48 HUD-1 settlement forms. As the table shows, the cost of title insurance decreases as a percentage of the contract price as the selling price increases. For example, for a contract price less than $100,000, the total cost of title insurance is $702 or 1.54% of the selling price. In contrast, for a contract price between $151,000 and $250,000, the cost of title insurance is $1,570 or 0.83% of the contract price.

Title insurance premiums comprise a substantial part of total title insurance costs with title insurance premiums representing, on average, over 66 percent of total title insurance costs. The table also shows that the amount of related services charges increases as the price increases. Overall, the average total title costs were 1.05% of the contract price for the sample.

D. The Cost of Title Insurance in Florida by Coverage Amount

To better understand the pricing of title insurance in Florida, it is useful to compare premiums across different price ranges and across states. The First American web site (http://titlefees.firstam.com/Titlefees.asp) is used to calculate premiums by price range for Florida and other states. First American is one of the largest writers of title insurance in the U.S. and Florida thus the quoted rates should be somewhat representative of rates typically charged. The premium quotes are based on information provided to the First American title fee calculator.

Table 7 gives the cost of title insurance in Florida for different coverage amounts as quoted by the First American web site premium calculator. Part A shows the cost for simultaneous policies (lender and owner policies purchased simultaneously). As seen, the cost is less when an owner's policy has been issued within the last three years. For example, for $50,000 in coverage the cost is $6.24 per $1,000 with no prior coverage. This compares to $3.80 per $1,000 when there has been prior coverage. As the table shows, the cost decreases as the coverage increases. With no prior coverage, the cost per thousand drops from $6.24 for $50,000 in coverage to $5.20 per thousand for $500,000 in coverage. This is a decrease of about 17 percent. With prior coverage the premium drops from $3.80 per thousand for $50,000 in coverage to $3.11 per thousand for $500,000 in coverage, a decrease of about 18 percent. The decrease in cost is much more dramatic when the coverage reaches seven figures. For example, with no prior coverage, the cost per thousand drops almost 30 percent from $50,000 in coverage to $1,250,000. With prior coverage, the cost per thousand drops about 25 percent.

Part B of Table 7 gives the average cost when either a lender's or owner's policy is purchased. Because the policies duplicate coverage, the cost is relatively the same whether it is a lender or buyer policy. With no prior coverage, the cost per thousand drops from $5.74 at $50,000 of coverage to $4.56 for coverage of $1,250,000. This is a decrease of about 20 percent. With prior coverage, the cost per thousand drops from $3.30 to $2.82 for coverage increasing from $50,000 to $1,250,000. This is a decrease of about 15 percent.

E. The Cost of Title Insurance in Florida Compared to All-Inclusive States

Table 8A compares the average cost of simultaneous policies in Florida to the all-inclusive states, California, Pennsylvania, and Texas. The table gives cost comparisons based on both prior coverage and no prior coverage. The table also gives the combined premium for the all-inclusive states (AI). The premium for Florida reflects only the title premium and does not include related services charges. For all states, the cost of title insurance is inversely related to the coverage (and hence the value of the property). This is true whether there was prior coverage or not. As usual, the cost is less with prior coverage in all states.

It is interesting to note that, with no prior coverage, the premium cost (without related services charges) in Florida is greater than the total cost for the all-inclusive states in the upper coverage ranges. This is not true when there was prior coverage.

Table 8B compares the average premium for the all-inclusive states to the Florida premium and gives the estimated breakeven related services charges. For example, at $50,000 of coverage, the average all-inclusive premium is $612.58 while the premium for Florida is $312.00. Thus the breakeven charges are $300.58. If related services charges average more than this amount, then title insurance in Florida would be more expensive than the all-inclusive states. At coverage of $250,000 title insurance is more expensive in Florida if average related services charges are greater than $256.58. For coverage above $1,250,000 the premium alone in Florida exceeds the total cost of title insurance for the all-inclusive states. When related services charges are added to the Florida premium, the total cost for title insurance in Florida is significantly greater for upper-priced properties relative to the all-inclusive states.

So, how does the cost of title insurance in Florida compare to the all-inclusive states? A rough comparison may be made by referring back to the cost data disclosed in the HUD-1 forms in Table 6. With no prior coverage, the estimated breakeven charges are less than the actual average charges from the HUD-1 forms for all coverage categories. For the $151,000 to $250,000 coverage range, the average total title cost is $1,570 with no prior coverage. This total cost minus the premium is $465. This difference should be an indicator of the average related services costs for title insurance in this coverage range. In comparison, the breakeven estimated related services charge is $256.58 for $250,000 in coverage in Table 8B. This estimated breakeven amount is significantly less than the average related services charges of $465 from the HUD-1 forms.

With prior coverage, the average premium cost for Florida is less than the all-inclusive states at all coverage ranges. Also, from Table 8B, the actual related services charges are less than the estimated breakeven charges for all coverage ranges except the upper range of $1,250,000. For $250,000 in coverage the breakeven services charges are $679.96 compared to the actual services charges of $465. Thus there is a price advantage if there was an owner policy in force within the last three years of the purchase date.

F. The Cost of Title Insurance in Florida Compared to Non-Inclusive States

Table 9 compares title insurance premiums for Florida to all other states, excluding the all-inclusive states. Since the all-inclusive states are excluded from the analysis, the quoted rates should include only the premium and not the related services charges. Part A of Table 9 compares the total cost for simultaneous policies. As seen, with no prior purchase the Florida premium per $1,000 of coverage is higher than the average of other states at every coverage level. At the lower coverage levels the Florida premium is about 45 percent higher than other states but at the upper range the cost is more than double. For example, the cost at $500,000 of coverage is $5.20 per thousand compared to the $2.41 average for other states. For this level of coverage the Florida premium is 115 percent greater than the average premium for other states.

Table 9, Part A also compares the premium for Florida to other states given prior coverage. In this case, the premium per thousand of coverage for Florida is greater than the average for other states in all categories except the $50,000 coverage. At $250,000 of coverage, Florida's premium is $0.65 per thousand (25 percent) more than the average for other states. At $500,000 of coverage, Florida's premium is $0.89 per thousand (40 percent) greater. At $1,250,000 of coverage, Florida's premium is $1.04 per thousand (58 percent) greater than other states.

Table 9, Part B compares the premiums for title insurance for Florida versus other non-inclusive states given the purchase of only a lender or owner policy. With no prior coverage, the premium is greater in every coverage category for Florida relative to other states. For example, the premium in Florida for $100,000 of coverage is $2.59 per thousand greater (82 percent) than the average for other states. For coverage of $500,000, the premium in Florida is $2.97 per thousand greater (136 percent) than the average for other states.

Part B of Table 9 also compares the premiums for a lender or owner policy only for Florida to non-inclusive states with prior coverage purchased from the carrier. Again, the premium for Florida is greater than the average for other states for all coverage categories. For $100,000 of coverage, the Florida premium is $1.24 greater per thousand (60 percent) than the average for other states. For $500,000 of coverage, the Florida premium is $1.53 greater per thousand (100 percent) than the average for other states.

VI. Recommendations for a More Comprehensive Study

The results from this preliminary study (along with the Dumm and Macpherson (2005) study) could be followed up with a more comprehensive integrated comparative cost and financial study of the title insurance industry in Florida. An expanded comparative cost study could include all insurers and a larger sample of HUD-1 forms. A data call to title companies could include copies of their retained HUD-1 forms and a request for insurers' rate manuals and access to their rating models. The

HUD-1 forms could be requested in electronic form since most real estate closings are completed using computerized software packages.

This study and the Dumm and Macpherson (2005) study could be the gateway for a more complete comparative cost and financial analysis of title companies. This could be accomplished by issuing a data call by state to all title insurers for premium quotes by size of risk. Title insurers could be required to identify by state any specific charges for services provided over and above the charges for risk and determination of insurability (search and title examination costs). The risk-adjusted premium quote data by state could be statistically analyzed relative to factors such as (1) rate setting (whether rates are promulgated, require prior approval, are unregulated, etc.), (2) whether the state requires an all-inclusive rate, a risk rate, or something in-between, (3) loss ratios, and (4) the method of distribution (affiliated versus non-affiliated agents).

The data call could also require Florida insurers to provide measures for premiums earned and losses incurred by size of risk over some historical period such as the last five years. The loss data could be developed to ultimate using standard actuarial techniques. The data could then be analyzed to determine whether the current rates by layer of coverage are appropriate. A more comprehensive study could also provide a comparison of premium quote dispersion between companies across states compared to the companies' market shares and examine the relative dispersion of premium quotes by state between companies within the same holding company and the relationship between this dispersion and the type of operations and market share.

VII. Summary

This study has provided an overview of the title insurance industry and a comparison of title insurance premiums in Florida relative to all-inclusive states and non-inclusive states. Some conclusions are:

- Title insurance premiums in 2004 totaled $15.5 billion and exceeded the premiums collected for medical malpractice and many other types of insurance;
- The title insurance industry is concentrated with two insurance groups accounting for 50 percent of total premiums in 2004 and six groups accounting for 99 percent of total premiums in Florida;
- Over the period 1995 to 2004 total direct premiums written increased about 280 percent to $15.5 billion nationwide;
- Over the period 1995 to 2004 total direct premiums in Florida increased about 310 percent to $1.8 billion;
- Over the period 1995 to 2004 the Florida share of title insurance premiums relative to the total has remained relatively constant at about 10 percent;
- Although total title insurance premiums in the U.S. declined in 2004, the total premiums in Florida increased likely due in large part to a continued Florida housing boom and rapidly rising home prices;
- From 1995 to 2004 the method of delivery of title insurance services in Florida did not change appreciably: About 85 percent of title insurance is written by non-affiliated agencies, five percent is written by affiliated agencies, and ten percent is written directly by the title company;
- From a sample of 48 Florida HUD-1 forms over the period 2000 to 2005, the average total cost of title insurance (premium and related services charges) was $2,048 and

averaged about 14 percent of total settlement costs. Title insurance premiums comprise a substantial part of total title insurance costs with title insurance premiums representing, on average, about 66 percent of total title insurance costs;

- The average total cost of title insurance (premium and related services charges) was 1.05 percent of the contract price and the cost as a percentage of the contract price decreases as the contract price increases. This should be the result of two factors: title insurers' underwriting costs in the form of title research are somewhat consistent across transactions and the insurance rate structure;
- Examining the cost of title insurance in Florida using the First American web site shows that the cost decreases as the coverage increases (as expected) and is less when prior coverage exists, i.e., an owner's policy had been purchased within the last three years. Given that the time period to qualify for reissue rates is longer in most states (i.e., 5 or 10 years versus 3 years) and the average length of time between sales is likely greater than three years, it could be easier for consumers in other states to qualify for reissue rates than for consumers in Florida;
- With simultaneous policies and increasing coverage from $50,000 to $500,000, the cost per thousand decreases about 17 percent with no prior coverage and about 18 percent with prior coverage;
- With separate lender or owner policies and increasing coverage from $50,000 to $500,000, the cost per thousand decreases about 20 percent with no prior coverage and about 15 percent with prior coverage;
- With no prior coverage, it is interesting to note that the Florida premium excluding any related services charges is greater than the average total cost of the all-inclusive states in the upper coverage ranges;

- With prior coverage, however, the Florida premium excluding any related services charges is less than the average total cost of the all-inclusive states for all coverage ranges;
- Using the total cost for the all-inclusive states and the Florida premium to calculate an estimated breakeven amount for related services charges in Florida shows that the estimated breakeven charges are less than the average actual charges from the Florida HUD-1 forms in all coverage ranges with no prior purchase. For example, in the $151,000 to $200,000 coverage range, the estimated breakeven charges are $160 compared to the actual charges of $465;
- With no prior coverage and simultaneous policies, Florida's premium is higher than the average for non-inclusive states at every coverage level ;
- With no prior coverage and simultaneous policies, Florida's premium is about 45 percent higher than the average premium for non-inclusive states at lower coverage levels;
- With no prior coverage and simultaneous policies, Florida's premium is about 115 percent higher than the average premium for non-inclusive states at $500,000 of coverage;
- With prior coverage and simultaneous policies, Florida's premium is greater than the average for non-inclusive states for all coverage ranges except $50,000;
- With prior coverage and simultaneous policies, Florida's premium at $500,000 of coverage is about 40 percent greater than the average premium for non-inclusive states;
- With no prior coverage and purchase of lender or owner policy only, Florida's premium is greater than the average premium for non-inclusive states for all coverage ranges;

- With no prior coverage and purchase of lender or owner policy only, Florida's premium at $500,000 of coverage is 136 percent greater than the average premium for non-inclusive states;
- With prior coverage and purchase of lender or owner policy only, Florida's premium is greater than the average premium for non-inclusive states for all coverage ranges; and
- With prior coverage and purchase of lender or owner policy only, Florida's premium at $500,000 of coverage is 100 percent greater than the average premium for non-inclusive states.

This preliminary study could provide the basis for a more comprehensive integrated comparative cost and financial analysis of the title insurance industry in Florida. This could include a larger sample of HUD-1 forms and a data call to all title insurers for premium rate quotes and related services charges. A more sophisticated statistical analysis could be performed relating the cost of title insurance to state characteristics such as rate setting requirements (promulgated, unregulated, etc.), total title charges (all-inclusive, risk rate, etc.), loss ratios, and distribution methods. The data call could also require Florida insurers to provide measures for premiums earned and losses incurred by size of risk over some historical period such as the last five years. The loss data could be developed to ultimate using standard actuarial techniques. The data could then be analyzed to determine whether the current rates by layer of coverage are appropriate.

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Table 1 2004 Property/Casualty (Selected) and Title Insurance Premiums	
Line of Insurance	**Net Premium Written** ($000)
Private Passenger Auto	$156,734,038
Homeowner Multiple Peril	$49,988,877
Other Liability	$40,720,856
Workers Compensation	$36,760,327
Commercial Multiple Peril	$29,134,347
Commercial Auto	$26,722,522
Title Insurance	**$15,488,147**
Reinsurance	$13,697,298
Accident & Health	$9,955,816
Medical Malpractice	$9,191,530
Fire	$8,316,595
Allied Lines	$8,307,595
Inland Marine	$8,215,433
Other Lines	$4,601,096
Mortgage Guaranty	$4,323,176
Surety	$3,857,003
Products Liability	$3,395,002
Financial Guaranty	$3,115,495
Ocean Marine	$2,827,554
Aircraft	$2,180,122
Farmowners Multiple Peril	$2,118,462
Boiler & Machinery	$1,572,208
Fidelity	$1,309,335
Earthquake	$1,098,392
Credit	$806,449
Burlary & Theft	$138,837
Source: Insurance Information Institute and NAIC Annual Statement Database	

Table 2 Premiums by Top Six Florida Title Insurance Groups (2004)		
Group	**Percent of Direct Premium Written**	**Cumulative Percentage**
Fidelity National Financial	28.38%	28.38%
Attorneys Title Inc.	21.94%	50.32%
First American Title	18.92%	69.24%
Land America	14.28%	83.52%
Stewart Title	8.60%	92.12%
Old Republic	6.66%	98.78%
Source: NAIC Annual Statement Database		

Table 3 Direct Premiums Written 1995-2004 Florida and United States			
Year	**FL**	**U.S.**	**FL/US**
1995	$440,683,442	$4,091,726,971	10.77%
1996	$505,772,971	$5,011,453,957	10.09%
1997	$556,541,326	$5,524,086,890	10.07%
1998	$709,631,663	$7,504,683,903	9.46%
1999	$796,869,569	$8,061,396,286	9.89%
2000	$745,718,415	$7,260,111,728	10.27%
2001	$865,036,304	$9,124,617,201	9.48%
2002	$1,141,899,399	$11,950,486,929	9.56%
2003	$1,545,460,129	$15,654,386,946	9.87%
2004	$1,809,489,923	$15,502,481,749	11.67%
Source: NAIC Annual Statement Database			

Table 4 Premiums by Distribution Method- Florida 1995-2004							
Year	**FL Total**	**FL Direct Operations**	**PCT**	**FL Non-Affiliate Agencies**	**PCT**	**FL Affiliate Agencies**	**PCT**
1995	$440,683,442	$45,528,171	10.33%	$378,225,312	85.83%	$16,929,959	3.84%
1996	$505,772,971	$47,635,776	9.42%	$437,949,045	86.59%	$20,188,150	3.99%
1997	$556,541,326	$56,826,205	10.21%	$477,431,771	85.79%	$22,283,350	4.00%
1998	$709,631,663	$76,451,923	10.77%	$603,230,411	85.01%	$29,949,329	4.22%
1999	$796,869,569	$76,262,308	9.57%	$690,421,016	86.64%	$30,186,245	3.79%
2000	$745,718,415	$79,632,877	10.68%	$638,991,174	85.69%	$27,094,364	3.63%
2001	$865,036,304	$100,652,525	11.64%	$720,278,196	83.27%	$44,105,583	5.10%
2002	$1,141,899,399	$123,134,564	10.78%	$957,541,992	83.86%	$61,222,843	5.36%
2003	$1,545,460,129	$184,039,524	11.91%	$1,285,211,085	83.16%	$76,209,520	4.93%
2004	$1,809,489,923	$177,233,893	9.79%	$1,537,198,819	84.95%	$95,057,211	5.25%
Source: NAIC Annual Statement Database							

Table 5
Summary Statistics From HUD-1 Forms

Variable	N	Mean	Std. Dev.	Min	Max
Contract Selling Price	48	$273,412.50	$639,629.50	$7,500.00	$4,500,000.00
Loan Value	35	$283,528.10	$672,350.90	$16,360.00	$4,100,000.00
Lenders Coverage Amount	35	$286,221.50	$672,358.60	$16,360.00	$4,100,000.00
Lenders Premium	35	$233.05	$216.71	$25.00	$1,200.00
Lenders Premium Per $1000 Of Coverage	35	$2.06	$2.34	$0.01	$12.22
Owners Coverage Amount	45	$269,673.30	$659,277.40	$7,500.00	$4,500,000.00
Owners Premium	45	$1,372.42	$2,845.01	$100.00	$19,352.50
Owners Premium Per $1000 Of Coverage	44	$5.59	$1.30	$3.78	$13.33
Total Settlement Cost-Buyer	48	$6,376.17	$14,496.98	$11.00	$100,505.00
Total Settlement Cost-Seller	45	$15,106.58	$26,897.96	$488.00	$180,500.00
Total Settlement Cost	48	$20,538.58	$39,845.13	$644.00	$281,005.00
Total Title Cost	48	$2,047.67	$3,503.34	$225.00	$24,757.50
Total Title Cost/Total Settlement Cost	48	14.11%	11.11%	4.20%	55.75%
Title Insurance Premium/Total Title Cost	48	66.23%	15.14%	18.20%	93.85%
Total Title Cost by Category					
1101 Settlement of Closing Fee	48	$187.52	$125.58	$10.00	$675.00
1102 Abstract or title search	46	$122.74	$72.12	$35.00	$350.00
1103 Title Examination	46	$95.13	$79.57	$5.00	$360.00
1104 Title Ins. Binder	1	$195.00		$195.00	$195.00
1105 Document preparation	10	$207.50	$140.52	$25.00	$475.00
1106 Notary Fees	3	$383.33	$332.92	$100.00	$750.00
1107 Attorney Fees	1	$3,000.00		$3,000.00	$3,000.00
1108 Title Insurance	48	$1,465.55	$2,750.72	$100.00	$19,327.50
1110a Endorsements	35	$246.93	$318.56	$25.00	$2,010.00
1111 Shipping and Handling	38	$57.82	$30.32	$15.00	$140.00
1112 Warehouse Fee	4	$48.75	$34.49	$25.00	$100.00
1300s Anything Regarding Title	4	$116.25	$92.32	$25.00	$230.00

Table 6
Relationship Between Contract Sales Price and Title Insurance Costs

	N	Contract Sales Price	Total Settlement Cost	Total Title Costs	Title Costs/Total Settlement Cost	Title Costs/Contract Sales Price	Total Title Cost Less Premium
<$100,000	14	$49,414	$5,499	$702	20.23%	1.54%	$347
$101,000-$150,000	9	$126,589	$13,657	$1,251	9.17%	1.00%	$397
$151,000-$250,000	16	$193,819	$16,003	$1,570	12.82%	0.83%	$465
$250,001-$1,250,000	8	$461,450	$31,113	$3,416	12.17%	0.75%	$829
>$1,250,000	1	$4,500,000	$281,005	$24,758	8.81%	0.55%	$5,430
All Homes	48	$273,413	$20,539	$2,048	14.11%	1.05%	$2,765

Source: HUD-1 Forms

Table 7 Change in Premium Cost Analysis (Florida)						
Part A: Simultaneous Policies						
	No Prior Coverage Purchased From Carrier			**Prior Coverage Purchased From Carrier**		
Coverage	**Premium**	**Cost/$1000**	**Change in Cost**	**Premium**	**Cost/$1000**	**Change in Cost**
$50,000	$312.00	$6.24		$190.00	$3.80	
$100,000	$600.00	$6.00	3.85%	$355.00	$3.55	6.58%
$250,000	$1,350.00	$5.40	10.00%	$805.00	$3.22	9.30%
$500,000	$2,600.00	$5.20	3.70%	$1,555.00	$3.11	3.42%
$1,250,000	$5,725.00	$4.58	11.92%	$3,555.00	$2.84	8.55%
Part B: Lender or Owners Policies						
	No Prior Coverage Purchased From Carrier			**Prior Coverage Purchased From Carrier**		
Coverage	**Premium**	**Cost/$1000**	**Change in Cost**	**Premium**	**Cost/$1000**	**Change in Cost**
$50,000	$287.00	$5.74		$165.00	$3.30	
$100,000	$575.00	$5.75	(0.17%)	$330.00	$3.30	0.00%
$250,000	$1,325.00	$5.30	7.83%	$780.00	$3.12	5.45%
$500,000	$2,575.00	$5.15	2.83%	$1,530.00	$3.06	1.92%
$1,250,000	$5,700.00	$4.56	11.46%	$3,530.00	$2.82	7.71%
Source: First American Title Company web site (http://titlefees.firstam.com/Titlefees.asp)						

Table 8A
Price Comparison: Florida versus All Inclusive States (Simultaneous Policies)

No Prior Purchase From Carrier

Coverage	Premium (CA)	Cost/$1000 (CA)	Premium (PA)	Cost/$1000 (PA)	Premium (TX)	Cost/$1000 (TX)	Avg Prem (AI)	Avg Cost (AI)	Premium (FL)	Cost/$1000 (FL)
$50,000	$659.00	$13.18	$558.75	$11.18	$620.00	$12.40	$612.58	$12.18	$312.00	$6.24
$100,000	$912.00	$9.12	$858.75	$8.59	$971.00	$9.71	$913.92	$8.85	$600.00	$6.00
$250,000	$1,412.00	$5.65	$1,608.75	$6.44	$1,799.00	$7.20	$1,606.58	$6.04	$1,350.00	$5.40
$500,000	$2,106.00	$4.21	$2,858.75	$5.72	$3,179.00	$6.36	$2,714.58	$4.96	$2,600.00	$5.20
$1,250,000	$3,857.00	$3.09	$5,421.25	$4.34	$7,071.50	$5.66	$5,449.92	$3.71	$5,725.00	$4.58

Prior Purchase From Carrier

Coverage	Premium (CA)	Cost/$1000 (CA)	Premium (PA)	Cost/$1000 (PA)	Premium (TX)	Cost/$1000 (TX)	Avg Prem (AI)	Avg Cost (AI)	Premium (FL)	Cost/$1000 (FL)
$50,000	$596.00	$11.92	$502.88	$10.06	$620.00	$12.40	$572.96	$11.46	$190.00	$3.80
$100,000	$788.00	$7.88	$772.88	$7.73	$971.00	$9.71	$843.96	$8.44	$355.00	$3.55
$250,000	$1,208.00	$4.83	$1,447.88	$5.79	$1,799.00	$7.20	$1,484.96	$5.94	$805.00	$3.22
$500,000	$1,792.00	$3.58	$2,572.88	$5.15	$3,179.00	$6.36	$2,514.63	$5.03	$1,555.00	$3.11
$1,250,000	$3,265.00	$2.61	$4,879.12	$3.90	$7,071.50	$5.66	$5,071.87	$4.06	$3,555.00	$2.84

Source: First American Title Company web site (http://titlefees.firstam.com/Titlefees.asp)
*-The premiums for Texas are the same regardless of a prior purchase from the carrier.

Table 8B
Calculation of Breakeven Title Costs
(All Inclusive States Versus Florida)

No Prior Purchase From Carrier

Coverage	**Avg Prem (AI)**	**Premium (FL)**	**Estimated Breakeven Title Costs**
$50,000	$612.58	$312.00	$300.58
$100,000	$913.92	$600.00	$313.92
$250,000	$1,606.58	$1,350.00	$256.58
$500,000	$2,714.58	$2,600.00	$114.58
$1,250,000	$5,449.92	$5,725.00	($275.08)

Prior Purchase From Carrier

Coverage	**Avg Prem (AI)**	**Premium (FL)**	**Estimated Breakeven Title Costs**
$50,000	$572.96	$190.00	$382.96
$100,000	$843.96	$355.00	$488.96
$250,000	$1,484.96	$805.00	$679.96
$500,000	$2,514.63	$1,555.00	$959.63
$1,250,000	$5,071.87	$3,555.00	$1,516.87

Source: First American Title Company web site
(http://titlefees.firstam.com/Titlefees.asp)

Table 9
Price Comparison: Other States Versus Florida

Part A: Simultaneous Policies

	No Prior Coverage Purchased From Carrier				Prior Coverage Purchased From Carrier			
Coverage	Premium (OS)	Cost/$1000 (OS)	Premium (FL)	Cost/$1000 (FL)	Premium (OS)	Cost/$1000 (OS)	Premium (FL)	Cost/$1000 (FL)
$50,000	$235.75	$4.72	$312.00	$6.24	$225.12	$4.50	$190.00	$3.80
$100,000	$375.25	$3.75	$600.00	$6.00	$340.62	$3.41	$355.00	$3.55
$250,000	$691.20	$2.76	$1,350.00	$5.40	$641.56	$2.57	$805.00	$3.22
$500,000	$1,205.95	$2.41	$2,600.00	$5.20	$1,108.42	$2.22	$1,555.00	$3.11
$1,250,000	$2,518.20	$2.01	$5,725.00	$4.58	$2,244.06	$1.80	$3,555.00	$2.84

Part B: Lenders or Owners Policies

	No Prior Coverage Purchased From Carrier				Prior Coverage Purchased From Carrier			
Coverage	Premium (OS)	Cost/$1000 (OS)	Premium (FL)	Cost/$1000 (FL)	Premium (OS)	Cost/$1000 (OS)	Premium (FL)	Cost/$1000 (FL)
$50,000	$184.38	$3.69	$287.00	$5.74	$125.65	$2.51	$165.00	$3.30
$100,000	$315.69	$3.16	$575.00	$5.75	$206.35	$2.06	$330.00	$3.30
$250,000	$622.08	$2.49	$1,325.00	$5.30	$428.65	$1.71	$780.00	$3.12
$500,000	$1,092.15	$2.18	$2,575.00	$5.15	$766.65	$1.53	$1,530.00	$3.06
$1,250,000	$2,236.40	$1.79	$5,700.00	$4.56	$1,675.15	$1.34	$3,530.00	$2.82

Source: First American Title Company web site (http://titlefees.firstam.com/Titlefees.asp)

The Florida Office of Insurance Regulation

A Preliminary Comparative Financial Analysis of Title Insurance Companies

July 2006

This preliminary report was produced pursuant to
Section 627.782, Florida Statutes.

