

Briefing Book

Collaborative Rulemaking
Proceedings &
Setting Title Insurance
Rates in Texas

Presented by:
Texas Land Title Association

September 13, 2012

Introduction

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

The briefing book is as much a reference tool as a roadmap for meaningful discussions about title insurance rates in Texas. The executive summary offers an outline of important issues and an overview of the substance of the materials. The special topic pages are resource documents. These short papers cover the regulatory framework in Texas, the commissioner's regulatory authority regarding the title insurance industry, and an introduction to title insurance services, professionals, and products.

The briefing book is offered in the spirit of transparency. TLTA provides in these pages the full findings and supporting tables of its consultants – economist, Dr. Jay Hartzell and actuaries, Messrs. Chuck Faerber and Khiem Ngo. For ease of reference, the economic and actuarial analyses are introduced by one-page summaries. Curricula vitae are also provided.

The briefing book also provides a recommended procedural approach to arriving at a fair and reasonable rate under the statutory provisions that were amended during the last legislative session. This will be the first rate rulemaking proceeding under the new regulatory framework. TLTA has prepared a draft of a petition and a rate rule proposal and hopes to finalize these documents by working together with all interested stakeholders.

TLTA invites feedback and requests the opportunity to discuss the contents of this briefing book with our consultants present at your earliest convenience. Please contact me at 512-472-6593 or by e-mail at Leslie@tlta.com.

Leslie Midgley, CEO
Texas Land Title Association

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1

Executive Summary

EXECUTIVE SUMMARY

The changes to the Texas Title Insurance Act during the 82nd Legislative Session offer the Texas Department of Insurance, the Texas title insurance industry, the Office of Public Insurance Counsel, and other interested parties with a new solution to the old problem of setting title insurance rates: the collaborative rulemaking process. The Texas Land Title Association believes a fair, reasonable, and adequate price for title insurance can be set through meaningful dialogue, reasoned analysis, and the open exchange of information and ideas. TLTA created this briefing book in that spirit of transparency and as a springboard for that conversation.

The *Collaborative Rulemaking Proceedings & Setting Title Insurance Rates in Texas* briefing book is as much a resource as a roadmap for overcoming the challenges associated with promulgating title insurance rates:

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

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

Part 3 is a reintroduction to title insurance professionals, services, and products that make Texas so very unique, that offer consumers so much peace of mind, and that create so much confidence in this state's real estate marketplace. The roles and responsibilities of escrow officers, title insurance agents, direct operations, and title insurance companies are described here. Escrow officers are the lifeblood of the industry. They countersign forms, supervise the preparation and delivery of the same, sign escrow checks, and perform the closing of the transaction. These people breathe life into the legal entities that solicit business, collect premiums, and issue policies: licensed title insurance agents (independently owned) and direct operations (underwriter subsidiaries). Title insurance companies underwrite those policies and handle claims.

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

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

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

Dr. Hartzell relies on his considerable experience and expertise to address a very important question: **“What is the cost of capital?”** He uses the most widely accepted methodologies – the Capital Asset Pricing Model and the Discounted Cash Flow. He applies the CAPM and DCF to large data sets in six industries that capture the systemic risk inherent to the Texas title insurance industry. He applies statistical measures to prevent skewed results and he makes

reasoned adjustments based on well-documented facts (e.g., observing that the expected rate of return for small firms tends to be greater than large firms because of increased investment risk) and objective information sources (e.g., income statements maintained by the department and Ibbotson's estimate of size premium).

After a comprehensive analysis Dr. Hartzell answers: **“The cost of capital is 13.3%.”** Dr. Hartzell welcomes the opportunity to discuss his conclusion, his one-page summary in Part 5, and his complete findings and supporting tables in Part 6 with the department's analysts, actuaries, and policy-makers, OPIC, and, other stakeholders too.

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

Messrs. Faerber and Ngo analyze data from annual statements and experience reports published by the department to prepare a response to *the* question: **“What is the indicated rate?”** Relying on five, ten, and twenty-six year data sets (a five year period is widely-accepted as reasonable, controls for volatility, and recognizes the new periodic ratemaking timeline), the actuaries conclude that the loss and loss adjustment expense ratio for each period, respectively, is 4.04%, 3.53%, and 4.54%; the expense ratio is 90.31%, 92.30%, and 94.87%; and the provision for catastrophic claims is 1%, 1%, and 0% (twenty-six years of data accounts for catastrophic losses). Incorporating Dr. Hartzell's suggested cost of capital and observing the historically low rate of returns on treasury and corporate bonds, the actuaries determine that the profit load is 9.76%. The actuaries arrive at a reasonable range for a rate change – an increase of 5.66% to 10.16%.

Simply put, Messrs. Faerber and Ngo answer: **“The selected rate is an increase of 6.5%.”** Both gentlemen look forward to discussing their conclusions, their one-page summary in Part 8, and their detailed analysis and supporting documentation in Part 9 with the department's actuaries, OPIC, and other stakeholder groups.

3. The working draft rate rulemaking petition and rule proposal suggest an approach to addressing the new procedural questions prompted by amendments to the ratemaking process. TLTA's legal counsel invites department staff's feedback and direction before submitting a formal filing.

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

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

Appendix A, attached and incorporated by reference into the proposed amendment to 28 TEX. ADMIN. CODE § 9.1, is the *Schedule of Basic Premium Rates for Title Insurance*. TLTA requests that the Schedule be made effective January 1, 2013. TLTA's actuaries have completed this revised Schedule based on a rate increase of 6.5%. TLTA believes this Schedule is well justified by Dr. Hartzell's and Messrs. Faerber's and Ngo's findings.

May we meet to discuss the materials in this briefing book and develop a timeline for a collaborative approach to setting title insurance rates in Texas? Please contact TLTA at 512-472-6593 and ask for Aaron Day or Leslie Midgley to set up an initial round table meeting with TLTA's actuaries, economist, and legal counselors.

2

Special Topic: Regulatory Framework & Ratemaking Process

SPECIAL TOPIC

Regulatory Framework & Ratemaking Process

The business of title insurance is completely regulated in Texas.¹ The legislative intent underlying this public policy is explicitly stated in TEX. INS. CODE § 2501.002: the purpose of the Texas Title Insurance Act is to protect consumers and to provide adequate and reasonable rates of return for title insurance companies and title insurance agents. The Commissioner of Insurance is charged with supervising the industry.² She oversees more than 6,000 licensed individuals and entities that engage in the business of title insurance.³ She promulgates rules and the very form and content of policies and endorsements.⁴ She collects industry-wide data and fixes rates.⁵ She establishes the process for properly handling claims.⁶

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

The rate set by the commissioner must be reasonable as to the public and non-confiscatory as to title insurance companies and title insurance agents.¹¹ Income and expenses attributed to engaging in the business of title insurance are considered in setting the rate, and this information is drawn from the department's statistical report.¹² Actuaries and economists analyze the loss experience, expense of operations, and other data to arrive at a recommended rate indication. Each component of the rate—the provisions for loss, expense, and profit—is then presented along with their reasoning for the commissioner's and TDI Staff's consideration.

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

¹ See TEX. INS. CODE § 2501.002.

² See TEX. INS. CODE § 2703.001(b).

³ See TEX. INS. CODE §§ 2651.001 (licenses title insurance agents), 2651.051 (licenses direct operations), 2652.001 (licenses escrow officers), and 2551.101 (grants authorizations to title insurance companies).

⁴ See TEX. INS. CODE §§ 2703.002, 2703.051, and 2703.054 (prescribes forms and content). See also TEX. INS. CODE § 2703.101 (prescribes owner title insurance policy).

⁵ See TEX. INS. CODE §§ 2703.151 (fixes and promulgates premium rates) and 2703.153(a) (collects data).

⁶ See TEX. INS. CODE § 2703.053 (establishes standards and time schedules for handling claims).

⁷ See TEX. INS. CODE §§ 2703.203 and 2703.206.

⁸ See TEX. INS. CODE § 2703.202(b). The Texas Land Title Association qualifies as an association under the statutory requirements because TLTA is composed of approximately 90 percent of the number of title insurance agents and title insurance companies licensed or authorized by the department.

⁹ See TEX. INS. CODE § 2703.202(c) – (d).

¹⁰ See TEX. INS. CODE § 2703.202(g).

¹¹ See TEX. INS. CODE § 2703.152(b).

¹² See TEX. INS. CODE §§ 2703.152(a) and 2703.153(a).

3

Special Topic:
Title Insurance
Professionals,
Services, &
Products

SPECIAL TOPIC

Title Insurance Professionals, Services, & Products

Title insurance professionals work hard to ensure that consumers receive an excellent level of service and a high quality product. The behind-the-scenes work of examiners and escrow officers prevents losses. The talented closer, recognized by the title insurance agent-employer for her attention to detail and good judgment, aims to provide efficient real estate closings and the secure transfer of land and money. When a title problem does arise, that one-time, all-inclusive premium paid by the consumer at closing and good for the life of the loan or ownership of the home, provides title insurance companies with the means to investigate, defend, and pay those claims.¹ Title insurance offers peace of mind and creates confidence in the Texas real estate market.

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

Escrow Officers

Licensed escrow officers are the workhorses of the title insurance industry. Title insurance agents and direct operations employ these dedicated professionals. Escrow officers countersign forms, supervise the preparation and delivery of forms, sign escrow checks, and perform the closing of the transaction.² An escrow officer has many responsibilities at closing. She will determine that all taxes are properly pro-rated and paid, that consideration has passed, and that all proceeds have been properly disbursed. The escrow officer will determine that a final search of the record is made; for example, checking to see if judgment liens were filed in the interim. The escrow officer also works hard to see that all necessary papers have been filed for record. She will double-check that the legal description of the property is correct and that documents are recorded in the proper order. Texas escrow officers closed over 1.7 million transactions in 2010 and handled more than \$136 billion in purchase money, loan proceeds, earnest money deposits, and other escrow funds in calendar year 2011.³ There are 5,980 active escrow officer licenses in Texas as of August 2012.⁴

Title Insurance Agents & Direct Operations

A title insurance agent's employees solicit business, collect premiums, and issue policies on behalf of the title insurance company.⁵ A direct operation's staff performs the same functions as a title insurance agent's employees; however, the entity operates under a license as a wholly owned subsidiary of the title insurance company.⁶ These entities receive authorization from the department to engage in the business of title insurance by county.⁷ Licensees currently provide local service in 252 of the 254 counties in Texas. Title insurance

¹ See, e.g., TEX. INS. CODE §§ 2501.003(12) (title insurance insures an owner of real property, or another with an interest in the real property, against loss or damage resulting from a lien or encumbrance or defect in the title to the real property) and 2501.005 (defining the business of title insurance).

² See, e.g., TEX. INS. CODE § 2501.003(4) and 28 TEX. ADMIN. CODE § 9.1, adopting Procedural Rule P-1.s. and Administrative Rule L-2.I.A. of the *Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas* by reference (defining escrow officers).

³ See TEX. DEP'T OF INS., STATE OF TEXAS TITLE INSURANCE INDUSTRY EXPERIENCE REPORT COMPILATION (INDUSTRY EXPERIENCE REPORT) at 33 (Dec. 16, 2011) and TEX. DEP'T OF INS., ANNUAL REPORT OF THE TEXAS DEPARTMENT OF INSURANCE FOR FISCAL YEAR 2011, PART I (ANNUAL REPORT) at 18 (Nov. 18, 2011).

⁴ See TEX. DEP'T OF INS., LICENSED ESCROW OFFICERS (Aug. 9, 2012) available at <http://www.tdi.texas.gov/title/documents/escrowactive.xlsx>.

⁵ See, e.g., TEX. INS. CODE § 2501.003(13) and Procedural Rule P-1.h. of the *Basic Manual* (defining title insurance agent).

⁶ See, e.g., TEX. INS. CODE § 2501.003(3) and Procedural Rule P-1.y. of the *Basic Manual* (defining direct operation).

⁷ See, e.g., TEX. INS. CODE §§ 2651.002, 2651.009, and 2651.051. See also Administrative Rules L-1.V.A.3. and L-1.VI.E. of the *Basic Manual* (describing licensing requirements for title insurance agents and direct operations).

agents and direct operations issued 2,733,162 policies in 2010.⁸ There were 568 licensed title insurance agents in Texas by recent count and 8 direct operations based on reported figures from 2011.⁹

Title Insurance Companies

An authorized title insurance company underwrites policies and handles claims.¹⁰ On receipt of a claim, such as an undisclosed mechanic's lien, a title insurance company's team will investigate the validity of a claim, and if valid, indemnify the insured and institute legal proceedings to clear title. Title insurance companies paid over \$23.7 million in claims and incurred \$14.1 million in loss adjustment expenses in 2010. Texas has 22 admitted title insurance companies, of which 16 were active in this state in 2011.¹¹ Each of these licensees, all subject to the mono-line requirement, is entirely focused on and sells only title insurance.¹²

Compensation packages that attract, develop, and retain the most talented title insurance professionals are dependent on the premium rate that is fixed by the commissioner. Title insurance companies receive 15 percent of the premium from each policy; title insurance agents take 85 percent.¹³ If two title insurance agents perform work, one examining title and the other closing the transaction, then the 85 percent split is further divided between these entities based on promulgated formulas or by prior written agreement.¹⁴ These premium dollars are used to pay the salaries of licensed escrow officers and other employees.

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

⁸ See TEX. DEP'T OF INS., TEXAS TITLE INSURANCE AGENT EXPERIENCE REPORT COMPILATION FOR CALENDAR YEAR 2010, 2010 *Texas Title Insurance Agent Experience Report Compilation* (Dec. 8, 2011).

⁹ See TEX. DEP'T OF INS., SUMMARY OF OPERATIONS FOR THIRD QUARTER, FY 2012 FOR PRESENTATION TO THE TEXAS TITLE INSURANCE GUARANTY ASSOCIATION BOARD OF DIRECTORS at 1 (July 30, 2012). TDI manages a combined total of 1,786 title insurance agent licenses and appointments. TEX. DEP'T OF INS., LICENSED TITLE AGENTS/DIRECT OPERATIONS BY COUNTY (Aug. 9, 2012) available at <http://www.tdi.texas.gov/title/documents/taanddobycounty.xlsx>. See also ANNUAL REPORT at 18.

¹⁰ See TEX. INS. CODE §§ 2501.003(14) and 2703.052 (defining title insurance company's roles and responsibilities).

¹¹ See ANNUAL REPORT at 18.

¹² See TEX. INS. CODE § 2502.001 (companies may engage in not other insurance business but title insurance).

¹³ See Procedural Rule P-23(f) of the Basic Manual.

¹⁴ See Procedural Rule P-22 and P-24 of the Basic Manual.

4

Consulting Economist: Curriculum Vitae of Dr. Jay Hartzell

Jay C. Hartzell

Department of Finance
McCombs School of Business
The University of Texas at Austin
1 University Station B6600
Austin, TX 78712
(512) 471-6779; jhartzell@mail.utexas.edu

Academic Positions Held

McCombs School of Business, The University of Texas at Austin

Professor of Finance	<i>2011 to present</i>
Chair, Department of Finance	<i>2011 to present</i>
Allied Bancshares Centennial Fellow in Finance	<i>2008 to present</i>
Executive Director, Real Estate Finance and Investment Center (REFIC)	<i>2007 to present</i>
Associate Professor of Finance	<i>2006 to 2011</i>
Associate Director, REFIC	<i>2005 to 2007</i>
Assistant Professor of Finance	<i>2001 to 2006</i>

Stern School of Business, New York University

Assistant Professor of Finance	<i>1998 to 2001</i>
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Education

Ph.D. in Finance, The University of Texas at Austin, 1998

Minors: Real Estate, Economics.

B.S. in Business Administration and Economics, Trinity University, 1991

Graduated *Cum Laude*. National Merit Scholar.

Publications

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Research Papers

“On the Optimality of Shareholder Control: Evidence from the Dodd-Frank Financial Reform Act” with Jonathan Cohn and Stuart Gillan. Under revision for second review, *Journal of Finance*.

“Institutional Investors as Monitors of Corporate Diversification Decisions: Evidence from Real Estate Investment Trusts” with Libo Sun and Sheridan Titman. Under revision for second review, *Journal of Corporate Finance*.

“Human Capital and the Supply of Religion” with Joseph Engelberg, Raymond Fisman, and Christopher A. Parsons.

“Is There a Disposition Effect in Corporate Investment Decisions? Evidence from Real Estate Investment Trusts” with Alan Crane.

Professional and Academic Activities and Service

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

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

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

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

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

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

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

Conference on Financial Economics and Accounting. Co-organizer, Finance, 19th Annual Meeting, 2008.

American Finance Association. Member, 1998-present.

Ad Hoc Referee for the following journals:

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

Service for the University of Texas at Austin

Executive Director, Real Estate Finance and Investment Center (REFIC), 2007-present.

Associate Director, REFIC, 2005-2007.

Member, Finance Department Executive Committee, 2006-present.

Member, Graduate Assembly (University wide), 2009-present.

Member, Finance Department PhD Committee, 2003-present.

Member, University Outstanding Graduate Thesis Award Committee, 2010.

Guest speaker, MBA Alumni Network, El Paso, 2010; Seattle and Austin, 2009.

Guest speaker, UT LAMP program, 2009.

Speaker on Real Estate Valuation, VALCON 2009, Co-sponsored by UT School of Law.

Member, Planning Committee, 2009 Mortgage Lending Institute, Sponsored by UT School of Law.

Speaker, 2009 Mortgage Lending Institute (Austin and Dallas), Sponsored by UT School of Law.

Guest speaker, Austin Bar Association Real Estate Section meeting, 2010.

Speaker, 2009 Land Use Conference, Sponsored by UT School of Law.

Judge, MBA Finance Tournament, 2001-2006, 2008-2009.

Assistant Graduate Advisor and Minority Liaison, Finance Department, 2005-2008.

Member, McCombs Option I Policy Committee, 2006-2008.

Panel Chair, *IC²* Conference on Corporate Governance in Early-Stage Companies, 2005, 2006.

Member, Plus Program Committee, 2003-2005.

Judge, MBA Consulting Challenge, 2002, 2003, 2004.

Member, MBA Scholarship Committee, 2002.

PhD Dissertation Committees

UT-Austin: Jennifer Brown (accounting), Alan Crane (co-chair), Ayla Kayhan, Andreas Lawson, Jie Lian, Andras Marosi, Bill Mayew (accounting), Thomas Moeller, Carlos Molina, Saumya Mohan (co-chair), Chris Parsons (co-chair), Lorenzo Preve, Casey Schwab (accounting), Zekiye Selvili, Nate Sharp (accounting), Stephanie Sikes (accounting), Libo Sun (co-chair), Vahap Uysal, Malcolm Wardlaw, Peggy Weber (accounting), Li Yong.

NYU: Eliezer Fich (economics), Charu Raheja, Jayanthi Sunder.

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

2012

University of Arizona.

2011

Indian School of Business Summer Research Conference, National Bureau of Economic Research (NBER) Program on Law and Economics, Society for Financial Studies Finance Cavalcade, University of Michigan.

2010

American Real Estate and Urban Economics Association (AREUEA) annual meeting, Homer Hoyt Institute/Weimer School of Advanced Studies in Real Estate and Land Economics Spring Conference, UC-Irvine Commercial Real Estate Academic Symposium, Indiana University, University of Colorado at Boulder, University of Florida.

2009

AREUEA annual meeting, Association for the Study of Religion Economics and Culture (ASREC) annual meeting, National Bureau of Economic Research (NBER) Economics of Religion conference, Western Finance Association (WFA) annual meeting, National University of Singapore, Ohio State University, Singapore Management University, University of Alabama, University of Cincinnati, University of Washington.

2008

AREUEA annual meeting, Real Estate Research Institute (RERI) Conference, McGill University, University of California - Los Angeles.

2007

American Finance Association (AFA) annual meeting, Hong Kong University of Science and Technology Symposium, Real Estate Research Institute (RERI) Conference, Australian National University, Baylor University, Penn State University, Texas Tech University, University of California - Berkeley, University of Delaware, University of Oklahoma, University of South Florida.

2006

AFA annual meeting (two papers), University of Texas at Dallas.

2005

AREUEA annual meeting, NBER Corporate Governance meeting, Ohio State University, Penn State University, Southern Methodist University, University of North Carolina at Chapel Hill Tax Symposium, University of Texas at San Antonio.

2004

Association of Financial Economists (AFE) annual meeting, AREUEA annual meeting, Financial Management Association (FMA) annual meeting, NBER Summer Institute: Corporate Governance Workshop, College of William and Mary.

2003

AFA annual meeting, AREUEA/AFA joint session at annual meeting, University of British Columbia, University of Delaware Corporate Governance Symposium, University of Minnesota, University of North Carolina at Chapel Hill, WFA annual meeting.

2002

Babson College, Oklahoma State University, University of Oklahoma, Real Estate Research Conference (Vail, CO), University of Southern California.

2001

Arizona State University, University of Oregon.

2000

Dartmouth Center for Corporate Governance/Journal of Financial Economics (JFE) Conference on Contemporary Governance Issues, Marquette University, NYU-Columbia Joint Seminar, Southern Methodist University, University of Illinois at Urbana-Champaign, University of Texas at Austin.

1999

AFA annual meeting, Harvard Business School/JFE Conference on Complementary Research Methodologies.

1998

AFA annual meeting, FMA annual meeting, University of Alberta, University of Florida, Georgia State University, University of Michigan Ann Arbor, New York University, University of North Carolina Chapel Hill, Penn State University, Rice University, Southern Methodist University, Stanford University, and Tulane University.

1997

FMA annual meeting.

Other Participation in Academic Conferences

Discussant

AFA annual meeting, 2002, 2009, 2010, 2102.

AFA / AFE joint session at annual meeting, 2003.

AFE annual meeting, 1999, 2007.

AREUEA annual meeting, 1999, 2000, 2004, 2007, 2008, 2012.

AREUEA mid-year meeting, 2009, 2010.

Conference, Financial Economics and Accounting, 1999.

Financial Research Association, 2010.

FMA annual meeting, 1999, 2002, 2003, 2004, 2006.

FMA annual meeting – Tutorial on empirical methodology, 2009.

FMA annual meeting – Panel discussion, 2008.

Mitsui Symposium at the University of Michigan, 2005.

Real Estate Research Institute Conference, 2011.

Texas Finance Festival, 2000, 2007.

WFA annual meeting, 2001, 2010, 2011.

Session Chair

AREUEA annual meeting, 2010.

AREUEA mid-year meeting, 2009.

FMA annual meeting, 2004, 2005.

WFA annual meeting, 2006, 2010.

Teaching Experience

The University of Texas at Austin

Current PhD Course: *Empirical Corporate Finance*. Doctoral course in research methodology and topics.

Current MBA courses: *Real Estate Markets*. Elective in real estate asset and capital markets. *Financial Management*. Core MBA course, Houston MBA program.

Current BBA course: *Real Estate Finance and Syndication*. Elective in real estate capital markets.

Previous courses: *Financial Management*. Core MBA course, also taught in UT's Executive MBA and Professional MBA programs. *Real Estate Analysis*. MBA elective in real estate debt markets. *Seminar in Real Estate Finance*. MBA elective in real estate equity markets. *Business Finance*. Undergraduate required course.

Teaching honors and awards: Twice voted the "Outstanding Core Instructor" by graduating MBA classes. Named to the Honor Roll for teaching for both the MBA and Executive MBA programs.

New York University

Taught *Corporate Finance* and *Corporate Finance Topics*. MBA elective and undergraduate elective, respectively.

Honors and Awards

Best Paper Award, Indian School of Business Summer Research Conference, 2011.

Outstanding Editorial Board Member, *Real Estate Economics*, 2010.

Post Doctoral Award, Weimer School of Advanced Studies in Real Estate and Land Economics, Homer Hoyt Institute, 2010.

Real Estate Research Institute (RERI) Grant Recipient (with Alan Crane), 2007.

RERI Grant Recipient (with Tobias Mühlhofer and Sheridan Titman), 2006.

CBA Foundation Research Excellence Award for Assistant Professors, 2006. (Finance Department nominee, 2003, 2005.)

Finance Department nominee for Assistant Professor Teaching Award, 2003, 2004.

University Preemptive Fellowship, UT-Austin, 1993-1995.

University Continuing Fellowship, UT-Austin, 1995-1997.

Austin Mortgage Bankers Association Scholarship, 1995.

Lola Wright Foundation Scholarship, 1995-1997.

Non-Academic Experience

Consulting practice, Austin, Texas.

Expert witness and financial consulting.

2007 to present

Provided expert witness testimony and served as a consulting expert. Experience includes depositions and testimony on multiple occasions. Retained as expert witness in multiple cases involving valuation, real estate transactions, contracting issues and market conditions, as well as several cases regarding compensation for regulated utilities. Retained as consulting expert by multiple clients for matters involving corporate governance, valuation, and mortgage issues (commercial and subprime).

Deposed in matter before Superior Court of the State of California (trial pending). Provided (written and oral) testimony and deposed on behalf of Entergy Louisiana LLC (Docket No. U-20925), 2008. Provided (written and oral) testimony on behalf of Entergy Gulf States, Inc. (Docket No. 34800), 2008. Provided written testimony on behalf of Entergy Arkansas, Inc. (Docket No. 09-084-U), 2009. Provided (written and oral) testimony on behalf of Entergy Texas, Inc. (Docket No. 37744), 2010 and (Docket No. 39896), 2012.

Hewitt Associates, The Woodlands, Texas.

Benefits Consultant.

1991 to 1993

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

Lola Wright Foundation, Austin, Texas.

Investment Performance Consultant.

1995 to 1997

While in graduate school, analyzed performance of foundation's investment managers.

References

Furnished upon request.

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Consulting Economist: Summary of Findings

Qualifications

I, Jay C. Hartzell, am a Professor and the Chair of the Finance Department of the McCombs School of Business at The University of Texas at Austin. I am also the Executive Director of the Real Estate Finance and Investment Center within the McCombs School. My research and teaching are in the areas of corporate finance and real estate finance. I regularly teach valuation, including cost of capital theory and practice, at both the undergraduate and graduate levels. I have published in the top finance and real estate journals, held multiple editorial positions for those journals, and hold a Ph.D. in finance from The University of Texas at Austin.

Responsibilities

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

Recommendation

My estimated cost of capital for the Texas Title Industry is 13.3%.

Summary of Methodology

To arrive at this estimate, I use two widely-accepted methodologies, as applied to publicly-traded firms from six industries that are related to the title industry as a whole. The first methodology is the Discounted Cash Flow (DCF) approach, also known as the Dividend Discount or Gordon Growth model. The second approach is the Capital Asset Pricing Model (CAPM). The six industries are Title Insurance (SIC code 6361), Operative Builders (SIC code 1531), Accident and Health Insurance (SIC code 6321), Fire, Marine and Casualty Insurance (SIC code 6331), Insurance Agents, Brokers and Service (SIC code 6411), and Real Estate Agents and Managers (SIC code 6531). These industries are chosen in order to capture the systematic risk (or cyclicity) inherent in the Texas Title Industry's exposure to both real estate market conditions and variation in the realized returns on their investments.

For each firm, I calculate (a) the estimated cost of equity capital using both approaches, after adjusting for the effects of each firm's leverage and cash holdings, and, (b) the cost of debt. For each industry, I then calculate (i) the median cost of equity under both approaches ("unlevered," or absent any debt/cash effects), and, (ii) the median cost of debt. It is worth noting that the use of medians mitigates the effects of any extreme observations or outliers. The cost of unlevered equity for the Texas Title Industry is the average across all six industries of the average of the DCF and CAPM estimates (which are, in turn, industry-level medians). Similarly, the cost of debt is the average of the industry-level medians across all six industries.

In order arrive at a final cost of capital estimate for the Texas Title Industry, I make two adjustments relative to the broader set of national, publicly-traded comparable companies. First, I add a size premium to the cost of equity in order to account for the widely-documented fact that the returns (and associated costs of equity) of smaller firms tend to be greater than those of larger firms, combined with the fact that the publicly-traded comparable firms tend to be larger than the typical Texas Title Industry firm. Secondly, I use the implied weights of debt and equity for the Texas Title Industry (as reported in the TDI data) to arrive at a Weighted Average Cost of Capital. I calculate the cost of capital both with and without any tax effects – the latter assumption is equivalent to assuming that the typical Texas Title Industry firm is structured in a way that avoids double taxation. The exact assumptions regarding the costs and weights of debt and the tax rate are not materially important due to the small amount of interest expense and debt reported by Texas Title Industry firms. Thus, my final estimated cost of capital (13.3%) is very close to the estimated cost of unlevered equity for the industry (13.4%).

