

# MITCHELL | WILLIAMS

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December 1, 2023

Via email: [Jne.Byckovski@tdi.texas.gov](mailto:Jne.Byckovski@tdi.texas.gov)

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

Re: Texas Land Title Association Texas Title Insurance Rate Report

Dear Ms. Byckovski:

Thank you for the opportunity to participate in the Texas Department of Insurance (“TDI”) rate review process. Our firm represents the Texas Land Title Association (“TLTA”). As a follow up, we have attached to this letter the TLTA Texas Title Insurance Rates Study (“Actuarial Report”) to supplement the TLTA Cost of Capital report and related information that we previously submitted in our initial comments regarding the TDI 2023 Title Rate Report and Cost of Capital Assessment.

TLTA’s actuaries, Charles “Chuck” Faerber and Khiem Ngo of the Austin, Texas actuarial consulting firm of Rudd & Wisdom, prepared the attached Actuary Report for your consideration in this title rate review process. Mr. Faerber has been consulting with the firm since 1978. He specializes in property and casualty insurance. Mr. Ngo joined the firm in 2007. He consults large group insurance programs including the Texas Medicaid Program, Texas Children’s Program, the State of Texas Group Benefit Program, and the University of Texas Employee Group Insurance Program. Both are Fellows of the Society of Actuaries, Associates of the Casualty Actuarial Society, and Members of the American Academy of Actuaries.

The Actuarial Report analyzed data from independent agents, affiliated agents, direct operations, and underwriters and details the development of an indicated rate change for title insurance firms in Texas. In producing the Actuarial Report, Mr. Faerber and Mr. Ngo relied upon the following data sources:

- The Texas Title Insurance Experience Report Compilation from 1998 through 2021. This report compiles experience for all underwriters.

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- The Texas Title Insurance Agent Experience Report Compilation from 1998 through 2021. This report compiles experience for all agents including independent agents, affiliated agents and direct operation.
- The Title Industry Annual Statement Compilation data from the American Land Title Association (ALTA) derived from NAIC data for all title underwriting companies.
- The TLTA Cost of Capital Report provided by Dr. Greg Hallman and Mr. Kevin Jewell.
- The TLTA Survey of CY2023 expense from Texas title agents.

The indicated rate provides a reasonable provision to cover i) expected expense, ii) expected loss & LAE, iii) catastrophic load, and iv) underwriting profit. The following scenarios was selected to determine a reasonable rate change range because premiums under each scenario are similar to the projected premiums in CY2023.

- Average of most recent 20-year period (2002-2021)
- Average of most recent 15-year period (2007-2021)
- Average of most recent 5-year period prior to COVID (2015-2019)
- Linear Regression Model

Additionally, the Actuarial Report compiled and analyzed the loss, Loss Adjustment Expense (LAE), and expense ratios for each year from 1998 through 2021 to complete the rating analysis. TLTA members have stated that premium in CY2023 is similar to what it was in 2019, but expense is much higher. That's because a significant portion of title industry's expenses are fixed and title agents are not able to reduce expenses as quickly as the drop in premium volume. TLTA conducted a survey of all of its members and asked, in part, "[A]re your average monthly expenses in 2023 higher or lower than your average monthly expenses in 2019 and if they're higher, by what percent?" 141 out of a total of 157 responses (90%) said average expense in 2023 is higher than 2019. 94 out of a total of 157 responses (60%) said average expense in 2023 is at least 20% higher than 2019.

The 20, 15, and 5-year scenarios listed above rely on historical experience to project the expenses and losses. However, based on the survey responses from TLTA members, the historical expense in each of the scenarios is understated compared to CY2023 expense experience. Based on survey of Texas title agents, expense in 2023 is at least 20% higher than it was in 2019. However, the Actuarial Report has assumed expense in 2023 as a modest 5% more than in 2019 for rate setting purposes. Using the 5% increase, the indicated rate change for the three scenarios ranges from -1.9% to +2.0%. Accordingly, based on their actuarial judgement, Mr. Faerber and Mr. Ngo recommend a rate change of 0.0% under this scenario.

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Based on the study of these scenarios, Mr. Faerber and Mr. Ngo determined that a reasonable rate change range is between 0.0% to -6.4%

We continue to be optimistic that through this collaborative process, we will reach a fair, reasonable, and adequate rate for the title industry and consumers that meets the statutory requirement under the Texas Insurance Code.

We sincerely appreciate the opportunity to participate in this process and are looking forward to continuing this discussion at the TDI stakeholder meeting on December 12th. Meanwhile, please let us know if you have any questions or would like to discuss anything.

Sincerely yours,

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

By:

*Stanton Strickland*

Stanton Strickland

Enclosures  
cf: SS

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