ACKNOWLEDGMENT

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NOTE:
This report is a preliminary overview of the state of the title insurance in Florida. The 2006 Florida Legislature provided in Specific Appropriation 2614, $150,000 to the Office of Insurance Regulation to gather title insurance data in accordance with section 624.501(27)(e)(2), Florida Statutes. The data shall be collected from licensed agents, agencies, and insurers. The information collected shall be sufficient to give due consideration to the factors set forth in section 627.782, Florida Statutes. To assist with its data collection and analysis, the office shall retain the services of an independent actuary with experience and expertise in the title insurance industry.

A Preliminary Comparative Financial Analysis of Title Insurance Companies

Executive Summary

In today's environment, the real estate market and the insurance market enjoy a close relationship. Along with hazard insurance, title insurance is usually required to close a real estate transaction. Quality of title is a major concern in real property transactions and is typically provided by a title search, title abstract, attorney's letter of opinion, title certificate, and title insurance. Arrunada (2001) finds that title insurance is present in 85 percent of residential sales transactions in the U.S. and provides protection to the owner and/or lender against such problems as unknown recorded liens, defects in public records, forgeries, and improperly delivered deeds.

The Florida Office of Insurance Regulation (OIR) is charged with ensuring that the insurance industry in Florida is financially viable while providing insurance products to Florida consumers at a fair price. The Florida OIR oversees insurers relative to licensing, premium rates, solvency, and other factors. To fulfill its statutory responsibility, the OIR uses performance measures and standards to evaluate performance. In addition, the Florida Insurance Commissioner, as a member of the National Association of Insurance Commissioners (NAIC), serves to protect the public interest and promote competitive insurance markets.

This study provides an updated preliminary examination of title insurance rates in Florida by providing a company-level financial analysis across states incorporating all title insurance companies that report financial data to the NAIC. The financial analysis includes examining various aspects of the title industry. Specifically, the study:

(1) gives a comparison of title insurance direct premiums written from 1995-2004;

(2) examines direct premiums written by channel of distribution;

(3) shows the concentration of the title industry based on market share;

(4) examines the growth of the title industry from 1995-2004 relative to total assets, premiums written, operating income, operating expenses, and net income;

(5) examines the structure of the industry in terms of group membership and financial leverage; and

(6) examines the financial position of title companies relative to return on assets, return on equity, premium/surplus ratios, and loss ratios.

This initial comparative analysis shows that the housing and mortgage refinancing boom since the mid-1990s has been very beneficial to the title industry.

In terms of results, an overall view of the industry shows that:

- Title insurance premiums are a larger share of property and casualty premiums in Florida (5.4%) than for the U.S (3.6%);
- Title insurers in Florida have favorable loss ratios (modified loss ratio = 3.2% in 2004) compared to nearby states such as Alabama (5.4%), Georgia (8.8%), North Carolina (12.5%), or South Carolina (9.7%). The results in Sirmans (2005) show that premiums in Florida are higher than in other states. As such, it appears that title insurance in Florida may be overpriced;
- From 1995 to 2004 title insurance total direct premiums in the U.S. increased almost 280 percent to \$15.5 billion while, in Florida, total direct premiums increased about 310 percent to \$1.80 billion;
- The method of delivering title insurance in Florida has not changed appreciably over the last decade and non-affiliated agencies write a greater percentage of title insurance in Florida (85 percent) than in the U.S. as a whole (61 percent);
- Regardless of concentration measure (percent of premiums, Herfindahl index) or territory (Florida, all-inclusive states, U.S.), the title insurance industry is highly concentrated:
    - In Florida, two companies wrote 50 percent of premiums and six companies wrote 99 percent of premiums in 2004:
    - The Herfindahl index for Florida in 2004 was 0.1966;

    - The average Herfindahl index for all-inclusive states (California, Texas, Pennsylvania) for 2004 was 0.2358;
    - The average Herfindahl index for all states excluding Florida in 2004 was 0.2390;
    - The lowest Herfindahl index in any state in 2004 was 0.1844;
    - The top five companies in any state have consistently written at least 90 percent of the premiums, and
- Florida is one of three states in which title insurance rates are set by regulation.

An examination of the financial condition of the title industry shows that:

- Total assets for the title industry increased about 110 percent from $54.94 billion to $115.01 billion over the period 1995 to 2004;
- Net worth for the title industry increased by 106 percent from $21.52 billion to $44.25 billion over the period 1995 to 2004;
- Direct premiums written for the title industry increased by 211 percent from $65.5 billion to $203.98 billion over the period 1995 to 2004;
- For the U.S., the correlation between existing home sales and premiums written for the title industry for the period 1995 to 2004 is .86. The correlation for Florida over the same period is .95;
- Net income for the title industry increased by 368 percent from $2.18 billion to $10.21 billion over the period 1995 to 2004;
- Revenue from affiliated agents increased by 327 percent over the period 1995 to 2004 while revenue from non-affiliated agents increased by 204 percent; and
- The amount paid to title agents increased by 238 percent from $43 billion to $145 billion.

An examination of the structure of the industry shows that:

- While premiums, revenue, income, etc. increased in Florida over the decade 1995 to 2004, the basic distribution structure and number of active insurers (based on direct premium written) remained relatively unchanged:
  - In Florida, non-affiliated agencies are a much more common method for distribution and have consistently written about 85 percent of Florida title insurance while affiliated agencies have written about 5 percent;
- Over the 1995 to 2004 period, non-affiliated agencies have consistently written about 60 percent of U.S. title insurance. The percentage of premiums written directly by title companies has fallen from 19 percent to 14 percent, while the percentage written by affiliated agencies has increased from 19 percent to 26 percent;
- In 2004, about 66 percent of companies were members of a group compared to 62 percent in 1995;
- Comparing title insurers who are members of insurance groups with stand-alone title insurers shows that, over the period 1995 to 2004, companies who belonged to an insurance group were, on average:
  - substantially larger
  - experienced greater return on assets and return on equity, but
  - had poorer underwriting results (higher loss ratios).

An examination of financial performance trends for the title industry shows that:

- The title industry’s financial position improved significantly over the last decade;
- For the period 1995 to 2004, return on assets for the title industry increased from 4.10 percent in 1995 to 5.90 percent while the return on equity increased from 3.10 percent in 1995 to 10.80 percent in 2004:

    - For the title industry, both return on assets and return on equity spiked in 1998, bottomed out in 2000, and increased rapidly through 2003. Both returns declined in 2004;
    - Comparing the return on equity for title insurers to the return on equity for property and casualty insurers shows that title insurers are impacted by the economic cycle and housing market activity while property and casualty insurers are more impacted by price competition (e.g., soft market conditions) and excessive underwriting losses;
- The proportion of direct premiums written as a percentage of operating income increased from 89 percent to 94 percent over the period 1995 to 2004;
- Total expenses relative to revenue decreased over the period 1995 to 2004;
- The proportion of operating income allocated to losses and loss expense remained relatively constant at about 6 percent; and
- The industry's loss ratio decreased only slightly from 7.80 percent in 1995 to 6.9 percent in 2004.

This preliminary study could provide the basis for a more comprehensive integrated comparative cost and financial analysis of the title insurance industry in Florida. This could include a larger sample of HUD-1 forms and a data call to all title insurers for premium rate quotes and related services charges. A more sophisticated statistical analysis could be performed relating the cost of title insurance to state characteristics such as rate setting requirements (promulgated, unregulated, etc.), total title charges (all-inclusive, risk rate, etc.), loss ratios, and distribution methods. The data call could also require Florida insurers to provide measures for premiums earned and losses incurred by size of risk over some historical period such as the last five years. The loss data could be developed to ultimate using standard actuarial techniques. The data could then be analyzed to determine whether the current rates by layer of coverage are appropriate.

A Preliminary Comparative Financial Analysis of Title Insurance Companies

I. Introduction

In today's environment, the real estate market and the insurance market enjoy a close relationship. Both hazard insurance and title insurance are typically required to close a real estate transaction. Quality of title is a major concern in real property transactions and is typically provided by a title search, title abstract, attorney's letter of opinion, title certificate, and title insurance. Arrunada (2001) finds that title insurance is present in 85 percent of residential sales transactions in the U.S. and provides protection to the owner and/or lender against such problems as unknown recorded liens, defects in public records, forgeries, and improperly delivered deeds.

Problems with title can be both on and off record (Malloy and Klapow (2000)). Documents may be on record but may be forged or fraudulent. Neglecting to record a document or mistakes by the recording office create off record risks. Items that are generally excluded from coverage in a title policy include any known defects, risks posed by zoning and environmental regulations, eminent domain, defects causing no loss or damage, and defects subsequent to the date of the policy.

Title companies issue two main types of title policies: an owner's policy covering the amount of the purchase price and a lender's policy covering the amount of the mortgage. While the owner may be strongly encouraged to purchase an owner's policy, the lender's policy is usually mandatory since it is required by the secondary mortgage market. Since real estate lending is no longer "local" because of mortgage securitization, title insurance is a way of reassuring the national capital markets of the quality of local title searches.

Title insurance is in a unique position since it is insuring against events that have already occurred rather than unknown future events. Because of the nature of the business, the major expense for title insurers is performing title searches. A November 28, 2005 ALTA press release indicates that title insurers spend ten times as much on title searches and curing title problems as what they pay in claims.

As a result, whereas property and casualty insurers pay, on average, 87 cents for each dollar of premium collected, title insurers pay about five cents (Asaro, October 31, 2005).

The Florida Office of Insurance Regulation (OIR) seeks to ensure that insurance companies in Florida are financially viable and still provide insurance products to Florida consumers at a fair price. The Florida OIR oversees insurers relative to licensing, premium rates, solvency, and other factors. To fulfill its statutory responsibility, the OIR uses performance measures and standards to evaluate performance. In addition to the OIR, the Florida Insurance Commissioner serves as a member of the National Association of Insurance Commissioners (NAIC). The NAIC serves to protect the public interest and promote competitive insurance markets.

Given the importance of title insurance in providing guarantees to purchasers of real property and considering the cost that this insurance adds to the real estate transaction, title insurance continues to be an insurance product that demands regulatory oversight and scrutiny. Section 627.782 of the Florida Code regulates title insurance rates and charges for related title services. In accordance with Section 627.782, title insurance premiums in Florida are promulgated by the Office of Insurance Regulation (OIR). Charges for related title services (provided for in Section 627.7711) are permitted, can be no less than actual cost, and are not currently regulated by the OIR except that they can be no less than actual cost. However, Section 627.782 permits limitations to be placed by rule on related title service charges. The Code also (1) requires that the insurer retain no less than 30 percent of the risk premium, (2) requires uniform policy forms, and (3) provides preemption of Federal anti-trust laws.

Subsection 627.782(7) reads: “The commission shall, in accordance with the standards provided in subsection (2), review the premium as needed, but not less frequently than once every 3 years, and shall, based upon the review required by the subsection, revise the premium if the results of the review so warrant.” Per this requirement, this project provides an updated preliminary examination of title insurance rates in Florida by providing a company-level financial analysis across states incorporating all title insurance companies that report financial data to the NAIC.

The financial analysis includes examining various aspects of the title industry. Specifically, the study:

(1) gives a comparison of title insurance direct premiums written from 1995-2004;

(2) examines direct premiums written by channel of distribution;

(3) shows the concentration of the title industry based on market share;

(4) examines the growth of the title industry from 1995-2004 relative to total assets, premiums written, operating income, operating expenses, and net income;

(5) examines the structure of the industry in terms of group membership and financial leverage; and

(6) examines the financial position of title companies relative to return on assets, return on equity, and premium/surplus ratios.

This initial comparative analysis shows that the housing and mortgage refinancing boom since the mid-1990s has been very kind to the title industry.

In addition, the analysis indicates that the title insurance industry in Florida differs from the rest of the U.S. in some important ways. First, title insurance premiums are a larger share of property and casualty premiums in Florida (5.4%) than for the U.S (3.6%). Second, the method of delivering title insurance in Florida is different from the U.S. as whole. In Florida, non-affiliated agencies are a much more common delivery method and have consistently written about 85 percent of Florida title insurance. Non-affiliated agencies have written, on average, about five percent of Florida title insurance. In contrast, for the U.S. as a whole, non-affiliated agencies have consistently written about 60 percent of title insurance with affiliated agencies writing about 26 percent.

In Florida, charges for related title services are permitted (per Section 627.7711), can be no less than actual cost, and are not currently regulated by the Florida OIR, except that they cannot be less than actual cost. As shown in Sirmans (2005), the insurance premium makes up about two-thirds of the total cost of title insurance with related charges comprising one-third. Thus related charges add another 50 percent to the cost of the premium itself.

II. Previous Examination of Title Insurance Rates

A previous report completed in December 1997 by The David Cox Company examined title insurance rates in Florida. This report analyzed Florida's title insurance experience for the purpose of determining the appropriate risk premium and charges for related title services. Recommendations of this report were primarily to correct the subsidization of operations not intended to be funded by the risk premium and to promote competition and efficiency. Some specific recommendations were: (1) current title insurance risk rates were excessive and should be reduced by 13 percent, (2) that agents' share of the risk premium should remain at no more than 70 percent, (3) additional steps should be taken to assure that expenses used in rate-making are not excessive due to reverse competition.

III. Financial Analysis of the Title Insurance Industry

This study presents an initial comparative analysis of title insurers using basic financial statement data provided by title insurers to the NAIC. As part of this analysis, the study will examine financial results based on operation type (i.e., direct, non-affiliated, and affiliated), geographic location, group affiliation, and by loss ratio.

A. Market Structure of the Title Insurance Industry

The housing and mortgage financing/refinancing boom since the early-mid 1990s has proven to be very beneficial to the title insurance business. Table 1 shows the direct premiums written for title insurance relative to other types of insurance for the U.S. and Florida. Nationally and for Florida, it is interesting to note that title insurance has larger total premiums than medical malpractice and many other types of insurance. Title insurance premiums are a larger share of property and casualty premiums in Florida (5.4%) than for the U.S.(3.6%). In fact, Florida's title insurance premiums are more than 11% of national title insurance premiums.

B. The Business of Title Insurance in Florida

Table 2 gives a comparison of title insurance total direct premiums written for each year from 1995 through 2004. Over this period, total premiums written in the U.S. increased almost 280 percent from $4.13 billion to $15.50 billion. Over the same period, total direct premiums in Florida have increased about 310 percent from $440 million in 1995 to $1.81 billion. The share of Florida premiums to the total has stayed relatively constant at about 10 percent. With the exception of the all-inclusive states, title insurance premiums do not include related title services, which in Florida were equal to 34 percent of total title costs (Sirmans, 2005). Interestingly, the Florida share of premiums in 2004 reflects the continued boom in the Florida housing market as activity slowed in other areas. As total premiums in the U.S. declined for 2004, the total premiums in Florida increased.

The use of a mixed distribution system is common in the title insurance industry. There are three methods by which title insurance is delivered to consumers: (1) policies written directly by the company, (2) policies written by affiliated agents, and (3) policies written by non-affiliated agents. As Nyce and Boyer (1998) discuss, this mixed distribution system can give the title industry flexibility in adapting to changes in demand and may help balance the high costs of delivering title insurance. In Florida, it is not clear that these costs are being balanced by a more effective distribution method since the title insurance delivery system hasn't changed significantly over the last decade,

Table 3A provides the distribution of premiums written by distribution method for the U.S. for 1995 to 2004. As the table demonstrates, non-affiliated agencies have consistently written about 60 percent of U.S. title insurance. The percentage of premiums written directly by title companies has fallen from 19 percent to 14 percent, while the percentage written by affiliated agencies has increased from 19 percent to 26 percent.

Table 3B gives the breakdown of direct premiums written by distribution method in Florida from 1995 to 2004. As seen, the non-affiliated agencies write a greater percentage of the title insurance in Florida than in the U.S. as a whole. Non-affiliated agencies in Florida consistently have written about 85 percent of Florida title insurance. On the other hand, affiliated agencies are a much less utilized delivery method as they write only about five percent of Florida title insurance. About 10 percent is written directly by the title company.

C. Market Share

As evidenced by percent of premiums and the more formal Herfindahl index measure, the title insurance industry is indeed a concentrated industry. Table 4 shows the market shares by groups of title insurers in Florida. As seen, two title companies control 50 percent of the market and six companies control 99 percent of the market. Since the insurance industry is regulated at the state level, it is most useful to measure market share and competition at the state level. Table 5A gives concentration measures for the title industry by state for 2004. As at the national level, the title industry appears to be highly concentrated at the state level. The table shows that the percent of premiums written by the top five companies in each state is seldom less than ninety percent. In Florida, for example, five companies wrote more than 92 percent of the business in 2004.

The Herfindahl index shown in Tables 5A and 5B is a measure of industry concentration and is equal to the sum of the squared market shares of the firms in the industry. Since the Herfindahl index is the sum of the squares of the market shares of each individual firm, the index can have a wide range. The maximum Herfindahl of 1.0 indicates a monopoly and as such, higher index values indicate a decrease in competition and an increase in pricing power. The Herfindahl indexes show that the title industry is highly concentrated by state. In no state does the index drop below 0.1844. The Herfindahl index for Florida is 0.1966.

The U.S. Department of Justice (DOJ) uses the Herfindahl index to determine whether mergers are detrimental to the economy. If the index increases by 0.01, then the DOJ will investigate the merger (though this can vary case by case). The DOJ regards Herfindahl index values below 0.1 to be unconcentrated, 0.10 to 0.18s to be moderately concentrated, and those greater than 0.18 to be highly concentrated. The major concern is that, as market concentration rises, competition and efficiency decrease, and the likelihood of collusion and monopoly increase.

Table 5A also gives the status of rate regulation by state. In only ten states and the District of Columbia are rates set competitively. Twenty-three states require prior approval for rate setting and twelve states utilize a file and use method. In three states, rates are set by regulation (the Insurance Commissioner promulgates the rate). Florida is one state in which rates are promulgated.

Table 5B compares the concentration of the title industry in Florida to the all-inclusive states (California, Pennsylvania, and Texas) and to all states except Florida. In the all-inclusive states, over 93 percent of title business is controlled by the top five companies. For all states, the top five companies control about 95 percent of title business. The Herfindahl index for the all-inclusive states is 0.2358 and is 0.2390 for all states excluding Florida. In all cases, the title industry is seen to be highly concentrated.

Tables 6A and 6B provide additional information using state level data for 1995, 1999, and 2004. Table 6A provides modified loss ratios by state and includes the District of Columbia. Loss ratios in both tables are calculated as direct losses paid divided by direct premiums earned as loss adjustment expense data were not available at the state level. Table 6B allows for comparisons between Florida and other states. As can be seen, modified loss ratios are lower in Florida than in other states for each year shown in Table 6A. The very favorable loss experience for title insurers in Florida (modified loss ratio = 3.2% in 2004) compared with neighboring states (Alabama = 5.4%, Georgia = 8.8%, North Carolina = 12.5%, South Carolina = 9.7%) provides an indication that title insurance may be overpriced in Florida.

D. Financial Analysis of Title Industry

Table 7 shows the growth in the title insurance industry from 1995 to 2004. Average total assets increased from \$54.9 billion to \$115.01 billion. This is an overall increase of about 110 percent or an average growth per year of almost nine percent. Over the same period, net worth increased by about 106 percent from \$21.52 billion to \$44.25 billion. Direct premiums written rose dramatically by 211 percent from \$65.50 billion to \$203.98 billion. Net premiums written and net premiums earned experienced similar increases. Operating income for the title companies increased 194 percent. Meantime, net income increased 368 percent from $2.18 billion to $10.21 billion.

The revenue values show that, as total revenue rose by about two hundred percent, the primary contributor to this increase was revenue from affiliated agents. Although the absolute dollar amount for this category is less than the other categories, revenue in this category increased by 327 percent over this time period. Revenue from non-affiliated agents rose by 204 percent while revenue from direct operations increased by 103 percent. This helps to illustrate the diversity in method of distribution for the title industry.

Table 7 shows that, as revenue and income increased dramatically, total expenses paid also rose rapidly by about 184 percent. Incurred loss and loss adjustment expenses increased at a much lower amount of 118 percent. Over this period, title companies saw a sharp increase (238 percent) in the total amount paid to the title agent from $43.06 billion to $145.35 billion.

Table 7 and Table 8 show that the title industry experienced significant growth over the decade 1995 to 2004, fueled by the booming housing market, the rapid increase in house prices, and the thriving mortgage refinancing industry. Assets, revenues, and income for title companies increased dramatically to unprecedented levels.

E. Financial Analysis of the Title Industry: Ratios

As the title industry thrived from 1995 to 2004, Table 8 shows that the basic structure of the industry remained relatively constant. In 1995, about 62 percent of companies were members of a group. This percentage increased only slightly in 2004 to 66 percent. The degree of leverage dropped slightly from 50 percent to 45 percent.

Table 8 also shows that the industry's financial position improved significantly. The return on assets increased from 4.10 percent in 1995 to 5.90 percent in 2004. The return on equity increased even more from 3.10 percent to 10.80 percent.

One common measure of a property-casualty insurer's financial strength is premium to surplus ratio. This ratio is computed by dividing net premiums written by surplus and is designed to measure the ability of the insurer to absorb above-average losses. Premium to surplus measures of three or less are considered acceptable. While the unique nature (i.e., small risk component) of title insurance makes this measure less relevant, premium to surplus measures were calculated and reported in Table 8. As seen, the average ratio has increased over time, indicating that, overall, industry financial strength has declined. The net premium written relative to surplus increased from 2.60 times to 3.36 times.

Table 8 shows that the industry's sources of revenue shifted somewhat. The thirty percent of revenue produced by direct operations in 1995 had decreased to 22 percent in 2004. The percent of revenue from non-affiliated agents stayed relatively constant at about 54 percent. However, the percentage of revenue produced by affiliated agents increased from 16.50 percent to 25 percent.

The industry's relationship between direct premiums written and revenue increased slightly over the period. Direct premiums written were 88 percent of revenue in 1995 and had increased to 92 percent in 2004. Escrow and settlement costs remained a small percentage of revenue (2 to 3 percent) whereas other fees decreased as a percentage of revenue from about nine percent to about six percent. Total expenses relative to direct premiums written dropped from 1.22 times to 1.09 times.

The proportion of expenses paid to title agents increased from 58 percent in 1995 to 69 percent in 2004. Incurred expenses as a percentage of operating income remained relatively constant at about 95 percent, as did expenses relative to revenue at 95 percent.

In 1995, direct premiums written made up 89 percent of operating income. By 2004 this proportion had increased to 94 percent. Also, the percentage of operating income paid out in losses and loss expense remained constant at slightly more than six percent. Most of operating income was paid out in operating expenses with the proportion being about 95 percent for both 1995 and 2004.

The historically low loss ratio for the title industry was upheld over this decade. In 1995, the loss ratio was almost eight percent. By 2004 this had decreased slightly to about seven percent.

F. Financial Analysis of the Title Industry: Annual Measures

Table 9 presents a more detailed year-by-year financial picture of the title industry over the period 1995 to 2004. After an initial stagnant period, total assets began increasing moderately in the late 1990s and then began increasing dramatically in 2001 through 2004. Surplus performed in a similar manner, experiencing rapid growth in the 2000s. On the other hand, premiums experienced steady growth, with the exception of 2000 when there was a slight drop. Following 2000, however, premiums enjoyed a significant rise until 2003. Premiums dropped slightly in 2004. Total revenue followed the same pattern as income: steady increases except for 2000 and 2004. Expenses in the title industry have increased steadily except for declines in 2000 and 2004.

Table 10 gives year-by-year ratios for the title industry over the period 1995 to 2004. The patterns of these ratios reflect those for the dollar amounts given in Table 9.

As illustrated in Figure 1, the movement in total assets, capital and surplus, net premium written, operating income, and net income have trended upward over the period 1995 to 2004. During this period, title insurers saw substantial growth in average total assets and net premiums written.

Given the demand for title insurance is driven primarily by the demand for housing, it is not surprising that there is a very strong, positive relationship between existing home sales and growth in title insurance premiums. Table 11 provides correlation results between housing sales and title insurance premiums for Florida and for the United States. For the U.S., the correlation between existing home sales and premiums written for the title industry for the period 1995 to 2004 is .86. The correlation for Florida over the same period is .95. These correlations serve to highlight the fact that the economic factors that impact on the housing cycle are likely to have a greater impact on title insurer performance (e.g., asset growth, total profitability) than losses paid under the title insurance contract.

The movement in several expense and operational measures is shown in Figure 2. The amount paid to title agents as a percentage of total expenses has ranged between 58 percent and 70 percent. Premiums as a percentage of operating income have increased over the 10-year period. During the period, expenses as a percentage of operation income has remained relatively flat. This measure was 95.7 percent at the beginning of the period and 94.5 percent at the end of the period with the most favorable result (89.5 percent) occurring in 2002.

Figure 3 provides information on return on assets as well as loss ratios for the period under investigation. The return on assets spiked in 1998 then decreased to bottom out in 2000. It proceeded to increase rapidly until 2003 but then experienced a slight decline in 2004. The loss ratio results show a very different pattern. Not surprisingly, loss ratios are much more stable than firm performance measured by return on assets. Loss ratios grew gradually through 2001 followed by a sharp improvement in 2002. Loss ratios have trended upward since 2002. For the period 1999-2004, Figure 3 shows a lagged, counter-cyclical type of pattern between loss ratios and firm performance.

To gain further perspective, Figure 4 shows the return on equity for title insurers and property and casualty insurers over the period 1995 through 2004. Return on equity for title insurers lagged behind the return on equity for property and casualty insurers in the early years of 1995 through 1997. However, while return on equity for property and casualty insurers spiked in 1997 and began to decline, the return on equity for title insurers continued to increase dramatically through 1998. Title insurers then experienced a rapid decline in return on equity through 2000. Return on equity for property and casualty insurers had also continued to decline over this period. Beginning in 2001, return on equity for title insurers began to increase at a rapid pace through 2003. At the same time, return on equity for property and casualty insurers continued to decline through 2001 then began to increase. While the return on equity for property and casualty insurers continued to increase through 2004, the return on equity for title insurers peaked in 2003 and decreased in 2004.

The movements in the equity returns across the two industries are the result of different influences. Whereas title insurers are impacted by the economic cycle and the robustness of the housing market, the property and casualty industry was more impacted by price competition (e.g., soft market conditions) and excessive underwriting losses.

G. Financial Analysis of Title Industry by Group Membership

Tables 12 and 13 present the title industry statistics by group affiliation, (i.e., whether a company was a member of an insurance group) for the period 1995 through 2004. As the data in both tables indicate, there are clear differences between a company that is a member of an insurance group and one that operates independently. Group members appear to enjoy a scale advantage over their non-group competitors and on average, are substantially larger measured by any metric. For example average firm size (total assets) for affiliated companies was over $168 million as compared to $13 million for unaffiliated title insurers. Significant differences also appear to exist by performance measures such as return on assets or return on equity (capital and surplus) and underwriting-specific measures like the loss ratio.

Total assets for the unaffiliated or stand-lone companies held relatively constant from 1995 to 2000, then began increasing through 2003. There was a sharp decline in total assets in 2004 from a high of $24.1 billion in 2003 to $13 billion in 2004. Interestingly, in the early years (1995-1999), as total assets held relatively constant, net income for the unaffiliateds increased dramatically from $184 million to over one billion dollars. There was a sharp drop in net income in 2000 but then it increased every year subsequent to 2003 when it peaked at $2.3 billion. Net income declined in 2004 from the 2003 high to about $792 million.