Respectfully submitted,

Jay C. Hartzell, Ph.D.

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Consulting Economist: Full Report and Supporting Tables

COST OF CAPITAL ASSESSMENT

Texas Title Insurance Industry

Prepared by:
Professor Jay C. Hartzell

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

Summary: Cost of Capital		Agents	Underwriters
[1]	Cost of Levered Equity with Tax Rate = 0%	13.60%	13.49%
[2]	Cost of Capital with Tax Rate = 0%	13.40%	13.40%
[3]	Cost of Levered Equity with Tax Rate = 35%	13.53%	13.46%
[4]	Cost of Capital with Tax Rate = 35%	13.26%	13.33%

As indicated, I arrive at cost of capital estimates that range from 13.26% to 13.40%. While numbers within this range can be supported by the data, as a conservative estimate that incorporates this range, my estimate is an annual cost of capital of 13.3%.

Qualifications

I am a Professor and the Chair of the Finance Department of the McCombs School of Business at The University of Texas at Austin. I am also the Executive Director of the Real Estate Finance and Investment Center within the McCombs School. My research and teaching are in the areas of corporate finance and real estate finance. I regularly teach valuation, including cost of capital theory and practice, at both the undergraduate and graduate levels. I have published in the top finance and real estate journals, held multiple editorial positions for those journals, and hold a Ph.D. in finance from The University of Texas at Austin.

Background on Cost of Capital

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

The intuition behind a cost of capital is that of opportunity cost. A firm is investing on behalf of its capital providers – whether they are stockholders (owners) or bondholders (lenders). By allowing the firm to invest on their behalf, the capital providers are forgoing alternative investments of similar risk

that offer some expected return. Thus, the capital providers implicitly demand or require a rate of return as compensation for the risk they face and for the opportunity cost of not being able to invest their money elsewhere. The goal of any cost of capital calculation is to arrive at a number that quantifies this opportunity cost.

The key to estimating this number is the notion of risk. The providers of capital need to be compensated with a (percentage) return that captures two components – the risk-free rate (compensation for not investing in a safe alternative, such as U.S. Treasury securities) and a risk premium (compensation for the additional risk borne by investing in a firm that is riskier than the U.S. government's debt securities). We know from finance theory that returns are commensurate with risk (on average), so capital providers will both demand and tend to earn higher returns when they own or lend to riskier companies.

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

Selection of Comparable Companies

Both approaches require that one identifies a set of companies that capture the risks of the Texas Title Industry as a whole, that can serve as a proxy for the required returns that would be demanded by an owner of a Texas Title firm in exchange for the provision of capital to the business. For both methodologies, I use a set of publicly-traded companies, as disclosed in the Ibbotson 2012 Cost of Capital Yearbook. Because the cost of capital encompasses both title agencies and underwriters, and because there are few publicly-traded firms in the industry (and those are weighted more toward underwriters), I utilize a set of additional industries as proxies for the broad title industry's systematic risk (and therefore, cost of equity capital). These industries are as follows:

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

These industries are chosen from the broader list of industries in the Ibbotson Cost of Capital Yearbook due to their similarities to the systematic or market risk of the title industry as a whole. By "systematic risk," one can think of the correlation (or technically, covariance) between the returns of a particular firm and the returns for the market as a whole. Firms with stock returns that move more closely with the market's returns are said to have more systematic risk because investors receive greater (lesser) returns at times when the rest of the market is also up (down), when they "need" these returns less (more). These industries represent exposure to the conditions in the broad real estate market

(Operative Builders; Real Estate Agents and Managers), and the insurance industry (Title Insurance; Accident and Health Insurance; Fire, Marine and Casualty Insurance; and Insurance Agents, Brokers and Service). By using both the real estate and insurance sectors, the comparable companies reflect the fact that firms in the Texas Title Industry face risks regarding the health of the real estate market (like the real estate firms in the comparable company set) and returns on their investments (like the insurance companies in the comparable company set). I use averages across these industries for both methodologies, thus incorporating information and data from all six industries rather than imposing additional assumptions about the relative informativeness of one industry over another.

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

DCF Approach

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

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

Each firm’s expected growth in dividends is calculated in up to three ways (depending on data availability) – a fundamentals-based calculation, the firm’s historical growth in earnings over the previous five years, and a forward-looking estimated growth in earnings over the next five years. For the fundamentals-based calculation, the sustainable growth in dividends is calculated as the firm’s return on equity (ROE) times its retention ratio. I calculate this implied growth rate for each year – 2009, 2010, and 2011 – and then calculate the average across these three years for each firm. The historical earnings growth over the past five years and forward-looking (expected) growth in earnings over the next five years are based on analysts’ estimates. My final growth rate estimate for each firm is the average across these three methods.²

¹ These data, along with the other individual-stock data relied upon are reported by a variety of sources, such as <http://finance.yahoo.com/>, which compiles the data from Capital IQ, Thomson Financial, and other third-party providers, or <http://finance.google.com>.

² In order to use any of these three estimates of earnings (or dividend) growth – based on fundamentals, historical growth, or analysts’ estimates of future growth – I require that a particular estimated growth rate be greater than zero and less than 20 percent. This requirement, along with the use of medians, mitigates the potential effects of outliers.

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

CAPM Approach

The CAPM asserts that a firm's cost of equity can be calculated as the sum of the risk-free rate plus a risk premium. The risk premium is calculated as the product of the firm's beta (a measure of the quantity of systematic risk inherent in the firm's equity) times the market risk premium (the price of systematic risk per unit). For all firms, the risk-free rate is assumed to be the most recent yield on 20-year Treasuries,³ and the market risk premium is as reported by Ibbotson, 6.62%.⁴ Thus, the one input that differs from firm to firm is the equity beta. This is calculated for each firm by using all available monthly returns (up to five years), along with the total returns on the S&P 500 Index (as the proxy for the market return).⁵

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

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

Thus, it is important to adjust for each firm's degree of leverage before arriving at an industry-level estimate of the cost of capital. To do this, I first calculate each firm's net debt, defined as long-term debt minus cash (and cash equivalents or short-term investments).⁶ For each year (for up to five previous years), I calculate the weight of equity as the ratio of the firm's end-of-year market capitalization to its enterprise value (which is the sum of the market capitalization of equity and net

³ See <http://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/textview.aspx?data=yield>

⁴ To match the risk-free rate, this is the long-run average of the difference in returns between the market and long-run US government bonds.

⁵ I require that a firm have at least 12 months of return data available in order for it to be included.

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

debt). I then calculate the average weight of equity over the five-year period, and the implied weight of (net) debt, which is just one minus the weight of equity.⁷

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

Next, for each of the six industries, I calculate the asset beta as the median asset beta across all firms in that industry. As noted before, using the median rather than the mean mitigates the effects of extreme observations or outliers. Using these industry-level asset betas, I then calculate an overall average asset beta for the Texas Title Industry by taking the average across industries. This is then used in conjunction with the risk-free rate and market risk premium in order to arrive at a CAPM-based unlevered cost of equity for the Texas Title Industry.

Adjusting the DCF Cost of Equity for Leverage

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

Aggregating the Two Methods and Accounting for Size

Having arrived at two estimates of the Texas Title Industry's cost of unlevered equity – one for the DCF approach and one for the CAPM approach – I average these two to arrive at a final unlevered cost of equity for the Texas Title Industry. This estimate is based solely on publicly-traded comparable companies, the vast majority of which are significantly larger than a typical Texas title company. In order to arrive at a better estimate for the Texas Title Industry's cost of equity, then, one should account for the effects of firm size, or the observation that the returns (or costs of equity) of small firms tend to be greater than those of larger firms.

Ibbotson's 2012 Cost of Capital Yearbook presents summary statistics for this effect. As this source shows, Micro-cap stocks (in the 9th or 10th decile of firm size) have earned an arithmetic average return of 18.04% between 1926 and 2011. This compares to an average return of 15.16% for Low-cap stocks (deciles six through eight) and 13.70% for Mid-cap stocks (deciles three through five). These

⁷ In order to minimize the effects of outliers, I limit the weight of equity to be no greater than 10. Even these extreme values have little ultimate impact, because I calculate the median unlevered beta for each industry (rather than the mean).

differences in average returns over such a long horizon and the implied differences in risk are consistent with smaller firms facing a larger cost of capital than otherwise similar, larger counterparts. Put another way, the fact that shareholders of the smallest publicly-traded firms have earned significantly larger returns over a very long period suggests that they required a premium as compensation for the extra risk inherent in owning the smallest stocks.

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

Thus, from the data, it appears that a size adjustment is justified to compensate for the fact that the Texas Title Industry firms tend to be among the smallest firms in the broader market, unlike the publicly-traded comparable companies. To make this adjustment, I use Ibbotson's estimate of the size premium for the bottom two deciles of publicly-traded firms (that have market capitalizations of less than \$423 million). Ibbotson calculates this premium to be approximately 3.89% per year. I believe that this is a conservative estimate of the size premium due to the fact that (a) the vast majority of Texas Title Industry firms (except for a few underwriters) are well below the size cutoff for the 10th decile of firm size, and (b) the estimated size premium is larger for the 10th decile than for the 9th decile. To incorporate this size premium, I simply add the 3.89% premium to the estimated cost of equity. Before incorporating the effects of leverage (i.e., debt) but after including the size premium, I calculate the cost of unlevered equity for the Texas Title Industry to be 13.40% (see the attached Schedule 2).

Another difference between the publicly-traded comparable companies and the typical Texas Title Industry firm is the liquidity of the investors' positions, due to the fact that the typical Texas Title Industry company is not publicly traded. This is likely to be another source of added risk for capital providers to the Texas Title Industry (relative to the publicly-traded benchmarks), implying that one could reasonably add a premium to the cost of capital calculation as compensation for this risk. However, in order to err on the conservative side, I have not included a liquidity premium in my calculations at this point.

Cost of Debt

Once I have calculated the unlevered cost of equity (as an average of the two methods), the next step is to combine this with a cost of debt in order to arrive at a Weighted Average Cost of Capital. To

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

do this, I utilize the financial information disclosed for the Texas Title Industry to the extent possible. Given this financial information, it is worth noting that the results are quite robust to the exact choices made, as the Texas Title Industry does not exhibit a significant degree of debt as a source of capital. As a result, the assumptions made regarding the cost of debt and/or precise weight of debt do not have significant impacts on the final estimated cost of capital.

That said, in order to arrive at as accurate of an estimate as possible, I take the following steps: First, I calculate each comparable firm's cost of debt for each year by dividing its interest paid by its long-term debt (for up to five years). Then, I average across years for each firm, to arrive at a firm-level estimate of the cost of debt. Next, I compute the median across firms for each industry. Finally, I calculate the average across all six industries. As shown in the attached schedules, I arrive at an estimated cost of debt of 6.63%. In the next section, I combine this with the cost of equity in order to arrive at a weighted average cost of capital.

Weighted Average Cost of Capital

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

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

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

Finally, given the weights of debt and equity, the levered cost of equity, and the cost of debt, I calculate the WACC using the standard formula, $r_{WACC} = r_e w_e + (1-t)r_d w_d$. Two final facts are worth noting. First, I calculate the cost of capital under two different assumptions about the tax rate faced by the typical Texas Title Industry firm – that the rate is 35% or zero. A corporate tax rate of zero is equivalent to assuming that the typical Texas Title Industry firm is held in an organizational form that provides single taxation. That said, the particular tax rate assumption is not economically significant due to the second point – because the weight of debt is very small, the estimated WACC is very close to the estimate of the unlevered cost of equity. As mentioned earlier, the specific assumptions made about

re-levering this cost of equity, the exact cost of debt, and the precise weights of debt and equity for the Texas Title Industry appear to have very little impact on the final estimate. This is based on the very low disclosed interest expense for the industry (implying a very small amount of debt used as capital), along with a very small amount of debt disclosed on the underwriters' balance sheets.⁹

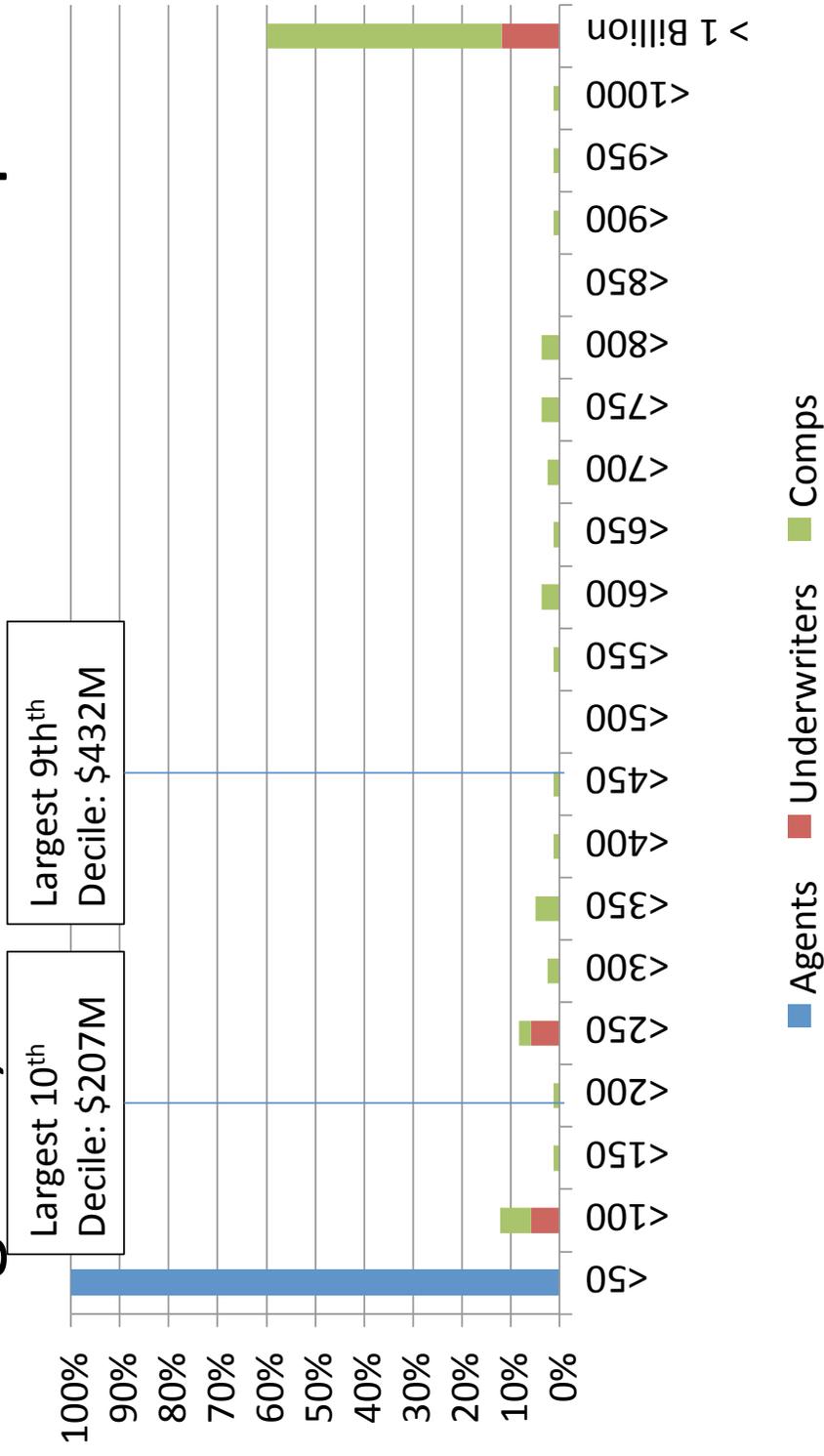
As shown in the attached Schedules 3 and 3A, I estimate the weighted average cost of capital to range from 13.26% to 13.40%, depending on the tax rate used, and whether one uses the debt-to-equity ratios implied by the agents' income statements or the underwriters' balance sheets. As mentioned above, numbers within this range can be supported by the data, but I conclude that 13.3% is a conservative estimate of the annual cost of capital in the Texas Title Industry that incorporates this range.

Conclusion

I estimate that the cost of capital is 13.3% for the Texas Title Industry. This analysis is based on two standard methodologies for estimating the cost of equity – a Discounted Cash Flow (DCF) analysis and the application of the Capital Asset Pricing Model (CAPM). These methodologies are applied to a set of publicly-traded companies from six industries that are designed to capture the risks and returns inherent in both the real estate and insurance industries. My use of industry medians mitigates the effects of any outliers, and given the very small amount of debt used in Texas Title firms, my analysis is not sensitive to the exact assumptions used regarding the weights or costs of debt. Finally, in order to use large, publicly-traded companies as proxies for the Texas Title Industry, I make two adjustments – one that accounts for differences in the amounts of cash and debt present in the comparable firms relative to the Texas Title Industry, and one that accounts for the dramatic differences in firm size.

⁹ The difference here is due to the fact that income statements are disclosed for agents, but not balance sheets.

Percentage of Companies by size Agents, Underwriters and Comps



Schedule 1: DCF, Unlevered Beta and Cost of Debt

SIC Code	Count	DCF Cost of Capital		CAPM Unlevered Beta		Cost of Debt		
		Count	Mean	Median	Count	Median	Count	Median
6361	4	4	7.36%	6.75%	4	0.86	4	6.70%
1531	13	4	6.75%	7.25%	13	0.90	13	7.94%
6321	7	6	11.83%	11.52%	7	1.78	7	6.10%
6331	41	35	10.47%	10.74%	40	0.87	40	6.68%
6411	10	4	8.93%	8.72%	10	0.77	10	6.04%
6531	13	2	12.97%	12.97%	8	1.29	8	6.30%
Sum / Mean	88	55	9.72%	9.66%	82	1.08	82	6.63%

Notes and Sources

- 1 SIC Codes as defined by Ibbotson® Cost of Capital Yearbook 2012
- 2 DCF methodology not used for firms which do not pay dividends. All data publically available.
- 3 Betas are calculated using 5 year regressions against the S&P 500
- 4 Cost of Debt calculated as interest expense / long term debt

Schedule 2: Unlevered Cost of Equity

[1] Beta	1.08
[2] Cost of Debt	6.63%
[3] 20-yr Treasury Yield	2.21%
[4] Risk Premium Over Long-Term Gov't	6.62%
[5] CAPM Cost of Unlevered Equity	9.36%
[6] DCF Cost of Unlevered Equity	9.66%
[7] Cost of Unlevered Equity	9.51%
[8] Size Premium	3.89%
[9] Cost of Unlevered Equity with Size	13.40%

Notes and Sources:

- [1] From Schedule 1
- [2] From Schedule 1
- [3] <http://www.treasury.gov/resource-center/data-chart-center/interest-rates/pages/textview.aspx?data=yield>
- [4] Ibbotson® Cost of Capital Yearbook 2012
- [5] [3] + [1] * [4]
- [6] From Schedule 1
- [7] Mean of [5] and [6]
- [8] Ibbotson® Cost of Capital Yearbook 2012, Micro-cap Size Premium
- [9] [7] + [8]

Schedule 3: Cost of Capital		Agents	Underwriters
[1]	Interest expense 2010 - agents	2,670,898	
[2]	Imputed Debt Amount	40,290,912	
[3]	Net income after interest	179,761,010	
[4]	Net income before interest	182,431,908	
[5]	Imputed Unlevered Enterprise Value	1,361,720,138	
[6]	Weight of debt	2.96%	1.38%
[7]	Weight of equity	97.04%	98.62%
[8]	Cost of Debt	6.63%	6.63%
[9]	Estimated Tax Rate	35%	35%
[10]	Cost of Levered Equity	13.53%	13.46%
[11]	Cost of Capital	13.26%	13.33%

Notes and Sources:

- [1] From 2010 Texas Title Insurance Agent Experience Report Compilation, <http://www.tdi.texas.gov/reports/pc/documents/pc10agrpt.pdf>
- [2] [1] / Cost of Debt from Schedule 2
- [3] From 2010 Texas Title Insurance Agent Experience Report Compilation, <http://www.tdi.texas.gov/reports/pc/documents/pc10agrpt.pdf>
- [4] [3] + [1]
- [5] [4] / Cost of Capital from Schedule 2
- [6] [2] / [5] ; http://www.tdi.texas.gov/reports/pc/documents/pcAnnual_Report2.pdf
- [7] 1- [6]
- [8] Schedule 2
- [9] Assumption
- [10] Cost of Unlevered Equity from Schedule 2 + (1 - [9]) * ([6]/[7]) * (Cost of Unlevered Equity from Schedule 2 - [8])
- [11] Cost of Eq * Weight of Eq + Cost of Debt * Weight of Debt * (1 - Tax Rate)

Schedule 3A: Cost of Capital, Alternative Tax Assumption		Agents	Underwriters
[1]	Interest expense 2010 - agents	2,670,898	
[2]	Imputed Debt Amount	40,290,912	
[3]	Net income after interest	179,761,010	
[4]	Net income before interest	182,431,908	
[5]	Imputed Unlevered Enterprise Value	1,361,720,138	
[6]	Weight of debt	2.96%	1.38%
[7]	Weight of equity	97.04%	98.62%
[8]	Cost of Debt	6.63%	6.63%
[9]	Estimated Tax Rate	0%	0%
[10]	Cost of Levered Equity	13.60%	13.49%
[11]	Cost of Capital	13.40%	13.40%

Notes and Sources:

- [1] From 2010 Texas Title Insurance Agent Experience Report Compilation,
- [2] [1] / Cost of Debt from Schedule 2
- [3] From 2010 Texas Title Insurance Agent Experience Report Compilation,
- [4] [3] + [1]
- [5] [4] / Cost of Capital from Schedule 2
- [6] [2] / [5] ; http://www.tdi.texas.gov/reports/pc/documents/pcAnnual_Report2.pdf
- [7] 1- [6]
- [8] Schedule 2
- [9] Assumption
- [10] Cost of Unlevered Equity from Schedule 2 + (1 - [9]) * ([6]/[7]) * (Cost of Unlevered Equity from Schedule 2 - [8])
- [11] Cost of Eq * Weight of Eq + Cost of Debt * Weight of Debt * (1 - Tax Rate)

Appendix 1: Beta Backup

Ticker	Sic Code	Name	Months	lastdate	Equity		Debt		Cost of		Equity		Asset Beta
					Weight	Weight	Weight	Debt	Debt	Beta	Beta		
AFFM	6331	Affirmative Insurance Hol	60	5/31/12	0.542	0.45798	0.10755	1.67848	0.90978				0.90978
AFG	6331	American Financial Group	60	5/31/12	1.6466	-0.64661	0.0769	1.07453	1.76934				1.76934
AFL	6321	Aflac	60	5/31/12	1.0729	-0.07294	0.03967	1.8213	1.95414				1.95414
AIG	6331	American International GR	60	5/31/12	1.1296	-0.12959	0.07706	3.43589	3.88116				3.88116
AIZ	6321	Assurant	60	5/31/12	1.3443	-0.34426	0.06193	1.32775	1.78484				1.78484
AJG	6411	Arthur J. Gallagher & Co	60	5/31/12	1.1392	-0.13918	0.05733	0.91176	1.03866				1.03866
ALL	6331	Allstate Corporation	60	5/31/12	1.1319	-0.13185	0.06275	1.45651	1.64856				1.64856
AMIC	6321	American Indepence Cor	60	5/31/12	2.1656	-1.1656		0.53407	1.15658				1.15658
AMSF	6331	Amerisafe	60	5/31/12	1.6365	-0.63653	0.062	0.63626	1.04125				1.04125
AON	6411	AON	60	5/31/12	0.9542	0.04578	0.06042	0.62739	0.59867				0.59867
ASAM	6331	AssuranceAmerica	60	5/31/12	1.4736	-0.47359	0.11529	0.19418	0.28615				0.28615
AVHI	1531	A V Homes Inc	60	5/31/12	1.4314	-0.43145	0.06709	1.15035	1.64666				1.64666
BRK-A	6331	Berkshire Hathaway	60	5/31/12	1.0268	-0.02675	0.0595	0.48149	0.49437				0.49437
BRO	6411	Brown & Brown	60	5/31/12	1.0325	-0.03251	0.05825	0.76407	0.78891				0.78891
BZH	1531	Beazer Homes USA	60	5/31/12	0.2045	0.79545	0.09032	4.39522	0.89903				0.89903
CB	6331	Chubb	60	5/31/12	0.9958	0.00423	0.06558	0.50262	0.50049				0.50049
CHCI	1531	Comstock Homebuilding	60	5/31/12	0.3792	0.62085	0.1265	1.04566	0.39647				0.39647
CHSI	6411	Catalyst Health Solutions	60	5/31/12	1.0436	-0.04358	0.025	0.61775	0.64467				0.64467
CINF	6331	Cincinnati Financial	60	5/31/12	1.0234	-0.02343	0.06683	0.76602	0.78397				0.78397
CNA	6331	CNA Financial	60	5/31/12	3.4291	-2.42908	0.06744	1.87994	6.44646				6.44646
CRD-A	6411	Crawford & Crawford	60	5/31/12	0.6168	0.38318	0.09039	0.69083	0.42612				0.42612
CRVL	6411	Corvel	60	5/31/12	1.0335	-0.0335		0.72215	0.74635				0.74635
DGICA	6331		60	5/31/12	1.1203	-0.12029	0.07336	0.49295	0.55225				0.55225
DHI	1531	D.R. Horton	60	5/31/12	0.769	0.23099	0.08238	1.06886	0.82196				0.82196
EHTH	6411	Ehealth	60	5/31/12	1.598	-0.59797		0.92347	1.47568				1.47568
EIG	6331	Employers Holdings	60	5/31/12	1.4613	-0.46135	0.04643	1.01486	1.48306				1.48306
ESS	6531	Essex Property Trust	60	5/31/12	0.6171	0.38295	0.05315	1.05365	0.65015				0.65015
FAC	6331	First Acceptance	60	5/31/12	1.1259	-0.12591	0.08858	0.40752	0.45884				0.45884
FAF	6361	First American Financial Corp	23	5/31/12	1.3996	-0.39957	0.06703	0.67193	0.94042				0.94042
FHRT	6531	First Hartford	4	5/31/12			0.04871	0.02686					0.02686
FNF	6361	Fidelity National Financial	60	5/31/12	1.0419	-0.04191	0.0537	0.50236	0.52341				0.52341

HCC	6331 HCC Insurance Holdings In	60	5/31/12	1.3032	-0.30317	0.05056	0.65229	0.85004
HCLI	6331 Homeowners Choice Inc	44	5/31/12				0.6482	
HIG	6331 Hartford Financial Servic	60	5/31/12			0.06979	2.9798	
HTH	6331 Hilltop Holdings	60	5/31/12	10	-9	0.07252	0.2134	2.13397
IPCC	6331 Infinity Property and CAS	60	5/31/12	0.9059	0.09408	0.05574	0.38733	0.35089
ITIC	6361 Investors Title Company	60	5/31/12	1.8586	-0.85862		0.42451	0.78901
JLL	6531 Jones Lang Lasalle	60	5/31/12	0.9178	0.0822	0.14801	1.86924	1.7156
KBH	1531 KB Home	60	5/31/12	0.597	0.40303	0.07938	1.75044	1.04496
KINS	6411 Kingstone Companies	60	5/31/12	1.0001	-0.00007	0.17343	0.73847	0.73852
KMPR	6331 Kemper Corp	60	5/31/12	1.172	-0.17201	0.06694	1.35377	1.58663
MCY	6331 Mercury General Corporati	60	5/31/12	1.0749	-0.07488	0.03664	0.81265	0.8735
MDC	1531 M.D.C. Holdings	60	5/31/12	1.0551	-0.05514	0.06345	1.0687	1.12763
MET	6411 Metlife	60	5/31/12	3.0086	-2.00856	0.0533	1.9576	5.88956
MHO	1531 M/I Homes	60	5/31/12	0.5494	0.45062	0.09228	2.06947	1.13693
MIG	6331 Meadowbrook Insurance	60	5/31/12	1.0815	-0.08147	0.08821	0.79804	0.86306
MTH	1531 Meritage Homes	60	5/31/12	0.5403	0.45971	0.07598	1.66133	0.89761
NATL	6331 National Interstate Corpo	60	5/31/12	1.3285	-0.32852	0.03934	0.72252	0.95988
NAVG	6331 Navigators Group	60	5/31/12	1.2447	-0.24469	0.07216	0.16761	0.20862
NFP	6411 National Financial Partne	60	5/31/12	0.8826	0.11736	0.07349	2.96575	2.61768
NVR	1531 NVR	60	5/31/12	1.394	-0.39404	0.15043	0.90774	1.26543
PFG	6321 Principal Financial Group	60	5/31/12	2.7313	-1.73133		2.75808	7.53321
PGR	6331 Progressive	60	5/31/12	1.0154	-0.01544	0.06272	0.86391	0.87725
PHIM	1531 Pultegroup	60	5/31/12	0.5955	0.40446	0.07148	1.27319	0.75824
PICO	6331 Pico Holdings	60	5/31/12	1.1673	-0.16728	0.04606	1.25665	1.46687
PRA	6331 Proassurance	60	5/31/12	1.2965	-0.29645	0.09496	0.38396	0.49779
REIS	6531 Reis	60	5/31/12	1.2066	-0.20658	0.06032	1.0722	1.29369
RGA	6321 Reinsurance GRP of America Inc	44	5/31/12	0.7695	0.23048	0.05234	1.28092	0.9857
RLI	6331 RLI	60	5/31/12	1.0066	-0.00663	0.0637	0.43913	0.44205
RYL	1531 Ryland Group	60	5/31/12	0.7197	0.28026	0.06859	1.24833	0.89847
SAFT	6331 Safety Insurance	60	5/31/12	1.2349	-0.2349		0.52977	0.65421
SBX	6331 Seabright Holdings	42	5/31/12	1.1944	-0.19439	0.06397	0.57697	0.68913
SFG	6321 Stancorp Financial Group	60	5/31/12	1.1232	-0.12321	0.079	1.64208	1.8444
SIGI	6331 Selective Insurance Group	60	5/31/12	1.3693	-0.36935	0.0713	0.99304	1.35982
SPF	1531 Standard Pacific	60	5/31/12	0.3634	0.63656	0.09531	2.25205	0.81847

SRRE	6531 Sunrise Real Estate Devel	60	5/31/12	0.9401	0.05994	0.15687	4.96148	4.66409
STC	6361 Stewart Information Services Corporation	60	5/31/12	1.9806	-0.98057	0.07526	1.08918	2.1572
STFC	6331 State Auto Financia	60	5/31/12	1.2161	-0.21613	0.06262	0.89603	1.08969
TCHC	6331 21st Century Holding Comp	60	5/31/12	5.9917	-4.99169		0.66532	3.98642
THG	6331 Hanover Insurance Group	60	5/31/12	1.0307	-0.03066	0.07439	0.55171	0.56862
TOL	1531 Toll Brothers	60	5/31/12	0.884	0.116	0.06556	1.05931	0.93643
TPL	6531 Texas Pacific Land Trust	60	5/31/12	1.03	-0.03002		1.0574	1.08915
TRV	6331 The Travelers Companies	60	5/31/12	1.1547	-0.1547	0.06153	0.68557	0.79163
TWGP	6331 Tower Group	60	5/31/12	0.9301	0.06988	0.07987	0.62064	0.57727
UFCS	6331 United Fire & Casualty	60	5/31/12	3.1283	-2.12826		0.75549	2.36338
UNAM	6331 Unico American	60	5/31/12	7.0176	-6.01762		0.48468	3.40128
UNM	6321 Unum Group	60	5/31/12	0.9168	0.08324	0.06016	1.67141	1.53228
UVE	6331 Universal Insurance	60	5/31/12	3.5355	-2.53551	0.04806	0.57946	2.04867
WLSE	6531 Wilshire Enterprises	60	5/31/12	0.3602	0.63975	0.06575	0.78639	0.2833
WRB	6331 W.R. Berkley	60	5/31/12	0.9368	0.06321	0.06474	0.42737	0.40035
Y	6331 Alleghany	60	5/31/12	1.3703	-0.3703	0.09133	0.5298	0.72599
ZIPR	6531 Ziprealty	60	5/31/12	5.4866	-4.48661		1.40173	7.69075

Appendix 2: DCF Backup

Company Name	Net Income			Cash Dividend			Retention Ratio			Equity			Return on Equity		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
6361 FIDELITY NATIONAL FINANCIAL	379200	368,900	210,600	108,800	164,000	139,000	71.3%	55.5%	34.0%	3,632,700	3,427,100	3,325,900	10.4%	10.8%	6.3%
FIRST AMERICAN FINANCIAL CP	78,276	127,829	122,389	26,551	13,635	92,378	67.4%	89.3%	24.5%	2,028,600	1,097,936	1,139,922	3.9%	11.6%	10.7%
INVESTORS TITLE CO	6,934	6,373	4,829	599	640	642	91.4%	90.0%	86.7%	106,512	103,929	97,259	6.5%	6.1%	5.0%
STEWART INFORMATION SERVICES	2,348	-12,582	-50,975	7,059	7,980	8,636	-200.6%	163.5%	116.9%	450,214	435,210	448,276	0.5%	-2.9%	-11.4%
1531 A V HOMES INC	-165,881	-35,108	-28,983	0	0	0	100.0%	100.0%	100.0%	254,197	418,490	444,101	-65.3%	-8.4%	-6.5%
BEAZER HOMES USA INC	-204,859	-34,049	-189,383	0	0	0	100.0%	100.0%	100.0%	198,380	397,101	196,555	-103.3%	-8.6%	-96.4%
COMSTOCK HOMEBUILDING COS	1,107	-7,698	-26,752	0	0	0	100.0%	100.0%	100.0%	9,703	6,668	4,133	11.4%	-115.4%	-647.3%
D R HORTON INC	71,800	245,100	-649,600	47,800	47,700	47,500	33.4%	80.5%	108.6%	2,620,600	2,613,200	2,391,800	2.7%	9.4%	-23.0%
KB HOME	-178,768	-68,368	-101,784	19,240	19,223	19,097	110.8%	127.7%	118.8%	442,657	631,878	707,224	-40.4%	-11.0%	-14.4%
M/I HOMES INC	-33,877	-26,269	-62,109	0	0	0	100.0%	100.0%	100.0%	273,350	303,491	326,763	-12.4%	-8.7%	-19.0%
MDC HOLDINGS INC	-98,390	-64,770	24,679	47,432	47,140	46,925	148.2%	172.8%	-90.1%	868,636	983,683	1,073,146	-11.3%	-6.6%	2.3%
MERITAGE HOMES CORP	-21,106	7,150	-66,456	0	0	0	100.0%	100.0%	100.0%	488,912	499,995	485,425	-4.3%	1.4%	-13.7%
NVR INC	129,420	206,005	192,180	0	0	0	100.0%	100.0%	100.0%	1,374,799	1,740,374	1,757,262	9.4%	11.8%	10.9%
PULTEGROUP INC	-210,388	-1,096,729	-1,182,567	0	0	0	100.0%	100.0%	100.0%	1,938,615	2,135,167	3,194,440	-10.9%	-51.4%	-37.0%
RYLAND GROUP INC	-60,750	-85,139	-162,474	5,405	5,367	5,272	110.7%	106.3%	103.2%	449,687	499,856	581,862	-11.3%	-17.0%	-27.9%
STANDARD PACIFIC CORP	-16,417	-11,724	-13,786	0	0	0	100.0%	100.0%	100.0%	623,754	621,862	435,798	-2.6%	-1.9%	-3.2%
TOLL BROTHERS INC	39,795	-3,374	-755,825	0	0	0	100.0%	100.0%	100.0%	2,586,353	2,555,453	2,513,199	1.5%	-0.1%	-30.1%
6321 Aflac, Inc	1,964,000	2,344,000	1,497,000	552,000	535,000	524,000	71.9%	77.2%	65.0%	13,506,000	11,056,000	8,417,000	14.5%	21.2%	17.8%
American Independence cor	no div yield														
assurant, inc	545,839	279,177	430,574	35,747	51,211	55,885	93.5%	81.7%	87.0%	5,026,936	4,780,537	4,853,249	10.9%	5.8%	8.9%
principal financial group	715,000	699,300	622,700	246,700	209,200	192,500	65.5%	70.1%	69.1%	9,637,000	9,727,800	7,893,500	7.4%	7.2%	7.9%
stancorp financialg roup	139,300	189,000	208,900	39,300	39,600	38,500	71.8%	79.0%	81.4%	2,010,500	1,912,100	1,735,400	6.9%	9.9%	12.0%
unum group	235,400	852,100	852,600	121,000	114,800	104,500	48.6%	87.0%	87.7%	8,571,000	8,944,400	8,500,100	2.7%	9.9%	10.0%
Reinsurance GRP of America Inc	599,620	574,402	407,086	44,229	35,170	26,212	92.6%	93.9%	93.6%	6,137,105	5,040,567	3,867,927	9.8%	11.4%	10.5%
6331 21ST CENTURY HOLDING CO	-430	-7,996	-10,289	477	477	1,920	100.0%	106.0%	118.7%	58,144	57,931	67,442	-0.7%	-13.8%	-15.3%
AFFIRMATIVE INS HOLDINGS INC	no div yield														
ALLEGHANY CORP	788,000	928,000	854,000	435,000	430,000	542,000	44.8%	53.7%	36.5%	18,674,000	19,016,000	16,692,000	4.2%	4.9%	5.1%
ALLSTATE CORP	no div yield														
AMERICAN FINANCIAL GROUP INC	no div yield														
AMERICAN INTERNATIONAL GROUP	no div yield														
AMERISAFE INC	no div yield														
AssuranceAmerica	no div yield														
Berkshire Hathaway	no div yield														
CHUBB CORP	1,678,000	2,174,000	2,183,000	450,000	472,000	487,000	73.2%	78.3%	77.7%	15,574,000	15,530,000	15,634,000	10.8%	14.0%	14.0%
CINCINNATI FINANCIAL CORP	166,000	377,000	432,000	255,000	252,000	249,000	-53.6%	33.2%	42.4%	5,055,000	5,032,000	4,760,000	3.3%	7.5%	9.1%
CNA FINANCIAL CORP	614,000	690,000	419,000	108,000	76,000	122,000	82.4%	89.0%	70.9%	11,557,000	10,954,000	10,660,000	5.3%	6.3%	3.9%
DONEGAL GROUP INC	453	11,467	18,830	11,874	11,405	10,998	-2521.2%	0.5%	41.6%	383,452	380,103	385,506	0.1%	3.0%	4.9%
EMPLOYERS HOLDINGS INC	48,313	62,799	83,021	8,943	9,935	11,031	81.5%	84.2%	86.7%	474,186	490,116	498,399	10.2%	12.8%	16.7%
FIRST ACCEPTANCE CORP	no div yield														
HANOVER INSURANCE GROUP INC	37,100	154,800	197,200	50,900	47,200	37,500	-37.2%	69.5%	81.0%	2,509,800	2,460,500	2,358,600	1.5%	6.3%	8.4%
HARTFORD FINANCIAL SERVICES	86	-64	-4	153	85	149	-77.9%	232.8%	3825.0%	22,910	20,311.00	17,865.00	0.4%	-0.3%	0.0%
HCC INSURANCE HOLDINGS INC	255,243	345,096	353,868	65,822	63,245	57,437	74.2%	81.7%	83.8%	3,292,014	3,296,432	3,031,183	7.8%	10.5%	11.7%
HILLTOP HOLDINGS INC	no div yield														
HOMEOWNERS CHOICE INC	9,964	5,422	10,910	3,825	1,877	0	61.6%	65.4%	100.0%	63,830	46,629	45,378	15.6%	11.6%	24.0%
INFINITY PROPERTY & CAS CORP	42,063	91,523	70,594	8,745	7,198	6,585	79.2%	92.1%	90.7%	668,176	661,184	618,160	6.3%	13.8%	11.4%
KEMPER CORP/DE	83,700	184,600	164,700	58,200	54,600	66,600	30.5%	70.4%	59.6%	2,216,100	2,113,400	1,917,600	3.8%	8.7%	8.6%
MEADOWBROOK INS GROUP INC	43,611	59,721	52,650	8,889	7,007	5,162	79.6%	88.3%	90.2%	592,428	547,101	502,881	7.4%	10.9%	10.5%
MERCURY GENERAL CORP	191,164	152,198	403,072	132,142	129,863	127,617	30.9%	14.7%	68.3%	1,857,483	1,794,815	1,770,946	10.3%	8.5%	22.8%
NATIONAL INTERSTATE CORP	35,628	39,509	46,449	7,007	6,231	5,441	80.3%	84.2%	88.3%	350,590	309,578	271,317	10.2%	12.8%	17.1%
NAVIGATORS GROUP INC	no div yield														
Pico Holdings	no div yield														
Proassurance	287,096	231,598	222,026	7,617	7,617		97.3%	100.0%	100.0%	2,164,453	1,855,863	1,704,595	13.3%	12.5%	13.0%
PROGRESSIVE CORP-OHIO	1,015,500	1,068,300	1,057,500	263,600	763,700	763,700	74.0%	28.5%	100.0%	5,806,700	6,048,900	5,748,600	17.5%	17.7%	18.4%
RLI CORP	130,591	127,432	93,845	130,855	176,802	22,879	-0.2%	-38.7%	75.6%	818,852	791,376	832,250	15.9%	16.1%	11.3%
SAFETY INSURANCE GROUP INC	13,702	56,342	54,152	27,098	27,098	24,840	-121.3%	51.9%	54.1%	656,313	653,476	620,435	2.1%	8.6%	8.7%
SEABRIGHT HOLDINGS INC	-14,526	-1,583	13,535	4,451	3,300	3,300	130.6%	308.5%	100.0%	353,511	351,017	359,473	-4.1%	-0.5%	3.8%
SELECTIVE INS GROUP INC	19,865	65,541	36,398	26,513	26,056	26,296	-33.5%	60.2%	27.8%	1,109,228	1,071,109	1,002,375	1.8%	6.1%	3.6%
STATE AUTO FINANCIAL CORP	-146,800	24,500	10,200	24,100	24,000	23,800	116.4%	116.4%	-133.3%	758,300	851,800	849,400	-19.4%	2.9%	1.2%
TOWER GROUP INC	60,198	103,890	96,798	27,894	16,551	10,740	53.7%	84.1%	88.9%	1,034,142	1,045,001	1,050,501	5.8%	9.9%	9.2%

Appendix 2 - DCF Backup

Company Name	Retention Growth			Average	5 Yr Analyst Forecast		Fixed Outliers			Future Average	Current Div Yield	Cost of Equity
	2011	2010	2009		Past	Future	ret	past	Future			
6361 FIDELITY NATIONAL FINANCIAL	7.4%	6.0%	2.2%	5.2%	28%	-1%	5.19%		12.65%	5.2%	2.9%	8.1%
FIRST AMERICAN FINANCIAL CP	2.6%	10.4%	2.6%	5.2%	13%	13%	5.21%		4.00%	8.9%	1.90%	10.8%
INVESTORS TITLE CO	5.9%	5.5%	4.3%	5.3%	-2.1%	4%	5.26%		5.00%	4.6%	0.50%	5.1%
STEWART INFORMATION SERVICES	-1.0%	-4.7%	-13.3%	-6.4%	-2.8%	5%		1.00%	5.00%	5.0%	0.40%	5.4%
1531 A V HOMES INC	-65.3%	-8.4%	-6.5%	-26.7%	-3.8%				15.00%	15.0%		
BEAZER HOMES USA INC	-103.3%	-8.6%	-96.4%	-69.4%	25%	15%			10.00%	10.0%		
COMSTOCK HOMEBUILDING COS	11.4%	-115.4%	-647.3%	-250.4%	0%	10%			5.00%	5.0%	1.00%	6.0%
D R HORTON INC	0.9%	7.6%	-25.0%	-5.5%	-4.1%	5%			4.00%	2.5%	1.30%	3.8%
KB HOME	-44.7%	-14.0%	-17.1%	-25.3%	1%	4%			15.00%	15.0%		
M/I HOMES INC	-12.4%	-8.7%	-19.0%	-13.4%	-4.52%	15%			5.00%	5.0%	3.70%	8.7%
MDC HOLDINGS INC	-16.8%	-11.4%	-2.1%	-10.1%	-53.02%	5.00%			4.00%	4.0%		
MERITAGE HOMES CORP	-4.3%	1.4%	-13.7%	-5.5%	-53.71%	4%			10.00%	10.4%		
NVR INC	9.4%	11.8%	10.9%	10.7%	-15.10%	10%	10.73%		5.00%	5.0%		
PULTEGROUP INC	-10.9%	-51.4%	-37.0%	-33.1%	-16.51%	5%			5.00%	5.0%		
RYLAND GROUP INC	-12.5%	-18.1%	-28.8%	-19.8%	10.78%	5%	10.78%		5.00%	7.9%	0.60%	8.5%
STANDARD PACIFIC CORP	-2.6%	-1.9%	-3.2%	-2.6%	-36.24%	5%			5.00%	5.0%		
TOLL BROTHERS INC	1.5%	-0.1%	-30.1%	-9.6%	-33.08%	23.10%			5.00%	5.0%		
6321 Aflac, Inc	10.5%	16.4%	11.6%	12.8%	16.66%	11.13%	12.79%	16.66%	11.13%	13.5%	3.20%	16.7%
American Independence cor												
assurant, inc	10.1%	4.8%	7.7%	7.5%	-3.26%	10.33%	7.55%		10.33%	8.9%	2.50%	11.4%
principal financial group	4.9%	5.0%	5.5%	5.1%	-8.60%	12.30%	5.12%		12.30%	8.7%	2.90%	11.6%
stancorp financialg roup	5.0%	7.8%	9.8%	7.5%	-6.30%	11.00%	7.53%		11.00%	9.3%	2.50%	11.8%
unum group	1.3%	8.6%	8.8%	6.3%	8.75%	6.26%	6.26%		8.75%	7.1%	2.10%	9.2%
Reinsurance GRP of America Inc	9.0%	10.7%	9.8%	9.9%	6.99%	10.10%	9.86%	6.99%	10.10%	9.0%	1.30%	10.3%
6331 21ST CENTURY HOLDING CO	-0.7%	-14.6%	-18.1%	-11.2%								
AFFIRMATIVE INS HOLDINGS INC												
ALLEGHANY CORP	1.9%	2.6%	1.9%	2.1%	-16.65%	9.00%	2.13%		9.00%	5.6%	2.60%	8.2%
ALLSTATE CORP												
AMERICAN FINANCIAL GROUP INC												
AMERICAN INTERNATIONAL GROUP												
AMERISAFE INC												
AssuranceAmerica												
Berkshire Hathaway												
CHUBB CORP	7.9%	11.0%	10.8%	9.9%	-2.12%	8.88%	9.90%		8.88%	9.4%	2.30%	11.7%
CINCINNATI FINANCIAL CORP	-1.8%	2.5%	3.8%	1.5%	-15.38%	5.00%	1.52%		5.00%	3.3%	4.40%	7.7%
CNA FINANCIAL CORP	4.4%	5.6%	2.8%	4.3%	-6.61%	5.00%	4.25%		5.00%	4.6%	2.10%	6.7%
DONEGAL GROUP INC	-3.0%	0.0%	2.0%	-0.3%	-21.31%	10.00%			10.00%	10.00%	3.20%	13.2%
EMPLOYERS HOLDINGS INC	8.3%	10.8%	14.4%	11.2%	-33.50%	7.50%	11.18%		7.50%	9.3%	1.40%	10.7%
FIRST ACCEPTANCE CORP												
HANOVER INSURANCE GROUP INC	-0.5%	4.4%	6.8%	3.5%	-8.02%	15.00%	3.53%		15.00%	9.3%	3.10%	12.4%
HARTFORD FINANCIAL SERVICES	-0.3%	-0.7%	-0.9%	-0.6%	-35.36%	13.87%			13.87%	13.9%	2.30%	16.2%
HCC INSURANCE HOLDINGS INC	5.8%	8.6%	9.8%	8.0%	-4.56%	8.50%	8.03%		8.50%	8.3%	2.00%	10.3%
HILLTOP HOLDINGS INC												
HOMEOWNERS CHOICE INC	9.6%	7.6%	24.0%	13.8%	-2.80%		13.75%		9.00%	13.8%	5.80%	19.6%
INFINITY PROPERTY & CAS CORP	5.0%	12.8%	10.4%	9.4%	-10.78%	9.00%	9.36%		9.00%	9.2%	1.60%	10.8%
KEMPER CORP/DE	1.2%	6.2%	5.1%	4.1%	-4.36%	8.50%	4.14%		8.50%	6.3%	3.20%	9.5%
MEADOWBROOK INS GROUP INC	5.9%	9.6%	9.4%	8.3%	-1.31%	10.00%	8.31%		10.00%	9.2%	2.20%	11.4%
MERCURY GENERAL CORP	3.2%	1.2%	15.6%	6.7%	-8.59%	2.10%	6.66%		2.10%	4.4%	5.50%	9.9%
NATIONAL INTERSTATE CORP	8.2%	10.7%	15.1%	11.3%	-3.97%	8.65%	11.34%		8.65%	10.0%	1.60%	11.6%
NAVIGATORS GROUP INC												
Pico Holdings												
Proassurance	12.9%	12.5%	13.0%	12.8%	13.33%	10.00%	12.81%	13.33%	10.00%	12.0%	1.10%	13.1%
PROGRESSIVE CORP-OHIO	12.9%	5.0%	18.4%	12.1%	-0.42%	7.35%	12.13%		7.35%	9.7%	1.90%	11.6%
RLI CORP	0.0%	-6.2%	8.5%	0.8%	-2.63%	10.00%	0.75%		10.00%	5.4%	1.90%	7.3%
SAFETY INSURANCE GROUP INC	-2.5%	4.5%	4.7%	2.2%	-18.10%	15.00%	2.22%		15.00%	8.6%	4.80%	13.4%
SEABRIGHT HOLDINGS INC	-5.4%	-1.4%	3.8%	-1.0%	-34.80%	4.00%			4.00%	4.0%	2.20%	6.2%
SELECTIVE INS GROUP INC	-0.6%	3.7%	1.0%	1.4%	-20.61%	32.77%	1.36%	0.79%		1.4%	3.00%	4.4%
STATE AUTO FINANCIAL CORP	-22.5%	0.1%	-1.6%	-8.0%	0.79%	20.00%				0.8%	4.10%	4.9%
TOWER GROUP INC	3.1%	8.4%	8.2%	6.6%	-1.21%	14.00%	6.56%		14.00%	10.3%	3.80%	14.1%

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**Consulting
Actuaries:**
Curricula Vitae of
Messrs. Chuck
Faerber & Khiem
Ngo

Rudd and Wisdom, Inc.

CONSULTING ACTUARIES

Steven T. Anderson, A.S.A.
Mitchell L. Bilbe, F.S.A.
Evan L. Dial, F.S.A.
Philip S. Dial, F.S.A.
Charles V. Faerber, F.S.A., A.C.A.S.
Mark R. Fenlaw, F.S.A.
Carl L. Frammolino, F.S.A.

Kenneth J. Herbold, A.S.A.
Christopher S. Johnson, F.S.A.
Robert M. May, F.S.A.
J. Christopher McCaul, F.S.A.
Edward A. Mire, F.S.A.

Rebecca B. Morris, A.S.A.
Michael J. Muth, F.S.A.
Khiem Ngo, F.S.A.
Coralie A. Taylor, A.S.A.
Ronald W. Tobleman, F.S.A.
Elizabeth A. Wiley, A.S.A.
David G. Wilkes, F.S.A.

Charles V. Faerber

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

- ◆ Consulting activities with insurance companies and self-insured groups providing property and casualty coverages. These coverages include professional liability, workers compensation, unemployment, automobile extended service contracts and property insurance. Activities include:
 - Determination of actuarial liabilities for quarterly and annual statements;
 - Assistance with preparation of quarterly and annual statements;
 - Rate studies, including analysis of experience, projection of trends, strategic planning development of appropriate balance between rate equity and rate adequacy;
 - Preparation of Federal Income Tax estimates and assistance in development of tax strategies;
 - Valuation of insurance companies and blocks of insurance business via a projection of profitability on past, current and future business written; and
 - Analysis of reinsurance proposals and review of reinsurance treaty experience.
- ◆ Development of cash flow model for groups self insuring their workers compensation coverage.
- ◆ Development and maintenance of a life insurance administration system for personal computers.
- ◆ Joint responsibility with another principal, Chris McCaul, for oversight of and recommendations for firmwide computer hardware and software.
- ◆ Expert witness services in divorce litigation, wrongful death and disability litigation and litigation involving interest computations.

- ◆ Development and utilization of a computerized valuation system used in actuarial studies of various public retirement systems.
- ◆ Involvement in the determination of estimated retirement benefits and preparation of employee benefit statements for various public and private retirement systems.
- ◆ Development and utilization of a computerized cash flow projection model for public retirement systems.
- ◆ Assistance in the actuarial experience study of public retirement systems.
- ◆ Assistance in the determination of actuarial liabilities for the annual statements of life insurance companies.
- ◆ Determination of actuarial liabilities and actuarial assets and preparation of actuarial valuations for statewide and local public retirement systems.

Khiem Dinh Ngo

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CREDENTIALS Fellow of the Society of Actuaries (F.S.A) - 2010
Member of the American Academy of Actuaries (M.A.A.A) - 2010

EXPERIENCE **Rudd & Wisdom Incorporated** Austin, TX
Sept 2007 - Current *Consulting Actuary*

- Principal of the firm Rudd & Wisdom Incorporated (2012)
- Serve as a consultant to large group insurance programs such as Texas Medicaid Program, Texas Children's Health Insurance Program, the State of Texas Group Benefit Program, and the University of Texas Employee Group Insurance Program
- Analyze group insurance experience, rate setting, projection of cash flows, and evaluation of benefit plan design
- Develop Medicaid and CHIP managed care medical, prescription drug and dental premium rates for the Texas Health and Human Services
- Responsible for helping client collect over \$40 Million for the early retiree reinsurance program (ERRP)
- Calculate incurred but not reported (IBNR) and estimate outstanding reserves
- Develop year end prescription drug experience report for clients
- Calculate the cost impact of potential benefit changes such as changes in deductible and co-pay
- Audit prescription drug claim pricing and review guarantee and rebate amounts paid to clients by the pharmacy benefit managers
- Assist in reviewing request for proposal (RFP) and evaluate proposer's responses
- Prepare codes in A Programming Language (APL) to develop experience reports

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

SKILLS & HOBBIES **Computer:**
Microsoft Excel, Access, PowerPoint, and Word
A Programming Language (APL)
Visual Basic

Foreign Language: Vietnamese

Hobbies: Playing tennis and golf, spending time with fiancé and family

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Consulting Actuaries: Summary of Findings

Qualifications

I, Charles V. Faerber, am a principal with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). I am a Fellow of the Society of Actuaries, an Associate of the Casualty Actuarial Society and a member of the American Academy of Actuaries.

I, Khiem D. Ngo, am a principal with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries.

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

Responsibilities

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

- Annual Statement experience provided by Texas Department of Insurance (TDI),
- State of Texas Title Insurance Industry Experience Reports from 1985 through 2010 and data provided by American Land Title Association (ALTA), and,
- Suggested cost of capital provided by Dr. Jay Hartzell.

Recommendations

Based on our study, we recommend a rate increase of 6.50%. The table below presents the recommended rate change in additional detail. The averages of the loss, LAE, and expense ratios, weighted by retained premium volume, for the past 5, 10, and 26 years were used to determine the indicated rates. Due to the cyclical nature of title insurance, we recommend using at least five years of data in the rate study in order to smooth out significant volatility from year to year found in recent experience. The indicated rate was calculated using a profit load of 9.76% based on a cost of capital of 13.3% provided by Dr. Jay Hartzell. A higher profit load is justified because the rates of return available on treasury bonds and corporate bonds are low by historical standards. Companies will find it difficult to generate the investment returns they have in the past without taking on significant additional investment risk. A reasonable range for the rate increase is between 5.66% and 10.16%. We have selected the average of the past 5 years and 10 years of experience as the recommended rate increase of 6.50%.