As can be seen in Figure 5, the results clearly indicate that on average, members of insurance groups enjoy superior performance compared to unaffiliated insurers. The affiliated companies consistently experienced greater return on assets and return on equity (capital and surplus) relative to the unaffiliated companies. Return on assets for the unaffiliateds experienced high volatility over the period 1995 through 2004. It increased from 1995 through 1998 to a peak of 8.6 percent and then dropped rapidly to a low of 1.5 percent in 2000. It spiked again in 2002 at 9.18 percent but then had declined to 4.2 percent by 2004. Return on equity experienced a somewhat similar pattern, increasing in the early years to peak at 14.8 percent in 1998. By 2001, however, it had decreased to – 5 percent. The year 2002 saw a high return of 13.2 percent but this had declined to 5.9 percent by 2004.

The affiliated companies experienced a better fate. Total assets increased almost continuously from 1995 through 2004 from $80 billion to $168 billion. Net income experienced more volatility peaking in 1998 at $3.4 billion and in 2003 at $20.56 billion. Net income grew continuously from 2000 to 2003 and then declined from its high in 2003 to $15.1 billion in 2004. Return on assets increased from 1995 through 1998 then declined through 2000. The second peak of 9.5 percent in 2003 was followed by a decline to 6.8 percent in 2004. Return on equity increased in the early years and experienced peaks in 1998 at 19.3 percent and in 2003 at 20.3 percent. The return on equity for the nonaffiliated companies is more volatile and lower than for the group members. The return on equity for the affiliated companies in some years is sometimes more than double or three times greater the return on equity for the unaffiliated companies.

The profitability advantage that affiliated title insurers enjoy does not appear to extend to the underwriting side of the title insurance business. As can be seen in Figure 6, unaffiliated title insurers consistently have a more favorable loss ratio than companies that operate within an insurance group. Differences between unaffiliated and affiliated can be substantial. For example, the average affiliated loss ratio in 2003 was more than twice as large as the average loss ratio for unaffiliated insurers.

Although the title insurers that were members of an insurance group experienced higher loss ratios, they also experienced much higher returns on assets and equity relative to title insurers operated on a stand-alone basis. Possible explanations for this inconsistency could be different rate and expense structures or different distribution systems and business mix by state.

IV. Recommendations for a More Comprehensive Study

The results from this preliminary study (along with the Sirmans study) can be a springboard for a more comprehensive integrated comparative cost and financial study of the title insurance industry in Florida. The final comparative cost study could be broadened to include all insurers and a larger sample of HUD-1 forms. A data call to title companies could include copies of their retained HUD-1 forms and a request for insurers' rate manuals and access to their rating models. The HUD-1 forms from agents could be requested in electronic form since most real estate closings are done using computerized software packages.

A comprehensive study could also contain a more complete comparative cost and financial study of title companies. This could be accomplished by issuing a data call to all title insurers for premium quotes by size of risk in each state in which they operate. Title insurers could be required to identify the specific services included in each state above the charges for risk and determination of insurability (search and title examination costs). The risk-adjusted premium quote data by state could be statistically analyzed relative to factors such as (1) whether rate filings are promulgated, require prior approval, unregulated, etc., (2) whether the state requires an all-inclusive rate, a risk rate, or something in-between, (3) loss ratios, and (4) the method of distribution (affiliated versus non-affiliated agents).

The data call could also require Florida insurers to provide measures for premiums earned and losses incurred by size of risk over some historical period such as the last five years. The loss data could be developed to ultimate using standard actuarial techniques. The data could then be analyzed to determine whether the current rates by layer of coverage are appropriate. Other useful areas to examine could include: (1) a comparison of premium quote dispersion between companies across states compared to the companies' market shares and (2) the relative dispersion of premium quotes by state between companies within the same holding company and the relationship between this dispersion and the type of operations and market share.

V. Summary

This study has provided an initial comparative analysis of title insurers using basic financial statement data provided by title insurers to the NAIC.

In terms of results, an overall view of the industry shows that:

- Title insurance premiums are a larger share of property and casualty premiums in Florida (5.4%) than for the U.S (3.6%);
- Title insurers in Florida have favorable loss ratios (modified loss ratio = 3.2% in 2004) compared to nearby states such as Alabama (5.4%), Georgia (8.8%), North Carolina (12.5%), or South Carolina (9.7%). The results in Sirmans (2005) show that premiums in Florida are higher than in other states. As such, it appears that title insurance in Florida may be overpriced;
- From 1995 to 2004 title insurance total direct premiums in the U.S. increased almost 280 percent to $15.5 billion while, in Florida, total direct premiums increased about 310 percent to $1.80 billion;
- The method of delivering title insurance in Florida has not changed appreciably over the last decade and non-affiliated agencies write a greater percentage of title insurance in Florida (85 percent) than in the U.S. as a whole (61 percent);
- Regardless of concentration measure (percent of premiums, Herfindahl index) or territory (Florida, all-inclusive states, U.S.), the title insurance industry is highly concentrated:
    - In Florida, two companies wrote 50 percent of premiums and six companies wrote 99 percent of premiums in 2004;
    - The Herfindahl index for Florida in 2004 was 0.1966;
    - The average Herfindahl index for all-inclusive states (California, Texas, Pennsylvania) for 2004 was 0.2358;
    - The average Herfindahl index for all states excluding Florida in 2004 was 0.2390;
    - The lowest Herfindahl index in any state in 2004 was 0.1844;
    - The top five companies in any state have consistently written at least 90 percent of the premiums, and
- Florida is one of three states in which title insurance rates are set by regulation.

An examination of the financial condition of the title industry shows that:

- Total assets for the title industry increased about 110 percent from $54.94 billion to $115.01 billion over the period 1995 to 2004;
- Net worth for the title industry increased by 106 percent from $21.52 billion to $44.25 billion over the period 1995 to 2004;
- Direct premiums written for the title industry increased by 211 percent from $65.5 billion to $203.98 billion over the period 1995 to 2004:
    - For the U.S. (excluding Florida)., the correlation between existing home sales and premiums written for the title industry for the period 1995 to 2004 is .86. The correlation for Florida over the same period is .95;
- Net income for the title industry increased by 368 percent from $2.18 billion to $10.21 billion over the period 1995 to 2004;
- Revenue from affiliated agents increased by 327 percent over the period 1995 to 2004 while revenue from non-affiliated agents increased by 204 percent; and
- The amount paid to title agents increased by 238 percent from $43 billion to $145 billion.

An examination of the structure of the industry shows that:

- While premiums, revenue, income, etc. increased in Florida over the decade 1995 to 2004, the basic distribution structure and number of active insurers (based on direct premium written) remained relatively unchanged:
    - In Florida, non-affiliated agencies are a much more common method for distribution and have consistently written about 85 percent of Florida title insurance while affiliated agencies have written about 5 percent;
- Over the 1995 to 2004 period, non-affiliated agencies have consistently written about 60 percent of U.S. title insurance. The percentage of premiums written directly by title companies

has fallen from 19 percent to 14 percent, while the percentage written by affiliated agencies has increased from 19 percent to 26 percent;

- In 2004, about 66 percent of companies were members of a group compared to 62 percent in 1995;
- Comparing title insurers who are members of insurance groups with stand-alone title insurers shows that, over the period 1995 to 2004, companies who belonged to an insurance group were, on average:
    - substantially larger
    - experienced greater return on assets and return on equity, but
    - had poorer underwriting results (higher loss ratios).

An examination of financial performance trends for the title industry shows that:

- The title industry's financial position improved significantly over the last decade;
- For the period 1995 to 2004, return on assets for the title industry increased from 4.10 percent in 1995 to 5.90 percent while the return on equity increased from 3.10 percent in 1995 to 10.80 percent in 2004:
    - For the title industry, both return on assets and return on equity spiked in 1998, bottomed out in 2000, and increased rapidly through 2003. Both returns declined in 2004;
    - Comparing the return on equity for title insurers to the return on equity for property and casualty insurers shows that title insurers are impacted by the economic cycle and housing market activity while property and casualty insurers are more impacted by a price competition (e.g., soft market conditions) and excessive underwriting losses;
- The proportion of direct premiums written as a percentage of operating income increased from 89 percent to 94 percent over the period 1995 to 2004;
- Total expenses relative to revenue decreased over the period 1995 to 2004;

- The proportion of operating income allocated to losses and loss expense remained relatively constant at about 6 percent; and
- The industry's loss ratio decreased only slightly from 7.80 percent in 1995 to 6.9 percent in 2004.

This preliminary study could provide the basis for a more comprehensive integrated comparative cost and financial analysis of the title insurance industry in Florida. This could include a larger sample of HUD-1 forms and a data call to all title insurers for premium rate quotes and related services charges. A more sophisticated statistical analysis could be performed relating the cost of title insurance to state characteristics such as rate setting requirements (promulgated, unregulated, etc.), total title charges (all-inclusive, risk rate, etc.), loss ratios, and distribution methods. The data call could also require Florida insurers to provide measures for premiums earned and losses incurred by size of risk over some historical period such as the last five years. The loss data could be developed to ultimate using standard actuarial techniques. The data could then be analyzed to determine whether the current rates by layer of coverage are appropriate.

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Table 1 Property/Casualty (Selected) and Title Insurance Premiums for U.S. and Florida ($000)					
	U.S. 2004 Written Premiums	Share of Title Insurance to P&C	Florida 2003 Written Premium	Share of Title Insurance to P&C	Ratio of Florida to U.S
Private Passenger Auto	$156,734,038	36.8%	$11,048,140	38.9%	7.0%
Homeowner Multiple Peril	$49,988,877	11.7%	$3,722,233	13.1%	7.4%
Other Liability	$40,720,856	9.6%	$1,633,659	5.8%	4.0%
Workers Compensation	$36,760,327	8.6%	$3,181,071	11.2%	8.7%
Commercial Multiple Peril	$29,134,347	6.8%	$1,615,775	5.7%	5.5%
Commercial Auto	$26,722,522	6.3%	$1,729,493	6.1%	6.5%
Title Insurance	**$15,488,147**	**3.6%**	**$1,545,460**	**5.4%**	**10.0%**
Accident & Health	$9,955,816	2.3%	$392,164	1.4%	3.9%
Medical Malpractice	$9,191,530	2.2%	$691,075	2.4%	7.5%
Fire	$8,316,595	2.0%	$327,809	1.2%	3.9%
Allied Lines	$8,307,595	1.9%	$457,016	1.6%	5.5%
Inland Marine	$8,215,433	1.9%	$605,521	2.1%	7.4%
Mortgage Guaranty	$4,323,176	1.0%	$395,257	1.4%	9.1%
Surety	$3,857,003	0.9%	$257,025	0.9%	6.7%
Products Liability	$3,395,002	0.8%	$105,033	0.4%	3.1%
Financial Guaranty	$3,115,495	0.7%	$136,525	0.5%	4.4%
Ocean Marine	$2,827,554	0.7%	$227,226	0.8%	8.0%
Aircraft	$2,180,122	0.5%	$152,563	0.5%	7.0%
Farmowners' Multiple Peril	$2,118,462	0.5%	$20,403	0.1%	1.0%
Boiler & Machinery	$1,572,208	0.4%	$48,664	0.2%	3.1%
Fidelity	$1,309,335	0.3%	$52,267	0.2%	4.0%
Earthquake	$1,098,392	0.3%	$7,715	0.0%	0.7%
Credit	$806,449	0.2%	$32,769	0.1%	4.1%
Burglary & Theft	$138,837	0.0%	$5,470	0.0%	3.9%
Total	$426,278,118	100.0%	$28,390,333	100.0%	6.7%
Source: Insurance Information Institute, NAIC Annual Statement Database, and State of Florida OIR.					

Table 2 Direct Premiums Written 1995-2004 ($000) Florida and United States			
Year	**FL**	**U.S.**	**FL/US**
1995	$440,683	$4,128,902	10.67%
1996	$505,773	$5,011,454	10.09%
1997	$556,541	$5,524,087	10.07%
1998	$709,632	$7,504,684	9.46%
1999	$796,870	$8,061,396	9.89%
2000	$745,718	$7,260,112	10.27%
2001	$865,036	$9,124,617	9.48%
2002	$1,141,899	$11,950,487	9.56%
2003	$1,545,460	$15,654,387	9.87%
2004	$1,809,490	$15,502,482	11.67%
Source: NAIC Annual Statement Database			

Table 3A
Premiums by Distribution Method- U.S.
1995-2004 ($000)

Year	US Total	US Direct Operations	PCT	US Affiliate Agencies	PCT	US Non-Affiliate Agencies	PCT
1995	$4,128,902	$792,902	19.20%	$781,784	18.93%	$2,554,216	61.86%
1996	$5,011,454	$800,170	15.97%	$1,081,897	21.59%	$3,129,387	62.44%
1997	$5,524,087	$866,616	15.69%	$1,268,029	22.95%	$3,389,442	61.36%
1998	$7,504,684	$1,140,229	15.19%	$1,951,470	26.00%	$4,412,985	58.80%
1999	$8,061,396	$1,093,664	13.57%	$1,920,061	23.82%	$5,047,671	62.62%
2000	$7,260,112	$1,055,963	14.54%	$1,839,114	25.33%	$4,365,035	60.12%
2001	$9,124,617	$1,342,345	14.71%	$2,605,997	28.56%	$5,176,275	56.73%
2002	$11,950,487	$1,626,012	13.61%	$3,286,677	27.50%	$7,037,798	58.89%
2003	$15,654,387	$2,258,003	14.42%	$4,164,763	26.60%	$9,231,621	58.97%
2004	$15,502,482	$2,100,561	13.55%	$4,014,337	25.89%	$9,387,583	60.56%

Source: NAIC Annual Statement Database

Table 3B
Premiums by Distribution Method- Florida
1995-2004 ($000)

Year	FL Total	FL Direct Operations	PCT	FL Affiliate Agencies	PCT	FL Non-Affiliate Agencies	PCT
1995	$440,683	$45,528	10.33%	$16,930	3.84%	$378,225	85.83%
1996	$505,773	$47,636	9.42%	$20,188	3.99%	$437,949	86.59%
1997	$556,541	$56,826	10.21%	$22,283	4.00%	$477,432	85.79%
1998	$709,632	$76,452	10.77%	$29,949	4.22%	$603,230	85.01%
1999	$796,870	$76,262	9.57%	$30,186	3.79%	$690,421	86.64%
2000	$745,718	$79,633	10.68%	$27,094	3.63%	$638,991	85.69%
2001	$865,036	$100,653	11.64%	$44,106	5.10%	$720,278	83.27%
2002	$1,141,899	$123,135	10.78%	$61,223	5.36%	$957,542	83.86%
2003	$1,545,460	$184,040	11.91%	$76,210	4.93%	$1,285,211	83.16%
2004	$1,809,490	$177,234	9.79%	$95,057	5.25%	$1,537,199	84.95%

Source: NAIC Annual Statement Database

Table 4

Premiums (Direct) by Top Six Florida Title Insurance Groups (2004)

Group	Percent of Direct Premium Written	Cumulative Percentage
Fidelity National Financial	28.38%	28.38%
Attorneys Title Inc.	21.94%	50.32%
First American Title	18.92%	69.24%
Land America	14.28%	83.52%
Stewart Title	8.60%	92.12%
Old Republic	6.66%	98.78%

Source: NAIC Annual Statement Database

Table 5A Rate Regulation and Concentration Measures* of the Title Insurance Industry by State (2004)							
State	**Pct. Top 5 Companies**	**Herfindahl**	**Rate Reg***	**State**	**Pct. Top 5 Companies**	**Herfindahl**	**Rate Reg***
AK	1.0000	.3399	F&U	MT	1.0000	.2787	F&U
AL	.9577	.1930	C	NC	.8901	.1991	PA
AR	.9857	.2169	C	ND	1.0000	.2292	PA
AZ	.9121	.2403	PA	NE	.9860	.2199	F&U
CA	.9204	.2384	F&U	NH	.9970	.2358	PA
CO	.8417	.2000	PA	NJ	.9640	.2266	PA
CT	.9645	.2310	PA	NM	.9947	.2591	R
DC	.9941	.3077	C	NV	.9182	.2168	PA
DE	.9578	.2151	F&U	NY	.9794	.2445	PA
FL	.9211	.1966	R	OH	.9287	.1991	F&U
GA	.9922	.2244	C	OK	.8929	.2468	C
HI	1.0000	.3210	F&U	OR	1.0000	.3230	PA
IA	1.0000	.3655	**	PA	.9608	.2425	PA
ID	1.0000	.2462	F&U	RI	.9800	.2945	PA
IL	.9251	.3028	C	SC	.9004	.2337	PA
IN	.9578	.2284	C	SD	.8832	.1844	PA
KS	.9997	.2386	F&U	TN	.9444	.2091	PA
KY	.9659	.2293	F&U	TX	.9477	.2278	R
LA	.9801	.2924	PA	UT	.9902	.2540	PA
MA	.9677	.2382	C	VA	.9435	.2054	C
MD	.9418	.2237	PA	VT	.9906	.2647	U&F
ME	.9996	.3057	PA	WA	1.0000	.2714	PA
MI	.9813	.2642	PA	WI	.9976	.2643	F&U
MN	.9562	.2279	F&U	WV	.9154	.1877	C
MO	.9833	.2695	PA	WY	.9992	.3707	PA
MS	.8809	.1922	C				

*- At the insurance group level
**Regulation Type- C: Competitive Rate; F&U: File and Use; U&F: Use and File; PA: Prior Approval; R: Commissioner Promulgates Rate (Source: Nyce and Boyer, 1998)

Table 5B Concentration Measures* of the Title Insurance Industry: Florida, All-Inclusive States, Other States (2004)		
	Pct. Top 5 Companies	**Herfindahl**
Florida	.9211	.1966
All Inclusive States* *(Weighted)	.9329	.2358
Non-Florida States (Weighted)	.9471	.2390

*- At the insurance group level
**All Inclusive States = California, Pennsylvania, and Texas
Source: NAIC Annual Statement Database

Table 6A
Modified Loss Ratios by State*

State	1995	1999	2004	State	1995	1999	2004
AK	10.1%	5.3%	0.9%	MT	5.9%	4.2%	3.0%
AL	8.9%	11.5%	5.4%	NC	10.5%	8.8%	12.5%
AR	4.0%	3.3%	6.9%	ND	0.2%	0.0%	1.1%
AZ	5.2%	3.1%	3.0%	NE	4.4%	0.6%	2.4%
CA	12.3%	4.5%	3.4%	NH	18.4%	4.5%	2.2%
CO	1.8%	2.5%	3.6%	NJ	9.9%	4.9%	4.2%
CT	8.4%	3.9%	3.5%	NM	-0.9%	5.2%	4.3%
DC	18.7%	5.8%	5.6%	NV	2.1%	3.8%	4.2%
DE	6.0%	3.9%	2.3%	NY	7.6%	3.9%	3.2%
FL	5.5%	3.6%	3.2%	OH	2.4%	2.7%	3.3%
GA	8.0%	6.3%	8.8%	OK	11.2%	5.1%	2.8%
HI	13.3%	6.9%	4.2%	OR	2.9%	2.5%	2.7%
IA	2.4%	13.4%	36.8%	PA	4.4%	2.5%	3.5%
ID	3.2%	3.3%	2.7%	RI	11.9%	2.1%	10.1%
IL	10.9%	7.6%	12.9%	SC	10.5%	5.5%	9.7%
IN	3.5%	4.5%	16.6%	SD	-0.7%	0.3%	1.7%
KS	3.0%	1.9%	5.1%	TN	5.5%	2.2%	6.2%
KY	1.9%	1.9%	8.6%	TX	2.6%	1.7%	2.5%
LA	14.7%	7.8%	3.7%	UT	2.8%	2.5%	6.2%
MA	10.8%	4.9%	4.2%	VA	9.6%	5.1%	2.4%
MD	13.9%	2.7%	2.8%	VT	10.8%	2.7%	6.5%
ME	14.4%	4.6%	3.9%	WA	6.6%	6.1%	5.4%
MI	1.9%	2.9%	7.2%	WI	3.0%	2.2%	3.1%
MN	7.2%	6.8%	6.3%	WV	4.3%	1.0%	3.6%
MO	16.7%	9.0%	12.9%	WY	4.0%	2.7%	1.7%
MS	17.2%	2.0%	6.4%				

*- Including District of Columbia.
Modified Loss Ratio= Direct Losses Paid/Direct Premiums Earned

Table 6B
Modified Loss Ratios: Florida versus Other States*

	1995	1999	2004
Florida	5.5%	3.6%	3.2%
Other States*	6.5%	4.2%	5.0%

*- Includes District of Columbia but excludes Florida and All-inclusive States (California, Texas, Pennsylvania);
Modified Loss Ratio= Direct Losses Paid/Direct Premiums Earned

Table 7
Descriptive Statistics: Financials ($000)
1995 and 2004

	1995					2004					
	N	**Mean**	**Std.Dev.**	**Minimum**	**Maximum**	**N**	**Mean**	**Std.Dev.**	**Minimum**	**Maximum**	**% Change**
Total Assets	63	$54,945	$107,946	$416	$481,142	76	$115,009	$302,070	$671	$1,825,723	109.3%
Capital and Surplus	63	$21,522	$39,720	$320	$205,631	76	$44,252	$116,277	$398	$746,046	105.6%
Direct Premiums Written	63	$65,503	$142,963	$7	$707,420	76	$203,979	$551,237	$21	$3,372,438	211.4%
Net Premiums Written	63	$65,333	$142,712	$7	$708,131	76	$203,458	$550,686	$21	$3,371,012	211.4%
Net Premiums Earned	63	$64,293	$139,974	$6	$687,169	76	$198,339	$535,878	$20	$3,280,375	208.5%
Operating Income	63	$72,761	$159,044	$35	$781,968	76	$213,946	$579,196	$22	$3,563,472	194.0%
Investment Income	63	$2,889	$6,255	($35)	$29,475	76	$4,817	$15,934	$6	$108,385	66.7%
Net Income	63	$2,181	$5,264	($3,235)	$27,980	76	$10,208	$33,562	($1,653)	$251,492	368.0%
Total Revenue	63	$73,931	$161,921	$36	$802,219	76	$218,821	$594,239	$23	$3,655,535	196.0%
Total Revenue (DO*)	63	$20,967	$53,298	$0	$288,746	76	$42,480	$131,819	$0	$814,615	102.6%
Total Revenue (NAFF*)	63	$40,589	$86,585	$0	$406,060	76	$123,521	$328,445	$0	$2,036,632	204.3%
Total Revenue (AFF*)	63	$12,375	$33,358	$0	$167,278	76	$52,820	$150,824	$0	$804,288	326.8%
Total Expenses Paid	63	$68,917	$150,472	$2	$772,560	76	$195,410	$530,530	$40	$3,324,844	183.5%
Losses and LAE	63	$4,174	$10,617	($1)	$68,994	76	$9,122	$24,595	($287)	$127,140	118.5%
Operating Expense	63	$68,936	$150,465	$2	$772,560	76	$195,437	$530,521	$40	$3,324,844	183.5%
Amount Paid to Title Agent	63	$43,065	$94,703	$0	$458,240	76	$145,349	$391,438	$0	$2,386,941	237.5%

* DO= Direct Operations, NAFF=Non-affiliated Agencies, AFF=Affiliated Agencies.
Source: NAIC Annual Statement Database

Table 8
Descriptive Statistics: Performance, Allocation, Income, and Expense Ratios: 1995 and 2004

	1995					2004					
Variable	**N**	**Mean**	**Std Dev**	**Minimum**	**Maximum**	**N**	**Mean**	**Std Dev**	**Minimum**	**Maximum**	**% Change**
Group Member	63	61.9%	49.0%	0	1	76	65.8%	47.8%	0.0%	100.0%	6.3%
Leverage	63	49.5%	21.1%	0.3%	90.7%	76	45.0%	22.3%	1.2%	79.7%	-9.1%
Return on Surplus	63	3.1%	7.8%	-19.7%	21.0%	76	10.8%	17.8%	-61.5%	51.1%	247.0%
Return on Assets	63	4.1%	20.1%	-67.1%	46.7%	76	5.9%	8.1%	-17.7%	35.5%	43.9%
Premium to Surplus	63	2.6	1.9	0.0	8.2	76	3.4	3.2	0.0	18.9	29.3%
Revenue (% DO)	63	29.8%	32.8%	0.0%	100.0%	76	21.6%	33.1%	0.0%	100.0%	-27.5%
Revenue (% NAFF)	63	53.7%	36.5%	0.0%	100.0%	76	53.4%	37.6%	0.0%	100.0%	-0.7%
Revenue (% AFF)	63	16.5%	28.2%	0.0%	100.0%	76	25.0%	33.3%	0.0%	100.0%	51.9%
DPW to Revenue	63	87.6%	18.2%	11.5%	100.0%	76	92.1%	15.3%	30.0%	100.0%	5.2%
Escrow and Settlement to Rev.	63	3.1%	5.8%	0.0%	30.2%	76	2.0%	4.8%	0.0%	28.5%	-33.6%
Other Fees to Revenue	63	9.4%	15.5%	0.0%	79.0%	76	5.9%	12.6%	0.0%	57.9%	-37.5%
Total Expenses to DPW	63	121.7%	106.7%	30.5%	919.8%	76	109.0%	59.8%	25.0%	425.0%	-10.5%
Amt. Paid Title Agent to Exp.	63	58.1%	25.9%	0.0%	98.8%	76	69.3%	28.1%	0.0%	98.8%	19.3%
Expense Incurred to Op. Inc.	63	95.3%	19.8%	6.0%	145.9%	76	94.3%	34.3%	28.7%	368.2%	-1.1%
Expense to Revenue	63	94.9%	19.7%	5.9%	155.2%	76	94.8%	38.7%	25.0%	353.0%	-0.1%
DPW to Op. Income	63	88.7%	20.9%	10.3%	111.9%	76	94.0%	18.6%	16.4%	120.0%	5.9%
Loss and LAE to Op. Inc.	63	6.7%	20.8%	-0.4%	165.7%	76	6.3%	21.0%	-7.4%	177.1%	-7.2%
Op. Expense to Op. Inc.	63	95.7%	19.5%	6.0%	145.9%	76	94.5%	34.4%	28.7%	368.2%	-1.2%
Loss Ratio	63	7.8%	21.4%	-1.7%	166.4%	76	6.9%	21.2%	-7.4%	177.1%	-12.2%

* DO= Direct Operations, NAFF=Non-affiliated Agencies, AFF=Affiliated Agencies.
Source: NAIC Annual Statement Database

Table 9
Mean Values: Financials ($000)
1995-2004

Variable	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Balance Sheet										
Total Assets	$54,205	$55,171	$54,819	$64,700	$69,934	$68,012	$76,216	$90,344	$107,707	$115,009
Capital and Surplus	$21,201	$21,196	$21,130	$25,571	$27,502	$25,823	$30,276	$36,108	$43,102	$44,252
Premiums										
Direct Premiums Written	$64,480	$73,698	$75,696	$104,233	$111,962	$95,527	$118,501	$159,340	$208,725	$203,979
Net Premiums Written	$64,312	$73,536	$75,511	$103,914	$111,723	$95,314	$118,246	$159,041	$208,270	$203,458
Net Premiums Earned	$63,291	$72,108	$74,153	$101,296	$109,214	$93,697	$115,297	$154,493	$201,728	$198,339
Income										
Operating Income	$71,626	$80,600	$81,807	$111,708	$119,030	$102,011	$125,554	$167,484	$218,948	$213,946
Investment Income	$2,848	$2,939	$2,785	$4,582	$4,246	$3,542	$4,514	$4,236	$5,935	$4,817
Net Income	$2,136	$3,415	$3,495	$6,387	$5,285	$2,623	$5,689	$7,285	$14,229	$10,208
Revenue										
Total Revenue	$72,776	$81,740	$82,865	$114,066	$121,226	$103,371	$128,168	$171,566	$225,120	$218,821
Total Revenue (DO*)	$20,640	$19,810	$19,041	$25,670	$24,453	$21,738	$27,100	$33,907	$46,502	$42,480
Total Revenue (NAFF*)	$39,955	$46,020	$46,464	$61,292	$70,105	$57,434	$67,224	$93,837	$123,088	$123,521
Total Revenue (AFF*)	$12,181	$15,910	$17,370	$27,104	$26,668	$24,199	$33,844	$43,822	$55,530	$52,820
Expenses										
Total Expenses Paid	$67,842	$75,504	$76,188	$103,404	$111,643	$96,359	$116,317	$153,556	$196,917	$195,410
Losses and LAE	$4,130	$3,808	$3,825	$4,283	$4,937	$5,317	$5,970	$7,624	$8,674	$9,122
Operating Expense	$67,861	$75,541	$76,220	$103,445	$111,674	$96,462	$116,408	$153,584	$196,947	$195,437
Amt. Paid to Title Agent	$42,393	$50,158	$51,985	$72,359	$79,222	$67,204	$82,944	$113,710	$147,523	$145,349
N	64	68	73	72	72	76	77	75	75	76