	<i>Weighted Average</i>			
	<i>Past 5 Yrs (2006-2010)</i>	<i>Past 10 Yrs (2001-2010)</i>	<i>Past 26 Yrs (1985-2010)</i>	
<i>(1) Loss & LAE Ratio</i>	4.04%	3.53%	4.54%	Att 2 Ex 1
<i>(2) Expense Ratio</i>	90.31%	92.30%	94.87%	Att 2 Ex 1
<i>(3) Provision for Catastrophic Claims</i>	1.00%	1.00%	0.00%	Att 2 Ex 1
<i>(4) Total Loss, Expense, and Catastrophic Ratio</i>	95.35%	96.83%	99.41%	= (1) + (2) + (3)
<i>(5) Indicated Rate Change (9.76% Profit Load)</i>	5.66%	7.31%	10.16%	=(4) / [1-0.0976] -1
	Selected		6.50%	



Charles V. Faerber, F.S.A., A.C.A.S.
Rudd and Wisdom, Inc.



Khiem Ngo, F.S.A.

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Consulting Actuaries: Full Report and Supporting Tables

RATE STUDY

Texas Land Title Association

Prepared by:
Charles V. Faerber, F.S.A., A.C.A.S. & Khiem D. Ngo, F.S.A.

I. Actuarial Certification

I, Charles V. Faerber, am a principal with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). I am a Fellow of the Society of Actuaries, an Associate of the Casualty Actuarial Society and a member of the American Academy of Actuaries.

I, Khiem D. Ngo, am a principal with the firm of Rudd and Wisdom, Inc., Consulting Actuaries (Rudd and Wisdom). I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries.

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

We have relied on historical experience data and program information provided to us by Texas Land Title Association. We have reviewed the data for reasonableness but have not audited the data.

II. Introduction

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

Rudd and Wisdom has relied on the following data sources:

- Annual Statement experience from 2003 through 2011 provided by Texas Department of Insurance (TDI)
- State of Texas Title Insurance Industry Experience Reports from 1985 through 2010 and data provided by American Land Title Association (ALTA)
- Suggested cost of capital provided by Dr. Jay Hartzell

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

III. Overview of the Rating Methodology

This report details the development of the indicated rate for title insurance firms in Texas. The actuarial model used to derive the indicated rate relies primarily on the experience of title insurance companies and agencies in Texas. This includes data from independent agents, affiliated agents, direct operations, and underwriters. The loss, LAE, and expense ratio were compiled and analyzed for each

year from 1985 through 2010. The indicated rate provides a reasonable provision to cover i) expected expense, ii) expected loss & LAE, iii) catastrophic load, and iv) underwriting profit.

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

Based on our study, we recommend a rate increase of 6.50%. The chart below and Attachment 1 present the recommended rate increase. The weighted averages of the loss, LAE, and expense ratios for the past 5, 10, and 26 years were used to determine the indicated rates. The indicated rate was calculated using a profit load of 9.76% based on a 13.30% cost of capital. A reasonable range for the indicated rate is between 5.66% and 10.16%. We have selected the average of the past 5 years and 10 years of experience as the recommended rate increase of 6.50%.

	<i>Weighted Average</i>			
	<i>Past 5 Years (2006- 2010)</i>	<i>Past 10 Years (2001- 2010)</i>	<i>Past 26 Years (1985- 2010)</i>	
<i>(1) Loss & LAE Ratio</i>	4.04%	3.53%	4.54%	Att 2 Ex 1
<i>(2) Expense Ratio</i>	90.31%	92.30%	94.87%	Att 2 Ex 1
<i>(3) Provision for Catastrophic Claims</i>	1.00%	1.00%	0.00%	Att 2 Ex 1
<i>(4) Total Loss, Expense, and Catastrophic Ratio</i>	95.35%	96.83%	99.41%	= (1) + (2) + (3)
<i>(5) Indicated Rate Change (9.76% Profit Load)</i>	5.66%	7.31%	10.16%	=(4) / [1-0.0976] -1
	Selected		6.50%	

IV. Underwriting Profit Load

The indicated rates include a profit load provision that together with investment and miscellaneous income provides an adequate return to the title insurance firms considering the capital required, the expenses incurred, and risks involved with selling title insurance. Due to the current low level of interest rates, the underwriting profit load needs to be increased in order for the title insurance firms to have an adequate return. We have found that U. S. Treasury Bonds are only yielding 0.75% for five-years and 1.73% for ten-years. Corporate bonds are yielding 1.25% for five-years AA bonds and 2.53% for ten-years AA bonds. A-rated bonds are yielding 1.32% for five-years and 2.43% for ten-years. The only way to increase these returns currently is to take on significantly more investment risk.

The suggested cost of capital was provided by Dr. Jay Hartzell. He has recommended using a cost of capital of 13.30%. We removed the return on investment to determine the appropriate underwriting profit load to include in the rates. We have determined the underwriting profit load to be 9.76% using a 13.30% cost of capital. Attachment 3 presents the underwriting profit load calculations.

V. Attachments

Attachment 1 - Summary of Indicated Rate Change

Attachment 1 presents information regarding the suggested rate change. Weighted averages of the loss & LAE and expense ratios were used to determine the indicated rates using on-level premiums as weights. We used averages over the past 5, 10, and 26 years of claim and expense experience. Using more years in the experience period has the advantage of smoothing the volatility in the year to year data. The indicated rate change was calculated using a profit load of 9.76%. We have added a provision of 1% for catastrophe claims in the 5-year and 10-year models. The 26-year model reflects experience that includes catastrophe claims. Based on the study, we recommend a rate increase of 6.50%.

Attachment 2 - Summary of Claim and Expense Experience

Attachment 2 presents information regarding on-level premiums, expenses, and losses & LAE from 1985 through 2010. The expense ratios and loss & LAE ratios are displayed in Exhibit 1. We have also provided a basis for catastrophic claims based on the experience. The claim and expense data represents a combination of experience from independent agents, affiliated agents, direct operations, and underwriters. Expense amounts exclude tax certificates paid to tax authorities, recording fees paid to county clerks, damages for bad faith suits, fines or penalties, donations and lobbying expenses, trade association fees, and loss & LAE. A summary of the each exhibit in Attachment 2 is shown below.

- Exhibit 1 – Summary of Loss & Expense Ratios for all title firms
- Exhibit 2 – Adjustment of Expenses to Reflect Industry Transfer Payments
- Exhibit 3 – Independent Agent Reported Experience
- Exhibit 4 – Independent Agent On-Level Premium
- Exhibit 5 – Affiliated Agencies Reported Experience
- Exhibit 6 – Affiliated Agencies On-Level Premium
- Exhibit 7 – Direct Operation Reported Experience
- Exhibit 8 – Direct Operation On-Level Premium
- Exhibit 9 – Underwriters Reported Experience
- Exhibit 10 – Underwrites On-Level Premium
- Exhibit 11 – Independent Agent Reported Expense
- Exhibit 12 – Affiliated Agencies Reported Expense
- Exhibit 13 – Direct Operation Reported Expense
- Exhibit 14 – Underwriters Reported Expense
- Exhibit 15 – Summary of Rate Change
- Exhibit 16 – Summary of Industry Transfer Payments

Attachment 3 - Summary of Cost of Capital and Underwriting Profit

The indicated rates include a profit load provision that together with investment income and miscellaneous income provides an adequate return to the title insurance companies and agents. Due to currently low interest rates, the underwriting profit load needs to increase for the title firms to have an adequate return on their capital.

Exhibit 1 presents a summary of the development of the target underwriting profit. The cost of capital was determined by Dr. Jay Hartzell to be 13.30%. The pre-tax investment gain (Exhibit 2), financial leverage ratios (Exhibit 2) and the tax rate on investment (Exhibit 4) were used to determine the underwriting profit load. We have determined the underwriting profit load to be 9.76% using a 13.30% cost of capital.

Exhibit 2 presents a summary of the development of the investment returns and financial leverage ratios. We have relied on Annual Statement data from 2003 through 2011 for all companies licensed in Texas. The Annual Statement data for each company does not separate the experience by states other than direct premiums written in Texas. In order to give more weight to companies that do more business in Texas, we used a weighted average of the numbers using direct premiums written in Texas as weights.

Exhibit 3 presents a summary of the 2003 through 2011 Annual Statement data for each company licensed in Texas. The average pre-tax gain on invested assets over the past four years (2008 through 2011) is 5.57%. The invested asset to capital leverage ratio was determined to be 1.51 and the premium to capital leverage ratio was determined to be 0.99.

Exhibit 4 presents a summary of the development of the average tax rate on investments. We have relied on Annual Report data for Texas companies from the American Land Title Association. We have determined the tax rate on investment income to be 22.53%.

Attachment 1

Texas Land Title Association

Review Of Title Experience All Agencies And Underwriters Combined

Summary Of Overall Rate Indications

	<i>Weighted Average</i>			
	<i>Past 5 Yrs (2006-2010)</i>	<i>Past 10 Yrs (2001-2010)</i>	<i>Past 26 Yrs (1985-2010)</i>	
<i>(1) Loss & LAE Ratio</i>	4.04%	3.53%	4.54%	Att 2 Ex 1
<i>(2) Expense Ratio</i>	90.31%	92.30%	94.87%	Att 2 Ex 1
<i>(3) Provision for Catastrophic Claims</i>	1.00%	1.00%	0.00%	Att 2 Ex 1
<i>(4) Total Loss, Expense, and Catastrophic Ratio</i>	95.35%	96.83%	99.41%	= (1) + (2) + (3)
<i>(5) Indicated Rate Change (9.76% Profit Load)</i>	5.66%	7.31%	10.16%	=(4) / [1-0.0976] -1
	Selected		6.50%	

Attachment 2 - Exhibit 1

Texas Land Title Association

*Summary Of Loss & Expense Ratios
All Agencies And Underwriters Combined*

<i>Calendar Year</i>	<i>On Level Retained Premium</i>	<i>Expense Included In Rate</i>	<i>Loss & LAE</i>	<i>Expense Ratio</i>	<i>Loss & LAE Ratio</i>	<i>Total Adj. Loss & Expense Ratio</i>	<i>Provision For Catastrophe Claims</i>
	(1)	(2)	(3)	(4) = (2)/(1)	(5) = (3)/(1)	(6) = (4)+(5)	(7) = (5) - 5%
1985	\$ 539,752,142	\$ 421,888,060	\$ 24,143,775	78.16%	4.47%	82.64%	0.00%
1986	429,716,920	365,325,360	87,722,211	85.02%	20.41%	105.43%	15.41%
1987	347,348,204	309,541,913	52,020,418	89.12%	14.98%	104.09%	9.98%
1988	288,560,927	281,726,662	42,081,058	97.63%	14.58%	112.21%	9.58%
1989	274,691,800	282,201,676	33,782,282	102.73%	12.30%	115.03%	7.30%
1990	295,138,556	314,250,955	27,057,826	106.48%	9.17%	115.64%	4.17%
1991	310,955,715	339,288,756	28,069,039	109.11%	9.03%	118.14%	4.03%
1992	412,678,684	420,178,720	35,242,028	101.82%	8.54%	110.36%	3.54%
1993	516,179,574	516,762,529	20,799,646	100.11%	4.03%	104.14%	0.00%
1994	500,050,555	523,590,670	16,634,285	104.71%	3.33%	108.03%	0.00%
1995	437,648,453	478,009,531	18,352,514	109.22%	4.19%	113.42%	0.00%
1996	506,528,132	527,557,825	10,799,822	104.15%	2.13%	106.28%	0.00%
1997	570,118,853	588,517,726	15,292,558	103.23%	2.68%	105.91%	0.00%
1998	767,832,618	721,969,531	16,509,731	94.03%	2.15%	96.18%	0.00%
1999	797,297,294	800,942,914	21,140,434	100.46%	2.65%	103.11%	0.00%
2000	777,616,509	780,718,107	19,842,088	100.40%	2.55%	102.95%	0.00%
2001	916,426,775	912,065,318	18,335,658	99.52%	2.00%	101.52%	0.00%
2002	1,081,908,147	1,057,383,184	31,096,918	97.73%	2.87%	100.61%	0.00%
2003	1,378,761,284	1,277,260,852	40,870,014	92.64%	2.96%	95.60%	0.00%
2004	1,245,064,507	1,160,629,522	41,479,307	93.22%	3.33%	96.55%	0.00%
2005	1,314,640,687	1,185,673,231	49,224,084	90.19%	3.74%	93.93%	0.00%
2006	1,414,464,012	1,285,482,674	47,719,447	90.88%	3.37%	94.25%	0.00%
2007	1,386,125,877	1,238,989,603	51,647,343	89.39%	3.73%	93.11%	0.00%
2008	1,057,997,834	999,195,207	55,226,701	94.44%	5.22%	99.66%	0.22%
2009	907,828,755	838,318,603	35,639,008	92.34%	3.93%	96.27%	0.00%
2010	934,901,900	786,809,740	40,018,351	84.16%	4.28%	88.44%	0.00%
5 Years Total (2006-2010)	5,701,318,378	5,148,795,827	230,250,850	90.31%	4.04%	94.35%	0.04%
10 Years Total (2001-2010)	11,638,119,777	10,741,807,934	411,256,831	92.30%	3.53%	95.83%	0.02%
26 Years Total (1985-2010)	19,410,234,714	18,414,278,868	880,746,545	94.87%	4.54%	99.41%	2.09%

Notes:

- (1) Sum of Column (8) in Attachment2 - Exhibits 4, 6, 8, and 10.
- (2) Column (14) in Attachment2 - Exhibit 2.
- (3) Column (16) in Attachment2 - Exhibit 2.

Attachment 2 - Exhibit 2

Texas Land Title Association

Review Of Title Experience

Agencies And Underwriters

Adjustment Of Expenses To Include In Ratemaking Formula To Reflect Industry Transfer Payments

<i>Calendar Year</i>	<i>Retained Premium</i>	<i>Gross Title Income</i>	<i>Unearned Premium</i>	<i>All Other Expenses</i>	<i>Transfers To Title Agents Included In in (3)</i>	<i>Transfers To Title Agents Included In in (5)</i>	<i>Consolidated Title Income</i>	<i>Consolidated Other Expenses</i>	
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>	
				<i>Agents</i>					
1985	\$ 358,091,725	\$ 408,609,386	\$ -	\$ 385,307,986	\$ 20,430,469	\$ 19,265,399	\$ 388,178,917	\$ 366,042,587	
1986	285,591,457	335,720,831	-	337,409,244	16,786,042	16,870,462	318,934,789	320,538,782	
1987	228,126,497	270,132,812	-	286,434,914	13,506,641	14,321,746	256,626,171	272,113,168	
1988	208,062,961	251,342,763	-	253,094,282	12,567,138	12,654,714	238,775,625	240,439,568	
1989	246,532,340	271,083,241	-	272,407,522	16,837,937	16,408,099	254,245,304	255,999,423	
1990	271,787,820	299,573,174	-	300,180,321	13,836,353	13,811,628	285,736,821	286,368,693	
1991	304,024,936	334,066,526	-	325,439,722	15,251,128	14,572,304	318,815,398	310,867,418	
1992	411,022,362	444,327,685	-	405,887,929	21,426,329	20,840,366	422,901,356	385,047,563	
1993	509,362,726	546,743,618	-	491,135,744	23,811,643	21,890,784	522,931,975	469,244,960	
1994	482,063,529	521,193,416	-	503,356,690	28,568,034	26,455,895	492,625,382	476,900,795	
1995	427,985,709	472,083,457	-	468,874,524	36,897,334	35,476,138	435,186,123	433,398,386	
1996	497,663,628	553,424,593	-	519,295,506	30,011,549	29,133,614	523,413,044	490,161,892	
1997	567,022,842	634,731,139	-	581,016,636	38,984,780	36,808,877	595,746,359	544,207,759	
1998	760,992,007	842,456,609	-	712,649,689	54,171,322	46,333,146	788,285,287	666,316,543	
1999	757,695,271	842,703,874	-	755,978,275	55,636,602	47,117,027	787,067,272	708,861,248	
2000	751,377,428	839,111,843	-	749,742,709	54,239,796	41,661,590	784,872,047	708,081,119	
2001	909,860,962	1,010,807,560	-	875,787,041	69,995,923	51,871,979	940,811,637	823,915,062	
2002	1,071,659,331	1,178,095,661	-	1,023,188,972	70,113,356	59,879,204	1,107,982,305	963,309,768	
2003	1,282,251,836	1,413,212,476	-	1,214,801,158	85,398,711	73,797,888	1,327,813,765	1,141,003,271	
2004	1,073,061,569	1,264,224,883	-	1,129,739,639	72,554,928	53,399,464	1,191,669,955	1,076,340,175	
2005	1,100,880,343	1,326,432,907	-	1,186,739,356	72,599,932	59,952,407	1,253,832,975	1,126,786,949	
2006	1,210,662,139	1,468,049,476	-	1,299,136,840	97,237,994	56,610,607	1,370,811,482	1,242,526,233	
2007	1,142,237,368	1,406,725,791	-	1,243,219,737	113,355,748	52,203,952	1,293,370,044	1,191,015,785	
2008	868,995,155	1,073,455,523	-	1,028,747,816	38,219,719	38,179,629	1,035,235,804	990,568,187	
2009	754,973,836	925,922,395	-	856,110,546	32,520,009	31,707,063	893,402,386	824,403,483	
2010	773,641,071	956,231,947	-	834,014,422	29,945,764	29,541,503	926,286,183	804,472,919	

Attachment 2 - Exhibit 2

Texas Land Title Association

Review Of Title Experience

Agencies And Underwriters

Adjustment Of Expenses To Include In Ratemaking Formula To Reflect Industry Transfer Payments

<i>Calendar Year</i>	<i>Retained Premium</i>	<i>Gross Title Income</i>	<i>Unearned Premium</i>	<i>All Other Expenses</i>	<i>Transfers To Title Agents Included In in (3)</i>	<i>Transfers To Title Agents Included In in (5)</i>	<i>Consolidated Title Income</i>	<i>Consolidated Other Expenses</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>
					<i>Underwriters</i>			
1985	\$ 102,653,803	\$ 104,790,710	\$ 10,111,085	\$ 75,698,744	\$ -	\$ 1,165,070	\$ 104,790,710	\$ 74,533,674
1986	90,543,616	92,787,311	8,051,621	70,453,049	-	(84,421)	92,787,311	70,537,470
1987	71,506,309	73,281,968	5,016,806	62,366,492	-	(815,105)	73,281,968	63,181,597
1988	79,568,598	86,075,556	2,897,197	74,382,949	-	(87,576)	86,075,556	74,470,525
1989	50,216,641	51,342,689	3,143,224	31,800,946	-	429,837	51,342,689	31,371,109
1990	63,909,390	64,456,445	4,081,230	37,219,487	-	24,725	64,456,445	37,194,762
1991	74,453,859	75,572,847	4,603,631	38,565,103	-	678,824	75,572,847	37,886,279
1992	92,939,941	94,071,241	6,241,146	40,162,189	-	585,963	94,071,241	39,576,226
1993	115,809,057	118,284,554	13,162,021	49,201,082	-	1,920,859	118,284,554	47,280,223
1994	126,058,376	128,964,860	8,339,454	51,874,050	-	2,112,139	128,964,860	49,761,911
1995	102,939,252	105,018,905	4,437,785	49,872,143	-	1,421,196	105,018,905	48,450,947
1996	117,227,284	120,298,810	7,107,228	55,561,010	-	877,935	120,298,810	54,683,075
1997	124,052,265	126,132,718	8,825,522	63,499,538	-	2,175,903	126,132,718	61,323,635
1998	157,204,201	161,352,746	3,574,018	84,517,189	-	7,838,176	161,352,746	76,679,013
1999	181,581,877	186,043,147	8,927,714	120,202,343	-	8,519,575	186,043,147	111,682,768
2000	163,914,407	167,569,170	4,193,778	112,538,576	-	12,578,206	167,569,170	99,960,370
2001	167,419,757	171,526,134	7,045,092	128,680,429	-	18,123,944	171,526,134	110,556,485
2002	187,197,154	191,174,671	8,878,506	128,995,440	-	10,234,152	191,174,671	118,761,288
2003	240,889,576	243,937,898	20,833,908	167,122,696	-	11,600,823	243,937,898	155,521,873
2004	258,223,493	262,158,664	24,143,714	183,913,564	-	19,155,464	262,158,664	164,758,100
2005	257,173,280	265,114,130	18,484,082	191,330,809	-	12,647,525	265,114,130	178,683,284
2006	250,336,225	255,465,981	11,502,725	216,203,275	-	40,627,387	255,465,981	175,575,888
2007	247,102,879	258,627,773	12,551,994	240,159,297	-	61,151,796	258,627,773	179,007,501
2008	188,949,375	196,583,181	(4,283,461)	177,873,497	-	40,090	196,583,181	177,833,407
2009	152,796,218	168,110,602	(18,186,359)	177,974,934	-	812,946	168,110,602	177,161,988
2010	161,134,619	175,230,880	(11,471,165)	136,606,252	-	404,261	175,230,880	136,201,991

Attachment 2 - Exhibit 2

Texas Land Title Association

Review Of Title Experience

Agencies And Underwriters

Adjustment Of Expenses To Include In Ratemaking Formula To Reflect Industry Transfer Payments

<i>Calendar Year</i>	<i>Industry Retained Premium</i>	<i>Industry Consol. Income</i>	<i>Industry Unearned Premium</i>	<i>Industry Consol. All Other Expenses</i>	<i>Consolidated Ratemaking Expense</i>	<i>Total Expense (Ratemaking) Unadjusted for Transfers</i>	<i>Reinsurance Loss and LAE</i>
<i>(1)</i>	<i>(10)</i>	<i>(11)</i>	<i>(12)</i>	<i>(13)</i>	<i>(14)</i>	<i>(15)</i>	<i>(16)</i>
1985	\$ 460,745,528	\$ 492,969,627	\$ 10,111,085	\$ 440,576,261	\$ 421,888,060	\$ 422,324,884	\$ 24,143,775
1986	376,135,073	411,722,100	8,051,621	391,076,251	365,325,360	363,919,429	87,722,211
1987	299,632,806	329,908,139	5,016,806	335,294,765	309,541,913	307,720,155	52,020,418
1988	287,631,559	324,851,181	2,897,197	314,910,093	281,726,662	281,167,755	42,081,058
1989	296,748,981	305,587,993	3,143,224	287,370,531	282,201,676	282,116,423	33,782,282
1990	335,697,210	350,193,266	4,081,230	323,563,455	314,250,955	313,359,537	27,057,826
1991	378,478,795	394,388,245	4,603,631	348,753,697	339,288,756	338,692,594	28,069,039
1992	503,962,303	516,972,597	6,241,146	424,623,789	420,178,720	421,360,007	35,242,028
1993	625,171,783	641,216,529	13,162,021	516,525,183	516,762,529	518,349,000	20,799,646
1994	608,121,905	621,590,242	8,339,454	526,662,706	523,590,670	524,613,974	16,634,285
1995	530,924,961	540,205,028	4,437,785	481,849,333	478,009,531	478,337,946	18,352,514
1996	614,890,912	643,711,854	7,107,228	544,844,967	527,557,825	528,269,513	10,799,822
1997	691,075,107	721,879,077	8,825,522	605,531,394	588,517,726	590,321,950	15,292,558
1998	918,196,208	949,638,033	3,574,018	742,995,556	721,969,531	729,542,442	16,509,731
1999	939,277,148	973,110,419	8,927,714	820,544,016	800,942,914	805,848,084	21,140,434
2000	915,291,835	952,441,217	4,193,778	808,041,488	780,718,107	785,686,841	19,842,088
2001	1,077,280,719	1,112,337,771	7,045,092	934,471,547	912,065,318	920,870,964	18,335,658
2002	1,258,856,485	1,299,156,976	8,878,506	1,082,071,056	1,057,383,184	1,065,704,122	31,096,918
2003	1,523,141,413	1,571,751,663	20,833,908	1,296,525,144	1,277,260,852	1,288,013,049	40,870,014
2004	1,331,285,062	1,453,828,619	24,143,714	1,241,098,275	1,160,629,522	1,163,991,923	41,479,307
2005	1,358,053,623	1,518,947,104	18,484,082	1,305,470,232	1,185,673,231	1,189,006,358	49,224,084
2006	1,460,998,364	1,626,277,463	11,502,725	1,418,102,121	1,285,482,674	1,293,689,147	47,719,447
2007	1,389,340,247	1,551,997,817	12,551,994	1,370,023,286	1,238,989,603	1,251,114,531	51,647,343
2008	1,057,944,530	1,231,818,985	(4,283,461)	1,168,401,594	999,195,207	999,608,421	55,226,701
2009	907,770,054	1,061,512,988	(18,186,359)	1,001,565,471	838,318,603	842,179,112	35,639,008
2010	934,775,690	1,101,517,063	(11,471,165)	940,674,910	786,809,740	790,290,420	40,018,351

Notes:

(2)-(5) Agents: Sum of Attachment 2, Exhibits 3, 5, and 7.

Underwriters: Attachment 2, Exhibit 9.

(6) Provided by TDI, 2006-2010: Experience Report, prior years: prior report. (From WS_Transfers tab)

For 1985 through 1988 for Agents, we have used 5% of Gross Title Income (Col 3), based on results from 1989 through 1993. Actual results not available.

(7) Agents: Provided by TDI, 2006-2010: Experience Report, prior years: prior report. (From WS_Transfers tab)

For 1985 through 1988 for Agents, we have used 5% of All Other Expenses (Col 5), based on results from 1989 through 1993. Actual results not available.

Underwriters: Agents (6) - (7).

(8) = (3) - (6).

(12) = Sum (4).

(9) = (5) - (7).

(13) = Sum (9).

(10) = Sum (2).

(14) = [(12) + [(13) x (10)] / (11)].

(11) = Sum (8).

(15), (16) Sum of Attachment 2, Exhibits 3, 5, 7, and 9.

Attachment 2 - Exhibit 3

Texas Land Title Association

Review Of Title Experience Independent Agencies

Summary Of Reported Experience

<i>Calendar Year</i>	<i>Gross Premium</i>	<i>Retained Premium</i>	<i>Gross Title Income</i>	<i>Reinsurance Loss & LAE</i>	<i>Additional Unearned Premium</i>	<i>All Other Expenses</i>	<i>Expense Included In Rate</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1985	\$349,145,163	\$292,729,706	\$337,307,412	\$ 1,871,767	\$ -	\$ 310,138,403	\$ 269,151,285
1986	274,606,974	229,771,017	270,950,571	1,776,297	-	265,747,692	225,358,881
1987	213,100,268	178,410,512	210,885,351	1,876,754	-	216,993,555	183,578,096
1988	207,123,468	173,171,485	209,177,883	1,313,500	-	204,560,525	169,348,926
1989	201,427,631	168,435,697	186,654,572	1,734,408	-	184,459,620	166,454,989
1990	230,331,167	186,838,988	206,431,354	1,272,235	-	202,688,132	183,451,035
1991	260,772,191	211,177,446	234,622,787	1,583,836	-	226,033,387	203,446,366
1992	338,714,121	274,330,157	300,650,097	1,458,290	-	274,257,919	250,248,441
1993	444,723,530	360,232,867	391,290,773	1,606,428	-	361,988,895	333,256,766
1994	432,162,612	349,848,760	380,613,708	1,682,980	-	366,405,358	336,788,869
1995	378,209,724	306,336,587	338,845,247	1,359,813	-	338,279,977	305,825,549
1996	441,606,606	357,672,113	396,797,573	718,508	-	378,883,667	341,524,573
1997	296,674,911	243,881,886	273,120,124	580,066	-	251,345,220	224,438,044
1998	392,647,402	322,946,708	358,318,287	700,368	-	320,367,494	288,742,248
1999	351,466,893	289,066,383	323,958,093	715,412	-	299,114,121	266,898,216
2000	337,906,266	282,873,481	314,440,255	338,883	-	289,026,946	260,011,424
2001	390,725,222	331,997,566	368,468,531	523,764	-	324,762,427	292,617,486
2002	457,816,465	389,112,062	431,003,072	562,198	-	386,706,285	349,120,667
2003	539,096,884	458,178,498	505,622,998	1,045,683	-	454,393,953	411,756,467
2004	481,472,349	409,197,602	481,059,990	1,212,283	-	437,709,992	372,323,375
2005	477,885,779	406,149,603	501,582,380	975,266	-	451,543,620	365,631,389
2006	534,030,954	453,917,205	570,536,224	1,678,141	-	519,776,930	413,533,237
2007	521,182,350	442,974,914	551,371,331	2,148,774	-	518,144,656	416,280,412
2008	411,919,896	350,028,050	436,168,290	1,031,184	-	436,546,829	350,331,830
2009	388,287,699	329,987,211	411,571,142	1,113,928	-	384,981,201	308,668,077
2010	400,148,225	340,092,889	418,653,386	1,219,600	-	384,612,139	312,439,497

Notes:

(2), (3) Provided by TDI, 2006-2010: Experience Report, prior years: prior experience reports.