* DO= Direct Operations, NAFF=Non-affiliated Agencies, AFF=Affiliated Agencies.
Source: NAIC Annual Statement Database

Table 10 Mean Values: Performance, Allocation, Expense, and Income Ratios: 1995-2004										
	1995	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Performance										
Leverage	49.5%	49.9%	45.4%	43.7%	43.4%	45.4%	46.9%	46.0%	45.0%	45.0%
Return on Surplus	3.1%	4.3%	8.9%	17.7%	11.9%	3.9%	4.8%	13.2%	18.7%	10.8%
Return on Assets	4.1%	4.3%	4.9%	9.5%	6.2%	2.7%	5.2%	7.8%	9.2%	5.9%
Premium to Surplus	2.6	3.7	2.7	3.0	3.0	2.6	3.2	3.6	3.9	3.4
Allocation										
Revenue (% DO)	29.8%	29.8%	37.3%	33.0%	30.3%	14.0%	30.4%	26.2%	21.7%	21.6%
Revenue (% NAFF)	53.7%	52.0%	41.7%	43.8%	48.5%	63.0%	46.2%	47.7%	51.1%	53.4%
Revenue (% AFF)	16.5%	18.2%	21.0%	23.2%	21.1%	23.0%	23.5%	26.2%	27.3%	25.0%
DPW to Revenue	87.6%	90.0%	83.9%	89.5%	89.9%	105.6%	89.3%	91.1%	91.5%	92.1%
Escrow and Settlement to Rev.	3.1%	2.8%	2.3%	2.8%	2.6%	1.9%	2.2%	2.2%	2.1%	2.0%
Other Fees to Revenue	9.4%	7.3%	13.8%	7.7%	7.5%	-7.5%	8.5%	6.7%	6.4%	5.9%
Expense										
Total Expenses to DPW	121.7%	116.7%	113.6%	117.2%	117.3%	106.0%	115.1%	104.1%	101.5%	109.0%
Amt. Paid Title Agent to Exp.	58.1%	61.1%	62.3%	59.8%	61.1%	62.3%	64.3%	67.5%	70.0%	69.3%
Expense Incurred to Op. Inc.	95.3%	89.3%	95.6%	99.6%	91.7%	95.6%	91.6%	90.1%	89.4%	94.3%
Expense to Revenue	94.9%	101.0%	82.9%	99.8%	101.0%	45.6%	92.4%	90.4%	88.4%	94.8%
Income										
DPW to Op. Income	88.7%	87.5%	91.8%	90.4%	90.1%	90.8%	91.3%	93.1%	94.1%	94.0%
Loss and LAE to Op. Inc.	6.7%	9.6%	4.4%	4.8%	4.8%	6.0%	6.5%	3.0%	3.5%	6.3%
Op. Expense to Op. Inc.	95.7%	90.8%	96.6%	100.5%	92.6%	96.8%	92.7%	90.5%	89.7%	94.5%
Loss Ratio	7.8%	10.0%	4.8%	5.8%	5.5%	7.4%	7.8%	3.5%	4.0%	6.9%
N	**63**	**68**	**73**	**72**	**72**	**76**	**77**	**75**	**75**	**76**

Source: NAIC Annual Statement Database

Table 11
Correlation of Housing Sales with Title Insurance Premiums: 1995-2004

Florida

	Housing Sales*	Premiums*	Significance**
Housing Sales	1.0000	.9508	.0000
Premiums	.9508	1.0000	.0000

United States

	Housing Sales*	Premiums*	Significance**
Housing Sales	1.0000	.8632	.0000
Premiums	.8632	1.0000	.0000

*- Pearson Correlation Coefficients
**- P-value less than .0001
Source: National Association of Realtors data on existing housing sales (single family homes, condos, and co-ops) and the NAIC Annual Statement Data

Table 12 Analysis of Financial Data (Means) by Group Membership ($000) (Stand-alone Company or Group Member) 1995-2004										
Unaffiliated Companies (Stand-alone Company)										
	1995	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Total Assets	14,122	13,768	12,375	14,648	17,486	15,573	16,800	20,041	24,093	12,995
Capital and Surplus	5,389	4,633	5,460	6,815	8,035	6,445	6,521	7,792	9,429	7,088
Direct Premiums Written	11,260	14,791	15,515	22,859	25,990	23,079	30,620	41,874	55,058	25,737
Net Premiums Written	11,248	14,793	15,435	22,776	25,900	23,019	30,460	41,724	54,786	25,503
Operating Income	13,851	17,023	17,059	24,405	27,852	24,698	32,435	43,561	56,787	25,578
Net Income	184	429	1,011	1,355	1,132	145	337	535	2,292	793
Total Expenses Paid	13,627	16,024	15,584	21,972	25,797	23,148	29,922	39,821	52,010	23,973
Losses and LAE	809	1,096	743	868	910	1,733	1,711	2,805	2,215	633
Operating Expense	13,631	16,071	15,633	22,020	25,836	23,397	30,139	39,839	52,031	23,993
N	24	30	28	26	24	26	26	26	26	26
Affiliated Companies (Member of an Insurance Group)										
	1995	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Total Assets	$80,066	$87,858	$81,228	$92,991	$96,158	$95,280	$106,507	$127,648	$152,073	$168,055
Capital and Surplus	$31,450	$34,271	$30,881	$36,172	$37,236	$35,899	$42,386	$51,133	$60,969	$63,577
Direct Premiums Written	$98,883	$120,203	$113,142	$150,226	$154,949	$133,200	$163,304	$221,668	$290,263	$296,666
Net Premiums Written	$98,616	$119,912	$112,891	$149,774	$154,635	$132,908	$163,000	$221,290	$289,710	$295,995
Operating Income	$109,014	$130,792	$122,094	$161,053	$164,620	$142,213	$173,026	$233,239	$304,992	$311,897
Net Income	$3,410	$5,772	$5,040	$9,231	$7,362	$3,912	$8,417	$10,867	$20,562	$15,104
Total Expenses Paid	$102,941	$122,461	$113,897	$149,432	$154,566	$134,428	$160,361	$213,905	$273,806	$284,557
Losses and LAE	$6,245	$5,949	$5,743	$6,214	$6,951	$7,180	$8,140	$10,181	$12,101	$13,535
Operating Expense	$102,969	$122,490	$113,920	$149,468	$154,593	$134,455	$160,388	$213,938	$273,841	$284,588
N	39	38	45	46	48	50	51	49	49	50

Source: NAIC Annual Statement Database

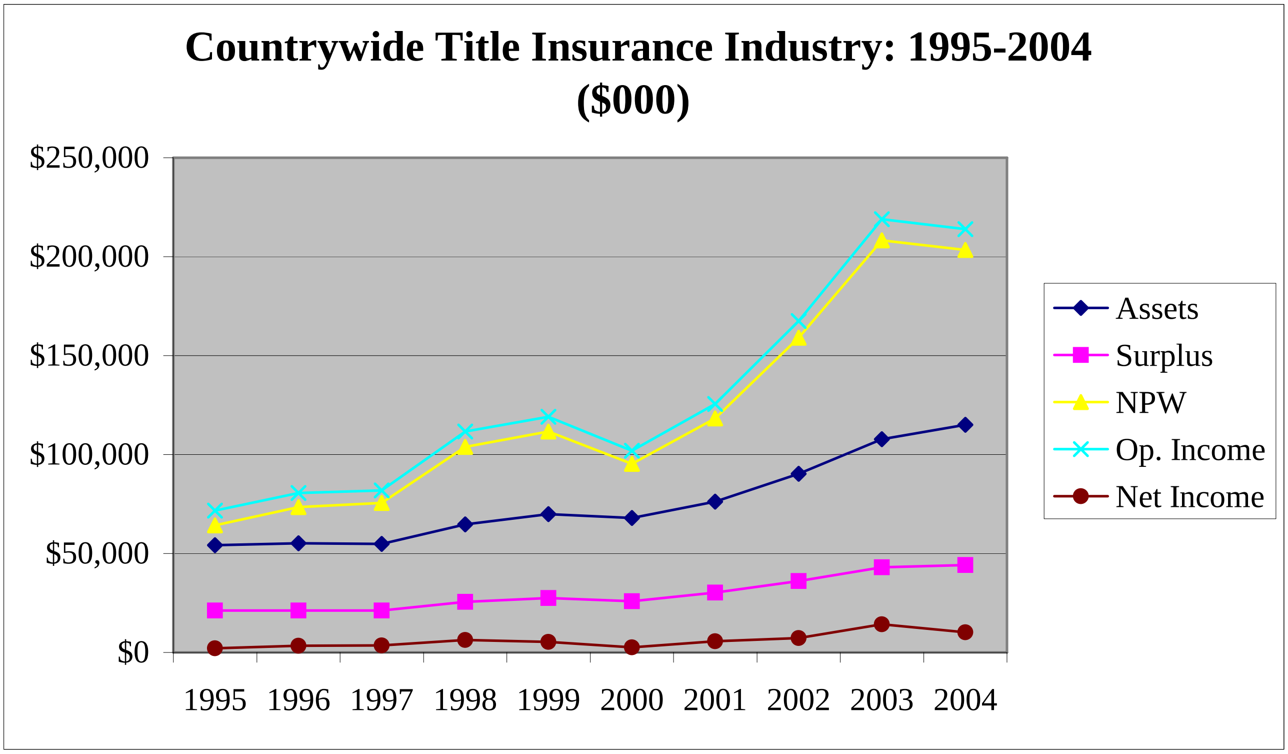
Table 13
Analysis of Financial Ratios (Means) by Group Membership
(Stand-alone Company or Group Member)
1995-2004

Unaffiliated Companies (Stand-alone Company)										
	1995	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Return on Surplus	0.5%	1.0%	7.4%	14.8%	9.4%	1.1%	-5.0%	13.2%	15.7%	5.9%
Return on Assets	2.0%	3.6%	4.6%	8.6%	5.6%	1.5%	3.6%	9.8%	8.7%	4.2%
Leverage	47.1%	46.3%	39.5%	38.7%	38.9%	43.6%	45.7%	41.1%	40.4%	38.9%
Loss Ratio	5.9%	5.6%	3.2%	3.3%	6.1%	2.6%	8.1%	1.0%	3.0%	3.0%
Op. Expense to Op. Income	95.7%	83.9%	95.4%	103.2%	88.6%	98.5%	95.7%	90.6%	93.5%	104.7%
Amt. Paid Title Agent to Exp.	52.7%	57.3%	62.2%	60.4%	58.8%	66.3%	69.9%	72.2%	74.7%	72.9%
N	24	30	28	26	24	26	26	26	26	26

Affiliated Companies (Member of an Insurance Group)										
	1995	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**
Return on Surplus	6.3%	6.9%	9.9%	19.3%	13.1%	5.4%	9.8%	13.2%	20.3%	13.4%
Return on Assets	3.8%	4.9%	5.0%	10.0%	6.5%	3.3%	6.0%	6.8%	9.5%	6.8%
Leverage	50.9%	52.7%	49.1%	46.4%	45.7%	46.3%	47.4%	48.5%	47.4%	48.1%
Loss Ratio	9.0%	13.4%	5.7%	7.2%	5.3%	9.8%	7.7%	4.8%	4.5%	8.8%
Op. Expense to Op. Income	95.7%	96.1%	97.4%	99.0%	94.6%	95.9%	91.1%	90.4%	87.6%	89.2%
Amt. Paid Title Agent to Exp.	61.4%	64.0%	62.4%	59.4%	62.3%	60.2%	61.4%	65.0%	67.5%	67.4%
N	39	38	45	46	48	50	51	49	49	50

Source: NAIC Annual Statement Database

Figure 1



Countrywide Title Insurance Industry: 1995-2004
($000)
$250,000
$200,000
$150,000
$100,000
$50,000
$0
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
Assets
Surplus
NPW
Op. Income
Net Income

Figure 2

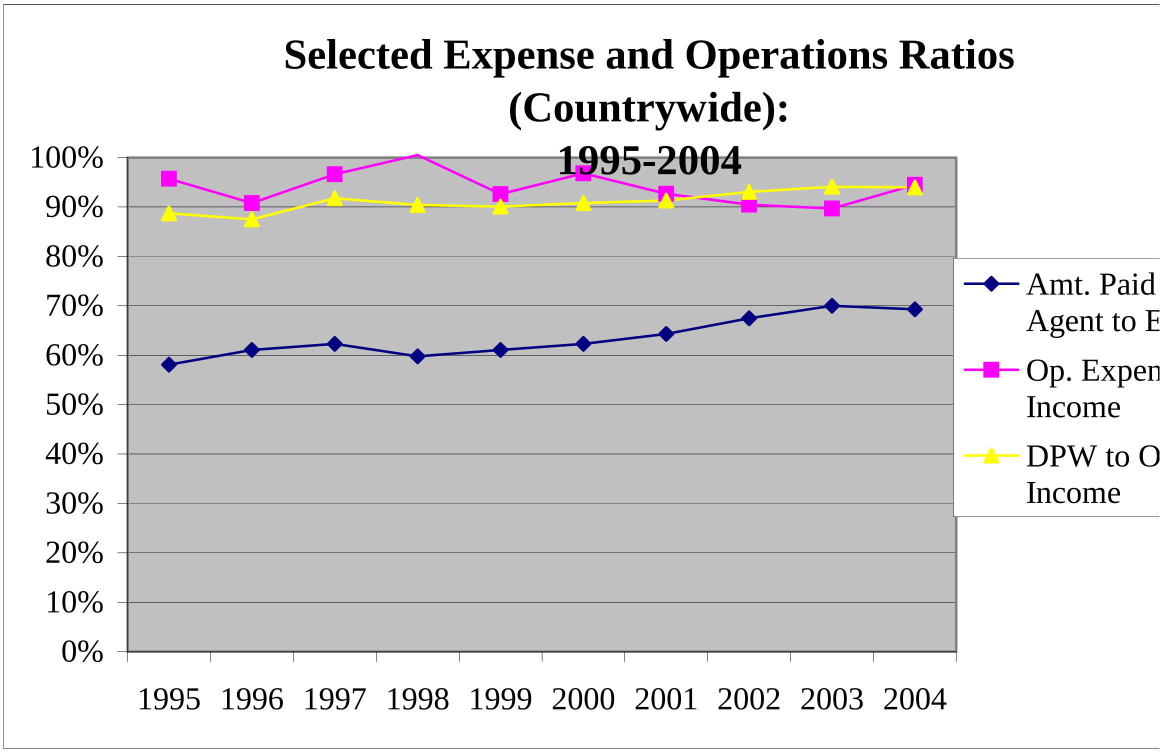

Selected Expense and Operations Ratios
(Countrywide):
1995-2004
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
Amt. Paid
Agent to E
Op. Expen
Income
DPW to O
Income

Figure 3

.

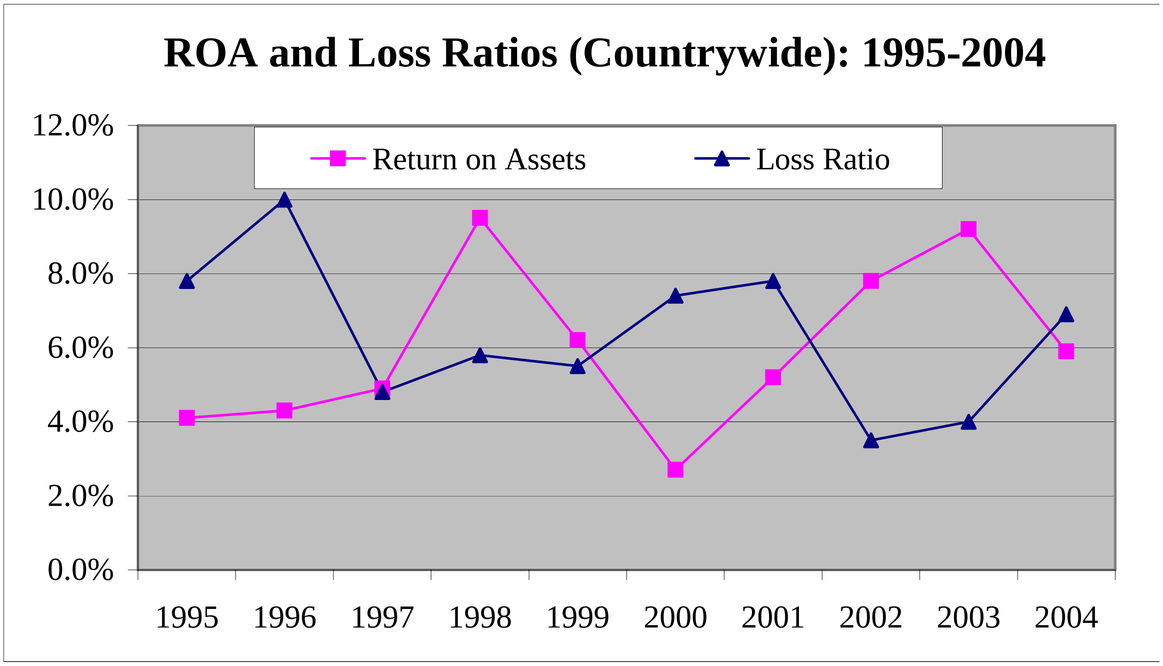
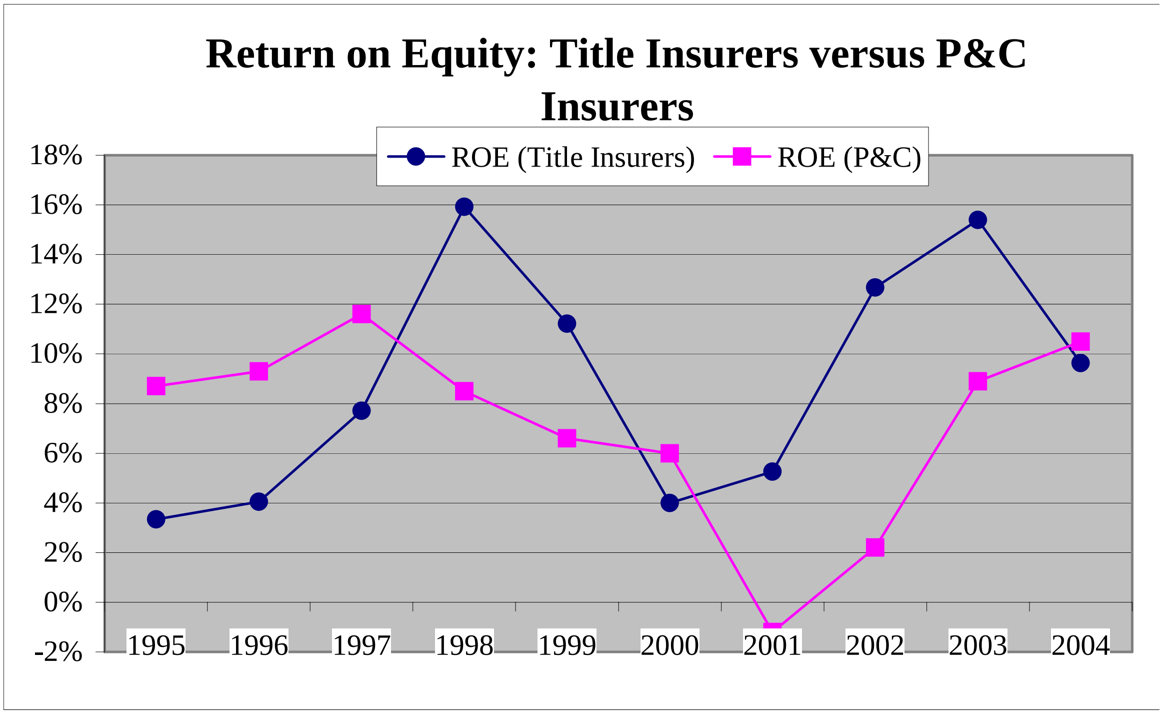

ROA and Loss Ratios (Countrywide): 1995-2004
Return on Assets
Loss Ratio
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004

Figure 4



Return on Equity: Title Insurers versus P&C Insurers
ROE (Title Insurers)
ROE (P&C)
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
-2%
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004

Figure 5

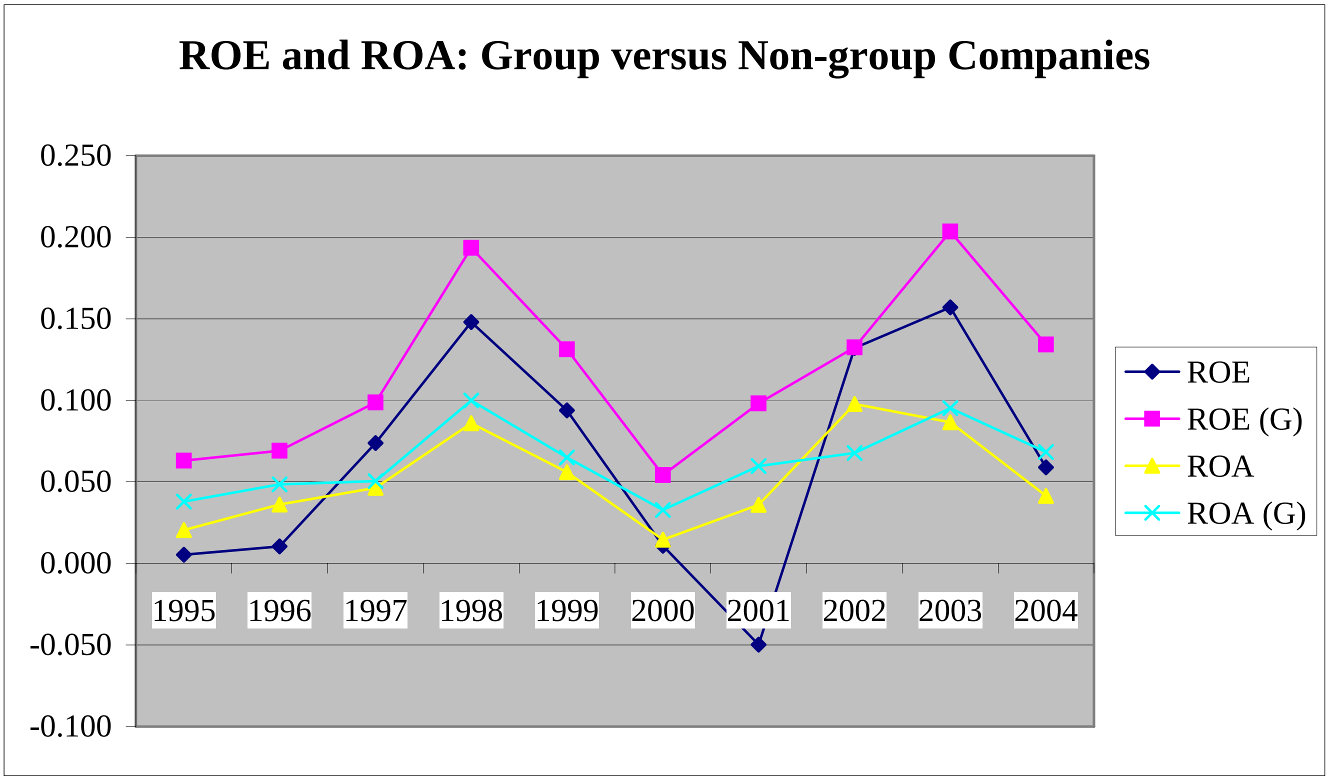
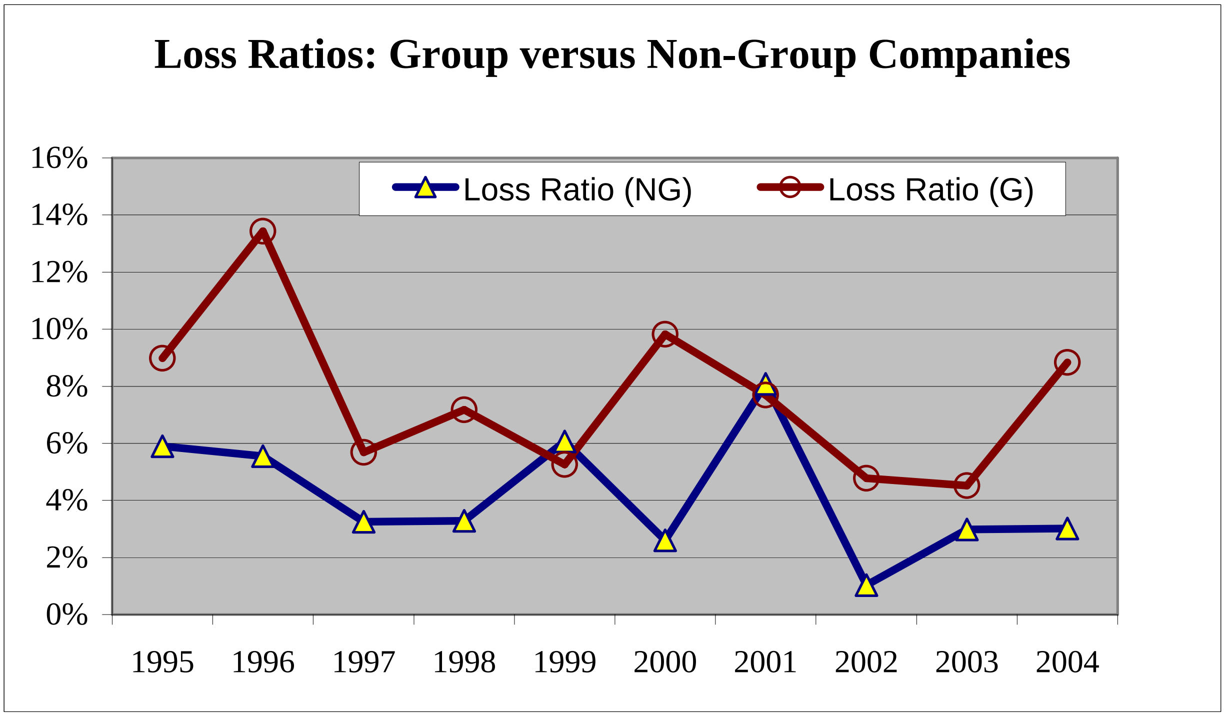

ROE and ROA: Group versus Non-group Companies
0.250
0.200
0.150
0.100
0.050
0.000
-0.050
-0.100
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
ROE
ROE (G)
ROA
ROA (G)

Figure 6


Loss Ratios: Group versus Non-Group Companies
Loss Ratio (NG)
Loss Ratio (G)
16%
14%
12%
10%
8%
6%
4%
2%
0%
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004

June 9, 2006

Mr. Steve Parton
General Counsel
Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399

RE: Title Insurance Final Report

Attached please find the final report on title insurance that was initiated while I was employed by the Office of Insurance Regulation, and which I have been permitted to complete under my current position. While employed by OIR, I prepared the Data Request that was subsequently electronically distributed by OIR via e-mail on November 10, 2005 to all title insurance companies operating in the state of Florida.

Several of the responders to the Data Request represented that the data provided was confidential. In certain cases such data is specifically identified in this final report. I accept no responsibility for performing the appropriate level of review regarding the classification of the data as privileged and confidential pursuant to the trade secrets statutes. Furthermore, this final report is being supplied to OIR on a confidential basis, and I assume no liability for its public release, distribution or use by a third party. If OIR decides to publicly release this final report, it should only be distributed in its entirety and should not replace the due diligence on behalf of any third party.

The conclusions in this study are related to its stated purpose only and may not be applicable for other purposes. Should OIR determine that changes to the final report are needed, I reserve the right to make or approve all such changes. Additionally, I would appreciate notification of your determination of the limitations, if any, of the release of this final report or the underlying data.

This letter and the accompanying text and exhibits constitute my final report. Thank you for your close attention to this matter.

Sincerely,

Stephen A. Alexander, FCAS, MAAA, MBA

June 9, 2006

Title Insurance Rates and
Related Title Service Charges
State of Florida

Actuarial Analysis

Prepared by:
Stephen A. Alexander, FCAS, MAAA, MBA

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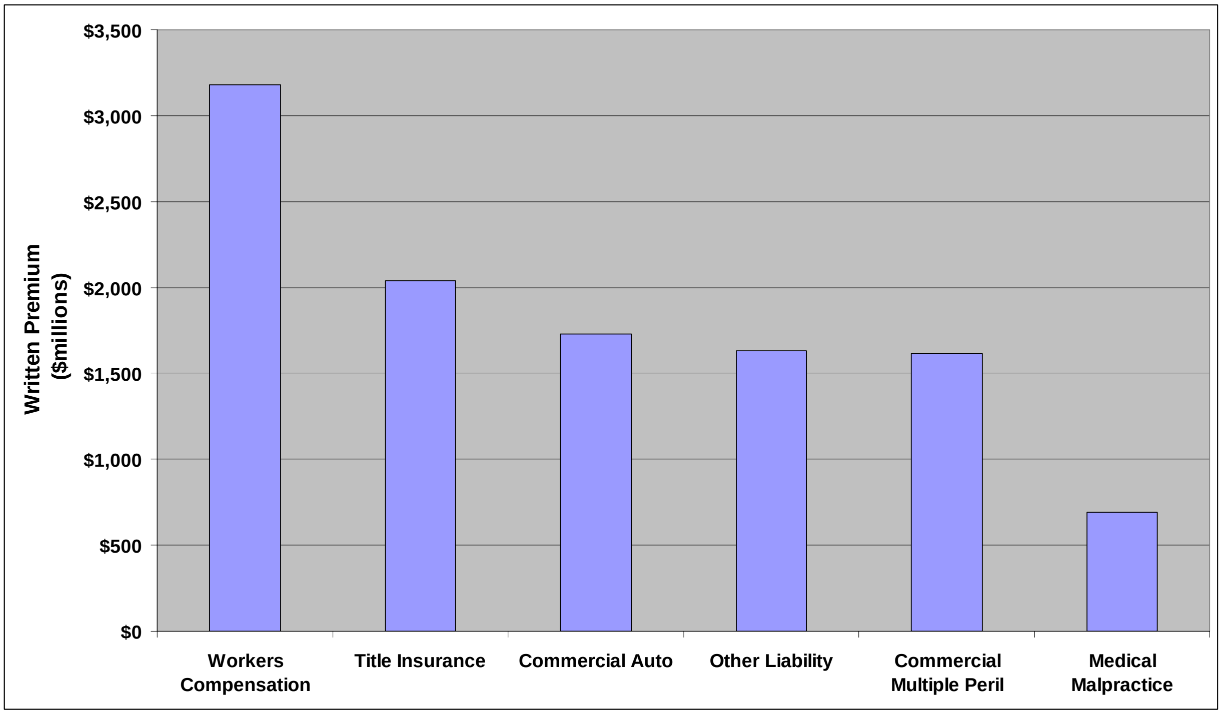
INTRODUCTION

This report was prepared at the request of the Florida Office of Insurance Regulation (OIR) based upon the Title Insurance Data Request (Data Request) issued by OIR on November 10, 2005, which was prepared by the author while employed by the OIR. The objectives of this report are to provide indications of Florida title insurance rates and charges for related title insurance services based upon title insurance rates and charges for related title services in other states.

The rationale of the Data Request was to gather data sufficient to compare Florida title insurance rates to rates currently charged in other states. It was decided that a traditional actuarial review of Florida title insurance rates may not be adequate, because such an analysis may have difficulty adjusting for: 1) inefficient provision of title services, 2) improper payments or subsidies to realtors, home builders, lenders or mortgage brokers, and 3) excessive salaries or bonuses paid to title agents or title insurance company executives. Although consumers are free to shop around for title insurance, many consumers defer such decisions to realtors, home builders, lenders or mortgage brokers, and title insurance companies have sometimes used illegal tactics in marketing to those decision-makers. Thus, the fundamental problem with title insurance is that the person who pays for title insurance is not the same as the person who buys it, leading to a condition of "reverse competition" that benefits decision makers to the detriment of consumers.

Another reason why a traditional actuarial approach was not taken is that title insurance agents historically have not been responsive to the voluntary data calls issued by the OIR or its contractors. In 1997 only 22% of independent agents (by premium volume), 34% of affiliated agents (by premium volume) and 23 attorneys responded to OIR's data call (David Cox 1998 report, pages 12 and 13). Since approximately 75% of Florida title industry revenue is paid to title agents either directly (via related title services) or indirectly (via a statutory maximum of 70% of title insurance premiums), it was determined that a voluntary data call to agents would not provide sufficient comprehensive data to establish actuarially sound rates.

It should be noted that Florida title insurance rates have not materially changed since 1996, a ten year period during which inflated real estate values and low interest rates have increased title industry revenues and profits while technological innovations have reduced industry costs. Consequently, the time has now passed when title insurance was an obscure line of property and casualty insurance. Based on 2003 written premium volume, title insurance (including the estimated 30% of premium for related title service charges) is now the 4th largest line of property and casualty insurance in the state of Florida, more than double medical malpractice and behind only automobile, homeowners, and workers compensation:



The Florida title insurance market has become highly concentrated in six large company groups. Eight years ago, in the last actuarial review conducted of title insurance rates (David Cox's January, 1998 report) it was noted that Florida title insurance rates were 40% higher than countrywide averages. As concentration increases, competition and efficiency decrease and the chances of collusion, monopoly and "capture" of government law and rule making increase. Care should be taken to prevent the Florida title insurance industry from capturing control of the creation of title insurance laws, rules and rates that may be biased against Florida consumers.

The indicated premiums and rates in this analysis are based upon the assumption that Florida's costs to provide title insurance and coverages should be similar to other states' costs and coverages. These indications may not be valid to the extent that Florida's costs and coverages should not be comparable to other states'. Furthermore, related title service charges in Florida have been estimated based upon a limited sample of settlement statements taken from OIR Consumer Services complaint files and Agents and Agency closed investigation files and may be biased or not representative of the entire Florida title insurance market.

CONCLUSIONS AND RECOMMENDATIONS

- Average title insurance rates in Florida are 99.2% higher than comparable rates in the surrounding states of Alabama, Georgia, Mississippi, North Carolina and South Carolina, and the indicated overall average change in title insurance rates is a reduction of 49.8%.

- Charges for the related title services of search, examination and closing in Florida are estimated to be 37.7% lower than those in other states, and the indicated overall average change in related title service charges is an increase of 60.4%.

- The combined effect of decreasing title insurance rates and increasing charges for related title services is an overall average decrease in Florida title insurance and related title service charges of 29.4%.

- If title insurance rates in Florida are reduced, limits should be placed by administrative rule on related title service charges and endorsement premiums to prevent offsetting increases. Furthermore, to facilitate regulation and increase the taxable premium base, consideration should be given to a statutory change in the definition of title insurance "premium" to include the related title services of search, examination and closing as has been done in the "all-inclusive rate" states of Texas and Pennsylvania.

- Title insurance rates, related title service charges and endorsement premiums should continue to be regulated in Florida to deter excessive consumer costs, foster efficiency and protect against collusion and monopoly. The Florida title insurance market is highly concentrated in six large company groups. As concentration increases, competition and efficiency decrease and the chances of collusion and monopoly increase. However, care should be taken to insure that "capture" of government regulation does not occur. The problem of regulator capture occurs when large companies control the setting of laws and administrative rules creating a system biased against consumers.

- By administrative rule amendment, the eligibility period for reissue discounts in Florida should be increased from 3 years to 10 years consistent with reissue discounts typically granted in other states. When a real property is refinanced or sold during the eligibility period, title insurance may be issued at a discount.

- Consideration should be given to the imposition of a minimum loss ratio requirement on title insurers in place of the 30% minimum retention requirement (title insurers by law must retain at least 30% of title insurance premiums (Section 727.782 F.S.)). This change in Florida law is recommended because: 1) title insurance is the only form of property and casualty or life and health insurance in the state of Florida that has such a provision, 2) elimination of this requirement will facilitate rate reduction, and 3) this provision appears unnecessary based on industry profitability.

INDUSTRY

Title insurance is insurance against defects in title to real property, available in most but not all countries. It is meant to protect an owner's or lender's financial interest in property against loss due to title defects, liens or other matter of public record. It will defend against a lawsuit attacking the title, or reimburse the insured for the actual monetary loss incurred, up to the dollar amount of insurance provided by the policy.

Typically the real property interests insured are fee simple ownership or a mortgage. However, title insurance can be purchased to insure any interest in real property, including an easement, lease or life estate. Just as lenders require fire insurance and other types of insurance coverage to protect their investment, nearly all institutional lenders also require title insurance to protect their interest in the collateral of loans secured by real estate. Some mortgage lenders, especially non-institutional lenders, may not require title insurance.

Comparison with Other Insurance

Title insurance differs in several respects from other types of insurance. Where most insurance is a contract where the insurer indemnifies or guarantees another party against a possible specific type of loss (such as an accident or death) at a future date, title insurance attempts to detect, prevent, and eliminate risks and losses caused by title problems which have their source in past events. Title companies attempt to achieve this by searching public records to develop and document the chain of title and to detect whether there are any adverse claims on the subject property. If liens or encumbrances are found, the insurer may take steps to fix them (for example, by obtaining a release of an old mortgage or deed of trust that has been paid off) before issuing the title policy or may specifically "except" those items from coverage. Title plants are sometimes maintained to index records geographically, with the goal of reducing claims.

Types of Policies

Standardized forms of title insurance exist for owners, lenders, and for construction loans.

Types of Premiums

Premiums for title insurance may include certain related title insurance services such as search, examination and closing. A title insurance premium that includes all related title services charges is called “all-inclusive”. A title insurance premium that does not include any charges for related title insurance services is called a “risk premium”.

Related Title Services

Search, means a careful exploration and perusal of the public records in an effort to find all recorded instruments relating to a particular chain of title. *Examination*, means to peruse and study the instruments incident to a chain of title and to determine their effect and condition in order to reach a conclusion as to the status of title. *Closing*, in some areas called a “*settlement*”, is the process of completing a real estate transaction during which deeds, mortgages, leases and other required instruments are signed and/or delivered, an accounting between the parties is made, the money is disbursed, the papers are recorded, and all other details such as payment of outstanding liens and transfer of hazard insurance policies are completed. In addition to the above there may be additional related title service charges for such items as binders, document preparation, notary fees, attorney fees, shipping and handling, warehouse fees and other miscellaneous fees.

Owner's Policy

The owner's policy insures a purchaser that the title to the property is free from defects (liens and encumbrances), except those which are listed as exceptions in the policy. It covers losses and damages suffered if the title is unmarketable (i.e., if the title can not be legally sold and conveyed to another party or if the property is "unmarketable"), for example if an interest in the property is found to belong to someone else, if there is no access to the land (if this coverage is provided), or if there is some other defect on the title. An owner's policy specifically lists what interest in the property is insured as of what effective date. The policy also contains various standard exclusions to coverage and also specific exceptions to coverage, based on documents that have been recorded against the property at some point in the past that the title company is unwilling to insure.

The policy limits of the owner's policy are typically the purchase price paid for the property. As with other types of insurance, coverages can also be added or deleted with an endorsement. There are many forms of standard endorsements to cover a variety of common issues. The premium for the policy may be paid by the seller or buyer as the parties agree; usually there is a custom in a particular state or county which is reflected in most local real estate contracts. Consumers should inquire about the cost of title insurance before signing a real estate contract which provides that they pay for title charges. A real estate attorney, broker, escrow officer (in the western states), or loan officer can provide detailed information to the consumer as to the price of title search and insurance before the real estate contract is signed. Title insurance coverage lasts as long as the insured retains an interest in the land insured and typically no additional premium is paid after the policy is issued.

Lender's Policy

The lender's policy is separate from the owner's policy. This type of policy insures the validity and enforceability of the lien of the lender's mortgage or deed of trust. The lender's policy protects the lender for the amount of money lent against the property. Coverage under the lender's policy lasts as long as the loan secured by the mortgage or deed of trust has a balance. The title insurer's risk under a lender's policy is generally less than that of an owner's policy; as a result, insurers typically charge lower premiums for a lender's policy than would be charged for the same dollar amount of coverage on an owner's policy.

Industry Profitability

In 2003, according to American Land Title Association (ALTA), the industry paid out about $662 million in claims, about 4.3% percent of the $15.7 billion taken in as premiums. By comparison, the boiler insurance industry, which like title insurance requires an emphasis on inspections and risk analysis, pays 25% of its premiums in claims.

Comparing claims with premiums tells only part of the story, since, for example, title insurance companies have marketing expenses not incurred by the boiler insurance industry. But the industry's profitability is also hinted at by the repeated instances of state regulators uncovering cases where title insurers have engaged in illegal marketing tactics. Although owners are free to shop around for title insurance, many owners defer such decisions to lenders or real estate agents, and title insurance companies have sometimes used illegal tactics in marketing to those decision-makers. Illegal tactics noted in a CNN/Money article include kickbacks, free vacations, and the free use of office space and equipment. The article noted that in 2005 alone over a dozen title insurers settled with regulators for tens of millions of dollars over these practices.

Further evidence of the industry's profitability can be found by comparing the title insurance costs in the 49 states where such insurance is issued with the costs associated with the state-run Title Guaranty Program in Iowa, where title insurance is illegal. The program is run by the Iowa Finance Authority. It costs $110 for up to $500,000 in coverage in the state; after adding costs for the services of an abstractor (who does the research on the property) and the legal fees, such a title guaranty costs about $400.00, versus the $1,100.00 paid for that same home in other states (based on figures cited by the Iowa Bar Association).

LIMITATIONS

Distribution and Use

This study's conclusions are developed in the accompanying text and exhibits, which together comprise the report. The conclusions in this study are related to its stated purpose only and may not be applicable for other purposes. Should OIR determine that changes to the report are needed, the author reserves the right to make or approve all such changes.

Several of the responders to the Data Request represented that the data provided was confidential. In certain cases such data is specifically identified in this report. The author accepts no responsibility for performing the appropriate level of review regarding the classification of the data as privileged and confidential pursuant to the trade secrets statutes. This report is being supplied to OIR on a confidential basis and the author assumes no liability for its public release, distribution or use by a third party. If OIR decides to publicly release this report, it should only be distributed in its entirety and should not replace the due diligence on behalf of any third party.

Data and Information Reliances

The following data and information was relied upon in order to complete this analysis:

- Data Request submissions were provided by 19 responding companies as summarized on Exhibit 8. The Data Request was electronically distributed via e-mail on November 10, 2005 to all title insurance companies operating in the state of Florida. It was composed of a Jurat page and Tables 1, 2 and 3, which each contained instructions for completion. The deadline for completing the Data Request was December 31, 2005, however the last submission was not received until February 8, 2005. All of the major writers in Florida of title insurance responded to the Data Request except companies in the Stewart Group (composing 8.6% of the 2004 Florida market). A copy of the Data Request can be obtained from the OIR.

- 50 HUD-1 settlement statements were taken from OIR Consumer Services complaint files and Agents and Agencies closed investigation files and summarized by Dr. Stacy Sirmans in his Phase I study entitled "A Preliminary Examination of Title Insurance Regulation, Pricing and Costs Structures", dated February, 2006. The real estate settlement agent must complete a Federal HUD-1 form on every real estate settlement transaction in the United States. A sample HUD-1 form and completion instructions may be obtained from the Federal Department of Housing and Urban Development.

- Title Insurance Statutory Annual Statement Schedule T Data for the years 1995 through 2004 were provided by OIR. This data was obtained from the NAIC database for every title insurance company operating anywhere in the United States during the time period 1995 through 2004. Schedule T shows for each title insurer: written premiums, earned premiums, paid losses, and incurred losses by state, by calendar year.

- The industry section of this report was paraphrased or excerpted directly from Wikipedia or the American Land Title Insurance internet websites.

The accuracy of the data and information provided was relied upon without independent investigation or verification. The data was checked for reasonableness, and data considered inaccurate or incomplete was not used. However, if the data is subsequently found to be inaccurate or incomplete, the conclusions in this report may need to be revised.

Key Assumptions and Limitations

- The indicated premiums and rates in this analysis are based upon the assumption that Florida's costs to provide title insurance and coverages should be similar to other states' costs and coverages. These indications may not be valid to the extent that Florida's costs and coverages should not be comparable to other states'.

- Related title service charges in Florida have been estimated based upon a limited sample of settlement statements taken from OIR Consumer Services complaint files and Agents and Agency closed investigation files and may be biased or not representative of the entire Florida title insurance market.

- It is assumed that risk premiums charged in the surrounding states of Alabama, Georgia, Mississippi, North Carolina and South Carolina are more representative of reasonable Florida premiums than premiums based on countrywide averages.

- This analysis has been prepared in conformity with its intended use by persons technically competent in the areas addressed and only for the stated purposes. Judgments as to the conclusions, indications, methods, and data contained in this analysis should be made only after studying the analysis in its entirety. Furthermore, the author is available to explain any matter presented herein. It is assumed that the user of the analysis will seek such explanation as to any matter in question.

- In performing this analysis, data as provided by the responding companies pursuant to the Data Request, the summary of settlement statements provided by Dr. Sirmans and the Statutory Annual Statement Schedule T data provided by OIR was relied upon without audit or independent verification. Where data was lacking, insufficient, or unreliable it was not used, and actuarial judgment was used to supplement this analysis.

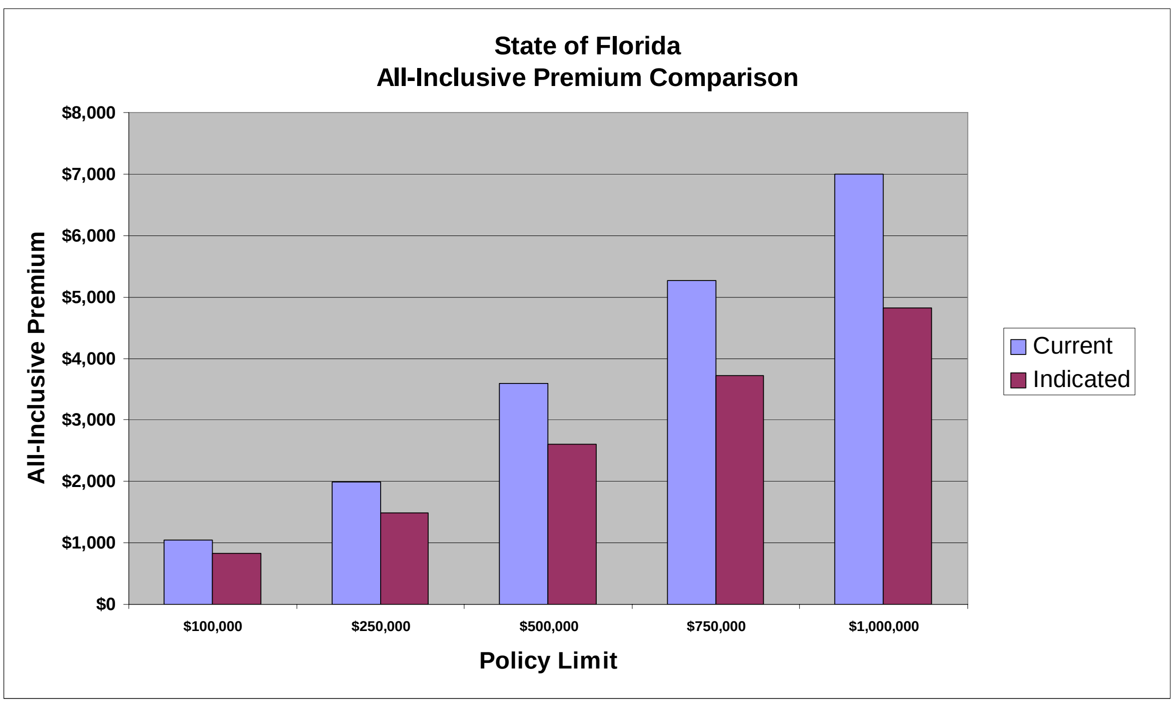
- In addition to the assumptions stated in the report, numerous other assumptions underlie the calculations and results presented herein.

ANALYSIS

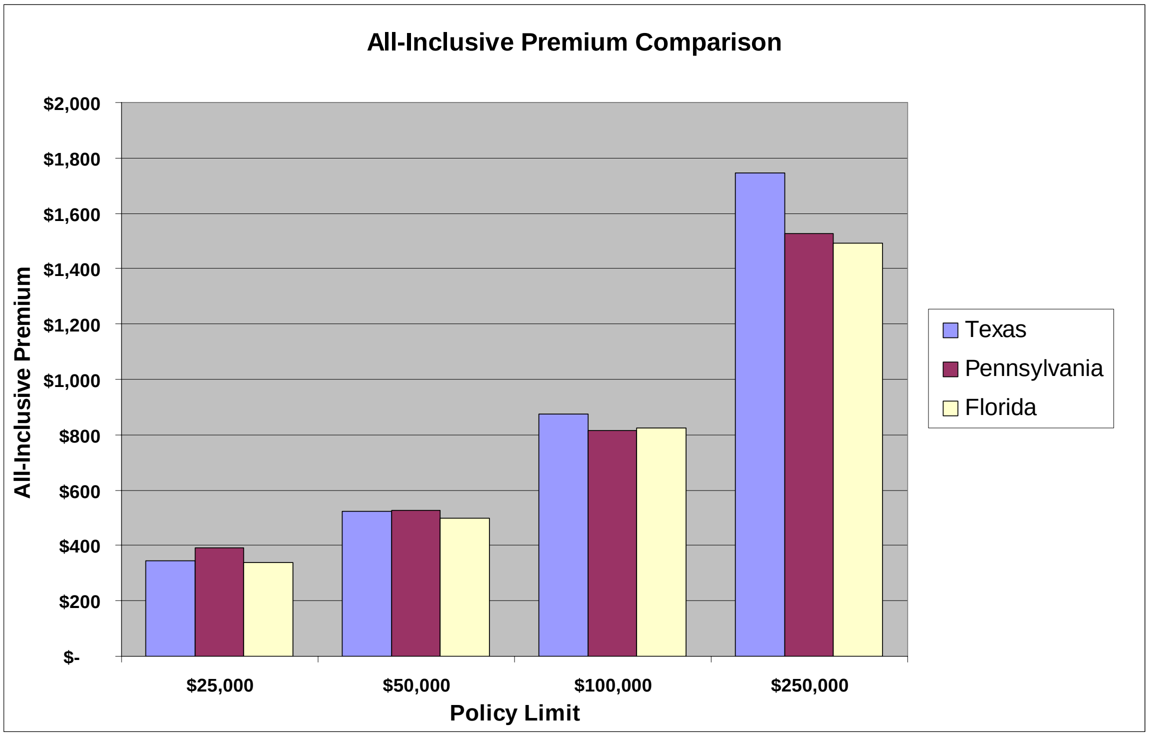
Indicated Rates and Charges

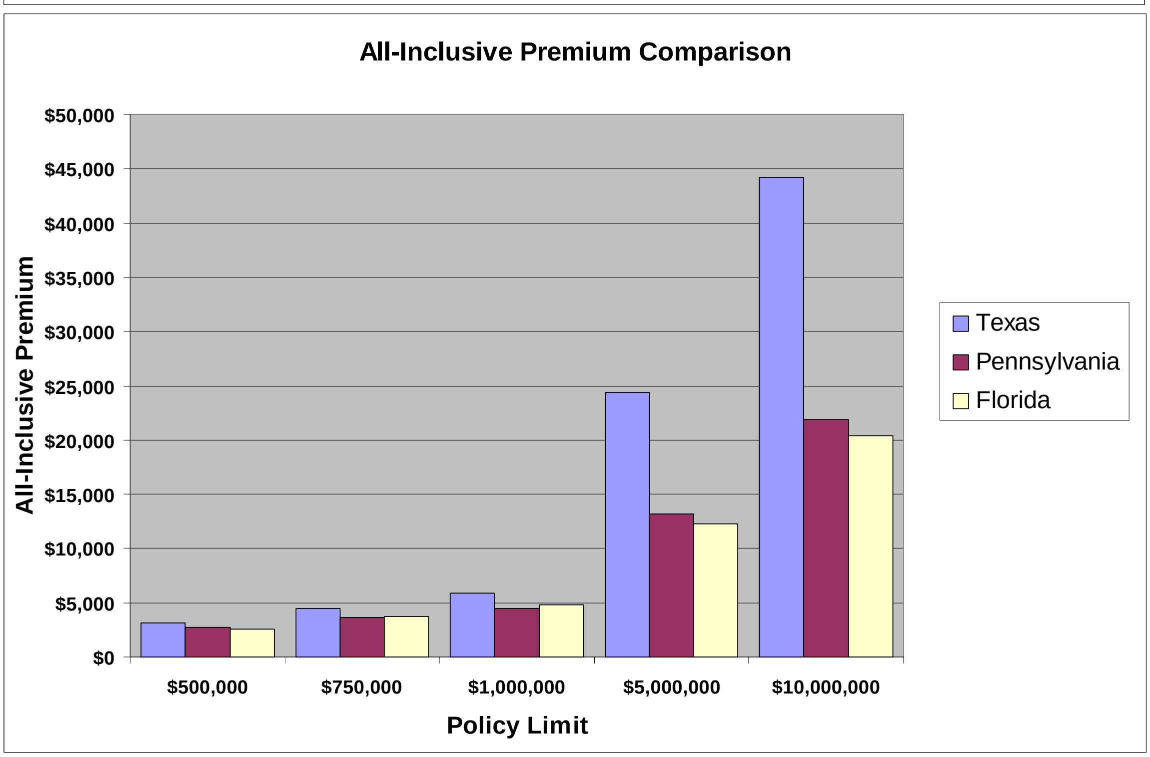
The indicated reduction in the combined cost of title insurance and related title service charges in Florida is 29.4% (Exhibit 2, Sheet 1). This indicated net decrease is composed of an indicated <u>decrease</u> in title insurance rates and an indicated <u>increase</u> in related title service charges. The indicated overall average change in title insurance rates is a reduction of 49.8%, and the indicated overall average change in related title service charges is an increase of 60.5%. The indicated rates and related title service charges by policy limit layer are shown in Exhibit 1, Sheet 1.