(4) Provided by TDI, 2006-2010: Experience Report, prior years: prior experience reports.
Excludes the revenue items "Tax Certificate" and "Recording Fee."

(5), (6) Provided by TDI, 2006-2010: Experience Report, prior years: prior experience reports.

(7) From Attachment 2, Exhibit 11, Column (10). Expense amounts are as reported by the agencies excluding "Tax Certificates Paid Tax Authorities", "Recording Fees Paid County Clerk", "Damages for Bad Faith Suits", "Fines or Penalties", "Donations/Lobbying", "Trade Association Fees"; and Loss & LAE.

(8) = [(7) x (3) / (4)] + (6).

Attachment 2 - Exhibit 4
Texas Land Title Association

Review Of Title Experience
Independent Agencies

Calculation Of On-Level Premium

<i>Calendar</i> <i>Year</i>	<i>Premium</i>		<i>Retention</i> <i>Ratio</i>	<i>Current</i> <i>Retention</i> <i>Ratio</i>	<i>Present</i> <i>Rate</i> <i>Level</i> <i>Factor</i>	<i>On-Level Premium</i>	
	<i>Gross</i>	<i>Retained</i>				<i>Gross</i>	<i>Retained</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1985	\$ 349,145,163	\$ 292,729,706	0.838	0.850	1.241	\$ 433,289,147	\$ 368,295,775
1986	274,606,974	229,771,017	0.837	0.850	1.241	340,787,255	289,669,167
1987	213,100,268	178,410,512	0.837	0.850	1.241	264,457,433	224,788,818
1988	207,123,468	173,171,485	0.836	0.850	1.132	234,525,752	199,346,889
1989	201,427,631	168,435,697	0.836	0.850	0.927	186,685,355	158,682,552
1990	230,331,167	186,838,988	0.811	0.850	0.881	203,012,058	172,560,250
1991	260,772,191	211,177,446	0.810	0.850	0.822	214,316,748	182,169,236
1992	338,714,121	274,330,157	0.810	0.850	0.818	277,089,139	235,525,768
1993	444,723,530	360,232,867	0.810	0.850	0.825	366,956,051	311,912,643
1994	432,162,612	349,848,760	0.810	0.850	0.825	356,591,623	303,102,880
1995	378,209,724	306,336,587	0.810	0.850	0.825	312,073,316	265,262,319
1996	441,606,606	357,672,113	0.810	0.850	0.825	364,384,174	309,726,548
1997	296,674,911	243,881,886	0.822	0.850	0.825	244,796,253	208,076,815
1998	392,647,402	322,946,708	0.822	0.850	0.836	328,131,600	278,911,860
1999	351,466,893	289,066,383	0.822	0.850	0.851	298,951,620	254,108,877
2000	337,906,266	282,873,481	0.837	0.850	0.851	287,417,187	244,304,609
2001	390,725,222	331,997,566	0.850	0.850	0.851	332,344,072	282,492,461
2002	457,816,465	389,112,062	0.850	0.850	0.859	393,455,840	334,437,464
2003	539,096,884	458,178,498	0.850	0.850	0.905	487,979,018	414,782,165
2004	481,472,349	409,197,602	0.850	0.850	0.935	450,269,167	382,728,792
2005	477,885,779	406,149,603	0.850	0.850	0.968	462,602,381	393,212,023
2006	534,030,954	453,917,205	0.850	0.850	0.968	516,951,961	439,409,167
2007	521,182,350	442,974,914	0.850	0.850	0.998	519,925,479	441,936,657
2008	411,919,896	350,028,050	0.850	0.850	1.000	411,919,896	350,131,911
2009	388,287,699	329,987,211	0.850	0.850	1.000	388,287,699	330,044,544
2010	400,148,225	340,092,889	0.850	0.850	1.000	400,148,225	340,125,991

Notes:

- (2), (3) Attachment 2, Exhibit 3, Columns (2) and (3).
- (4) = (3) / (2).
- (5) Based on division of premium between underwriter and title agents as provided in Texas Title Manual, Section IV, Procedural Rule P-23.
- (6) Attachment 2, Exhibit 15, Column (6).
- (7) = (2) x (6).
- (8) = (5) x (7).

Attachment 2 - Exhibit 5

Texas Land Title Association

Review Of Title Experience Affiliated Agencies

Summary Of Reported Experience

<i>Calendar Year</i>	<i>Gross Premium</i>	<i>Retained Premium</i>	<i>Gross Title Income</i>	<i>Reinsurance Loss & LAE</i>	<i>Additional Unearned Premium</i>	<i>All Other Expenses</i>	<i>Expense Included In Rate</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1985	\$ 78,530,652	\$ 65,362,019	\$ 71,301,974	\$ -	\$ -	\$ 75,169,583	\$ 68,907,429
1986	63,971,352	55,820,440	64,770,260	-	-	71,661,552	61,759,508
1987	53,515,941	49,715,985	59,247,461	-	-	69,441,359	58,269,933
1988	40,495,091	34,891,476	42,164,880	-	-	48,533,757	40,161,727
1989	58,806,412	49,331,549	54,384,834	3,341,453	-	55,404,916	50,256,848
1990	67,513,660	54,905,770	60,487,083	1,402,810	-	62,731,215	56,942,830
1991	77,616,170	62,943,895	68,485,921	2,889,523	-	71,960,356	66,137,171
1992	118,456,197	95,943,249	101,653,108	7,156,739	-	94,645,326	89,329,094
1993	117,102,170	94,853,676	100,489,918	1,071,912	-	86,582,180	81,725,990
1994	97,086,924	78,639,090	84,887,755	904,605	-	83,303,496	77,171,450
1995	87,770,451	71,085,622	79,037,323	2,377,995	-	78,822,500	70,892,412
1996	97,314,156	78,818,986	88,337,767	192,056	-	80,110,955	71,478,649
1997	241,885,906	198,958,048	222,363,010	434,718	-	205,095,400	183,507,951
1998	344,150,319	283,139,121	313,715,007	814,221	-	262,370,755	236,799,080
1999	443,280,354	364,601,434	403,848,216	1,625,287	-	364,804,040	329,351,649
2000	437,530,282	366,603,301	410,480,481	1,456,599	-	364,239,341	325,304,980
2001	516,227,274	438,779,837	489,214,184	1,457,220	-	428,987,485	384,762,064
2002	603,484,554	512,949,714	564,335,731	795,265	-	486,043,310	441,786,268
2003	719,722,680	611,709,377	679,437,011	889,635	-	570,774,305	513,878,386
2004	562,512,038	478,131,557	571,677,744	1,558,946	-	510,876,971	427,279,887
2005	603,980,782	513,378,148	607,798,551	5,279,787	-	549,623,074	464,240,125
2006	663,665,297	563,928,078	677,282,230	2,097,216	-	595,857,827	496,131,368
2007	623,346,881	529,738,475	646,348,096	8,765,563	-	555,818,783	455,541,830
2008	459,207,051	390,393,890	475,047,679	15,080,860	-	453,113,114	372,368,078
2009	432,572,669	367,685,402	437,466,168	933,115	-	407,650,726	342,625,858
2010	435,674,072	370,229,854	446,667,891	968,652	-	382,992,985	317,451,601

Notes:

- (2), (3) Provided by TDI, 2006-2010: Experience Report, prior years: prior report.
- (4) Provided by TDI, 2006-2010: Experience Report, prior years: prior report.
Excludes the revenue items "Tax Certificate" and "Recording Fee."
- (5), (6) Provided by TDI, 2006-2010: Experience Report, prior years: prior report.
- (7) From Attachment 2, Exhibit 12, Column (10). Expense amounts are as reported by the agencies excluding "Tax Certificates Paid Tax Authorities", "Recording Fees Paid County Clerk", "Damages for Bad Faith Suits", "Fines or Penalties", "Donations/Lobbying" and "Trade Association Fees"; Loss & LAE excluded.
- (8) = [(7) x (3) / (4)] + (6).

Attachment 2 - Exhibit 6

Texas Land Title Association

*Review Of Title Experience
Affiliated Agencies*

Calculation Of On-Level Premium

<i>Calendar Year</i>	<i>Premium</i>		<i>Retention Ratio</i>	<i>Current Retention Ratio</i>	<i>Present Rate Level Factor</i>	<i>On-Level Premium</i>	
	<i>Gross</i>	<i>Retained</i>				<i>Gross</i>	<i>Retained</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>
1985	\$ 78,530,652	\$ 65,362,019	0.832	0.850	1.241	\$ 97,456,539	\$ 82,838,058
1986	63,971,352	55,820,440	0.873	0.850	1.241	79,388,448	67,480,181
1987	53,515,941	49,715,985	0.929	0.850	1.241	66,413,283	56,451,290
1988	40,495,091	34,891,476	0.862	0.850	1.132	45,852,562	38,974,678
1989	58,806,412	49,331,549	0.839	0.850	0.927	54,502,433	46,327,068
1990	67,513,660	54,905,770	0.813	0.850	0.881	59,506,003	50,580,102
1991	77,616,170	62,943,895	0.811	0.850	0.822	63,789,183	54,220,806
1992	118,456,197	95,943,249	0.810	0.850	0.818	96,904,509	82,368,833
1993	117,102,170	94,853,676	0.810	0.850	0.825	96,624,862	82,131,133
1994	97,086,924	78,639,090	0.810	0.850	0.825	80,109,623	68,093,179
1995	87,770,451	71,085,622	0.810	0.850	0.825	72,422,294	61,558,950
1996	97,314,156	78,818,986	0.810	0.850	0.825	80,297,119	68,252,552
1997	241,885,906	198,958,048	0.823	0.850	0.825	199,588,038	169,649,832
1998	344,150,319	283,139,121	0.823	0.850	0.836	287,603,061	244,462,602
1999	443,280,354	364,601,434	0.823	0.850	0.851	377,046,552	320,489,569
2000	437,530,282	366,603,301	0.838	0.850	0.851	372,155,641	316,332,295
2001	516,227,274	438,779,837	0.850	0.850	0.851	439,093,932	373,229,842
2002	603,484,554	512,949,714	0.850	0.850	0.859	518,645,659	440,848,810
2003	719,722,680	611,709,377	0.850	0.850	0.905	651,477,641	553,755,995
2004	562,512,038	478,131,557	0.850	0.850	0.935	526,056,849	447,148,322
2005	603,980,782	513,378,148	0.850	0.850	0.968	584,664,704	496,964,998
2006	663,665,297	563,928,078	0.850	0.850	0.968	642,440,432	546,074,367
2007	623,346,881	529,738,475	0.850	0.850	0.998	621,843,633	528,567,088
2008	459,207,051	390,393,890	0.850	0.850	1.000	459,207,051	390,325,993
2009	432,572,669	367,685,402	0.850	0.850	1.000	432,572,669	367,686,769
2010	435,674,072	370,229,854	0.850	0.850	1.000	435,674,072	370,322,961

Notes:

(2), (3) Attachment 2, Exhibit 5, Columns (2) and (3).

(4) = (3) / (2).

(5) Based on division of premium between underwriter and title agents as provided in Texas Title Manual, Section IV, Procedural Rule P-23.

(6) Attachment 2, Exhibit 15, Column (6).

(7) = (2) x (6).

(8) = (5) x (7).

Attachment 2 - Exhibit 7

Texas Land Title Association

*Review Of Title Experience
Direct Operations*

Summary Of Reported Experience

Calendar Year	Gross Premium	Retained Premium	Gross Title Income	Reinsurance Loss & LAE	Additional Unearned Premium	All Other Expenses	Expense Included In Rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1985							
1986							
1987							
1988							
1989	\$ 34,519,315	\$ 28,765,094	\$ 30,043,835	\$ 375,780	\$ -	\$ 32,542,986	\$ 31,157,875
1990	37,235,223	30,043,062	32,654,737	158,121	-	34,760,974	31,980,845
1991	36,923,403	29,903,595	30,957,818	523,435	-	27,445,979	26,511,347
1992	50,314,160	40,748,956	42,024,480	260,485	-	36,984,684	35,862,128
1993	67,007,634	54,276,183	54,962,927	716,570	-	42,564,669	42,032,837
1994	66,002,732	53,575,679	55,691,953	404,411	-	53,647,836	51,609,238
1995	62,040,876	50,563,500	54,200,887	121,922	-	51,772,047	48,297,658
1996	75,199,530	61,172,529	68,289,253	5,000	-	60,300,884	54,016,663
1997	151,023,413	124,182,908	139,248,005	113,400	-	124,576,016	111,098,266
1998	188,305,714	154,906,178	170,423,315	51,702	-	129,911,440	118,082,932
1999	126,477,145	104,027,454	114,897,565	29,129	-	92,060,114	83,350,586
2000	121,406,680	101,900,646	114,191,107	117,326	-	96,476,422	86,092,604
2001	163,627,719	139,083,560	153,124,845	117,233	-	122,037,128	110,846,533
2002	199,526,535	169,597,555	182,756,858	211,941	-	150,439,378	139,607,077
2003	249,839,955	212,363,961	228,152,467	299,708	-	189,632,900	176,510,008
2004	218,508,717	185,732,410	211,487,149	487,329	-	181,152,676	159,092,045
2005	213,355,989	181,352,592	217,051,976	496,605	-	185,572,662	155,050,804
2006	226,843,360	192,816,856	220,231,022	405,163	-	183,502,083	160,659,903
2007	199,439,976	169,523,979	209,006,364	500,493	-	169,256,298	137,282,906
2008	151,283,005	128,573,215	162,239,554	348,889	-	139,087,873	110,225,741
2009	67,413,205	57,301,223	76,885,085	50,652	-	63,478,619	47,309,599
2010	74,492,151	63,318,328	90,910,670	19,009	-	66,409,298	46,253,379

Notes:

- (2), (3) Provided by TDI, 2006-2010: Experience Report, prior years: prior report.
- (4) Provided by TDI, 2006-2010: Experience Report, prior years: prior report.
Excludes the revenue items "Tax Certificate" and "Recording Fee."
- (5), (6) Provided by TDI, 2006-2010: Experience Report, prior years: prior report.
- (7) From Attachment 2, Exhibit 13, Column (10). Expense amounts are as reported by the agencies excluding "Tax Certificates Paid Tax Authorities", "Recording Fees Paid County Clerk", "Damages for Bad Faith Suits", "Fines or Penalties", "Donations/Lobbying" and "Trade Association Fees"; Loss & LAE excluded.
- (8) = [(7) x (3) / (4)] + (6).

Attachment 2 - Exhibit 8

Texas Land Title Association

Review Of Title Experience Direct Operations

Calculation Of On-Level Premium

Calendar Year	Premium		Retention Ratio	Current Retention Ratio	Present Rate Level Factor	On-Level Premium	
	Gross	Retained				Gross	Retained
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1985							
1986							
1987							
1988							
1989	\$ 34,519,315	\$ 28,765,094	0.833	0.850	0.927	\$ 31,992,883	\$ 27,193,950
1990	37,235,223	30,043,062	0.807	0.850	0.881	32,818,829	27,896,005
1991	36,923,403	29,903,595	0.810	0.850	0.822	30,345,658	25,793,809
1992	50,314,160	40,748,956	0.810	0.850	0.818	41,160,101	34,986,085
1993	67,007,634	54,276,183	0.810	0.850	0.825	55,290,209	46,996,677
1994	66,002,732	53,575,679	0.812	0.850	0.825	54,461,031	46,291,876
1995	62,040,876	50,563,500	0.815	0.850	0.825	51,191,973	43,513,177
1996	75,199,530	61,172,529	0.813	0.850	0.825	62,049,612	52,742,170
1997	151,023,413	124,182,908	0.822	0.850	0.825	124,614,399	105,922,239
1998	188,305,714	154,906,178	0.823	0.850	0.836	157,365,247	133,760,460
1999	126,477,145	104,027,454	0.823	0.850	0.851	107,579,258	91,442,369
2000	121,406,680	101,900,646	0.839	0.850	0.851	103,266,408	87,776,447
2001	163,627,719	139,083,560	0.850	0.850	0.851	139,178,889	118,302,055
2002	199,526,535	169,597,555	0.850	0.850	0.859	171,476,752	145,755,239
2003	249,839,955	212,363,961	0.850	0.850	0.905	226,149,806	192,227,335
2004	218,508,717	185,732,410	0.850	0.850	0.935	204,347,640	173,695,494
2005	213,355,989	181,352,592	0.850	0.850	0.968	206,532,591	175,552,703
2006	226,843,360	192,816,856	0.850	0.850	0.968	219,588,619	186,650,326
2007	199,439,976	169,523,979	0.850	0.850	0.998	198,959,011	169,115,160
2008	151,283,005	128,573,215	0.850	0.850	1.000	151,283,005	128,590,554
2009	67,413,205	57,301,223	0.850	0.850	1.000	67,413,205	57,301,224
2010	74,492,151	63,318,328	0.850	0.850	1.000	74,492,151	63,318,328

Notes:

(2), (3) Attachment 2, Exhibit 7, Columns (2) and (3).

(4) = (3) / (2).

(5) Based on division of premium between underwriter and title agents as provided in Texas Title Manual, Section IV, Procedural Rule P-23.

(6) Attachment 2, Exhibit 15, Column (6).

(7) = (2) x (6).

(8) = (5) x (7).

Attachment 2 - Exhibit 9

Texas Land Title Association

Review Of Title Experience Underwriters

Summary Of Reported Experience

<i>Calendar Year</i>	<i>Gross Premium</i>	<i>Retained Premium</i>	<i>Gross Title Income</i>	<i>Reinsurance Loss & LAE</i>	<i>Additional Unearned Premium</i>	<i>All Other Expenses</i>	<i>Expense Included In Rate</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1985	\$ 483,799,390	\$ 102,653,803	\$ 104,790,710	\$ 22,272,008	\$ 10,111,085	\$ 75,698,744	\$ 84,266,169
1986	411,506,535	90,543,616	92,787,311	85,945,914	8,051,621	70,453,049	76,801,041
1987	341,912,841	71,506,309	73,281,968	50,143,664	5,016,806	62,366,492	65,872,126
1988	299,995,475	79,568,598	86,075,556	40,767,558	2,897,197	74,382,949	71,657,101
1989	310,803,156	50,216,641	51,342,689	28,330,641	3,143,224	31,800,946	34,246,712
1990	352,125,146	63,909,390	64,456,445	24,224,660	4,081,230	37,219,487	40,984,828
1991	380,896,578	74,453,859	75,572,847	23,072,245	4,603,631	38,565,103	42,597,710
1992	494,233,598	92,939,941	94,071,241	26,366,514	6,241,146	40,162,189	45,920,345
1993	617,376,569	115,809,057	118,284,554	17,404,736	13,162,021	49,201,082	61,333,407
1994	652,705,641	126,058,376	128,964,860	13,642,289	8,339,454	51,874,050	59,044,417
1995	535,650,604	102,939,252	105,018,905	14,492,784	4,437,785	49,872,143	53,322,327
1996	630,557,974	117,227,284	120,298,810	9,884,258	7,107,228	55,561,010	61,249,628
1997	688,988,754	124,052,265	126,132,718	14,164,374	8,825,522	63,499,538	71,277,689
1998	884,853,671	157,204,201	161,352,746	14,943,440	3,574,018	84,517,189	85,918,183
1999	979,769,012	181,581,877	186,043,147	18,770,606	8,927,714	120,202,343	126,247,633
2000	935,342,381	163,914,407	167,569,170	17,929,279	4,193,778	112,538,576	114,277,834
2001	1,044,401,160	167,419,757	171,526,134	16,237,440	7,045,092	128,680,429	132,644,881
2002	1,262,176,918	187,197,154	191,174,671	29,527,514	8,878,506	128,995,440	135,190,110
2003	1,526,183,583	240,889,576	243,937,898	38,634,987	20,833,908	167,122,696	185,868,188
2004	1,492,641,821	258,223,493	262,158,664	38,220,749	24,143,714	183,913,564	205,296,616
2005	1,484,609,993	257,173,280	265,114,130	42,472,425	18,484,082	191,330,809	204,084,041
2006	1,664,529,304	250,336,225	255,465,981	43,538,927	11,502,725	216,203,275	223,364,639
2007	1,620,546,437	247,102,879	258,627,773	40,232,513	12,551,994	240,159,297	242,009,384
2008	1,246,852,968	188,949,375	196,583,181	38,765,768	(4,283,461)	177,873,497	166,682,773
2009	1,016,438,905	152,796,218	168,110,602	33,541,313	(18,186,359)	177,974,934	143,575,579
2010	1,061,962,979	161,134,619	175,230,880	37,811,090	(11,471,165)	136,606,252	114,145,943

Notes:

- (2) Taken from TDI 2006-2010: Texas Title Insurance Underwriting Company Experience: Gross Title Premiums, prior years: prior reports.
- (3) Taken from TDI 2006-2010: Texas Title Insurance Underwriting Company Experience: Title Premiums Remitted to Underwriters, prior years: prior reports.
- (4) Taken from TDI 2006-2010: Texas Title Insurance Underwriting Company Experience: Gross Income; prior years: prior reports.
- (5) Taken from TDI 2006-2010: Texas Title Insurance Underwriting Company Experience: Losses Incurred plus Loss Adjustment Expenses Incurred; prior years: prior reports.
- (6) Taken from TDI 2006-2010: Texas Title Insurance Underwriting Company Experience: Net Addition to Unearned Premium Reserve; prior years: prior reports.
- (7) From Attachment 2, Exhibit 14, Column (10). Taken from TDI 2006-2010: Texas Title Insurance Underwriting Company Experience: Expense amounts are as reported by the agencies excluding Expenses Excluding "Damages for Bad Faith Suits", "Fines or Penalties", "Donations/Lobbying", "Damages for Bad Faith Suits", "Fines or Penalties", "Trade Association Fees", Loss & LAE and Unearned Premium.
- (8) = [(7) x (3) / (4)] + (6).

Attachment 2 - Exhibit 10

Texas Land Title Association

Review Of Title Experience Underwriters

Calculation Of On-Level Premium

<i>Calendar Year</i>	<i>Premium</i>		<i>Retention Ratio</i>	<i>Current Retention Ratio</i>	<i>Present Rate Level Factor</i>	<i>On-Level Premium</i>	
	<i>Gross</i>	<i>Retained</i>				<i>Gross</i>	<i>Retained</i>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1985	\$ 483,799,390	\$ 102,653,803	0.212	0.148	1.241	\$ 600,395,043	\$ 88,618,308
1986	411,506,535	90,543,616	0.220	0.142	1.241	510,679,610	72,567,573
1987	341,912,841	71,506,309	0.209	0.156	1.241	424,313,836	66,108,096
1988	299,995,475	79,568,598	0.265	0.148	1.132	339,684,657	50,239,361
1989	310,803,156	50,216,641	0.162	0.148	0.927	288,055,800	42,488,231
1990	352,125,146	63,909,390	0.181	0.142	0.881	310,360,303	44,102,199
1991	380,896,578	74,453,859	0.195	0.156	0.822	313,041,492	48,771,864
1992	494,233,598	92,939,941	0.188	0.148	0.818	404,313,708	59,797,997
1993	617,376,569	115,809,057	0.188	0.148	0.825	509,417,767	75,139,121
1994	652,705,641	126,058,376	0.193	0.153	0.825	538,568,950	82,562,620
1995	535,650,604	102,939,252	0.192	0.152	0.825	441,982,978	67,314,008
1996	630,557,974	117,227,284	0.186	0.146	0.825	520,294,179	75,806,862
1997	688,988,754	124,052,265	0.180	0.152	0.825	568,507,343	86,469,967
1998	884,853,671	157,204,201	0.178	0.150	0.836	739,463,573	110,697,697
1999	979,769,012	181,581,877	0.185	0.158	0.851	833,374,465	131,256,478
2000	935,342,381	163,914,407	0.175	0.162	0.851	795,585,946	129,203,158
2001	1,044,401,160	167,419,757	0.160	0.160	0.851	888,349,445	142,402,416
2002	1,262,176,918	187,197,154	0.148	0.148	0.859	1,084,737,919	160,866,633
2003	1,526,183,583	240,889,576	0.158	0.158	0.905	1,381,468,874	217,995,788
2004	1,492,641,821	258,223,493	0.173	0.173	0.935	1,395,906,933	241,491,899
2005	1,484,609,993	257,173,280	0.173	0.173	0.968	1,437,130,266	248,910,962
2006	1,664,529,304	250,336,225	0.150	0.150	0.968	1,611,295,528	242,330,152
2007	1,620,546,437	247,102,879	0.152	0.152	0.998	1,616,638,367	246,506,972
2008	1,246,852,968	188,949,375	0.152	0.152	1.000	1,246,852,968	188,949,375
2009	1,016,438,905	152,796,218	0.150	0.150	1.000	1,016,438,905	152,796,218
2010	1,061,962,979	161,134,619	0.152	0.152	1.000	1,061,962,979	161,134,619

Notes:

(2), (3) Attachment 2, Exhibit 9, Columns (2) and (3).

(4) = (3) / (2).

(5) Based on division of premium between underwriter and title agents as provided in Texas Title Manual, Section IV, Procedural Rule P-23.

Note this ratio varies by year due to home office issues.

(6) Attachment 2, Exhibit 15, Column (6).

(7) = (2) x (6).

(8) = (5) x (7).