The indicated decrease in rates and increase in related title service charges is consistent with David Cox's finding in his 1998 study that "…. premiums are being used by agents to support closing and escrow services and related title services (page 2)". Furthermore, this practice appears to be in violation of title insurance administrative rule 69O-186: "at least actual cost must be charged for related title services in addition to the adopted risk premium". The following chart compares the current combined cost of title insurance and related title service charges to the indicated combined costs at typical policy limits:



The above indicated combined costs of Florida title insurance and related title service charges are consistent with premiums currently charged in the all-inclusive states of Texas and Pennsylvania at lower limits and Pennsylvania at higher limits. The following charts compare these two all-inclusive states to the indicated Florida combined title premium and related title service charges at the indicated policy limits:





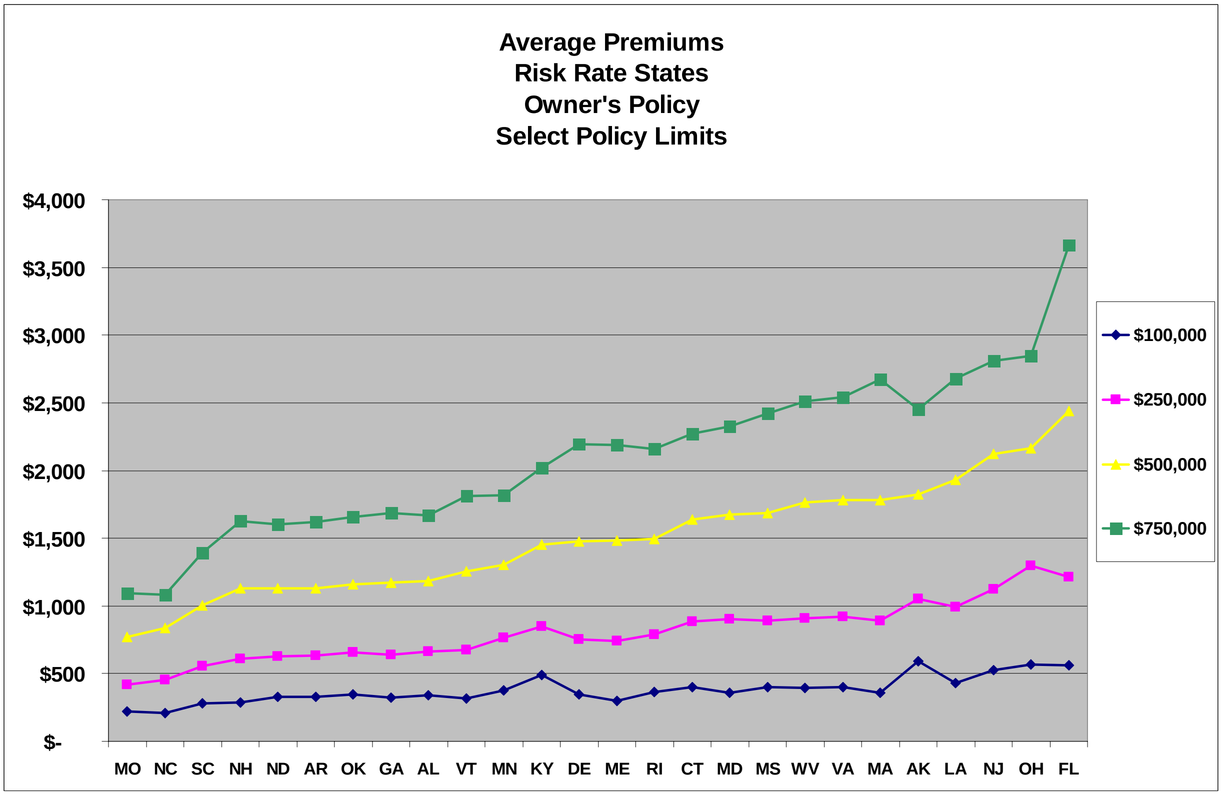
Indicated Agent Compensation

Indicated agent compensation will vary significantly based upon the definition of title insurance premium. Currently, by Florida law (Section 627.782(1), Florida Statutes), agent compensation equals a maximum of 70% of title insurance premium including endorsements plus 100.0% of related title service charges. If the definition of title insurance premium is expanded to include related title service charges, and the indicated rates are adopted, agent compensation will decline by an estimated 35.5%.

If the definition of title insurance premium remains the same and continues to exclude related title service charges, and the indicated rates are adopted, agent compensation will decline by an estimated 21.5% (Exhibit 2, Sheet 6). Because the indications are that the combined premium and related title services revenue should decline, the share of the decrease that Florida title insurers and title agents will bear depends upon the maximum retention specified in Section 627.782(1), F.S. and the definition of title insurance premium in Section 627.7711(2) F.S.

Current Rates and Charges

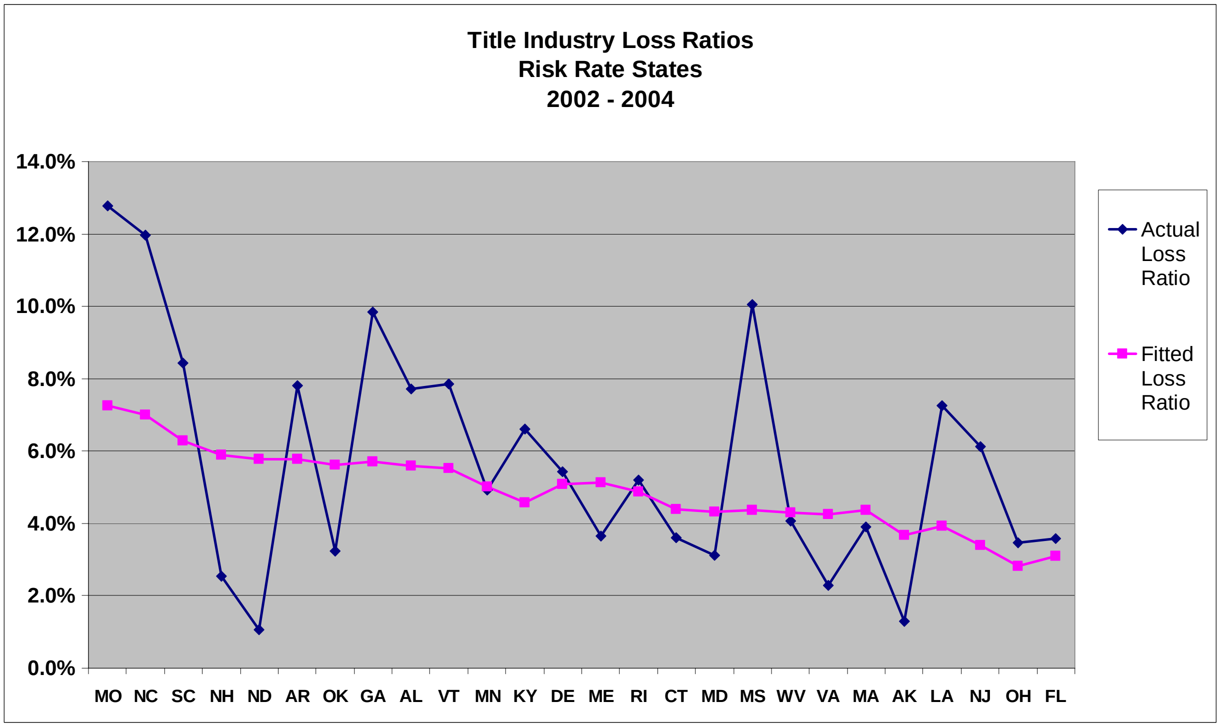
With few exceptions, current Florida title insurance risk rates are the highest in the country. The following chart illustrates the rate disparity between Florida and the 26 other risk rate states:



It should also be noted that the premium disparity between Florida and the other 26 risk rate states increases as property values increase. For example, in the average cost state the percentage increase in premium between a $100,000 policy and a $750,000 policy is 550%, but in Florida the increase is approximately 650%. Therefore, as inflation pushes Florida property values up, more Florida properties will become subject to this premium disparity.

Loss Ratios

If rates reflect risk of loss, then the expectation would be that the ratio of losses to premium in the 26 risk rate states would be approximately the same. However, what is found is just the opposite: loss ratios are lower in the high risk rate states and higher in low risk rate states. The following chart illustrates this point:

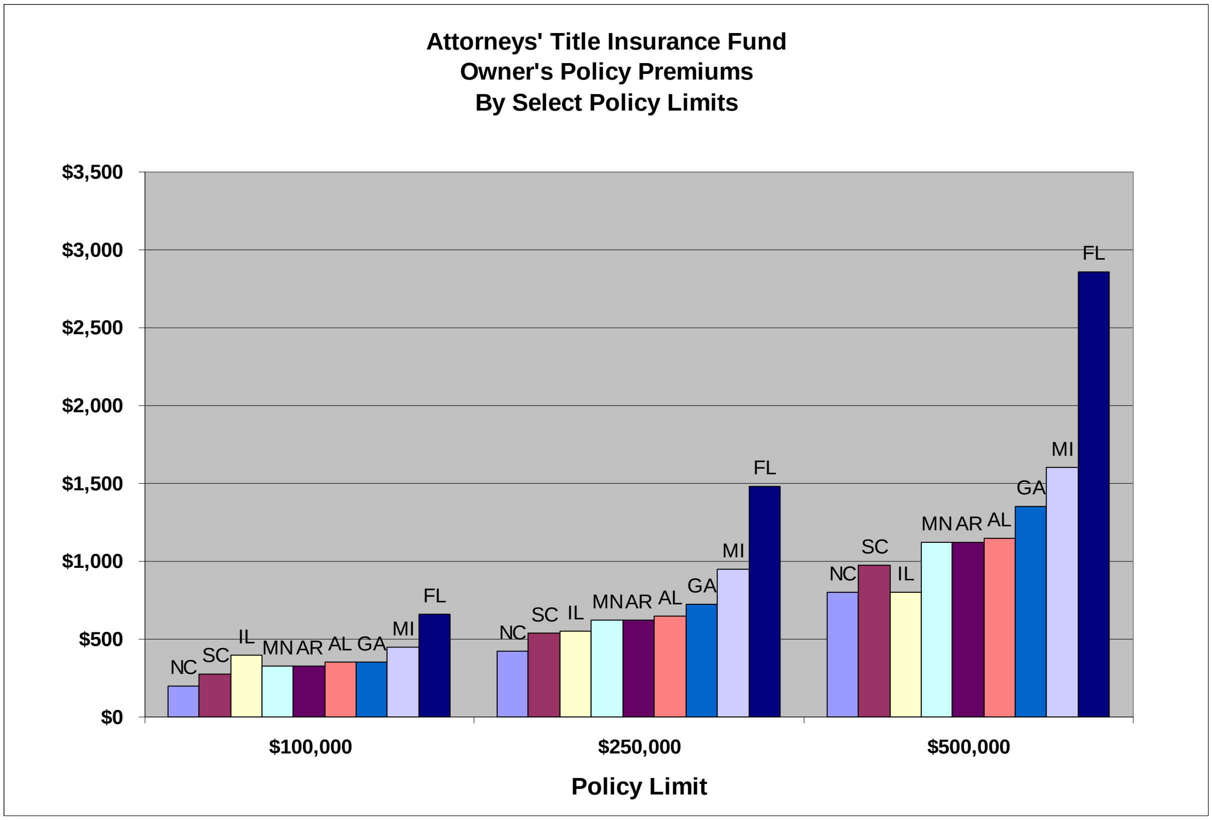


The "Fitted Loss Ratio" line above is the predicted loss ratio based on rate level. Rate levels are predictive of loss ratios with a coefficient of determination (R squared) of .249, meaning 24.9% of the variation in loss ratios can be explained by the variation in rate levels.

There are many other reasons why these loss ratios could vary such as random fluctuations in claims frequency or severity, varying credibility levels between states, higher risks of certain types of loss in certain states such as defalcation (title agent misuse of funds), etc. However, absent any evidence that expenses other than loss and loss expense are higher in Florida, Florida's low loss ratio adds further support to the conclusion that Florida rates are too high.

The Fund's Premiums

It is possible that it is more costly to operate a title insurance company in Florida causing premiums to be higher, but the premiums charged by The Attorney's Title Insurance Fund (The Fund) do not support this possibility. The Fund is the second largest underwriter of title insurance in the state of Florida and operates in nine risk rate states. The following chart compares the premiums charged by The Fund in Florida at select policy limits to the premiums charged by The Fund in the other nine risk rate states in which it operates:



Since The Fund is a Florida based company operating through non-affiliated agents, nearly all its expenses can be classified as either: 1) loss or loss related, 2) Florida operating expenses, or 3) agent compensation. If The Fund's risk of loss, operating expenses and agent compensation are comparable between states, then The Fund's Florida premiums are too high.

It could be argued that extra agent compensation is needed in Florida, and therefore the Fund's rates should be higher in Florida. However, it is doubtful that Florida title work is so much different or more expensive to justify extra agent compensation. (To confirm The Fund's risk of loss is approximately the same between states, one would expect The Fund's Florida's loss ratio to be lower, but because The Fund writes very little business outside of Florida, a comparison of The Fund's Florida loss ratio to its other states' loss ratio is not considered actuarially credible.)

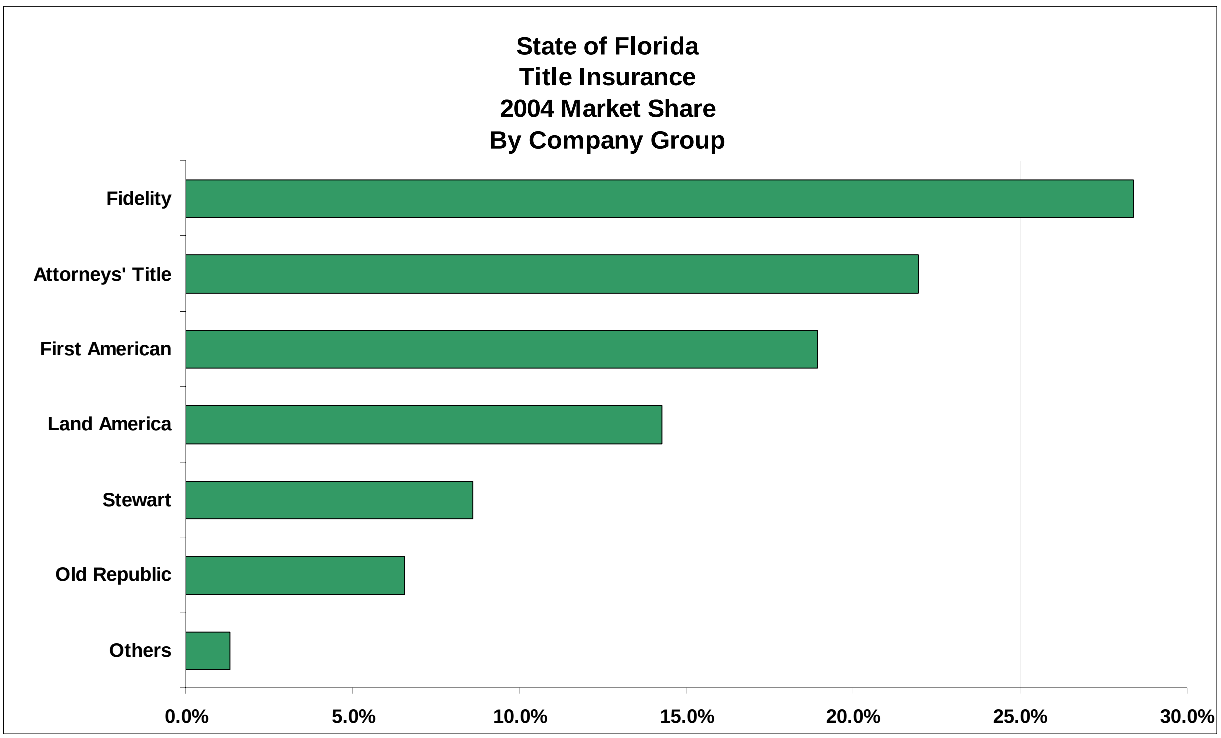
Tax Base

If the definition of title insurance premium in Section 627.7711(2) F.S. is not amended, and the indicated changes are implemented, then the title insurance premium tax base will shrink by approximately 49.8% (Exhibit 2, Sheet 1, Column (11). However, if the definition of title insurance premium is amended by law to include related title insurance service charges, the estimated impact upon the tax base of decreasing title insurance premiums while increasing charges for related title insurance service charges is -9.1% (Exhibit 2, Sheet 2).

Florida Market Concentration

Title insurance rates, related title service charges and endorsement premiums should continue to be regulated in Florida to deter excessive consumer costs, foster efficiency and protect against collusion and monopoly. The Florida title insurance market is highly concentrated in six large company groups. As concentration increases, competition and efficiency decrease and the chances of collusion and monopoly increase.

Furthermore, care should be taken to insure that "capture" of government regulation does not occur. The problem of regulator capture takes place when large companies control the making of laws and administrative rules by which they are regulated, thus creating a system biased against consumers.



The Herfindahl index for the Florida title insurance market based on the above company groups is 19.7%. The Herfindahl index is a measure of industry concentration, and the United States Department of Justice considers Herfindahl indices between 0.1000 and 0.1800 to be moderately concentrated and indices above 0.1800 to be concentrated.

The following table summarizes Florida 2004 market shares by company within company group:

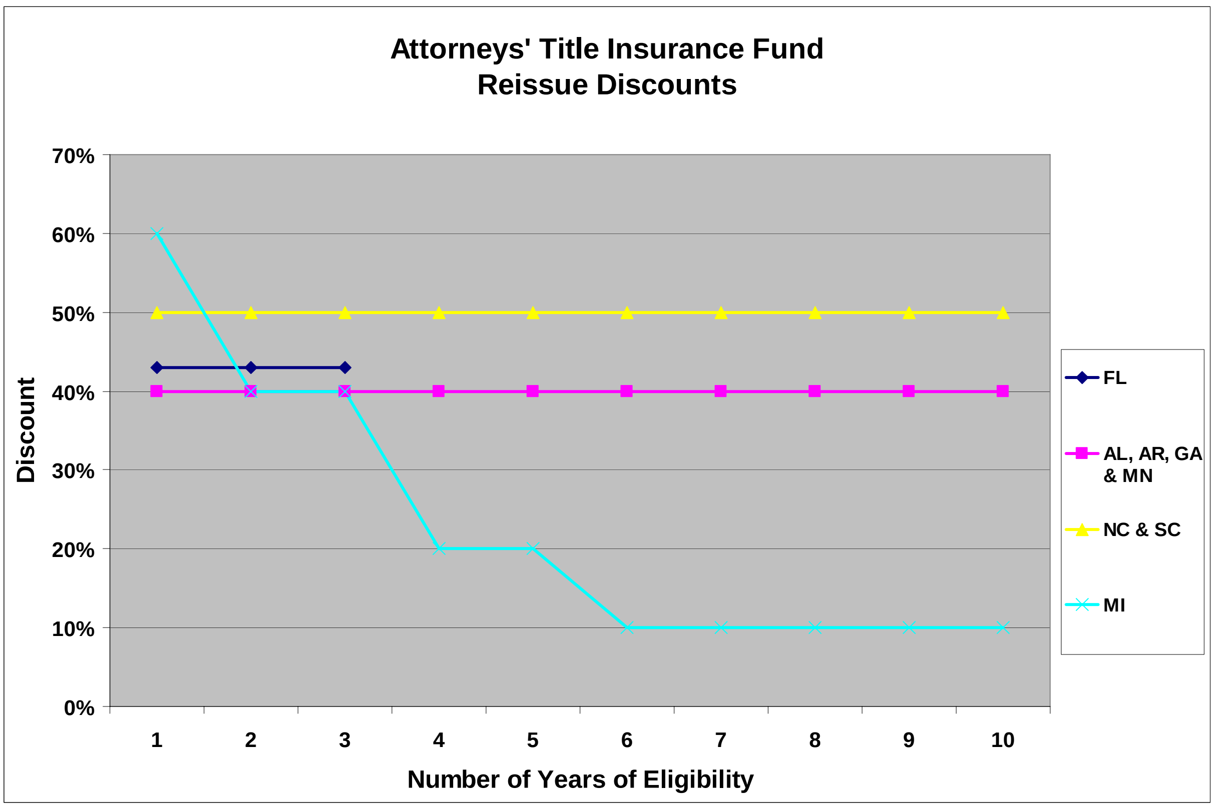
Group	Company Name	Direct Written Premium	Company Share	Group Total	Group Share
Fidelity	Chicago Title	202,365,496	11.2%		
Fidelity	Fidelity National	158,239,195	8.7%		
Fidelity	Ticor FL	133,386,189	7.4%		
Fidelity	Ticor	12,522,909	0.7%		
Fidelity	National NY	6,962,671	0.4%	513,476,460	28.4%
Attorneys Title	The Fund	396,973,170	21.9%	396,973,170	21.9%
First American	First American	307,227,791	17.0%		
First American	United General	22,709,980	1.3%		
First American	Censtar	12,450,498	0.7%	342,388,269	18.9%
Land America	Commonwealth	162,565,472	9.0%		
Land America	Lawyers	95,547,778	5.3%		
Land America	Transnation	104,417	0.0%		
Land America	TIC America	84,983	0.0%	258,302,650	14.3%
Stewart	Stewart Title Guaranty	154,951,793	8.6%		
Stewart	Alliance Title	696,984	0.0%	155,648,777	8.6%
Old Republic	Old Republic	118,811,222	6.6%	118,811,222	6.6%
Others	Others	23,889,375	1.3%	23,889,375	1.3%
Total	**Total**	**$1,809,489,923**	**100.0%**	**$1,809,489,923**	**100.0%**

Company names have been simplified in the above table because of space considerations. For example, Chicago Title Insurance Company has been simplified to Chicago Title.

Reissue Discounts

By administrative rule amendment, the eligibility period for reissue discounts in Florida should be increased from 3 years to 10 years consistent with reissue discounts typically granted in other states. When a real property is refinanced or sold during the eligibility period, title insurance may be issued at a discount.

Only five companies were considered to correctly complete the reissue discount portion of Table 2 (Exhibit 8). Nevertheless, the limited data indicate that the Florida percentage of reissue discount (42.6%) is comparable to other states' but the Florida eligibility period is significantly shorter than other states', as illustrated in the following chart:



Minimum Loss Ratio

Consideration should be given to the imposition of a minimum loss ratio requirement on title insurers in place of the 30% minimum retention requirement (title insurers by law must retain at least 30% of title insurance premiums (Section 727.782 F.S.)) for the following reasons: 1) title insurance is the only form of property and casualty or life and health insurance in the state of Florida that has a minimum retention requirement, 2) elimination of the minimum retention requirement will facilitate rate reduction, 3) the minimum retention requirement appears unnecessary based on industry profitability, 4) a minimum loss ratio requirement will facilitate rate regulation by automatically triggering rate reviews as the industry loss ratio departs materially from the statutory minimum, and 5) a minimum loss ratio requirement will deter excessive company expenses, excessive agent compensation and illegal marketing tactics.

Compare, for example, the approach taken in Florida to the regulation of health insurance: health insurance policies are required to maintain reasonable loss ratios (Section 627.410 (7)(a) F.S.), a requirement that protects consumers from excessive premiums due to excessive company expenses and excessive commissions paid to agents. Health insurance policies must return at least 75% of the aggregate amount of premiums earned for group policies, and at least 65% of the aggregate amount of premiums earned for individual policies (Section 627.6745 (7)(a) F.S.).

Even though title insurance differs in several respects from other types of insurance, the industry's involvement in illegal marketing tactics such as kickbacks, free vacations, and the free use of office space and equipment suggests that title insurers could reduce premiums and abide by a minimum loss ratio requirement with no adverse impact on profitability. As noted previously, the boiler insurance industry, which like title insurance requires an emphasis on inspections and risk analysis, pays 25% of its premiums in claims.

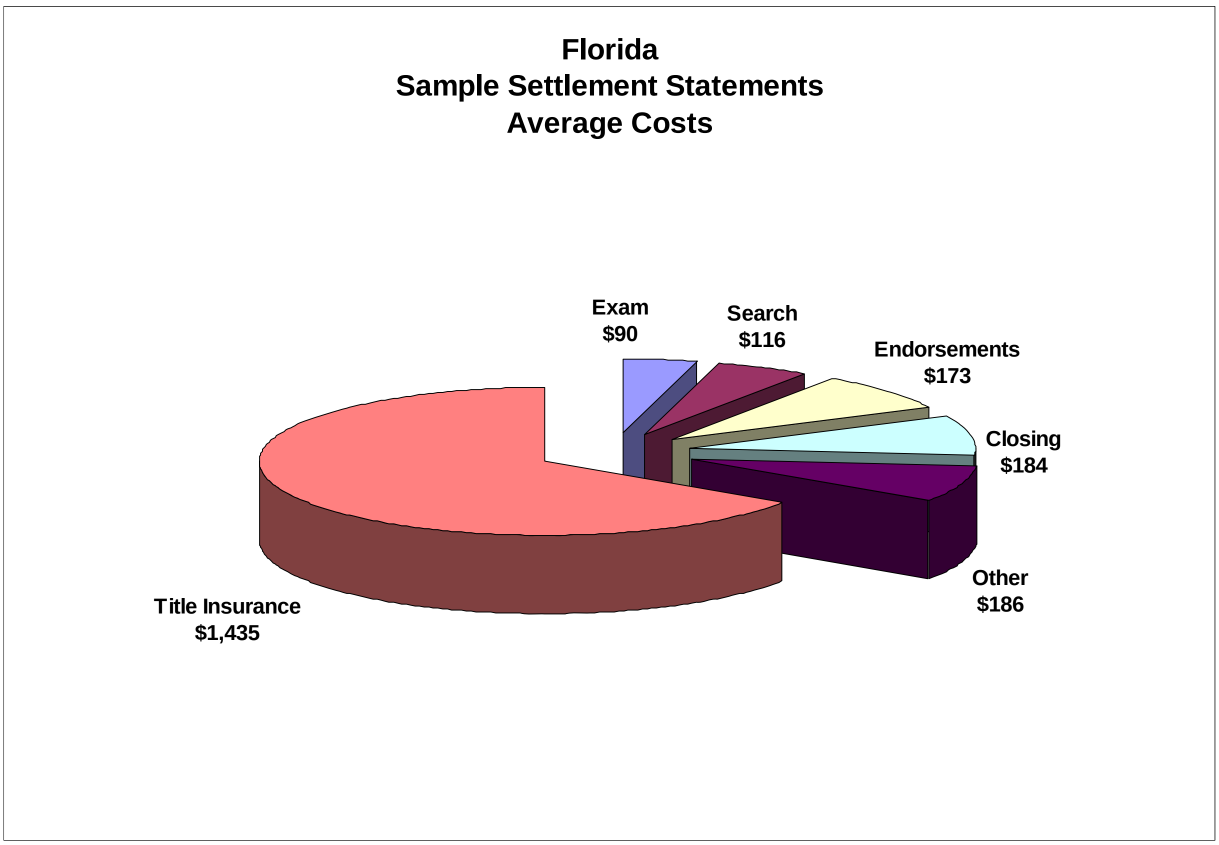
The current indicated minimum loss ratio for the Florida title insurance industry is 4.5% (Exhibit 2, Sheet 7), if the indicated changes in premium and related title services are adopted and the definition of premium is expanded to include related title service charges. The current indicated minimum loss ratio for the Florida title insurance industry is 9.0% (Exhibit 2, Sheet 8), if the indicated changes in premium and related title services are adopted and the definition of premium remains unchanged. However, future minimum loss ratios should be increased as excessive company expenses, excessive agent compensation and illegal marketing tactics are uncovered in the Florida title insurance industry. Therefore, it is recommended that a minimum Florida title insurance industry loss ratio be required by law, but the particular ratio be set by administrative rule based upon ongoing investigations of the industry.

METHODOLOGY

Related Title Service Charges

Current related title service charges have been estimated based on an analysis of the 50 HUD-1 settlement statements taken from OIR Consumer Services complaint files and Agents and Agencies closed investigation files (Exhibit 7). This limited sample may be biased or unrepresentative of the entire Florida title insurance market.

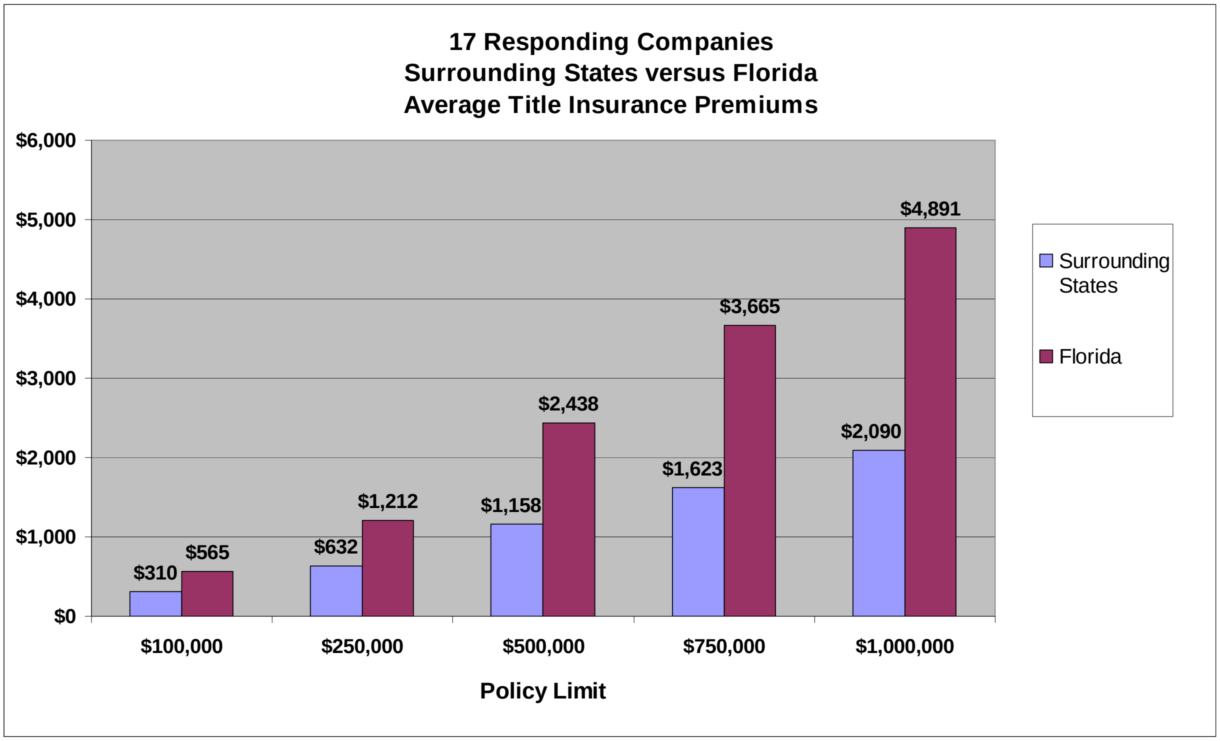
In this sample, the average cost of title insurance and related title services was $2,184 of which $1,608 was for title insurance premiums and endorsements and the remainder was for related title services. This average sample premium of $1,608 including endorsements is significantly higher than the average premium of $847 based on a compilation of Table 1 data submitted pursuant to the Data Request (Exhibit 6, Column (8)).



The difference in average premiums may be explained by: 1) the sample contains premiums and related title service charges for both owner's and lender's policies, while the Table 1 data is only owner policy data, 2) the limited sample size, 3) a possible unknown bias in the sample, 4) a difference in the average sample date of 11/19/2003 (Exhibit 7, Column (2)) versus the average experience period date of 7/1/2002 in Exhibit 6. In this analysis, an adjustment has been made for premium size by estimating related title service charges by size of title insurance premium in Exhibit 7, Column (20). The related title service charges are estimated to be a higher percentage of premiums for smaller premium sizes and a lower percentage of premiums for larger premium sizes. It is believed that the assumed variation in related title service charges as a percentage of premiums compensates for the bias in average premium size and increases the predictive value of the sample.

Indicated Risk Premiums

The indicated risk premiums and rates in this analysis are based upon the assumption that Florida's costs to provide title insurance and coverages should be similar to other states' costs and coverages. These indications may not be valid to the extent that Florida's costs and coverages should not be comparable to other states'. Indicated risk premiums were estimated (Exhibit 5, Sheet 2) by averaging risk premiums for the surrounding states of Alabama, Georgia, Mississippi, North Carolina and South Carolina:



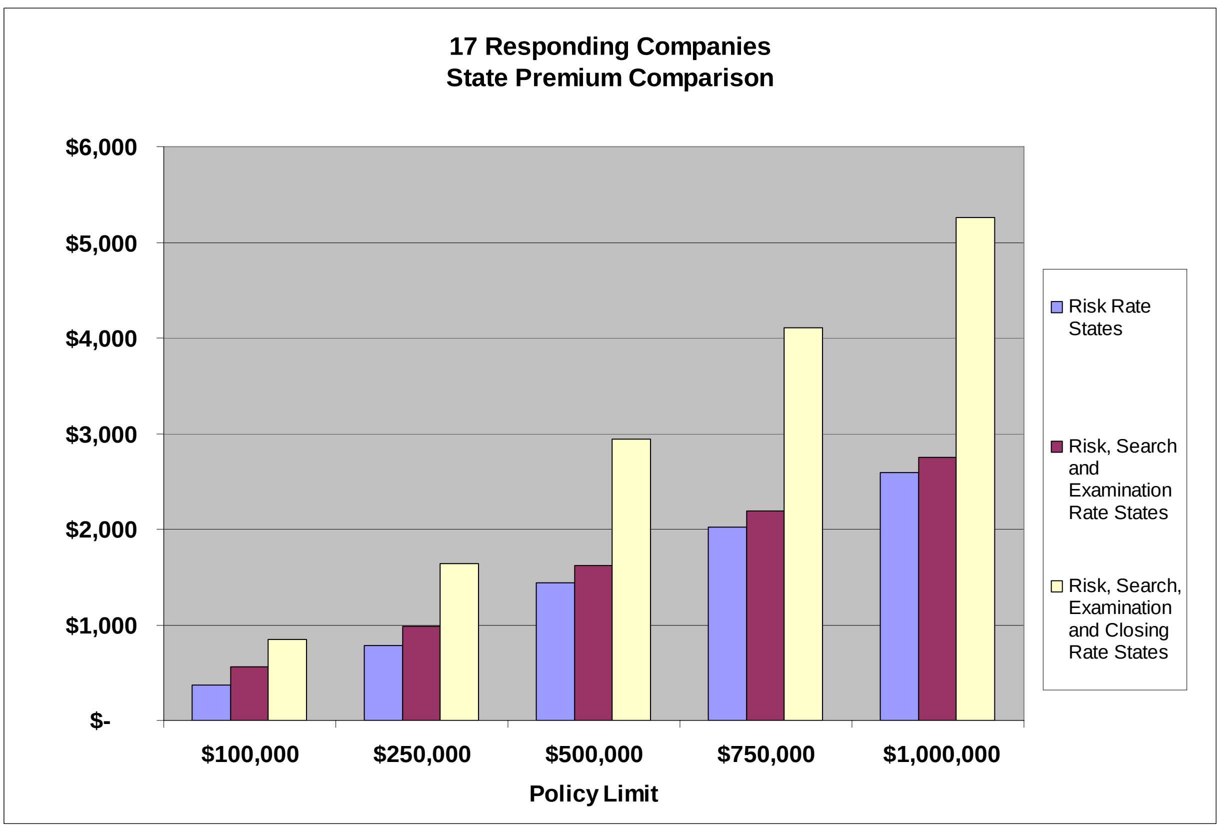
It is assumed that risk premiums charged in surrounding states are more representative of reasonable Florida premiums than premiums based on countrywide averages. Note that 19 companies responded to the Data Request, but only 17 companies completed Table 3.

Indicated Search, Examination and Closing Costs

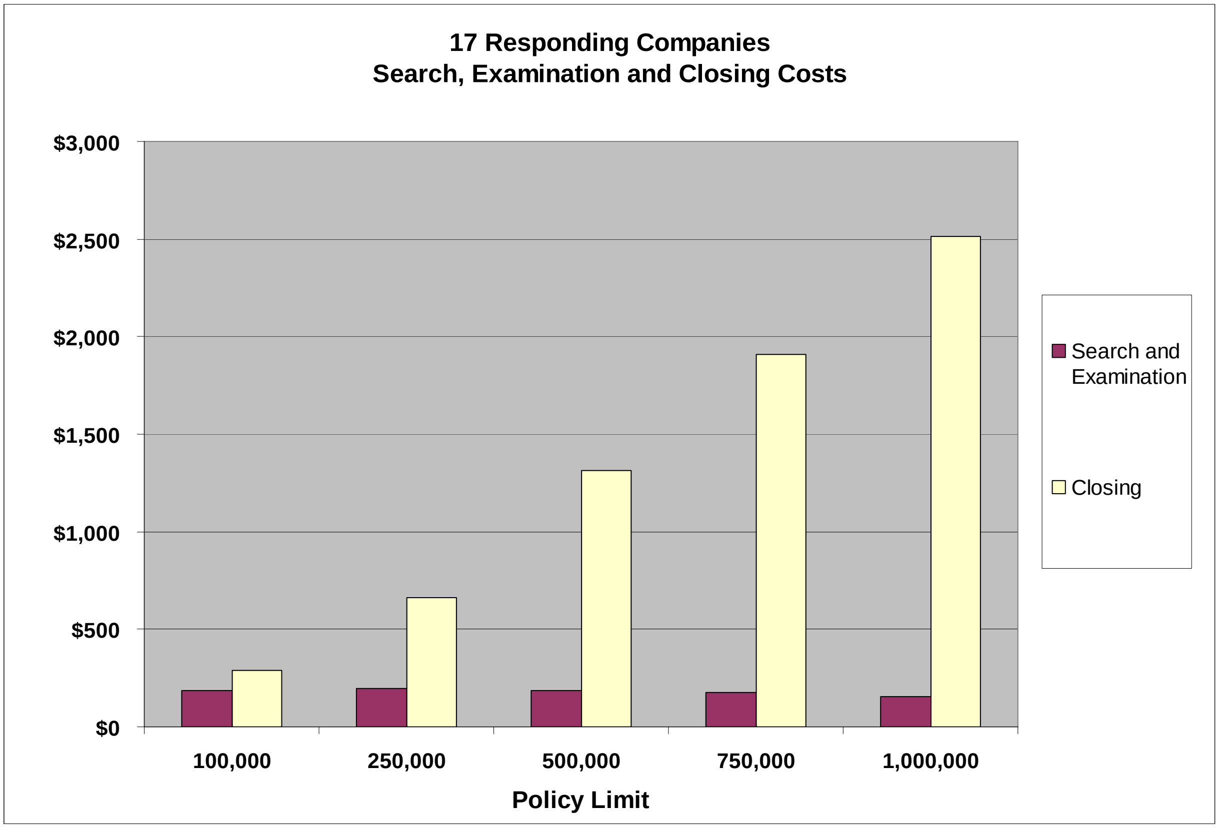
Of the 49 states other than Florida, it is assumed that 26 states (risk rate states) do not include search, examination, or closing charges in the title insurance premium, 19 states include search and examination but not closing charges in the title insurance premium, 2 states (Texas and Pennsylvania) include search, examination and closing charges in the title insurance premium, 1 state (Utah) includes closing but not search and examination costs, and 1 state (Iowa) prohibits by law the sale of title insurance. Based on this variation between states in the inclusion of title insurance costs and related title service charges in title insurance premiums, the indicated costs of title search, examination and closing are estimated.

First American was the only large company operating in all states that was considered to correctly complete the related title services portion of Table 3. Therefore, states were classified in one of the above groups according to First American's completion of the related title services portion of Table 3. This assumption appears reasonable, because the indicated related title services charges for all companies is comparable to those indicated for First American - compare Exhibit 4, Sheets 1 and 2.

The following chart compares the average premiums at select policy limits of: 1) the 26 risk rate states excluding Florida, 2) the 19 states that include search and examination in the title premium, and 3) the 2 states (Texas and Pennsylvania) that include search, examination and closing in the title insurance premium:



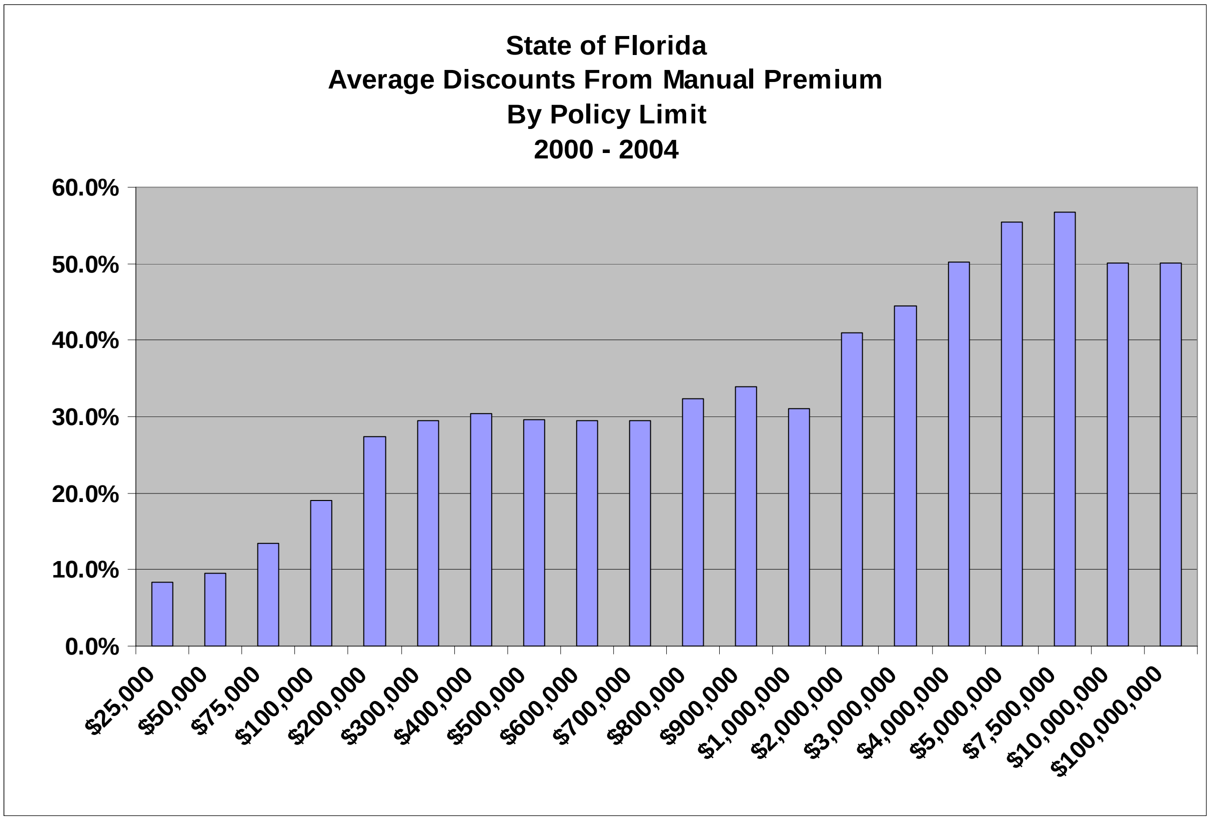
By subtracting risk rates from rates that include risk, search and examination, an estimate can be made of average search and examination costs; and by subtracting rates that include risk, search and examination from rates that include risk, search, examination and closing, an estimate can be made of closing costs (Exhibit 4, Sheet 1) as illustrated in the following chart at select policy limits:



For closing costs, a mathematical curve was fit to indicated closing costs (Exhibit 3). For policy limits of $5,000,000 and $10,000,000 the indicated closing costs are based upon the difference between Pennsylvania average premiums and the average premiums for states that include search and examination costs but not closing costs. For all other policy limits, the indicated closing costs are based upon the difference between the average of Texas and Pennsylvania premiums and the average premiums for states that include search and examination costs but not closing costs.

The $5,000,000 and $10,000,000 limits were handled differently because: 1) Texas premiums are significantly higher at these policy limits and 2) Florida premiums are disproportionately discounted at these limits, suggesting that Florida rates for these policy limits are too high (see chart below and Exhibit 6, Column (12)). Rates by layer were estimated based on the current Florida title insurance premium layers of: $0-$100,000, $100,001-$1,000,000, $1,000,001-$5,000,000 and $5,000,000-$10,000,000. For search and examination, costs are estimated to be $175 at all premium sizes, based on the average for policy limits less than $1,000,000 (Exhibit 4, Sheet 1).

The following chart illustrates the disproportionate discounting of Florida title insurance premiums at higher limits:



EXHIBITS

Exhibit 1:	Indicated Owner's Policy and Related Title Services Rates
Exhibit 2, Sheet 1:	Indicated Changes, Premiums and Related Title Services
Exhibit 2, Sheet 2:	Indicated Percentage Changes, Taxable Premium Base
Exhibit 2, Sheet 3:	Premium Comparison, All-Inclusive States versus Indicated Florida
Exhibit 2, Sheet 4:	Indicated Agent Compensation, Definition of Premium Changed to Include Related Title Service Charges
Exhibit 2, Sheet 5:	Indicated Agent Compensation, Definition of Premium Unchanged
Exhibit 2, Sheet 6:	Agent Compensation, Premium Definition Comparison
Exhibit 2, Sheet 7:	Minimum Loss Ratio, Definition of Premium Changed to Include Related Title Service Charges
Exhibit 2, Sheet 8:	Minimum Loss Ratio, Definition of Premium Unchanged
Exhibit 3:	Fitted Closing Cost
Exhibit 4, Sheet 1	Related Title Services Charges, Based on the Average Rates of 17 Responding Companies
Exhibit 4, Sheet 2	Related Title Services Charges, Based on First American Rates
Exhibit 5, Sheet 1	Surrounding States, Average Title Premium
Exhibit 5, Sheet 2	Surrounding States versus Florida, Average Title Premium
Exhibit 6	State of Florida, Summary of Experience
Exhibit 7	Sample Settlement Statements
Exhibit 8	Data Request, Submission Compliance

Exhibit 1

State of Florida
Indicated Owner's Policy and Related Title Services Rates
By Policy Limit Layer

		Current		Indicated					Indicated Change	
					Related Title Services					
Lower Policy Limit	Upper Policy Limit	Title Premium %	Related Title Services %	Title Premium %	Closing Cost %	Search and Examination $	Search and Examination %	Total Related Title Services %	Title Premium	Related Title Services
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$ -	$ 100,000	0.575%	0.561%	0.320%	0.330%	$ 175	0.088%	0.418%	-44.3%	-25.5%
$ 100,001	$ 1,000,000	0.500%	0.150%	0.200%	0.245%	$ 175	0.032%	0.277%	-60.0%	84.5%
$ 1,000,001	$ 5,000,000	0.250%	0.070%	0.174%	0.012%	$ 175	0.006%	0.018%	-30.4%	-74.4%
$ 5,000,001	$ 10,000,000	0.225%	0.054%	0.151%	0.011%	$ 175	0.002%	0.013%	-32.7%	-75.4%

Notes:
(1) Based on Chapter 69O-186 Title Insurance Rates, Florida Administrative Code excluding cost of endorsements.
(2) These are estimates derived from a limited number of settlement statements that may not be a representative sample. See Exhibit 7, Column (20).
(3) Derived from Exhibit 5, Sheet 1, Column (4)
(4) Derived from Exhibit 3, Column (4)
(5) Exhibit 2, Sheet 1, Column (7)
(6) equals (5) / (average policy limit) - 1
(7) equals (4) + (6)
(8) equals (3) / (1) - 1
(9) equals (7) / (2) - 1

Exhibit 2
Sheet 1

Indicated Changes
Premiums and Related Title Services
By Owner's Policy Limit

	Current Rates					Indicated Rates					Indicated Change		
							Related Title Services						
Owner's Policy Limit	Manual Premium	Estimated Cost of Endorsements	Premium Including Endorsements	Related Title Services	Total	Premium Including Endorsements	Search & Examination	Closing	Subtotal	Total	Premium	Related Title Services	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
$ 25,000	$ 144	$ 17	$ 161	$ 221	$ 382	$ 80	$ 175	$ 83	$ 258	$ 338	-50.3%	16.4%	-11.7%
50,000	288	35	322	365	687	160	175	165	340	500	-50.3%	-7.0%	-27.3%
100,000	575	69	644	394	1,038	320	175	330	505	825	-50.3%	28.1%	-20.5%
250,000	1,325	159	1,484	502	1,986	620	175	698	873	1,493	-58.2%	73.9%	-24.8%
500,000	2,575	309	2,884	709	3,593	1,120	175	1,310	1,485	2,605	-61.2%	109.5%	-27.5%
750,000	3,825	459	4,284	987	5,271	1,620	175	1,923	2,098	3,718	-62.2%	112.6%	-29.5%
1,000,000	5,075	609	5,684	1,309	6,993	2,120	175	2,535	2,710	4,830	-62.7%	107.0%	-30.9%
5,000,000	15,075	1,809	16,884	2,870	19,754	9,080	175	3,015	3,190	12,270	-46.2%	11.2%	-37.9%
10,000,000	27,575	3,309	30,884	5,249	36,133	16,649	175	3,565	3,740	20,389	-46.1%	-28.8%	-43.6%
Average $ 426,606	$ 1,817	$ 218	$ 2,035	$ 585	$ 2,619	$ 912	$ 175	$ 763	$ 938	$ 1,850	-49.8%	60.4%	-29.4%

Notes:

Averages based on 2008 policy limits projected from 2004 limits at an average annual rate of increase of 16.0%.

(1) Based on Chapter 69O-186 Title Insurance Rates, Florida Administrative Code.
(2) equals 12.0% x (1), based on Exhibit 7, Column (16) average and actuarial judgment
(3) equals (1) + (2)
(4) Derived from Exhibit 7, Column (20)
(5) equals (3) + (4)
(6) Exhibit 5, Sheet 1, Column (4)
(7) Based on actuarial judgment and Exhibit 4, Sheet 1, Column (4)
(8) Exhibit 3, Column (4)
(9) equals (7) + (8)
(10) equals (6) + (9)
(11) equals (6) / (3) - 1
(12) equals (9) / (4) - 1
(13) equals (10) / (5) - 1

Exhibit 2
Sheet 2

Indicated Percentage Changes
Taxable Premium Base
By Owner's Policy Limit

	Current Rates			Indicated Rates					
					Related Title Services				
Owner's Policy Limit	Manual Premium	Estimated Cost of Endorsements	Premium Including Endorsements	Premium Including Endorsements	Search & Examination	Closing	Subtotal	Total	Indicated Change
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$ 25,000	$ 144	$ 17	$ 161	$ 80	$ 175	$ 83	$ 258	$ 338	109.6%
50,000	288	35	322	160	175	165	340	500	55.3%
100,000	575	69	644	320	175	330	505	825	28.1%
250,000	1,325	159	1,484	620	175	698	873	1,493	0.6%
500,000	2,575	309	2,884	1,120	175	1,310	1,485	2,605	-9.7%
750,000	3,825	459	4,284	1,620	175	1,923	2,098	3,718	-13.2%
1,000,000	5,075	609	5,684	2,120	175	2,535	2,710	4,830	-15.0%
5,000,000	15,075	1,809	16,884	9,080	175	3,015	3,190	12,270	-27.3%
10,000,000	27,575	3,309	30,884	16,649	175	3,565	3,740	20,389	-34.0%
Average $ 426,606	$ 1,817	$ 218	$ 2,035	$ 912	$ 175	$ 763	$ 938	$ 1,850	-9.1%

Notes:
Averages based on 2008 policy limits projected from 2004 limits at an average annual rate of increase of 16.0%.
(1) Based on Chapter 69O-186 Title Insurance Rates, Florida Administrative Code.
(2) equals 12.0% x (1), based on Exhibit 7, Column (16) and actuarial judgment
(3) equals (1) + (2)
(4) Exhibit 5, Sheet 1, Column (4)
(5) Based on actuarial judgment and Exhibit 4, Sheet 1, Column (4)
(6) Exhibit 3, Column (4)
(7) equals (5) + (6)
(8) equals (4) + (7)
(9) equals (8) / (3) - 1

Exhibit 2
Sheet 3

Premium Comparison
All-Inclusive States versus Indicated Florida
By Owner's Policy Limit

	Owner's Policy Limit	Texas	Pennsylvania	Indicated Florida
		(1)	(2)	(3)
	$ 25,000	$ 345	$ 392	$ 338
	50,000	523	527	500
	100,000	875	814	825
	250,000	1,745	1,527	1,493
	500,000	3,132	2,714	2,605
	750,000	4,519	3,615	3,718
	1,000,000	5,906	4,517	4,830
	5,000,000	24,416	13,204	12,270
	10,000,000	44,155	21,850	20,389
Average	$ 426,606	$ 2,535	$ 1,915	$ 1,850

Notes:

Averages based on 2008 policy limits projected from 2004 limits at an average annual rate of increase of 16.0%.

(3) Exhibit 2, Sheet 1, Column (10)

Exhibit 2
Sheet 4

Indicated Agent Compensation
Definition of Premium Changed to Include Related Title Service Charges
By Owner's Policy Limit

	Current Rates						Indicated Rates						
								Related Title Services					
Owner's Policy Limit	Manual Premium	Estimated Cost of Endorsements	Premium Including Endorsements	Related Title Services	Total	Agent Compensation	Premium Including Endorsements	Search & Examination	Closing	Subtotal	Total	Agent Compensation	Change in Agent Compensation
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
$ 25,000	$ 144	$ 17	$ 161	$ 221	$ 382	$ 334	$ 80	$ 175	$ 83	$ 258	$ 338	$ 236	-29.3%
50,000	288	35	322	365	687	591	160	175	165	340	500	350	-40.8%
100,000	575	69	644	394	1,038	845	320	175	330	505	825	578	-31.7%
250,000	1,325	159	1,484	502	1,986	1,540	620	175	698	873	1,493	1,045	-32.2%
500,000	2,575	309	2,884	709	3,593	2,728	1,120	175	1,310	1,485	2,605	1,824	-33.1%
750,000	3,825	459	4,284	987	5,271	3,985	1,620	175	1,923	2,098	3,718	2,602	-34.7%
1,000,000	5,075	609	5,684	1,309	6,993	5,288	2,120	175	2,535	2,710	4,830	3,381	-36.1%
5,000,000	15,075	1,809	16,884	2,870	19,754	14,688	9,080	175	3,015	3,190	12,270	8,589	-41.5%
10,000,000	27,575	3,309	30,884	5,249	36,133	26,868	16,649	175	3,565	3,740	20,389	14,272	-46.9%
Average $ 426,606	$ 1,817	$ 218	$ 2,035	$ 585	$ 2,619	$ 2,009	$ 912	$ 175	$ 763	$ 938	$ 1,850	$ 1,295	-35.5%

Notes:

Averages based on 2008 policy limits projected from 2004 limits at an average annual rate of increase of 16.0%.