Attachment 2 - Exhibit 11

Texas Land Title Association

*Review Of Reported Expenses
Independent Agency Experience*

<i>Calendar Year</i>	<i>Gross Income</i>	<i>Salaries</i>	<i>Benefits</i>	<i>Payment to Non Employees</i>	<i>Advertising</i>	<i>Travel and Education</i>	<i>Other</i>	<i>Rent Utilities, Supplies, Interest, Adm.</i>	<i>Total Expenses</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>	<i>(10)</i>
Dollar Amounts									
1985	\$ 337,307,412	\$125,119,114	\$ -	\$ 53,749,281			\$ 37,811,075	\$ 93,458,933	\$ 310,138,403
1986	270,950,571	110,207,738	-	43,000,224			34,232,365	78,307,365	265,747,692
1987	210,885,351	93,179,192		30,428,311			26,686,155	66,699,897	216,993,555
1988	209,177,883	83,995,464		31,928,510			28,039,382	60,597,169	204,560,525
1989	186,654,572	77,753,845	9,973,174	29,821,048	1,400,659	2,153,836	7,777,712	55,579,346	184,459,620
1990	206,431,354	90,154,883	12,663,798	31,690,460	1,948,123	2,953,412	5,382,244	57,895,212	202,688,132
1991	234,622,787	102,105,021	13,968,177	35,789,444	1,771,974	3,525,144	6,099,782	62,773,845	226,033,387
1992	300,650,097	126,321,396	18,167,023	44,839,179	2,279,918	4,317,205	7,165,986	71,167,212	274,257,919
1993	391,290,773	169,674,604	25,627,551	61,302,699	2,996,512	5,941,084	8,555,842	87,890,603	361,988,895
1994	380,613,708	167,793,057	25,529,803	63,834,961	3,472,093	6,605,788	7,616,767	91,552,889	366,405,358
1995	338,845,247	150,885,055	21,769,702	56,050,435	3,860,327	5,633,341	10,550,701	89,530,416	338,279,977
1996	396,797,573	167,309,588	23,359,235	70,289,498	3,338,439	6,021,727	13,897,656	94,667,524	378,883,667
1997	273,120,124	113,843,342	15,414,586	43,570,489	3,680,571	2,561,609	8,734,888	63,539,735	251,345,220
1998	358,318,287	146,895,876	19,876,697	54,700,049	4,567,455	3,476,081	11,175,286	79,676,050	320,367,494
1999	323,958,093	139,740,241	20,918,926	45,428,270	5,632,691	2,862,747	10,700,852	73,830,395	299,114,121
2000	314,440,255	132,505,738	20,989,435	43,225,376	5,649,468	2,673,352	9,676,856	74,306,721	289,026,946
2001	368,468,531	152,480,889	22,297,540	49,666,630	6,190,464	2,721,218	9,468,191	81,937,496	324,762,427
2002	431,003,072	181,986,122	26,723,516	60,661,642	7,400,418	3,218,630	13,116,346	93,599,610	386,706,285
2003	505,622,998	212,212,509	32,596,207	73,099,013	8,898,295	4,062,843	16,246,719	107,278,366	454,393,953
2004	481,059,990	204,275,267	32,934,923	65,479,022	6,998,039	4,033,048	19,318,106	104,671,587	437,709,992
2005	501,582,380	211,327,149	32,276,858	64,266,295	6,687,866	4,136,291	19,683,105	113,166,056	451,543,620
2006	570,536,224	245,110,460	37,045,601	67,016,295	8,200,091	4,757,373	27,154,118	130,492,992	519,776,930
2007	551,371,331	244,911,478	40,016,374	59,179,616	8,954,232	4,161,651	31,167,412	129,753,895	518,144,656
2008	436,168,290	207,812,083	32,734,843	43,405,473	7,593,998	3,630,614	28,293,080	113,076,738	436,546,829
2009	411,571,142	186,996,286	27,710,531	39,671,481	5,562,562	3,042,678	18,670,115	103,327,548	384,981,201
2010	418,653,386	191,011,064	28,423,535	39,262,230	5,713,868	3,039,520	14,916,888	102,245,034	384,612,139

Attachment 2 - Exhibit 11

Texas Land Title Association

*Review Of Reported Expenses
Independent Agency Experience*

<i>Calendar Year</i>	<i>Gross Income</i>	<i>Salaries</i>	<i>Benefits</i>	<i>Payment to Non Employees</i>	<i>Advertising</i>	<i>Travel and Education</i>	<i>Other</i>	<i>Rent Utilities, Supplies, Interest, Adm.</i>	<i>Total Expenses</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>	<i>(10)</i>
Percentage of Gross Income									
		Salaries & Benefits							
1985	15.93%	37.09%		15.93%	0.00%	0.00%	11.21%	27.71%	91.95%
1986	15.87%	40.67%		15.87%	0.00%	0.00%	12.63%	28.90%	98.08%
1987	14.43%	44.18%		14.43%	0.00%	0.00%	12.65%	31.63%	102.90%
1988	15.26%	40.16%		15.26%	0.00%	0.00%	13.40%	28.97%	97.79%
1989	15.98%	47.00%		15.98%	0.75%	1.15%	4.17%	29.78%	98.82%
1990	15.35%	49.81%		15.35%	0.94%	1.43%	2.61%	28.05%	98.19%
1991	15.25%	49.47%		15.25%	0.76%	1.50%	2.60%	26.76%	96.34%
1992	14.91%	48.06%		14.91%	0.76%	1.44%	2.38%	23.67%	91.22%
1993	15.67%	49.91%		15.67%	0.77%	1.52%	2.19%	22.46%	92.51%
1994	16.77%	50.79%		16.77%	0.91%	1.74%	2.00%	24.05%	96.27%
1995	16.54%	50.95%		16.54%	1.14%	1.66%	3.11%	26.42%	99.83%
1996	17.71%	48.05%		17.71%	0.84%	1.52%	3.50%	23.86%	95.49%
1997	15.95%	47.33%		15.95%	1.35%	0.94%	3.20%	23.26%	92.03%
1998	15.27%	46.54%		15.27%	1.27%	0.97%	3.12%	22.24%	89.41%
1999	14.02%	49.59%		14.02%	1.74%	0.88%	3.30%	22.79%	92.33%
2000	13.75%	48.82%		13.75%	1.80%	0.85%	3.08%	23.63%	91.92%
2001	13.48%	47.43%		13.48%	1.68%	0.74%	2.57%	22.24%	88.14%
2002	14.07%	48.42%		14.07%	1.72%	0.75%	3.04%	21.72%	89.72%
2003	14.46%	48.42%		14.46%	1.76%	0.80%	3.21%	21.22%	89.87%
2004	13.61%	49.31%		13.61%	1.45%	0.84%	4.02%	21.76%	90.99%
2005	12.81%	48.57%		12.81%	1.33%	0.82%	3.92%	22.56%	90.02%
2006	11.75%	49.45%		11.75%	1.44%	0.83%	4.76%	22.87%	91.10%
2007	10.73%	51.68%		10.73%	1.62%	0.75%	5.65%	23.53%	93.97%
2008	9.95%	55.15%		9.95%	1.74%	0.83%	6.49%	25.93%	100.09%
2009	9.64%	52.17%		9.64%	1.35%	0.74%	4.54%	25.11%	93.54%
2010	9.38%	52.41%		9.38%	1.36%	0.73%	3.56%	24.42%	91.87%

Notes:

- (2) Taken from TDI 2006-2010: Texas Title Insurance Independent Agency Experience: Gross Income Excluding, "Tax Certificate" and "Recording Fee."; prior years: prior reports.
- (3), (4) Taken from TDI 2006-2010: Texas Title Insurance Independent Agency Experience: Salaries & Benefits for Employees and Owners/Partners; prior years: prior reports.
- (5) Taken from TDI 2006-2010: Texas Title Insurance Independent Agency Experience: Payments to Title Agents and Others; prior years: prior reports.
- (6), (7) Taken from TDI 2006-2010: Texas Title Insurance Independent Agency Experience: Advertising and Travel, Lodging & Education ; prior years: prior reports.
- (8) Taken from TDI 2006-2010: Texas Title Insurance Independent Agency Experience: Other Expenses; prior years: prior reports.
- (9) Taken from TDI 2006-2010: Texas Title Insurance Independent Agency Experience: Includes all TDI expense categories except those in Columns (3) through (8), "Tax Certificate", "Recording Fee" and loss related expenses.; prior years: prior reports.
- (10) Total of Columns (3) through (9). Reconciles to Column (7) of Exhibit 18.

Attachment 2 - Exhibit 12

Texas Land Title Association

*Review Of Reported Expenses
Affiliated Agency Experience*

<i>Calendar Year</i>	<i>Gross Income</i>	<i>Salaries</i>	<i>Benefits</i>	<i>Payment to Non Employ- ees</i>	<i>Adver- tising</i>	<i>Travel and Edu- cation</i>	<i>Other</i>	<i>Rent Utilities, Supplies, Interest, Adm.</i>	<i>Total Expenses</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>	<i>(10)</i>
Dollar Amounts									
1985	\$ 71,301,974	\$ 33,630,608	\$ 3,431,184	\$ 7,857,062	\$ 1,125,257	\$ 3,195,501	\$ 2,622,235	\$ 23,307,736	\$ 75,169,583
1986	64,770,260	34,335,087	3,770,760	7,543,634	983,477	2,796,719	(1,247,693)	23,479,568	71,661,552
1987	59,247,461	31,349,010	3,395,241	8,066,199	1,191,763	1,999,770	800,748	22,638,628	69,441,359
1988	42,164,880	22,085,520	2,846,694	3,325,352	1,020,614	1,512,175	939,179	16,804,223	48,533,757
1989	54,384,834	23,612,039	5,050,475	7,085,764	396,877	1,483,001	1,622,351	16,154,409	55,404,916
1990	60,487,083	28,208,680	5,001,170	9,479,226	330,869	1,473,986	3,098,139	15,139,145	62,731,215
1991	68,485,921	31,222,752	6,390,454	10,886,077	574,679	2,004,317	3,947,548	16,934,529	71,960,356
1992	101,653,108	40,914,478	7,117,393	17,468,502	686,930	2,486,555	5,191,646	20,779,822	94,645,326
1993	100,489,918	38,982,944	7,432,437	13,508,235	1,190,700	2,171,847	4,711,992	18,584,025	86,582,180
1994	84,887,755	38,791,802	7,703,045	12,485,031	1,259,895	2,302,812	2,690,614	18,070,297	83,303,496
1995	79,037,323	34,979,655	6,740,933	11,178,625	1,786,799	1,343,158	3,119,169	19,674,161	78,822,500
1996	88,337,767	33,681,827	8,028,950	13,341,562	864,097	1,532,928	2,959,314	19,702,277	80,110,955
1997	222,363,010	91,270,075	14,922,098	38,769,269	4,425,067	1,916,249	7,008,534	46,784,108	205,095,400
1998	313,715,007	114,385,747	18,085,896	58,742,898	5,337,352	1,854,707	8,754,281	55,209,874	262,370,755
1999	403,848,216	156,956,956	27,225,452	81,253,338	7,388,611	3,141,459	11,013,319	77,824,905	364,804,040
2000	410,480,481	149,416,640	26,264,137	83,860,094	8,301,026	3,630,160	13,310,401	79,456,882	364,239,341
2001	489,214,184	183,618,536	32,452,316	88,336,450	9,051,722	5,155,395	15,031,685	95,341,382	428,987,485
2002	564,335,731	215,473,572	39,138,635	95,026,497	10,760,841	5,562,761	14,590,573	105,490,430	486,043,310
2003	679,437,011	245,854,070	47,330,196	120,243,750	12,435,338	6,604,201	28,687,678	109,619,072	570,774,305
2004	571,677,744	226,428,590	43,432,907	95,408,537	8,384,624	5,127,701	28,081,151	104,013,461	510,876,971
2005	607,798,551	250,440,370	45,908,474	98,052,120	9,043,185	4,394,157	31,404,284	110,380,484	549,623,074
2006	677,282,230	272,401,666	54,796,632	114,107,269	11,805,184	3,528,356	23,031,086	116,187,634	595,857,827
2007	646,348,096	258,209,367	52,902,828	92,473,884	11,895,679	2,926,102	22,696,403	114,714,521	555,818,783
2008	475,047,679	208,823,668	42,837,116	71,758,711	8,786,835	2,173,019	18,171,073	100,562,692	453,113,114
2009	437,466,168	174,314,183	36,878,830	67,798,408	5,601,851	1,966,151	18,161,240	102,930,063	407,650,726
2010	446,667,891	174,305,167	32,635,447	61,473,369	5,595,588	2,289,059	15,716,178	90,978,177	382,992,985

Attachment 2 - Exhibit 12

Texas Land Title Association

*Review Of Reported Expenses
Affiliated Agency Experience*

<i>Calendar Year</i>	<i>Gross Income</i>	<i>Salaries</i>	<i>Benefits</i>	<i>Payment to Non Employees</i>	<i>Advertising</i>	<i>Travel and Education</i>	<i>Other</i>	<i>Rent Utilities, Supplies, Interest, Adm.</i>	<i>Total Expenses</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>	<i>(10)</i>
Percentage of Gross Income									
		Salaries & Benefits							
1985		51.98%		11.02%	1.58%	4.48%	3.68%	32.69%	105.42%
1986		58.83%		11.65%	1.52%	4.32%	-1.93%	36.25%	110.64%
1987		58.64%		13.61%	2.01%	3.38%	1.35%	38.21%	117.21%
1988		59.13%		7.89%	2.42%	3.59%	2.23%	39.85%	115.10%
1989		52.70%		13.03%	0.73%	2.73%	2.98%	29.70%	101.88%
1990		54.90%		15.67%	0.55%	2.44%	5.12%	25.03%	103.71%
1991		54.92%		15.90%	0.84%	2.93%	5.76%	24.73%	105.07%
1992		47.25%		17.18%	0.68%	2.45%	5.11%	20.44%	93.11%
1993		46.19%		13.44%	1.18%	2.16%	4.69%	18.49%	86.16%
1994		54.77%		14.71%	1.48%	2.71%	3.17%	21.29%	98.13%
1995		52.79%		14.14%	2.26%	1.70%	3.95%	24.89%	99.73%
1996		47.22%		15.10%	0.98%	1.74%	3.35%	22.30%	90.69%
1997		47.76%		17.44%	1.99%	0.86%	3.15%	21.04%	92.23%
1998		42.23%		18.72%	1.70%	0.59%	2.79%	17.60%	83.63%
1999		45.61%		20.12%	1.83%	0.78%	2.73%	19.27%	90.33%
2000		42.80%		20.43%	2.02%	0.88%	3.24%	19.36%	88.73%
2001		44.17%		18.06%	1.85%	1.05%	3.07%	19.49%	87.69%
2002		45.12%		16.84%	1.91%	0.99%	2.59%	18.69%	86.13%
2003		43.15%		17.70%	1.83%	0.97%	4.22%	16.13%	84.01%
2004		47.21%		16.69%	1.47%	0.90%	4.91%	18.19%	89.36%
2005		48.76%		16.13%	1.49%	0.72%	5.17%	18.16%	90.43%
2006		48.31%		16.85%	1.74%	0.52%	3.40%	17.15%	87.98%
2007		48.13%		14.31%	1.84%	0.45%	3.51%	17.75%	85.99%
2008		52.98%		15.11%	1.85%	0.46%	3.83%	21.17%	95.38%
2009		48.28%		15.50%	1.28%	0.45%	4.15%	23.53%	93.18%
2010		46.33%		13.76%	1.25%	0.51%	3.52%	20.37%	85.74%

Notes:

- (2) Taken from TDI 2006-2010: Texas Title Insurance Affiliated Agency Experience: Gross Income Excluding, "Tax Certificate" and "Recording Fee."; prior years: prior reports.
- (3), (4) Taken from TDI 2006-2010: Texas Title Insurance Affiliated Agency Experience: Salaries & Benefits for Employees and Owners/Partners; prior years: prior reports.
- (5) Taken from TDI 2006-2010: Texas Title Insurance Affiliated Agency Experience: Payments to Title Agents and Others; prior years: prior reports.
- (6), (7) Taken from TDI 2006-2010: Texas Title Insurance Affiliated Agency Experience: Advertising and Travel, Lodging & Education ; prior years: prior reports.
- (8) Taken from TDI 2006-2010: Texas Title Insurance Affiliated Agency Experience: Other Expenses; prior years: prior reports.
- (9) Taken from TDI 2006-2010: Texas Title Insurance Affiliated Agency Experience: Includes all TDI expense categories except those in Columns (3) through (8), "Tax Certificate", "Recording Fee" and loss related expenses.; prior years: prior reports.
- (10) Total of Columns (3) through (9). Reconciles to Column (7) of Exhibit 23

Attachment 2 - Exhibit 13

Texas Land Title Association

Review Of Reported Expenses

Direct Operation Experience

<i>Calendar Year</i>	<i>Gross Income</i>	<i>Salaries</i>	<i>Benefits</i>	<i>Payment to Non Employees</i>	<i>Advertising</i>	<i>Travel and Education</i>	<i>Other</i>	<i>Rent Utilities, Supplies, Interest, Adm.</i>	<i>Total Expenses</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>	<i>(10)</i>
Dollar Amounts									
1985									
1986									
1987									
1988									
1989	\$ 30,043,835	\$ 12,224,989	\$ 2,469,151	\$ 5,969,610	\$ 294,551	\$ 808,872	\$ 1,884,241	\$ 8,891,572	\$ 32,542,986
1990	32,654,737	13,623,669	3,158,995	6,197,539	313,662	927,456	1,499,744	9,039,909	34,760,974
1991	30,957,818	11,320,568	2,817,132	3,706,106	216,574	895,407	606,638	7,883,554	27,445,979
1992	42,024,480	15,675,494	3,195,371	6,823,582	264,721	879,311	452,582	9,693,623	36,984,684
1993	54,962,927	18,026,419	3,287,085	8,850,131	366,049	823,129	515,644	10,696,212	42,564,669
1994	55,691,953	24,776,126	4,131,293	8,353,698	606,402	1,329,162	1,550,485	12,900,670	53,647,836
1995	54,200,887	22,741,026	4,202,961	8,485,477	601,877	1,196,791	854,700	13,689,215	51,772,047
1996	68,289,253	27,675,916	4,843,523	10,481,812	655,821	930,763	961,271	14,751,778	60,300,884
1997	139,248,005	51,713,006	10,172,027	27,194,074	2,078,178	1,293,010	4,736,004	27,389,717	124,576,016
1998	170,423,315	56,472,472	10,391,502	29,434,609	1,999,594	1,330,411	2,253,452	28,029,400	129,911,440
1999	114,897,565	40,135,903	7,680,412	15,731,882	1,895,216	877,367	1,848,993	23,890,341	92,060,114
2000	114,191,107	41,269,407	7,889,309	16,714,669	2,481,710	1,210,997	1,829,261	25,081,068	96,476,422
2001	153,124,845	56,149,301	8,322,164	22,814,653	4,232,917	1,345,186	2,896,159	26,276,748	122,037,128
2002	182,756,858	69,328,525	11,223,898	29,902,248	5,491,164	1,583,546	3,172,053	29,737,943	150,439,378
2003	228,152,467	87,784,705	14,064,499	40,567,262	5,375,711	1,704,059	4,040,506	36,096,158	189,632,900
2004	211,487,149	85,960,344	13,333,014	39,607,836	3,097,888	2,186,423	4,502,252	32,464,919	181,152,676
2005	217,051,976	82,108,099	13,888,664	46,323,028	3,079,800	2,255,098	4,941,346	32,976,627	185,572,662
2006	220,231,022	88,168,589	14,437,761	37,027,563	3,092,492	2,961,438	4,094,181	33,720,059	183,502,083
2007	209,006,364	77,847,639	12,244,168	32,812,839	3,402,327	1,504,749	3,071,918	38,372,657	169,256,298
2008	162,239,554	59,227,522	9,724,027	25,211,969	2,159,078	934,715	7,476,212	34,354,350	139,087,873
2009	76,885,085	30,765,368	4,773,758	10,604,572	1,074,499	575,250	2,326,764	13,358,408	63,478,619
2010	90,910,670	32,770,134	5,159,703	12,688,480	1,288,169	591,592	2,645,663	11,265,557	66,409,298

Attachment 2 - Exhibit 13

Texas Land Title Association

Review Of Reported Expenses

Direct Operation Experience

<i>Calendar Year</i>	<i>Gross Income</i>	<i>Salaries</i>	<i>Benefits</i>	<i>Payment to Non Employees</i>	<i>Advertising</i>	<i>Travel and Education</i>	<i>Other</i>	<i>Rent Utilities, Supplies, Interest, Adm.</i>	<i>Total Expenses</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>	<i>(10)</i>
Percentage of Gross Income									
Salaries & Benefits									
1985									
1986									
1987									
1988									
1989		48.91%		19.87%	0.98%	2.69%	6.27%	29.60%	108.32%
1990		51.39%		18.98%	0.96%	2.84%	4.59%	27.68%	106.45%
1991		45.67%		11.97%	0.70%	2.89%	1.96%	25.47%	88.66%
1992		44.90%		16.24%	0.63%	2.09%	1.08%	23.07%	88.01%
1993		38.78%		16.10%	0.67%	1.50%	0.94%	19.46%	77.44%
1994		51.91%		15.00%	1.09%	2.39%	2.78%	23.16%	96.33%
1995		49.71%		15.66%	1.11%	2.21%	1.58%	25.26%	95.52%
1996		47.62%		15.35%	0.96%	1.36%	1.41%	21.60%	88.30%
1997		44.44%		19.53%	1.49%	0.93%	3.40%	19.67%	89.46%
1998		39.23%		17.27%	1.17%	0.78%	1.32%	16.45%	76.23%
1999		41.62%		13.69%	1.65%	0.76%	1.61%	20.79%	80.12%
2000		43.05%		14.64%	2.17%	1.06%	1.60%	21.96%	84.49%
2001		42.10%		14.90%	2.76%	0.88%	1.89%	17.16%	79.70%
2002		44.08%		16.36%	3.00%	0.87%	1.74%	16.27%	82.32%
2003		44.64%		17.78%	2.36%	0.75%	1.77%	15.82%	83.12%
2004		46.95%		18.73%	1.46%	1.03%	2.13%	15.35%	85.66%
2005		44.23%		21.34%	1.42%	1.04%	2.28%	15.19%	85.50%
2006		46.59%		16.81%	1.40%	1.34%	1.86%	15.31%	83.32%
2007		43.10%		15.70%	1.63%	0.72%	1.47%	18.36%	80.98%
2008		42.50%		15.54%	1.33%	0.58%	4.61%	21.18%	85.73%
2009		46.22%		13.79%	1.40%	0.75%	3.03%	17.37%	82.56%
2010		41.72%		13.96%	1.42%	0.65%	2.91%	12.39%	73.05%

Notes:

- (2) Taken from TDI 2006-2010: Texas Title Insurance Direct Operation Experience: Gross Income Excluding, "Tax Certificate" and "Recording Fee."; prior years: prior reports.
- (3), (4) Taken from TDI 2006-2010: Texas Title Insurance Direct Operation Experience: Salaries & Benefits for Employees and Owners/Partners; prior years: prior reports.
- (5) Taken from TDI 2006-2010: Texas Title Insurance Direct Operation Experience: Payments to Title Agents and Others; prior years: prior reports.
- (6), (7) Taken from TDI 2006-2010: Texas Title Insurance Direct Operation Experience: Advertising and Travel, Lodging & Education ; prior years: prior reports.
- (8) Taken from TDI 2006-2010: Texas Title Insurance Direct Operation Experience: Other Expenses; prior years: prior reports.
- (9) Taken from TDI 2006-2010: Texas Title Insurance Direct Operation Experience: Includes all TDI expense categories except those in Columns (3) through (8), "Tax Certificate", "Recording Fee" and loss related expenses.; prior years: prior reports.
- (10) Total of Columns (3) through (9). Reconciles to Column (7) of Exhibit 28

Attachment 2 - Exhibit 14

Texas Land Title Association

*Review Of Reported Expenses
Underwriting Company Experience*

<i>Calendar Year</i>	<i>Gross Income</i>	<i>Salaries</i>	<i>Benefits</i>	<i>Payment to Non Employees</i>	<i>Advertising</i>	<i>Travel and Education</i>	<i>Other</i>	<i>Rent Utilities, Supplies, Interest, Adm.</i>	<i>Total Expenses</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>	<i>(10)</i>
Dollar Amounts									
1985	\$ 104,790,710	\$ 23,161,657	\$ 3,336,280	\$ 8,352,980	\$ 1,230,575	\$ 3,598,884	\$ 10,988,145	\$ 25,030,223	\$ 75,698,744
1986	92,787,311	23,450,249	3,197,523	5,579,666	1,371,012	3,589,182	9,854,525	23,410,892	70,453,049
1987	73,281,968	21,537,667	3,217,758	3,568,354	1,292,913	3,051,953	5,331,870	24,365,977	62,366,492
1988	86,075,556	27,872,188	4,233,594	6,463,780	1,123,599	3,554,809	4,681,077	26,453,902	74,382,949
1989	51,342,689	9,126,125	1,665,889	148,686	577,027	2,484,495	2,858,791	14,641,493	31,800,946
1990	64,456,445	11,178,951	2,287,075	627,335	792,892	2,579,029	3,431,190	16,323,015	37,219,487
1991	75,572,847	13,315,991	2,114,340	883,445	746,006	2,432,153	2,954,983	16,118,185	38,565,103
1992	94,071,241	12,402,000	3,244,382	713,548	779,547	2,736,260	3,887,137	16,399,315	40,162,189
1993	118,284,554	16,764,439	5,463,390	1,920,859	1,444,084	2,421,848	1,877,775	19,308,687	49,201,082
1994	128,964,860	16,766,163	4,473,590	2,127,262	1,993,814	2,533,167	2,198,932	21,781,122	51,874,050
1995	105,018,905	19,389,969	4,458,892	1,427,750	1,534,303	2,656,424	1,289,323	19,115,482	49,872,143
1996	120,298,810	18,039,404	6,058,999	884,264	1,379,795	3,618,376	3,462,156	22,118,016	55,561,010
1997	126,132,718	19,605,409	6,213,333	2,447,004	2,607,620	3,098,670	6,323,749	23,203,753	63,499,538
1998	161,352,746	23,339,760	7,886,357	8,110,470	2,808,680	3,685,540	10,442,825	28,243,557	84,517,189
1999	186,043,147	41,729,747	12,398,267	8,776,805	5,088,297	4,811,610	5,100,055	42,297,562	120,202,343
2000	167,569,170	38,911,918	11,991,521	13,143,525	4,053,396	3,985,200	5,422,611	35,030,405	112,538,576
2001	171,526,134	48,611,936	7,586,041	18,699,549	2,976,387	5,334,901	10,072,801	35,398,814	128,680,429
2002	191,174,671	49,119,502	11,150,203	10,761,499	3,584,891	5,034,516	8,525,611	40,819,218	128,995,440
2003	243,937,898	57,493,531	16,258,182	12,782,105	8,906,873	5,268,370	12,282,371	54,131,264	167,122,696
2004	262,158,664	56,385,631	13,837,154	22,822,649	7,131,811	4,292,709	10,816,915	68,626,694	183,913,564
2005	265,114,130	75,904,501	16,691,209	16,995,208	6,189,516	6,343,195	4,497,576	64,709,604	191,330,809
2006	255,465,981	68,754,328	12,628,945	42,901,115	6,514,783	4,783,034	18,161,712	62,459,357	216,203,275
2007	258,627,773	79,564,377	13,367,372	64,149,094	6,405,833	4,902,678	16,515,775	55,254,169	240,159,297
2008	196,583,181	60,876,776	10,959,209	6,018,538	3,828,868	4,129,812	20,872,650	71,187,644	177,873,497
2009	168,110,602	58,741,571	10,173,174	10,332,733	2,315,904	3,473,123	20,027,096	72,911,333	177,974,934
2010	175,230,880	49,021,050	8,348,797	7,440,596	1,083,688	3,436,727	14,968,549	52,306,845	136,606,252

Attachment 2 - Exhibit 14

Texas Land Title Association

*Review Of Reported Expenses
Underwriting Company Experience*

<i>Calendar Year</i>	<i>Gross Income</i>	<i>Salaries</i>	<i>Benefits</i>	<i>Payment to Non Employees</i>	<i>Advertising</i>	<i>Travel and Education</i>	<i>Other</i>	<i>Rent Utilities, Supplies, Interest, Adm.</i>	<i>Total Expenses</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>	<i>(10)</i>
Percentage of Gross Income									
		Salaries & Benefits							
1985		25.29%		7.97%	1.17%	3.43%	10.49%	23.89%	72.24%
1986		28.72%		6.01%	1.48%	3.87%	10.62%	25.23%	75.93%
1987		33.78%		4.87%	1.76%	4.16%	7.28%	33.25%	85.10%
1988		37.30%		7.51%	1.31%	4.13%	5.44%	30.73%	86.42%
1989		21.02%		0.29%	1.12%	4.84%	5.57%	28.52%	61.94%
1990		20.89%		0.97%	1.23%	4.00%	5.32%	25.32%	57.74%
1991		20.42%		1.17%	0.99%	3.22%	3.91%	21.33%	51.03%
1992		16.63%		0.76%	0.83%	2.91%	4.13%	17.43%	42.69%
1993		18.79%		1.62%	1.22%	2.05%	1.59%	16.32%	41.60%
1994		16.47%		1.65%	1.55%	1.96%	1.71%	16.89%	40.22%
1995		22.71%		1.36%	1.46%	2.53%	1.23%	18.20%	47.49%
1996		20.03%		0.74%	1.15%	3.01%	2.88%	18.39%	46.19%
1997		20.47%		1.94%	2.07%	2.46%	5.01%	18.40%	50.34%
1998		19.35%		5.03%	1.74%	2.28%	6.47%	17.50%	52.38%
1999		29.09%		4.72%	2.74%	2.59%	2.74%	22.74%	64.61%
2000		30.38%		7.84%	2.42%	2.38%	3.24%	20.91%	67.16%
2001		32.76%		10.90%	1.74%	3.11%	5.87%	20.64%	75.02%
2002		31.53%		5.63%	1.88%	2.63%	4.46%	21.35%	67.48%
2003		30.23%		5.24%	3.65%	2.16%	5.04%	22.19%	68.51%
2004		26.79%		8.71%	2.72%	1.64%	4.13%	26.18%	70.15%
2005		34.93%		6.41%	2.33%	2.39%	1.70%	24.41%	72.17%
2006		31.86%		16.79%	2.55%	1.87%	7.11%	24.45%	84.63%
2007		35.93%		24.80%	2.48%	1.90%	6.39%	21.36%	92.86%
2008		36.54%		3.06%	1.95%	2.10%	10.62%	36.21%	90.48%
2009		40.99%		6.15%	1.38%	2.07%	11.91%	43.37%	105.87%
2010		32.74%		4.25%	0.62%	1.96%	8.54%	29.85%	77.96%

Notes:

- (2) Taken from TDI 2006-2010: Texas Title Insurance Direct Operation Experience: Gross Income Excluding, "Tax Certificate" and "Recording Fee."; prior years: prior reports.
- (3), (4) Taken from TDI 2006-2010: Texas Title Insurance Direct Operation Experience: Salaries & Benefits for Employees and Owners/Partners; prior years: prior reports.
- (5) Taken from TDI 2006-2010: Texas Title Insurance Direct Operation Experience: Payments to Title Agents and Others; prior years: prior reports.
- (6), (7) Taken from TDI 2006-2010: Texas Title Insurance Direct Operation Experience: Advertising and Travel, Lodging & Education ; prior years: prior reports.
- (8) Taken from TDI 2006-2010: Texas Title Insurance Direct Operation Experience: Other Expenses; prior years: prior reports.
- (9) Taken from TDI 2006-2010: Texas Title Insurance Direct Operation Experience: Includes all TDI expense categories except those in Columns (3) through (8), "Tax Certificate", "Recording Fee" and loss related expenses.; prior years: prior reports.
- (10) Total of Columns (3) through (9). Reconciles to Column (7) of Exhibit 33

Attachment 2 - Exhibit 15

Texas Land Title Association

Analysis Of Changes In Title Premiums

Summary Of Approved Rate Changes

<i>Effective Date</i>	<i>Rate Change</i>	<i>Rate Index</i>	<i>Calendar Year</i>	<i>Average Premium Index</i>	<i>Present Rate Level Factor</i>
(1)	(2)	(3)	(4)	(5)	(6)
Prior		1.000	1985	1.000	1.241
03/21/88	9.9%	1.099	1986	1.000	1.241
08/01/88	4.1%	1.144	1987	1.000	1.241
01/01/89	13.6%	1.300	1988	1.096	1.132
03/01/89	3.6%	1.347	1989	1.339	0.927
02/01/90	4.9%	1.413	1990	1.408	0.881
02/01/91	7.5%	1.519	1991	1.510	0.822
10/30/92	-1.0%	1.504	1992	1.517	0.818
08/01/98	-3.0%	1.459	1993	1.504	0.825
11/01/02	-6.0%	1.371	1994	1.504	0.825
07/01/04	-6.5%	1.282	1995	1.504	0.825
02/01/07	-3.2%	1.241	1996	1.504	0.825
			1997	1.504	0.825
Current		1.241	1998	1.485	0.836
			1999	1.459	0.851
			2000	1.459	0.851
			2001	1.459	0.851
			2002	1.444	0.859
			2003	1.371	0.905
			2004	1.327	0.935
			2005	1.282	0.968
			2006	1.282	0.968
			2007	1.244	0.998
			2008	1.241	1.000
			2009	1.241	1.000
			2010	1.241	1.000

Notes:

- (1), (2) Rate changes provided in Commissioner Orders from prior rate hearings.
- (3) Calculated based on (2).
- (5) Calculated based on (3).