(1) Based on Chapter 69O-186 Title Insurance Rates, Florida Administrative Code.
(2) equals 12.0% x (1), based on Exhibit 7, Column (20) and actuarial judgment
(3) equals (1) + (2)
(4) Derived from Exhibit 7, Column (20)
(5) equals (3) + (4)
(6) equals .70 x (3) + (4)
(7) Exhibit 5, Sheet 1, Column (4)
(8) Based on actuarial judgment and Exhibit 4, Sheet 1, Column (4)
(9) Exhibit 3, Column (4)
(10) equals (8) + (9)
(11) equals (7) + (10)
(12) equals .70 x (11)
(13) equals (12) / (6) - 1

Exhibit 2
Sheet 5

Indicated Agent Compensation
Definition of Premium Unchanged
By Owner's Policy Limit

	Current Rates						Indicated Rates						
								Related Title Services					
Owner's Policy Limit	Manual Premium	Estimated Cost of Endorsements	Premium Including Endorsements	Related Title Services	Total	Agent Compensation	Premium Including Endorsements	Search & Examination	Closing	Subtotal	Total	Agent Compensation	Change in Agent Compensation
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
$ 25,000	$ 144	$ 17	$ 161	$ 221	$ 382	$ 334	$ 80	$ 175	$ 83	$ 258	$ 338	$ 314	-6.1%
50,000	288	35	322	365	687	591	160	175	165	340	500	452	-23.5%
100,000	575	69	644	394	1,038	845	320	175	330	505	825	729	-13.7%
250,000	1,325	159	1,484	502	1,986	1,540	620	175	698	873	1,493	1,307	-15.2%
500,000	2,575	309	2,884	709	3,593	2,728	1,120	175	1,310	1,485	2,605	2,269	-16.8%
750,000	3,825	459	4,284	987	5,271	3,985	1,620	175	1,923	2,098	3,718	3,232	-18.9%
1,000,000	5,075	609	5,684	1,309	6,993	5,288	2,120	175	2,535	2,710	4,830	4,194	-20.7%
5,000,000	15,075	1,809	16,884	2,870	19,754	14,688	9,080	175	3,015	3,190	12,270	9,546	-35.0%
10,000,000	27,575	3,309	30,884	5,249	36,133	26,868	16,649	175	3,565	3,740	20,389	15,394	-42.7%
Average $ 426,606	$ 1,817	$ 218	$ 2,035	$ 585	$ 2,619	$ 2,009	$ 912	$ 175	$ 763	$ 938	$ 1,850	$ 1,576	-21.5%

Notes:

Averages based on 2008 policy limits projected from 2004 limits at an average annual rate of increase of 16.0%.

(1) Based on Chapter 69O-186 Title Insurance Rates, Florida Administrative Code.
(2) equals 12.0% x (1), based on Exhibit 7, Column (20) and actuarial judgment
(3) equals (1) + (2)
(4) Derived from Exhibit 7, Column (20)
(5) equals (3) + (4)
(6) equals .70 x (3) + (4)
(7) Exhibit 5, Sheet 1, Column (4)
(8) Based on actuarial judgment and Exhibit 4, Sheet 1, Column (4)
(9) Exhibit 3, Column (4)
(10) equals (8) + (9)
(11) equals (7) + (10)
(12) equals .70 x (7) + (10)
(12) equals (12) / (6) - 1

Minimum Loss Ratio
Definition of Premium Changed to Include Related Title Service Charges

	Owner's Policy Limit	Current Manual Premium and Endorsements	Indicated Manual Premium, Endorsements and Related Title Service Charges
		(1)	(2)
	$ 25,000	$ 161	$ 338
	50,000	322	500
	100,000	644	825
	250,000	1,484	1,493
	500,000	2,884	2,605
	750,000	4,284	3,718
	1,000,000	5,684	4,830
	5,000,000	16,884	12,270
	10,000,000	30,884	20,389
Average	$ 426,606	$ 2,035	$ 1,850

(3)	2002 Loss Ratio	4.2%
(4)	2003 Loss Ratio	3.7%
(5)	2004 Loss Ratio	3.1%
(6)	2008 Selected Loss Ratio	4.0%
(7)	Projected 2008 Average Loss per Policy	$ 81
(8)	Projected 2008 Average Loss Ratio	4.4%
(9)	Selected 2008 Minimum Loss Ratio	4.5%

Notes:
Averages based on 2008 policy limits projected from 2004 limits at an average annual rate of increase of 16.0%.

(1) Exhibit 2, Sheet 1, Column (3)
(2) Exhibit 2, Sheet 1, Column (10)
(3)-(5) NAIC Schedule T data for Florida
(6) Based on actuarial judgment
(7) equals (6) x (1) Average
(8) equals (7) / (2) Average
(9) Based on actuarial judgment

Minimum Loss Ratio
Definition of Premium Unchanged

	Owner's Policy Limit	Current Manual Premium and Endorsements	Indicated Manual Premium and Endorsements
		(1)	(2)
	$ 25,000	$ 161	$ 80
	50,000	322	160
	100,000	644	320
	250,000	1,484	620
	500,000	2,884	1,120
	750,000	4,284	1,620
	1,000,000	5,684	2,120
	5,000,000	16,884	9,080
	10,000,000	30,884	16,649
Average	$ 426,606	$ 2,035	$ 912

(3)	2002 Loss Ratio	4.2%
(4)	2003 Loss Ratio	3.7%
(5)	2004 Loss Ratio	3.1%
(6)	2008 Selected Loss Ratio	4.0%
(7)	Projected 2008 Average Loss per Policy	$ 81
(8)	Projected 2008 Average Loss Ratio	8.9%
(9)	Selected 2008 Minimum Loss Ratio	9.0%

Notes:
Averages based on 2008 policy limits projected from 2004 limits at an average annual rate of increase of 16.0%.

(1) Exhibit 2, Sheet 1, Column (3)
(2) Exhibit 2, Sheet 1, Column (6)
(3)-(5) NAIC Schedule T data for Florida
(6) Based on actuarial judgment
(7) equals (6) x (1) Average
(8) equals (7) / (2) Average
(9) Based on actuarial judgment

Exhibit 3

Fitted Closing Cost
By Owner's Policy Limit

Policy Limit	Closing Cost $	Closing Cost %	Fitted $	Fitted %
(1)	(2)	(3)	(4)	(5)
$ 25,000	$ 98	0.394%	$ 83	0.330%
50,000	157	0.314%	165	0.330%
100,000	288	0.288%	330	0.330%
250,000	663	0.265%	698	0.279%
500,000	1,316	0.263%	1,310	0.262%
750,000	1,911	0.255%	1,923	0.256%
1,000,000	2,515	0.252%	2,535	0.254%
5,000,000	2,910	0.058%	3,015	0.060%
$ 10,000,000	$ 3,583	0.036%	$ 3,565	0.036%

Notes:

(2) From Exhibit 4, Sheet1, Column (5)

(3) equals (2) / (1)

(4) Based on selected rates: .330%, .245%, .012%, .011% for the respective layers 0-$100,000, $100,001-$1,000,000, $1,000,001-$5,000,000 and $5,000,000-$10,000,000.

(5) equals (4) / (1)

Related Title Services Charges
Based on the Average Rates of 17 Responding Companies

	Average Title Insurance Premiums			Related Title Services Charges	
Policy Limit	Risk, Search, Exam and Closing States	Risk, Search and Exam States	Risk Only States	Search and Exam	Closing
	(1)	(2)	(3)	(4)	(5)
$ 25,000	$ 367	$ 268	$ 109	$ 159	$ 98
50,000	525	368	191	177	157
100,000	847	559	371	188	288
250,000	1,645	981	784	197	663
500,000	2,939	1,624	1,438	186	1,316
750,000	4,102	2,191	2,017	174	1,911
1,000,000	5,265	2,749	2,593	156	2,515
5,000,000	13,204	10,294	10,755	(461)	2,910
$ 10,000,000	$ 21,850	$ 18,267	$ 19,902	$ (1,635)	$ 3,583
Average <$1,000,000				177	

Notes:
(1) Average 17 responding companys' premiums for the states of Texas and Pennsylvania include risk, search, examination and closing costs in title premium, except Pennsylvania premiums for $5,000,000 and $10,000,000 limits.
(2) Average 17 responding companys' premiums for 19 states that include risk, search and examination but not closing costs in title premium.
(3) Average 17 responding companies premiums for 26 states excluding Florida that include risk but not search, examination or closing costs in title insurance premium.
(4) equals (2) - (3)
(5) equals (1) - (2)
(6) The states of Utah and Iowa have been excluded from this analysis. Utah was considered to include closing costs in title premium but not search and examination, and therefore is not comparable to other states. The sale of title insurance is prohibited in the state of Iowa.
(7) First American was the only large company operating in all states that was considered to complete the related title services portion of Table 3 correctly, therefore states were classified in (1), (2) and (3) as per First American's completion of related title services portion of Table 3. This assumption appears reasonable, because the indicated related title services charges for all companies is comparable to those indicated for First American - see Exhibit 4, Sheet 2.
(8) 19 companies responded to Data Request, but only 17 completed Table 3.
(9) The average premiums for each state are straight averages of 17 responding companies that write business in Florida and may not represent the weighted average based on market shares of companies operating in each state. Companies that may have a significant market share in another state that do not write business in Florida were not requested to respond to this data call.

Exhibit 4
Sheet 2

Related Title Services Charges
Based on First American Rates

	Average Title Insurance Premiums			Related Title Services Charges	
Policy Limit	Risk, Search, Exam and Closing	Risk, Search and Exam	Risk Only	Search and Exam	Closing
	(1)	(2)	(3)	(4)	(5)
$ 25,000	$ 382	$ 301	$ 111	$ 190	$ 80
50,000	539	398	189	208	142
100,000	865	605	382	223	260
250,000	1,654	1,041	808	232	613
500,000	2,969	1,688	1,474	214	1,281
750,000	4,128	2,216	2,071	145	1,912
1,000,000	5,287	2,747	2,663	84	2,539
5,000,000	13,484	10,078	11,270	(1,192)	3,406
$ 10,000,000	$ 21,984	$ 17,770	$ 20,708	$ (2,938)	$ 4,214

Notes:

(1) Average First American rates for the states of Texas and Pennsylvania include risk, search, examination and closing costs in title premium, except Pennsylvania premiums for $5,000,000 and $10,000,000 limits.

(2) Average First American premiums for 19 states that include risk, search and examination but not closing costs in title premium.

(3) Average First American premiums for 26 states excluding Florida that include risk but not search, examination or closing costs in title insurance premium.

(4) equals (2) - (3)

(5) equals (1) - (2)

(6) The states of Utah and Iowa have been excluded from this analysis. Utah was considered to include closing costs in title premium but not search and examination, and therefore is not comparable to other states. The sale of title insurance is prohibited in the state of Iowa.

(7) First American was the only large company operating in all states that was considered to complete the related title services portion of Table 3 correctly.

Surrounding States
Average Title Premium
By Owner's Policy Limit

Policy Limit	Owner's Premium	Premium %	Fitted $	Fitted %
(1)	(2)	(3)	(4)	(5)
$ 25,000	$ 87	0.347%	$ 80	0.320%
50,000	163	0.326%	160	0.320%
100,000	310	0.310%	320	0.320%
250,000	632	0.253%	620	0.248%
500,000	1,158	0.232%	1,120	0.224%
750,000	1,623	0.216%	1,620	0.216%
1,000,000	2,090	0.209%	2,120	0.212%
5,000,000	9,089	0.182%	9,080	0.182%
$ 10,000,000	$ 16,677	0.167%	$ 16,649	0.166%

Notes:
(2) From Exhibit 5, Sheet 2, Column (6)
(3) equals (2) / (1)
(4) Based on selected rates: .320%, .200%, .174%, .151% for the respective layers 0-$100,000, $100,001-$1,000,000, $1,000,001-$5,000,000 and $5,000,000-$10,000,000.
(5) equals (4) / (1)

Surrounding States versus Florida
Average Title Premium
By Owner's Policy Limit

Owner's Policy Limit	AL	GA	MS	NC	SC	Average	FL	FL % Higher
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
$ 25,000	$ 110	$ 93	$ 100	$ 51	$ 77	$ 87	$ 144	65.5%
50,000	175	180	200	103	155	163	284	74.2%
100,000	341	324	400	211	284	310	565	82.0%
250,000	664	643	891	454	554	632	1,212	91.7%
500,000	1,186	1,174	1,688	840	1,004	1,158	2,438	110.5%
750,000	1,669	1,684	2,422	1,080	1,395	1,623	3,665	125.8%
1,000,000	2,152	2,195	3,156	1,330	1,787	2,090	4,891	134.1%
5,000,000	9,698	10,195	12,906	4,858	8,054	9,089	14,829	63.2%
$ 10,000,000	$ 18,252	$ 19,674	$ 24,938	$ 7,719	$ 13,450	$ 16,677	$ 26,860	61.1%

Notes:

Instructions to companies were to include in the above premiums customary charges, credits, discounts and endorsements for an original owner's policy. The above premiums were examined for reasonability, but were not audited to confirm accuracy.

The average premiums for each state are straight averages of 17 responding companies that write business in Florida and may not represent the weighted average based on market shares of companies operating in each state. Companies that may have a significant market share in another state that do not write business in Florida were not requested to respond to this data call.

State of Florida
Title Insurance
Summary of Experience
By Owner's Policy Limit

Lower Policy Limit	Upper Policy Limit	Average Limit	2000 - 2004 Owner's Policies	2000 - 2004 Owner's Written Premium	2000 - 2004 Owner's Paid Losses	2000 - 2004 Owner's Case Incurred Losses	Average Owner's Premium	Average Owner's Rate per $1,000	Case Incurred Loss Ratio	Estimated Average Manual Premium	Discount From Manual
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
-	25,000	12,500	786,387	72,063,949	5,181,889	5,688,657	92	7.33	7.9%	100	8.4%
25,001	50,000	37,501	317,644	61,988,115	4,479,893	5,183,494	195	5.20	8.4%	216	9.5%
50,001	75,000	62,501	387,957	120,758,420	6,439,527	7,618,187	311	4.98	6.3%	359	13.4%
75,001	100,000	87,501	457,802	186,465,749	9,550,759	10,901,983	407	4.65	5.8%	503	19.0%
100,001	200,000	150,001	1,392,019	834,276,744	18,071,839	22,344,429	599	4.00	2.7%	825	27.4%
200,001	300,000	250,001	494,731	462,606,586	11,431,911	14,175,426	935	3.74	3.1%	1,325	29.4%
300,001	400,000	350,001	207,617	263,859,573	5,637,685	7,464,350	1,271	3.63	2.8%	1,825	30.4%
400,001	500,000	450,001	99,545	162,914,648	2,608,791	2,793,108	1,637	3.64	1.7%	2,325	29.6%
500,001	600,000	550,001	56,867	113,236,085	3,984,733	4,398,329	1,991	3.62	3.9%	2,825	29.5%
600,001	700,000	650,001	36,636	85,836,721	2,167,170	2,692,843	2,343	3.60	3.1%	3,325	29.5%
700,001	800,000	750,001	29,422	76,200,978	1,126,831	1,724,857	2,590	3.45	2.3%	3,825	32.3%
800,001	900,000	850,001	20,261	57,894,787	1,662,534	2,457,602	2,858	3.36	4.2%	4,325	33.9%
900,001	1,000,000	950,001	15,696	52,269,954	641,167	1,023,699	3,330	3.51	2.0%	4,825	31.0%
1,000,001	2,000,000	1,500,001	62,844	234,827,254	11,267,516	16,754,569	3,737	2.49	7.1%	6,325	40.9%
2,000,001	3,000,000	2,500,001	22,163	108,665,227	2,601,899	2,944,460	4,903	1.96	2.7%	8,825	44.4%
3,000,001	4,000,000	3,500,001	13,540	76,259,610	414,588	404,591	5,632	1.61	0.5%	11,325	50.3%
4,000,001	5,000,000	4,500,001	9,867	60,813,514	471,888	1,020,436	6,163	1.37	1.7%	13,825	55.4%
5,000,001	7,500,000	6,250,001	14,169	109,685,868	5,198,212	3,628,591	7,741	1.24	3.3%	17,888	56.7%
7,500,001	10,000,000	8,750,001	4,862	57,123,060	213,179	314,836	11,749	1.34	0.6%	23,513	50.0%
10,000,001	100,000,000	17,000,000	28,678	577,596,475	2,137,726	2,322,487	20,141	1.18	0.4%	40,325	50.1%
		337,627	4,458,707	3,775,343,317	95,289,738	115,856,932	847		3.1%		

Notes:

(3) equals [(1) + (2)] / 2

(4) - (7) compilation of Table 1 data submitted pursuant to Data Request

(8) equals (5) / (4)

(9) equals((8) / (3)) * 1000

(10) equals (7) / (5)

(11) based on Chapter 69O-186 Title Insurance Rates, Florida Administrative Code excluding cost of endorsements, minimum manual premium is $100.

(12) equals (8) / (11) - 1

State of Florida
Title Insurance
Sample Settlement Statements

File Number (1)	Settlement Date (2)	Contract Sales Price (3)	Closing Fee (4)	Search (5)	Exam (6)	Binder (7)	Document Preparation (8)	Notary Fees (9)	Attorney Fees (10)	Shipping and Handling (11)	Warehouse Fee (12)	Anything Regarding Title (13)	Title Insurance (14)	Endorsements (15)	Endorsement to Premium Ratio (16)	Title Insurance Including Endorsements (17)	Related Title Services (18)	Ratio (19)	Fitted (20)
01C13909	2/28/2004	7,500	25	100	25	-	-	-	-	-	-	-	100	-	0.0%	100	150	150.0%	158.3%
05C14823	6/15/2004	17,000	25	100	25	-	-	-	-	-	-	-	100	-	0.0%	100	150	150.0%	142.7%
04C11544	6/4/2002	20,450	50	100	50	-	-	-	-	-	100	-	321	-	0.0%	321	300	93.5%	137.5%
04C11544	6/4/2002	20,450	50	100	50	-	-	-	-	-	-	-	121	-	0.0%	121	200	165.6%	137.5%
AM0506212	7/18/2005	29,900	76	50	76	-	-	-	-	75	-	-	172	-	0.0%	172	277	161.1%	124.0%
06C12969	7/11/2003	32,000	50	100	50	-	-	-	-	-	-	-	184	25	13.6%	209	200	95.7%	121.2%
0204-1773-21	9/9/2004	32,000	150	80	90	-	-	-	-	15	35	-	184	-	0.0%	184	370	201.1%	121.2%
1040-05	4/26/2006	38,000	10	60	5	-	-	-	-	20	-	-	219	-	0.0%	219	95	43.5%	113.5%
01C10069	5/10/2001	50,650	135	100	50	-	-	-	-	-	-	-	293	-	0.0%	293	285	97.2%	98.9%
05117H	5/4/2005	55,000	250	150	360	-	275	-	-	35	-	150	216	-	0.0%	216	1,220	565.2%	94.3%
04C12777	6/23/2003	56,000	150	100	50	-	-	-	-	25	-	-	522	150	28.7%	672	325	48.4%	93.3%
02C14130	5/3/2004	78,700	150	100	50	-	-	-	-	25	-	-	654	150	22.9%	804	325	40.4%	72.8%
10C09798	11/10/2000	88,000	50	100	50	-	195	-	-	30	-	-	706	145	20.5%	851	425	49.9%	65.8%
07C13034	8/8/2003	92,000	150	100	50	-	-	-	-	25	-	-	729	150	20.6%	879	325	37.0%	63.0%
03-0581A	5/15/2003	94,600	295	350	275	-	295	-	-	-	-	60	569	82	14.4%	651	1,275	195.9%	61.2%
03-280	1/24/2003	109,500	200	100	75	-	-	-	-	63	-	-	923	162	17.6%	1,085	438	40.4%	52.0%
03-279a	1/24/2003	115,000	200	100	75	-	-	-	-	63	-	-	950	165	17.4%	1,115	438	39.3%	49.0%
00189C	6/25/2000	115,000	125	225	125	-	135	-	-	74	-	-	460	95	20.7%	555	684	123.2%	41.0%
03-330	2/19/2003	120,000	175	100	75	-	-	-	-	63	-	-	975	168	17.2%	1,143	413	36.1%	40.7%
03-236	11/27/2002	125,000	175	100	75	-	-	-	-	98	-	-	1,000	170	17.0%	1,170	448	38.3%	40.4%
03-335	2/14/2003	129,900	175	100	75	-	-	-	-	63	-	-	1,025	172	16.8%	1,197	413	34.5%	40.1%
03-253	12/10/2002	140,000	150	100	75	-	-	-	-	33	-	-	775	-	0.0%	775	358	46.2%	39.6%
2062-831942	6/6/2005	141,000	100	85	25	-	-	-	-	70	-	-	483	106	21.9%	588	280	47.6%	39.5%
03-246	12/26/2002	143,900	175	75	50	-	-	-	-	63	-	-	1,095	179	16.4%	1,274	363	28.5%	39.3%
2005-0015	4/27/2005	156,000	300	150	150	-	150	100	-	110	-	-	885	153	17.3%	1,038	960	92.5%	38.6%
07C10733	8/17/2001	157,000	100	100	50	-	-	-	-	-	-	-	860	-	0.0%	860	250	29.1%	38.6%
03-272	1/23/2003	157,900	175	100	75	-	-	-	-	63	-	-	1,165	182	15.6%	1,346	413	30.7%	38.5%
2331.00	2/25/2005	160,000	175	75	75	-	125	-	-	25	-	-	900	140	15.6%	1,040	475	45.7%	38.4%
03-273	1/3/2003	171,400	175	100	75	-	25	-	-	84	-	-	1,232	193	15.7%	1,425	459	32.2%	37.8%
05003101	5/6/2005	175,000	250	350	250	-	350	-	-	-	-	230	1,275	153	12.0%	1,428	1,430	100.2%	37.6%
05CV031562	3/31/2005	180,000	60	35	35	-	-	-	-	30	-	-	990	125	12.6%	1,115	160	14.3%	37.3%
03-270	12/17/2002	184,900	175	100	75	-	-	-	-	84	-	-	1,300	235	18.1%	1,534	434	28.3%	37.1%
03-271	12/24/2002	188,000	150	100	75	-	-	-	-	33	-	-	815	-	0.0%	815	358	43.9%	36.9%
03-306	2/17/2003	205,000	150	100	75	-	-	-	-	15	-	-	1,100	-	0.0%	1,100	340	30.9%	36.0%
03-327	2/12/2003	209,900	175	100	75	-	-	-	-	84	-	-	1,425	212	14.9%	1,637	434	26.5%	35.7%
746041133-MA	8/31/2004	218,000	200	200	50	-	-	-	-	85	35	25	1,460	70	4.8%	1,530	595	38.9%	35.3%
20043291	9/2/2005	223,000	300	90	90	-	-	-	-	80	25	-	1,540	331	21.5%	1,871	585	31.3%	35.1%
50449	4/26/2005	225,000	125	96	75	-	-	-	-	52	-	-	1,200	299	24.9%	1,499	348	23.2%	35.0%
20052542	6/24/2005	240,000	150	50	95	-	-	-	-	35	-	-	1,275	-	0.0%	1,275	330	25.9%	34.2%
05-879	7/21/2005	242,000	250	75	100	-	-	-	-	-	-	-	1,225	150	12.3%	1,375	425	30.9%	34.1%
03-329	2/28/2003	248,000	100	-	-	-	-	-	-	63	-	-	300	232	77.2%	532	163	30.7%	33.8%
03-300	1/27/2003	291,700	175	100	75	-	50	-	-	63	-	-	1,833	253	13.8%	2,086	463	22.2%	31.7%
03-1015	8/12/2005	417,900	500	250	95	195	-	-	-	110	-	-	2,355	311	13.2%	2,666	1,150	43.1%	26.4%
03-224	11/29/2002	425,000	200	100	75	-	-	-	-	72	-	-	2,525	358	14.2%	2,883	447	15.5%	26.1%
2004243	12/15/2004	440,000	500	100	50	-	-	-	-	30	-	-	2,300	305	13.3%	2,605	680	26.1%	25.6%
05-250	7/15/2005	467,000	300	350	300	-	-	300	-	140	-	-	2,710	321	11.8%	3,031	1,390	45.9%	24.6%
05-0401	6/30/2005	520,000	675	-	275	-	475	750	-	75	-	-	3,099	343	11.1%	3,442	2,250	65.4%	23.1%
03-298	1/31/2003	565,000	150	100	75	-	-	-	-	15	-	-	2,900	-	0.0%	2,900	340	11.7%	23.0%
Branson/Buck	3/23/2005	565,000	350	175	-	-	-	-	-	-	-	-	2,975	348	11.7%	3,323	525	15.8%	23.0%
03-20117	6/29/2004	4,500,000	250	125	250	-	-	-	3,000	45	-	-	19,328	2,010	10.4%	21,338	3,670	17.2%	17.0%
Sum / Count	50		9,201	5,796	4,521	195	2,075	1,150	3,000	2,232	195	465	71,742	8,643	12.0%	80,385	28,830	35.9%	32.4%
Average	11/19/2003	267,685	184	116	90	4	42	23	60	45	4	9	1,435	173	12.0%	1,608	577	35.9%	32.4%

Source: Consumer Services Complaint Files and Agents and Agencies Closed Investigation Files

Exhibit 8

Data Request
Submission Compliance

				Table 2		
Group	Company	Responded	Table 1	Reissue	Related Title Services	Table 3
Attorneys' Title	Attorneys' Title Insurance Fund, Inc.	Yes	Yes	Yes	Yes	Yes
Fidelity	Chicago Title Insurance Company	Yes	Yes	No	No	Yes
Fidelity	Fidelity National Title Insurance Company	Yes	Yes	No	No	Yes
Fidelity	National Title Insurance Company	Yes	Yes	Yes	Yes	Yes
Fidelity	National Title Insurance Of New York Inc.	Yes	Yes	No	No	Yes
Fidelity	Security Union Title Insurance Company	No	n/a	n/a	n/a	n/a
Fidelity	Ticor Title Insurance Company	Yes	Yes	No	No	Yes
Fidelity	Ticor Title Insurance Company Of Florida	Yes	Yes	No	No	Yes
First American	Censtar Title Insurance Company	Yes	Yes	Yes	Yes	Yes
First American	First American Title Insurance Company	Yes	Yes	No	Yes	Yes
First American	United General Title Insurance Company	No	n/a	n/a	n/a	n/a
Land America	Commonwealth Land Title Insurance Company	Yes	Yes	No	No	Yes
Land America	Lawyers Title Insurance Corporation	Yes	Yes	No	No	Yes
Land America	Title Insurance Company Of America	Yes	No	No	No	Yes
Land America	Transnation Title Insurance Company	Yes	No	No	No	Yes
Ohio Farmers	Southern Title Insurance Corporation	No	n/a	n/a	n/a	n/a
Old Republic	American Guaranty Title Insurance Company	Yes	No	No	No	No
Old Republic	Old Republic National Title Insurance Company	Yes	Yes	No	No	Yes
Stewart	Alliance Title Of America, Inc.	No	n/a	n/a	n/a	n/a
Stewart	Stewart Title Guaranty Company	No	n/a	n/a	n/a	n/a
n/a	Atlantic Title Insurance Company Of South Carolina	Yes	No	No	No	No
n/a	Commerce Title Insurance Company	Yes	Yes	Yes	Yes	Yes
n/a	Investors Title Insurance Company	No	n/a	n/a	n/a	n/a
n/a	North American Title Insurance Corporation	Yes	Yes	No	No	Yes
n/a	Westcor Land Title Insurance Company	Yes	Yes	Yes	No	Yes

Totals:

Yes	19	15	5	5	17
No	6	4	14	14	2
n/a	0	6	6	6	6
	25	25	25	25	25

Notes:

A "No" indicates that the data was not provided, inconsistent or unreliable.