Attachment 2 - Exhibit 16

Texas Land Title Association

Summary of Industry Transfer Payment

Underwriters

CY	<i>Expenses Paid to Title Agents</i>	
	<i>Exam</i>	<i>Closing</i>
1985		
1986		
1987		
1988		
1989	422,952	6,885
1990	22,364	2,361
1991	662,297	16,527
1992	584,195	1,768
1993	1,743,670	177,189
1994	2,112,139	0
1995	1,421,196	0
1996	85,844	792,091
1997	2,175,903	0
1998	901,517	6,936,659
1999	1,339,166	7,180,409
2000	3,025,612	9,552,594
2001	1,099,246	17,024,698
2002	1,275,348	8,958,805
2003	1,812,881	9,787,942
2004	1,670,541	17,484,923
2005	3,272,615	9,374,910
2006	11,266,571	29,360,816
2007	20,597,303	40,554,493
2008	40,090	0
2009	389,300	423,646
2010	152,027	252,234

Attachment 2 - Exhibit 16

Texas Land Title Association

Summary of Industry Transfer Payment

Independents

<i>CY</i>	<i>Expenses Paid to Title Agents</i>	
	<i>Exam</i>	<i>Closing</i>
1985		
1986		
1987		
1988		
1989	8,694,766	3,474,099
1990	6,885,862	2,918,816
1991	8,623,284	3,273,186
1992	10,575,151	4,230,295
1993	10,112,664	5,604,271
1994	12,712,434	6,549,892
1995	10,722,136	5,488,587
1996	12,175,239	7,787,672
1997	8,897,262	6,595,287
1998	12,143,778	8,604,623
1999	11,050,920	9,014,704
2000	11,025,488	8,601,825
2001	12,663,404	8,331,188
2002	16,458,291	8,896,816
2003	20,940,818	9,252,730
2004	12,295,667	10,082,544
2005	5,392,640	13,306,635
2006	4,751,114	18,844,834
2007	4,504,460	13,866,093
2008	4,806,027	9,886,234
2009	4,321,381	8,000,553
2010	4,467,564	8,146,484

Attachment 2 - Exhibit 16

Texas Land Title Association

Summary of Industry Transfer Payment

Affiliates

<i>CY</i>	<i>Expenses Paid to Title Agents</i>	
	<i>Exam</i>	<i>Closing</i>
1985		
1986		
1987		
1988		
1989	1,019,106	2,136,891
1990	253,628	2,556,842
1991	587,597	1,617,458
1992	2,216,093	2,236,372
1993	1,742,748	2,275,675
1994	1,793,013	3,060,644
1995	10,722,136	5,488,587
1996	2,162,575	2,986,489
1997	6,361,436	5,398,387
1998	11,312,532	5,548,605
1999	14,261,143	6,125,536
2000	12,136,675	4,603,416
2001	14,677,039	7,153,747
2002	15,668,663	7,401,396
2003	23,809,556	5,902,629
2004	11,771,876	7,596,579
2005	10,809,828	13,133,969
2006	14,118,533	12,267,091
2007	7,611,079	17,548,067
2008	5,408,788	12,686,470
2009	5,716,516	13,234,954
2010	4,299,037	12,145,507

Attachment 2 - Exhibit 16

Texas Land Title Association

Summary of Industry Transfer Payment

Direct

<i>CY</i>	<i>Expenses Paid to Title Agents</i>	
	<i>Exam</i>	<i>Closing</i>
1985		
1986		
1987		
1988		
1989	725,018	358,220
1990	771,581	424,899
1991	238,066	232,713
1992	1,165,406	417,049
1993	1,097,879	1,057,547
1994	1,589,602	750,310
1995	2,070,606	984,086
1996	3,083,245	938,394
1997	7,538,772	2,017,733
1998	5,182,408	3,541,200
1999	3,153,724	3,511,000
2000	3,454,417	1,839,770
2001	8,289,645	756,956
2002	9,366,726	2,087,313
2003	9,886,640	4,005,516
2004	9,694,467	1,958,331
2005	1,238,335	16,071,001
2006	816,098	5,812,937
2007	1,261,795	7,412,459
2008	3,960,570	1,431,540
2009	289,479	144,180
2010	365,960	116,951

Attachment 2 - Exhibit 16

Texas Land Title Association

Summary of Industry Transfer Payment

<i>CY</i>	<i>Total -Agents Only</i>	<i>Total -All Agents+UW</i>
1985		
1986		
1987		
1988		
1989	16,408,099	16,837,937
1990	13,811,628	13,836,353
1991	14,572,304	15,251,128
1992	20,840,366	21,426,329
1993	21,890,784	23,811,643
1994	26,455,895	28,568,034
1995	35,476,138	36,897,334
1996	29,133,614	30,011,549
1997	36,808,877	38,984,780
1998	46,333,146	54,171,322
1999	47,117,027	55,636,602
2000	41,661,590	54,239,796
2001	51,871,979	69,995,923
2002	59,879,204	70,113,356
2003	73,797,888	85,398,711
2004	53,399,464	72,554,928
2005	59,952,407	72,599,932
2006	56,610,607	97,237,994
2007	52,203,952	113,355,748
2008	38,179,629	38,219,719
2009	31,707,063	32,520,009
2010	29,541,503	29,945,764

Attachment 3 - Exhibit 1

Texas Land Title Association

Development of Target Underwriting Profit

	<i>Weighted Average</i> ¹	
1. Basis For Financial Leverage Factors		
2. Target Return on Capital	13.30%	From Dr. Jay Hartzell
3. Pre-Tax Return on Invested Assets	5.57%	Att. 3 - Exh. 2
4. Tax on Investment Return	22.53%	Att. 3 - Exh. 4
5. After-Tax Return on Invested Assets	4.31%	=(3) x [1 - (4)]
6. Invested Assets / Capital Leverage Factor	1.51	Att. 3 - Exh. 2
7. After-Tax Return on Investments / Capital	6.51%	=(5)*(6)
8. Required After-Tax Return From Underwriting/Capital [(2) - (7)]	6.79%	=(2)-(7)
9. Premium / Capital Leverage Factor	0.99	Att. 3 - Exh. 2
10. Indicated After-Tax Return From Underwriting / Premium [(8) / (9)]	6.84%	=(8)/(9)
11. Indicated Pre-Tax Return From Underwriting / Premium [(10) / 0.70]	9.76%	=(10)/0.70

Notes:

(1) Used weighted average Annual Statement data for all companies licensed in Texas using written premium as weights

Attachment 3 - Exhibit 2

Texas Land Title Association

Development of Investment Returns and Financial Leverage Ratios

	2003	2004	2005	2006
Investment Gain:				
1. Invested Assets	604,476,903	721,992,095	879,297,349	861,178,025
2. Average Invested Assets		663,234,499	800,644,722	870,237,687
3. Investment Gain (Annualized)	57,340,432	44,179,440	69,901,716	60,801,255
4. Capital Gains Tax Adjustment				
5. Pre-Tax Investment Gain	57,340,432	44,179,440	69,901,716	60,801,255
6. Pre-Tax Inv Gain / Avg Invested Assets		6.7%	8.7%	7.0%
Calculation of GAAP Adjusted Capital:				
7. Statutory Reserve on Known Claims	45,784,476	54,927,847	70,309,432	72,218,689
8. Statutory Premium Reserve	290,043,576	353,352,668	405,955,837	432,968,656
9. Statutory Premium and Loss Reserves	335,828,052	408,280,515	476,265,269	505,187,345
10. Schedule P Reserves	234,586,965	283,096,895	350,143,205	393,762,068
11. Equity in Reserves (Gross of Tax)	101,241,087	125,183,620	126,122,064	111,425,277
12. Equity in Reserves (Net of Tax)	65,806,707	81,369,353	81,979,342	72,426,430
13. Non-Admitted Assets	109,491,546	121,557,340	171,586,849	207,874,534
14. Surplus as Regards Policyholders	296,868,691	326,672,105	370,356,503	365,155,886
15. GAAP Adjusted Capital (Year End)	472,166,944	529,598,798	623,922,694	645,456,850
16. GAAP Adjusted Capital Yearly Avg		500,882,871	576,760,746	634,689,772
Operating Income:				
17. Total Operating Income	1,497,144,764	1,632,169,937	1,867,042,519	1,866,604,697
18. Amount Paid to or Retained by Title Agents	1,010,150,240	1,110,572,338	1,252,481,225	1,211,032,037
19. Underwriting Retained Operating Income	486,994,524	521,597,599	614,561,294	655,572,660
Financial Leverage Ratios To (GAAP Adjusted) Capital:				
20. Invested Assets / Capital		1.44	1.52	1.36
21. Operating Income / Capital		1.04	1.07	1.03

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

Attachment 3 - Exhibit 2

Texas Land Title Association

Development of Investment Returns and Financial Leverage Ratios

	2007	2008	2009	2010	2011
Investment Gain:					
1. Invested Assets	797,650,876	769,547,489	815,250,336	998,681,678	987,553,078
2. Average Invested Assets	829,414,450	783,599,183	792,398,913	906,966,007	993,117,378
3. Investment Gain (Annualized)	57,155,997	31,323,183	64,583,705	41,679,350	54,834,932
4. Capital Gains Tax Adjustment					
5. Pre-Tax Investment Gain	57,155,997	31,323,183	64,583,705	41,679,350	54,834,932
6. Pre-Tax Inv Gain / Avg Invested Assets	6.9%	4.0%	8.2%	4.6%	5.5%
					5.57%
Calculation of GAAP Adjusted Capital:					
7. Statutory Reserve on Known Claims	84,867,185	104,566,395	103,941,408	125,153,750	134,609,178
8. Statutory Premium Reserve	456,795,831	442,958,438	434,165,213	532,212,220	500,731,919
9. Statutory Premium and Loss Reserves	541,663,016	547,524,833	538,106,621	657,365,970	635,341,096
10. Schedule P Reserves	486,873,127	554,883,024	545,434,304	616,154,558	527,772,427
11. Equity in Reserves (Gross of Tax)	54,789,888	(7,358,191)	(7,327,683)	41,211,412	107,568,669
12. Equity in Reserves (Net of Tax)	35,613,427	(4,782,824)	(4,762,994)	26,787,418	69,919,635
13. Non-Admitted Assets	239,891,404	209,633,222	189,783,427	213,056,512	208,546,180
14. Surplus as Regards Policyholders	266,669,185	264,550,119	347,831,800	385,007,902	378,395,873
15. GAAP Adjusted Capital (Year End)	542,174,017	469,400,516	532,852,233	624,851,832	656,861,688
16. GAAP Adjusted Capital Yearly Avg	593,815,433	505,787,267	501,126,375	578,852,033	640,856,760
Operating Income:					
17. Total Operating Income	1,630,050,134	1,273,983,337	1,239,754,219	1,404,364,962	1,349,298,981
18. Amount Paid to or Retained by Title Agents	1,004,880,377	759,865,795	758,783,882	865,816,228	807,181,023
19. Underwriting Retained Operating Income	625,169,757	514,117,542	480,970,338	538,548,734	542,117,958
Financial Leverage Ratios To (GAAP Adjusted) Capital:					
20. Invested Assets / Capital	1.34	1.52	1.63	1.73	1.54
21. Operating Income / Capital	1.05	1.02	0.96	0.93	0.85
					0.99

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

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Invested Assets</i>	<i>Investment Gain</i>	<i>Statutory Reserve on Known Claims</i>	<i>Statutory Premium Reserve</i>	<i>Schedule P Reserves</i>
<i>2003 Annual Statement by Company Licensed in Texas</i>					
Lawyers Title Insurance Corporation	459,033,757	28,662,590	57,215,602	241,373,801	300,396,602
Stewart Title Guaranty Company	739,950,663	20,899,747	41,541,470	333,098,181	211,633,470
First American Title Insurance Company	1,179,421,857	155,189,584	60,538,061	509,964,790	372,737,000
Chicago Title Insurance Company	1,135,322,800	166,309,593	90,965,327	547,741,570	460,842,327
Fidelity National Title Insurance Company	423,786,160	30,475,381	53,750,285	165,840,300	130,168,286
Alamo Title Insurance	63,343,628	3,664,609	2,055,956	20,839,626	9,384,000
Commonwealth Land Title Insurance Company	523,833,019	31,902,286	36,490,275	374,227,175	274,118,275
Title Resources Guaranty Company	29,948,216	380,087	566,682	11,091,521	6,788,682
Old Republic National Title Insurance Company	389,631,028	15,804,932	30,695,915	249,879,394	166,000,608
United General Title Insurance Company	49,876,887	1,008,582	6,597,548	25,426,068	30,217,163
Ticor Title Insurance Company	239,960,909	25,283,426	30,673,744	103,867,298	98,740,000
North American Title Insurance Corporation	16,000,492	350,539	15,199	3,459,819	3,475,016
Title Insurance Company Of America	11,200,937	602,988	396,750	3,006,119	3,753,750
Security Union Title Insurance Company	98,090,723	10,092,593	5,512,241	21,343,285	26,098,241
Premier Land Title Insurance Company	16,084,130	172,813	172,360	4,208,276	2,341,360
Transnation Title Insurance Company	151,454,265	6,292,933	11,823,058	55,163,342	76,098,058
Ticor Title Insurance Company Of Florida	107,030,430	3,382,878	6,432,368	47,676,952	29,045,402
Fidelity National Title Insurance Company Of New York	308,264,557	16,672,937	44,352,434	131,674,359	157,070,432
Columbian National Title Insurance Company	9,640,533	148,606	358,472	3,682,977	1,817,472
Westcor Land Title Insurance Company	15,085,413	235,984	985,294	6,923,697	4,097,794
National Land Title Insurance Company	4,504,538	119,792	224,317	1,489,749	761,096
Weighted Average - Tx Direct Premiums as Weights	604,476,903	57,340,432	45,784,476	290,043,576	234,586,965

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Non-Admitted Assets</i>	<i>Surplus as Regards Policyholders</i>	<i>Total Operating Income</i>	<i>Amount Paid to or Retained by Title Agents</i>	<i>Texas Direct Premium Written</i>
2003 Annual Statement by Company Licensed in Texas					
Lawyers Title Insurance Corporation	104,891,002	264,950,129	1,370,687,475	791,007,038	233,923,526
Stewart Title Guaranty Company	53,118,389	374,795,833	1,598,756,616	1,334,636,207	231,755,929
First American Title Insurance Company	225,318,672	746,580,611	3,355,339,438	2,251,166,168	203,131,440
Chicago Title Insurance Company	258,717,446	449,700,640	2,514,325,968	1,438,747,451	200,361,552
Fidelity National Title Insurance Company	73,191,221	159,931,431	968,372,992	739,511,770	161,138,324
Alamo Title Insurance	2,000,307	37,740,841	132,090,713	113,253,640	133,259,022
Commonwealth Land Title Insurance Company	134,952,993	162,876,196	1,223,401,140	824,474,195	126,698,869
Title Resources Guaranty Company	924,036	20,019,439	92,114,347	80,818,539	78,680,701
Old Republic National Title Insurance Company	49,888,489	99,831,819	932,483,375	757,473,210	56,955,003
United General Title Insurance Company	345,195	24,239,623	252,221,901	220,764,149	24,193,063
Ticor Title Insurance Company	12,178,438	81,962,678	403,672,808	248,575,832	23,021,020
North American Title Insurance Corporation	395,112	11,569,973	24,536,696	20,302,194	16,556,499
Title Insurance Company Of America	2,303,574	9,162,818	20,200,360	17,112,557	12,545,001
Security Union Title Insurance Company	12,907,872	63,996,280	106,210,958	51,946,835	9,570,164
Premier Land Title Insurance Company	1,379,842	10,237,281	50,007,918	44,329,983	8,348,332
Transnation Title Insurance Company	35,368,560	67,803,740	358,997,917	157,068,694	2,804,623
Ticor Title Insurance Company Of Florida	6,813,630	42,384,436	287,951,542	212,556,260	2,304,185
Fidelity National Title Insurance Company Of New York	26,885,882	80,819,385	793,294,952	489,570,054	436,779
Columbian National Title Insurance Company	93,908	5,852,839	7,099,453	5,149,170	388,222
Westcor Land Title Insurance Company	699,317	7,142,861	48,128,787	45,041,992	174,670
National Land Title Insurance Company	287,660	2,786,170	696,878	420,204	10,412
Weighted Average - Tx Direct Premiums as Weights	109,491,546	296,868,691	1,497,144,764	1,010,150,240	

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Invested Assets</i>	<i>Investment Gain</i>	<i>Statutory Reserve on Known Claims</i>	<i>Statutory Premium Reserve</i>	<i>Schedule P Reserves</i>
2004 Annual Statement by Company Licensed in Texas					
Stewart Title Guaranty Company	849,862,373	21,651,757	49,533,218	381,622,865	244,030,218
First American Title Insurance Company	1,415,985,185	79,542,385	76,283,098	600,602,037	467,355,000
Lawyers Title Insurance Corporation	464,932,349	21,555,776	53,112,553	265,268,243	316,267,555
Chicago Title Insurance Company	1,215,331,711	135,123,601	87,329,575	613,721,094	468,292,574
Fidelity National Title Insurance Company	670,206,928	36,930,935	105,344,318	338,047,349	301,952,318
Alamo Title Insurance	66,955,106	1,905,100	2,362,879	21,311,000	8,382,879
Commonwealth Land Title Insurance Company	553,603,731	25,456,906	35,362,016	410,377,635	301,075,016
Title Resources Guaranty Company	34,793,453	481,223	273,253	12,500,185	7,584,000
Old Republic National Title Insurance Company	415,517,219	21,286,579	35,278,256	258,095,120	185,913,037
United General Title Insurance Company	52,716,682	1,060,273	9,180,563	26,780,692	31,097,563
Ticor Title Insurance Company	253,893,678	13,855,427	31,606,493	109,910,553	103,312,493
North American Title Insurance Corporation	19,283,437	303,752	35,228	4,781,603	4,816,831
Premier Land Title Insurance Company	14,519,362	170,120	116,077	5,580,746	2,516,077
Security Union Title Insurance Company	91,517,652	24,709,235	5,736,033	22,388,566	27,296,031
Title Insurance Company Of America	12,394,388	579,572	359,481	2,995,036	4,166,481
Transnation Title Insurance Company	164,663,295	6,157,824	12,485,302	56,862,047	87,249,302
Columbian National Title Insurance Company	8,991,344	154,347	1,125,730	3,947,672	2,584,730
Ticor Title Insurance Company Of Florida	100,325,579	5,293,081	10,816,404	54,905,895	46,643,404
Censtar Title Insurance Company	16,597,892	504,412	0	0	0
Westcor Land Title Insurance Company	17,814,899	813,054	1,240,254	9,371,045	4,473,254
Southern Title Insurance Corporation	13,526,192	477,401	1,492,005	6,297,523	4,236,756
National Land Title Insurance Company	4,420,550	145,117	195,750	1,379,264	649,229
Weighted Average - Tx Direct Premiums as Weights	721,992,095	44,179,440	54,927,847	353,352,668	283,096,895

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Non-Admitted Assets</i>	<i>Surplus as Regards Policyholders</i>	<i>Total Operating Income</i>	<i>Amount Paid to or Retained by Title Agents</i>	<i>Texas Direct Premium Written</i>
2004 Annual Statement by Company Licensed in Texas					
Stewart Title Guaranty Company	51,683,501	417,905,733	1,583,128,809	1,292,775,758	236,435,306
First American Title Insurance Company	336,250,844	746,045,466	3,563,471,945	2,386,940,493	227,916,373
Lawyers Title Insurance Corporation	138,429,882	237,640,169	1,295,699,123	762,898,640	210,557,857
Chicago Title Insurance Company	142,226,130	492,205,285	2,431,922,228	1,485,645,626	202,939,490
Fidelity National Title Insurance Company	96,918,265	219,703,840	1,650,116,357	1,178,059,457	160,984,384
Alamo Title Insurance	1,736,915	35,956,697	114,190,904	96,331,337	113,332,912
Commonwealth Land Title Insurance Company	139,212,387	164,229,277	1,213,457,235	821,086,349	113,145,106
Title Resources Guaranty Company	885,566	23,940,622	89,765,095	78,639,840	70,319,472
Old Republic National Title Insurance Company	48,304,141	113,986,814	910,718,350	725,355,222	43,738,806
United General Title Insurance Company	2,003,096	22,784,914	205,249,870	173,161,017	24,983,798
Ticor Title Insurance Company	17,798,785	66,081,191	408,588,602	273,345,599	24,812,714
North American Title Insurance Corporation	352,191	14,124,205	29,269,847	24,277,435	18,518,756
Premier Land Title Insurance Company	1,509,496	9,395,147	48,851,948	44,385,421	15,327,916
Security Union Title Insurance Company	4,256,336	73,297,924	123,212,331	58,978,987	10,966,301
Title Insurance Company Of America	2,413,363	8,866,626	21,012,364	17,849,112	10,679,635
Transnation Title Insurance Company	41,441,100	75,561,924	393,598,616	230,469,910	2,728,549
Columbian National Title Insurance Company	262,735	4,034,045	7,189,206	5,409,901	1,735,521
Ticor Title Insurance Company Of Florida	5,574,489	34,342,887	258,893,436	146,883,122	1,389,572
Censtar Title Insurance Company	1,002,162	16,115,978	16,444,478	12,777,587	475,183
Westcor Land Title Insurance Company	1,002,090	7,909,361	48,954,110	45,880,487	258,871
Southern Title Insurance Corporation	1,617,467	7,663,688	37,575,572	26,541,266	222,953
National Land Title Insurance Company	232,978	2,871,776	650,776	430,555	84,000
Weighted Average - Tx Direct Premiums as Weights	121,557,340	326,672,105	1,632,169,937	1,110,572,338	

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Invested Assets</i>	<i>Investment Gain</i>	<i>Statutory Reserve on Known Claims</i>	<i>Statutory Premium Reserve</i>	<i>Schedule P Reserves</i>
2005 Annual Statement by Company Licensed in Texas					
First American Title Insurance Company	1,690,253,318	174,310,520	82,854,465	707,273,200	659,741,465
Stewart Title Guaranty Company	959,817,825	20,966,209	62,820,624	395,814,549	308,833,624
Chicago Title Insurance Company	1,415,321,968	132,311,787	145,310,981	681,488,105	541,495,981
Lawyers Title Insurance Corporation	533,917,377	32,528,244	60,243,322	291,962,307	306,539,322
Fidelity National Title Insurance Company	851,244,917	103,132,938	124,315,626	384,097,625	373,690,626
Commonwealth Land Title Insurance Company	670,600,284	37,183,253	43,440,349	447,785,990	299,702,352
Alamo Title Insurance	66,983,053	1,707,560	2,742,915	19,740,587	9,271,915
Title Resources Guaranty Company	38,328,760	972,333	410,234	12,036,185	7,920,000
Old Republic National Title Insurance Company	464,191,976	19,310,827	51,237,064	266,447,264	207,054,173
United General Title Insurance Company	50,034,052	1,550,618	10,872,445	27,750,216	35,264,170
Ticor Title Insurance Company	248,251,540	22,044,090	19,418,742	111,372,955	90,393,743
Premier Land Title Insurance Company	16,271,020	301,651	180,900	9,728,637	3,897,000
North American Title Insurance Corporation	23,412,604	599,824	103,001	6,062,864	6,165,865
Title Insurance Company Of America	12,891,989	588,350	471,393	2,936,006	2,913,393
Southern Title Insurance Corporation	15,543,495	589,596	1,562,135	7,612,128	5,688,965
Security Union Title Insurance Company	86,675,141	11,252,916	7,073,174	22,585,004	27,587,174
Ticor Title Insurance Company Of Florida	118,267,610	4,612,325	18,862,742	68,433,897	71,642,742
Transnation Title Insurance Company	179,427,042	8,706,669	9,844,487	58,817,554	80,781,487
Censtar Title Insurance Company	21,046,952	492,455	2,404	185,945	204,404
Columbian National Title Insurance Company	9,230,193	100,335	0	0	0
Westcor Land Title Insurance Company	22,139,216	935,593	193,238	11,129,662	4,908,238
National Land Title Insurance Company	4,386,531	150,977	165,957	1,276,784	445,957
Weighted Average - Tx Direct Premiums as Weights	879,297,349	69,901,716	70,309,432	405,955,837	350,143,205

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Non-Admitted Assets</i>	<i>Surplus as Regards Policyholders</i>	<i>Total Operating Income</i>	<i>Amount Paid to or Retained by Title Agents</i>	<i>Texas Direct Premium Written</i>
2005 Annual Statement by Company Licensed in Texas					
First American Title Insurance Company	416,272,585	877,882,145	4,135,996,641	2,777,865,376	257,481,997
Stewart Title Guaranty Company	46,214,540	488,193,002	1,785,825,953	1,398,858,537	252,783,124
Chicago Title Insurance Company	310,906,812	385,826,750	2,437,205,743	1,510,209,524	199,965,485
Lawyers Title Insurance Corporation	167,117,544	225,800,152	1,408,656,251	784,830,866	199,889,788
Fidelity National Title Insurance Company	138,137,560	293,247,411	1,809,266,803	1,204,211,941	142,344,087
Commonwealth Land Title Insurance Company	145,890,694	196,726,652	1,322,272,629	875,928,303	121,159,857
Alamo Title Insurance	3,529,992	34,999,574	111,991,566	92,836,087	109,274,838
Title Resources Guaranty Company	830,301	28,184,662	83,953,400	72,060,718	63,993,737
Old Republic National Title Insurance Company	48,452,030	116,093,295	940,720,587	742,201,479	44,097,516
United General Title Insurance Company	3,150,616	18,036,634	201,120,726	156,624,461	22,239,055
Ticor Title Insurance Company	27,085,714	74,944,826	350,271,886	210,321,724	19,418,679
Premier Land Title Insurance Company	1,541,766	6,810,356	52,487,263	46,741,009	13,941,446
North American Title Insurance Corporation	429,898	16,751,557	28,376,106	23,235,968	13,653,709
Title Insurance Company Of America	2,099,933	9,956,366	18,795,879	15,857,793	11,271,102
Southern Title Insurance Corporation	1,892,893	8,160,238	46,119,513	34,284,891	6,046,296
Security Union Title Insurance Company	6,666,586	63,223,090	84,173,767	47,336,542	2,935,340
Ticor Title Insurance Company Of Florida	38,630,608	40,660,194	343,267,937	248,288,480	2,473,738
Transnation Title Insurance Company	47,026,893	81,661,373	450,069,050	248,632,508	2,136,172
Censtar Title Insurance Company	18,604	21,179,144	48,807,591	39,580,167	1,269,086
Columbian National Title Insurance Company	171,095	3,914,613	5,484,305	4,003,727	776,980
Westcor Land Title Insurance Company	1,459,987	11,749,334	56,134,768	49,638,592	269,660
National Land Title Insurance Company	241,852	2,946,228	622,476	390,755	46,533
Weighted Average - Tx Direct Premiums as Weights	171,586,849	370,356,503	1,867,042,519	1,252,481,225	

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Invested Assets</i>	<i>Investment Gain</i>	<i>Statutory Reserve on Known Claims</i>	<i>Statutory Premium Reserve</i>	<i>Schedule P Reserves</i>
<i>2006 Annual Statement by Company Licensed in Texas</i>					
First American Title Insurance Company	1,484,681,491	138,985,906	104,390,430	795,139,482	784,842,430
Stewart Title Guaranty Company	975,350,532	23,121,048	68,100,905	416,856,825	355,160,905
Chicago Title Insurance Company	1,559,070,101	132,640,650	123,549,755	747,540,196	578,028,754
Lawyers Title Insurance Corporation	511,023,789	30,848,039	71,773,646	317,610,391	324,978,646
Fidelity National Title Insurance Company	847,402,640	50,963,175	106,059,423	413,184,437	404,863,426
Commonwealth Land Title Insurance Company	703,177,057	39,601,103	57,365,240	371,777,460	332,879,241
Alamo Title Insurance	61,131,595	15,889,546	1,609,630	18,669,505	9,904,630
Title Resources Guaranty Company	42,061,307	1,717,883	1,176,069	12,522,761	9,000,000
Old Republic National Title Insurance Company	467,454,035	20,657,560	62,629,381	268,892,727	237,837,405
Ticor Title Insurance Company	234,453,768	27,907,334	18,853,507	113,406,998	112,685,507
United General Title Insurance Company	60,531,468	(810,877)	8,940,530	44,435,681	40,982,935
North American Title Insurance Corporation	29,695,823	1,199,693	47,116	8,068,828	8,115,946
Premier Land Title Insurance Company	19,770,979	511,364	171,762	10,848,950	5,431,000
Southern Title Insurance Corporation	17,361,253	785,802	1,344,570	9,361,572	7,337,772
Title Insurance Company Of America	12,527,899	713,379	483,101	2,763,845	3,606,101
Security Union Title Insurance Company	82,896,569	7,994,260	7,660,070	23,222,670	30,709,070
Alliant National Title Insurance Company, Inc.	2,705,296	84,905	21,400	227,240	268,640
Transnation Title Insurance Company	153,975,460	8,015,956	13,380,257	77,032,720	99,148,255
Ticor Title Insurance Company Of Florida	102,073,381	5,041,226	15,050,887	66,473,270	73,814,887
National Land Title Insurance Company	6,727,535	249,228	100,841	1,129,934	360,841
Westcor Land Title Insurance Company	21,336,825	665,553	312,710	12,339,966	5,365,710
Columbian National Title Insurance Company	5,203,246	180,070	0	0	0
Censtar Title Insurance Company	25,105,697	580,391	36,438	838,586	1,532,000
<i>Weighted Average - Tx Direct Premiums as Weights</i>	861,178,025	60,801,255	72,218,689	432,968,656	393,762,068

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Non-Admitted Assets</i>	<i>Surplus as Regards Policyholders</i>	<i>Total Operating Income</i>	<i>Amount Paid to or Retained by Title Agents</i>	<i>Texas Direct Premium Written</i>
2006 Annual Statement by Company Licensed in Texas					
First American Title Insurance Company	582,684,240	753,711,631	4,082,969,405	2,675,262,619	304,981,167
Stewart Title Guaranty Company	54,069,377	508,508,698	1,806,052,051	1,384,205,679	272,694,535
Chicago Title Insurance Company	375,071,834	429,467,367	2,483,370,566	1,456,798,095	222,156,473
Lawyers Title Insurance Corporation	167,181,780	218,001,231	1,431,032,126	789,444,905	215,836,067
Fidelity National Title Insurance Company	130,155,505	273,989,612	1,613,531,904	1,028,463,067	141,185,668
Commonwealth Land Title Insurance Company	83,592,489	313,773,809	1,428,406,919	859,199,372	137,863,348
Alamo Title Insurance	3,639,733	37,138,910	113,246,418	95,305,206	112,009,711
Title Resources Guaranty Company	760,682	27,728,428	110,332,778	95,735,602	85,192,430
Old Republic National Title Insurance Company	54,778,584	119,193,883	874,686,901	674,879,405	46,456,763
Ticor Title Insurance Company	38,000,508	52,898,518	407,903,943	244,611,434	31,556,919
United General Title Insurance Company	7,870,477	23,927,855	323,317,479	251,406,006	25,041,059
North American Title Insurance Corporation	483,846	21,301,816	44,427,871	36,439,839	20,724,144
Premier Land Title Insurance Company	1,421,294	8,566,084	53,515,285	46,643,423	13,183,066
Southern Title Insurance Corporation	3,190,848	8,660,765	55,480,631	43,131,001	12,691,857
Title Insurance Company Of America	3,006,181	9,145,238	11,555,707	9,630,060	8,221,079
Security Union Title Insurance Company	5,166,032	66,803,268	94,202,126	58,858,052	5,631,733
Alliant National Title Insurance Company, Inc.	24,264	2,517,038	6,906,479	6,100,567	4,942,923
Transnation Title Insurance Company	40,063,805	62,836,418	390,359,114	230,469,126	3,787,454
Ticor Title Insurance Company Of Florida	34,813,553	29,857,989	176,403,032	122,874,722	1,840,685
National Land Title Insurance Company	187,195	5,496,677	1,534,302	1,156,068	764,178
Westcor Land Title Insurance Company	1,755,685	11,273,355	49,399,961	40,725,505	178,264
Columbian National Title Insurance Company	17,387	3,723,535	637,556	519,652	51,368
Censtar Title Insurance Company	194,989	23,537,586	43,871,413	36,883,288	(52,140)
Weighted Average - Tx Direct Premiums as Weights	207,874,534	365,155,886	1,866,604,697	1,211,032,037	

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Invested Assets</i>	<i>Investment Gain</i>	<i>Statutory Reserve on Known Claims</i>	<i>Statutory Premium Reserve</i>	<i>Schedule P Reserves</i>
2007 Annual Statement by Company Licensed in Texas					
First American Title Insurance Company	1,290,063,488	138,826,293	140,517,390	847,535,313	1,091,921,390
Stewart Title Guaranty Company	1,012,980,684	31,583,539	91,456,109	428,407,949	430,270,109
Lawyers Title Insurance Corporation	458,008,562	28,426,494	75,773,461	334,753,199	368,871,828
Chicago Title Insurance Company	1,429,698,473	122,326,076	131,009,849	825,712,387	667,791,848
Fidelity National Title Insurance Company	806,304,491	39,431,994	101,336,064	424,888,225	451,889,693
Commonwealth Land Title Insurance Company	659,219,321	32,490,595	63,954,527	361,541,447	348,086,875
Alamo Title Insurance	44,016,980	2,879,123	1,953,953	17,966,320	13,275,953
Title Resources Guaranty Company	35,861,805	1,697,987	413,706	13,035,201	9,593,000
Old Republic National Title Insurance Company	452,643,777	21,161,235	61,315,931	261,902,857	240,561,224
United General Title Insurance Company	88,361,645	2,905,508	13,277,853	62,615,939	56,624,853
Ticor Title Insurance Company	211,440,887	5,841,529	21,961,002	113,187,091	117,657,002
North American Title Insurance Company	80,764,906	3,642,852	687,616	28,451,816	25,122,953
Southern Title Insurance Corporation	19,722,431	922,249	3,274,516	11,001,692	10,239,516
Premier Land Title Insurance Company	21,184,228	626,185	215,988	11,245,480	6,372,000
Alliant National Title Insurance Company, Inc.	3,387,565	117,824	694,330	522,995	1,267,330
Title Insurance Company Of America	14,727,656	640,317	326,405	3,046,160	3,137,407
Security Union Title Insurance Company	64,560,986	8,237,091	9,847,553	22,542,602	32,388,553
Pacific Northwest Title Insurance Company, Inc.	27,699,389	1,430,401	636,604	12,118,349	8,639,765
Transnation Title Insurance Company	140,340,023	7,150,419	19,021,314	95,928,536	124,551,751
Sierra Title Insurance Guaranty Company	2,711,172	140,652	0	43,490	50,118
Ticor Title Insurance Company Of Florida	103,548,064	4,123,733	18,143,728	63,963,771	76,086,592
National Land Title Insurance Company	6,887,179	396,943	91,167	1,117,693	314,167
Westcor Land Title Insurance Company	20,711,387	(142,361)	594,127	13,492,778	6,068,126
Weighted Average - Tx Direct Premiums as Weights	797,650,876	57,155,997	84,867,185	456,795,831	486,873,127

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Non-Admitted Assets</i>	<i>Surplus as Regards Policyholders</i>	<i>Total Operating Income</i>	<i>Amount Paid to or Retained by Title Agents</i>	<i>Texas Direct Premium Written</i>
2007 Annual Statement by Company Licensed in Texas					
First American Title Insurance Company	722,909,278	426,527,243	3,630,841,157	2,248,120,236	295,173,624
Stewart Title Guaranty Company	58,009,366	515,901,015	1,499,604,706	1,099,768,492	269,221,833
Lawyers Title Insurance Corporation	135,793,845	129,286,409	1,324,909,286	700,268,473	225,537,781
Chicago Title Insurance Company	479,598,683	274,482,538	2,108,437,310	1,121,133,282	203,087,256
Fidelity National Title Insurance Company	113,853,309	237,682,104	1,369,360,612	840,562,038	149,654,309
Commonwealth Land Title Insurance Company	81,010,372	254,092,477	1,214,894,310	760,409,081	130,325,662
Alamo Title Insurance	3,702,637	26,226,592	94,868,348	80,095,646	94,165,857
Title Resources Guaranty Company	849,854	25,711,604	103,117,424	89,704,496	72,141,840
Old Republic National Title Insurance Company	48,814,186	116,001,825	770,478,042	594,328,500	48,481,664
United General Title Insurance Company	14,501,421	24,911,146	328,282,360	248,281,918	27,349,669
Ticor Title Insurance Company	35,183,164	67,686,913	377,091,400	221,138,248	26,803,084
North American Title Insurance Company	3,325,462	50,899,292	109,101,307	94,289,365	17,070,426
Southern Title Insurance Corporation	3,024,328	7,715,606	53,404,248	41,851,861	14,656,298
Premier Land Title Insurance Company	1,082,851	8,811,912	42,512,147	36,674,307	12,773,712
Alliant National Title Insurance Company, Inc.	433,197	2,354,553	13,587,506	11,897,217	10,537,510
Title Insurance Company Of America	381,861	11,666,575	11,614,194	10,137,288	9,828,156
Security Union Title Insurance Company	4,947,027	46,565,183	66,621,757	43,306,336	5,221,439
Pacific Northwest Title Insurance Company, Inc.	669,972	15,156,843	60,167,709	52,730,302	3,515,893
Transnation Title Insurance Company	41,726,005	22,334,782	299,589,827	178,625,661	2,326,598
Sierra Title Insurance Guaranty Company	0	2,657,562	1,923,075	1,671,695	1,966,566
Ticor Title Insurance Company Of Florida	26,843,811	25,586,476	93,604,625	63,996,950	1,084,339
National Land Title Insurance Company	448,612	5,233,777	2,502,043	2,074,570	448,854
Westcor Land Title Insurance Company	2,393,837	8,662,482	51,967,673	43,363,579	274,717
Weighted Average - Tx Direct Premiums as Weights	239,891,404	266,669,185	1,630,050,134	1,004,880,377	

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Invested Assets</i>	<i>Investment Gain</i>	<i>Statutory Reserve on Known Claims</i>	<i>Statutory Premium Reserve</i>	<i>Schedule P Reserves</i>
2008 Annual Statement by Company Licensed in Texas					
First American Title Insurance Company	1,566,397,026	121,171,804	203,666,036	894,594,629	1,190,800,036
Stewart Title Guaranty Company	774,485,801	19,189,582	117,640,556	332,185,000	449,825,556
Lawyers Title Insurance Corporation	575,609,806	(13,200,176)	104,558,936	454,831,309	545,885,893
Chicago Title Insurance Company	1,186,558,976	46,448,108	118,639,020	695,532,708	792,542,019
Commonwealth Land Title Insurance Company	546,128,221	(3,865,151)	76,339,568	334,551,345	388,939,512
Fidelity National Title Insurance Company	692,381,810	16,720,680	99,828,585	412,888,588	494,453,584
Alamo Title Insurance	35,337,132	1,106,830	1,363,091	16,955,132	14,443,090
Title Resources Guaranty Company	26,651,344	480,816	541,640	14,095,570	10,983,000
Old Republic National Title Insurance Company	398,788,352	6,885,476	64,714,720	244,174,633	230,021,701
Ticor Title Insurance Company	184,973,908	5,226,800	31,213,877	112,665,675	143,779,878
United General Title Insurance Company	14,295,010	(1,988,771)	0	0	0
Southern Title Insurance Corporation	22,212,825	902,985	5,612,094	10,337,394	12,429,094
Alliant National Title Insurance Company, Inc.	3,126,339	81,752	617,750	631,018	1,524,750
North American Title Insurance Company	73,562,285	2,084,334	2,429,568	27,220,589	27,487,550
Premier Land Title Insurance Company	19,283,971	413,231	169,949	10,612,011	6,232,000
Security Union Title Insurance Company	55,351,939	5,848,339	9,076,234	21,104,132	36,824,234
Sierra Title Insurance Guaranty Company	2,897,015	94,068	0	87,707	144,013
Pacific Northwest Title Insurance Company, Inc.	24,329,850	913,809	2,782,296	11,106,947	12,782,296
National Land Title Insurance Company	7,181,226	421,367	977,522	1,348,590	1,900,522
Ticor Title Insurance Company Of Florida	90,613,837	4,126,515	16,860,855	46,927,117	78,763,000
Westcor Land Title Insurance Company	17,302,068	(799,406)	687,889	13,221,715	7,167,889
Weighted Average - Tx Direct Premiums as Weights	769,547,489	31,323,183	104,566,395	442,958,438	554,883,024

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Non-Admitted Assets</i>	<i>Surplus as Regards Policyholders</i>	<i>Total Operating Income</i>	<i>Amount Paid to or Retained by Title Agents</i>	<i>Texas Direct Premium Written</i>
2008 Annual Statement by Company Licensed in Texas					
First American Title Insurance Company	614,910,650	608,812,018	2,688,365,306	1,650,528,556	238,545,825
Stewart Title Guaranty Company	96,273,299	332,264,809	1,243,599,633	838,642,273	227,633,433
Lawyers Title Insurance Corporation	221,787,215	109,120,963	1,175,082,138	663,308,703	183,740,471
Chicago Title Insurance Company	194,443,841	338,670,564	1,675,386,366	724,357,817	143,902,052
Commonwealth Land Title Insurance Company	128,151,078	170,394,985	870,835,733	562,217,557	90,768,231
Fidelity National Title Insurance Company	109,901,645	190,258,367	962,415,043	599,247,757	87,868,594
Alamo Title Insurance	4,668,386	20,896,169	78,163,609	65,565,246	77,111,184
Title Resources Guaranty Company	1,257,805	14,152,270	113,094,513	96,781,642	72,934,017
Old Republic National Title Insurance Company	58,307,607	111,363,757	606,660,024	431,530,319	38,472,638
Ticor Title Insurance Company	28,848,571	49,325,710	291,864,209	175,306,403	18,707,969
United General Title Insurance Company	5,923,356	15,676,521	155,274,371	113,251,327	17,058,811
Southern Title Insurance Corporation	3,368,307	8,002,886	44,696,759	34,716,625	15,213,770
Alliant National Title Insurance Company, Inc.	589,331	1,856,846	14,512,101	12,530,234	12,163,226
North American Title Insurance Company	3,126,092	45,394,759	70,658,460	61,218,368	8,727,541
Premier Land Title Insurance Company	760,331	8,522,267	23,657,827	19,646,073	8,374,243
Security Union Title Insurance Company	5,467,813	35,783,099	48,588,176	34,433,800	3,302,178
Sierra Title Insurance Guaranty Company	0	2,740,582	2,451,424	2,121,245	2,496,640
Pacific Northwest Title Insurance Company, Inc.	936,609	12,027,604	39,144,895	34,118,945	2,102,297
National Land Title Insurance Company	765,539	4,525,453	4,950,337	4,372,728	516,825
Ticor Title Insurance Company Of Florida	12,280,020	28,878,002	66,578,345	33,847,871	353,008
Westcor Land Title Insurance Company	2,897,290	8,995,535	47,110,465	38,317,242	159,504
Weighted Average - Tx Direct Premiums as Weights	209,633,222	264,550,119	1,273,983,337	759,865,795	

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Invested Assets</i>	<i>Investment Gain</i>	<i>Statutory Reserve on Known Claims</i>	<i>Statutory Premium Reserve</i>	<i>Schedule P Reserves</i>
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2009 Annual Statement by Company Licensed in Texas

Stewart Title Guaranty Company	860,400,171	22,622,775	136,829,138	352,016,816	484,696,138
First American Title Insurance Company	1,537,691,738	172,763,599	181,898,469	889,459,958	1,115,434,470
Chicago Title Insurance Company	1,263,031,594	159,268,065	126,857,505	651,317,847	816,762,505
Lawyers Title Insurance Corporation	606,103,644	10,136,115	85,670,147	417,698,589	529,121,148
Title Resources Guaranty Company	28,648,312	3,101	318,989	15,041,609	14,216,000
Fidelity National Title Insurance Company	707,592,381	37,986,898	100,085,971	404,056,343	459,330,973
Alamo Title Insurance	36,282,911	1,266,222	1,591,358	15,043,543	12,742,358
Commonwealth Land Title Insurance Company	536,918,387	6,166,764	61,504,636	283,835,319	359,212,637
Old Republic National Title Insurance Company	574,772,736	19,259,169	83,335,275	304,248,624	257,754,956
Alliant National Title Insurance Company, Inc.	7,135,551	39,463	426,878	1,541,159	2,695,878
Ticor Title Insurance Company	223,334,944	16,200,790	57,339,924	108,042,518	165,340,924
North American Title Insurance Company	72,825,550	387,956	2,552,391	25,733,804	24,887,896
Premier Land Title Insurance Company	20,157,951	177,298	121,172	9,667,252	5,346,000
Pacific Northwest Title Insurance Company, Inc.	24,471,037	416,722	2,603,241	11,094,286	13,353,241
Security Union Title Insurance Company	78,554,929	5,658,012	10,145,283	20,737,656	40,359,283
Westcor Land Title Insurance Company	19,371,859	312,041	530,946	14,609,290	9,595,946
Sierra Title Insurance Guaranty Company	2,961,640	71,984	0	125,294	212,651
Southern Title Insurance Corporation	18,818,360	1,086,682	4,591,602	10,466,310	11,367,602
National Land Title Insurance Company	10,554,586	106,093	5,422,447	1,809,379	7,124,447
Ticor Title Insurance Company Of Florida	101,509,799	4,992,577	13,616,798	40,520,541	73,335,085
National Title Insurance Of New York, Inc.	20,893,339	889,008	1,920,642	8,953,001	9,925,642

Weighted Average - Tx Direct Premiums as Weights

	815,250,336	64,583,705	103,941,408	434,165,213	545,434,304
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Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Non-Admitted Assets</i>	<i>Surplus as Regards Policyholders</i>	<i>Total Operating Income</i>	<i>Amount Paid to or Retained by Title Agents</i>	<i>Texas Direct Premium Written</i>
2009 Annual Statement by Company Licensed in Texas					
Stewart Title Guaranty Company	98,844,769	385,820,455	1,261,892,808	965,149,932	212,379,860
First American Title Insurance Company	566,301,532	802,125,966	2,692,673,114	1,577,448,527	198,078,761
Chicago Title Insurance Company	209,910,116	484,543,075	1,731,575,158	793,525,458	134,214,830
Lawyers Title Insurance Corporation	151,452,085	97,467,666	711,745,707	401,592,227	107,164,174
Title Resources Guaranty Company	2,956,374	14,305,896	115,930,942	98,853,848	79,451,226
Fidelity National Title Insurance Company	112,855,530	250,700,392	1,069,129,286	718,554,005	76,384,690
Alamo Title Insurance	2,536,778	23,486,641	52,310,813	42,910,215	50,485,887
Commonwealth Land Title Insurance Company	84,160,949	185,223,747	477,506,111	293,536,051	41,547,795
Old Republic National Title Insurance Company	64,983,028	172,102,436	784,364,908	584,128,389	39,812,498
Alliant National Title Insurance Company, Inc.	252,980	5,604,781	40,705,412	35,114,347	31,185,101
Ticor Title Insurance Company	31,832,853	54,636,790	315,280,251	186,498,681	12,976,109
North American Title Insurance Company	2,862,190	44,576,549	63,828,172	54,675,356	8,862,885
Premier Land Title Insurance Company	519,721	6,221,275	17,361,233	14,139,658	7,360,364
Pacific Northwest Title Insurance Company, Inc.	955,605	12,629,240	50,272,493	44,406,259	4,592,929
Security Union Title Insurance Company	5,393,109	47,572,504	70,234,755	43,244,870	3,704,426
Westcor Land Title Insurance Company	1,571,739	10,984,628	91,094,539	77,578,206	3,299,605
Sierra Title Insurance Guaranty Company	0	2,823,929	2,619,828	2,258,689	2,657,415
Southern Title Insurance Corporation	1,605,738	7,077,263	30,872,982	22,337,883	2,109,104
National Land Title Insurance Company	2,636,322	3,060,600	10,570,133	9,168,255	878,923
Ticor Title Insurance Company Of Florida	13,814,067	40,555,621	82,239,429	57,146,765	252,681
National Title Insurance Of New York, Inc.	527,714	13,195,464	44,913,272	36,305,993	205,236
Weighted Average - Tx Direct Premiums as Weights	189,783,427	347,831,800	1,239,754,219	758,783,882	

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Invested Assets</i>	<i>Investment Gain</i>	<i>Statutory Reserve on Known Claims</i>	<i>Statutory Premium Reserve</i>	<i>Schedule P Reserves</i>
2010 Annual Statement by Company Licensed in Texas					
Stewart Title Guaranty Company	850,871,952	35,572,839	127,686,718	360,952,282	488,637,718
First American Title Insurance Company	1,785,677,131	76,934,120	176,314,483	916,412,261	1,073,769,483
Fidelity National Title Insurance Company	1,209,113,397	37,564,878	191,837,395	821,032,281	899,251,394
Chicago Title Insurance Company	1,662,695,507	110,174,486	202,684,020	863,230,020	1,002,167,022
Title Resources Guaranty Company	35,548,033	152,152	520,286	16,480,181	16,173,286
Old Republic National Title Insurance Company	604,110,429	20,782,950	79,945,834	309,948,950	264,792,677
Alamo Title Insurance	36,557,856	1,614,703	1,428,832	13,716,435	11,404,832
Commonwealth Land Title Insurance Company	545,083,756	(51,560,525)	52,605,886	296,044,976	317,271,887
Alliant National Title Insurance Company, Inc.	7,263,208	(28,070)	874,476	2,761,343	4,278,476
National Title Insurance Of New York, Inc.	42,536,035	531,817	1,983,059	27,136,612	22,334,059
North American Title Insurance Company	70,734,002	286,173	1,954,434	24,957,627	21,220,939
Westcor Land Title Insurance Company	24,252,936	580,855	476,344	16,779,404	13,822,344
Premier Land Title Insurance Company	17,253,390	180,815	90,112	8,554,680	4,068,000
Wfg National Title Insurance Company	12,385,881	123,745	438,441	4,355,876	3,760,441
Sierra Title Insurance Guaranty Company	2,942,600	40,831	0	148,479	233,605
National Investors Title Insurance Company	6,279,579	222,862	700	697,628	596,700
Southern Title Insurance Corporation	18,120,761	849,955	6,318,121	10,272,052	13,582,121
Weighted Average - Tx Direct Premiums as Weights	998,681,678	41,679,350	125,153,750	532,212,220	616,154,558

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Non-Admitted Assets</i>	<i>Surplus as Regards Policyholders</i>	<i>Total Operating Income</i>	<i>Amount Paid to or Retained by Title Agents</i>	<i>Texas Direct Premium Written</i>
2010 Annual Statement by Company Licensed in Texas					
Stewart Title Guaranty Company	21,765,978	369,510,989	1,241,436,988	912,061,005	210,600,722
First American Title Insurance Company	627,029,567	846,805,668	2,739,749,623	1,594,163,472	203,663,526
Fidelity National Title Insurance Company	292,294,943	236,272,490	1,564,316,795	973,410,792	175,649,119
Chicago Title Insurance Company	251,148,399	641,884,927	1,967,046,383	981,270,891	138,958,345
Title Resources Guaranty Company	2,342,857	21,798,504	133,140,888	112,981,938	80,125,605
Old Republic National Title Insurance Company	65,001,693	201,006,500	1,077,820,375	814,964,608	74,110,631
Alamo Title Insurance	2,843,851	22,526,757	51,583,883	42,735,720	50,297,008
Commonwealth Land Title Insurance Company	65,495,856	213,833,276	550,641,831	393,882,524	45,792,386
Alliant National Title Insurance Company, Inc.	344,051	4,584,018	48,757,337	41,634,061	33,981,028
National Title Insurance Of New York, Inc.	1,994,994	18,731,155	278,393,623	253,871,857	17,889,569
North American Title Insurance Company	1,278,791	44,839,807	75,187,742	65,076,599	11,670,320
Westcor Land Title Insurance Company	1,964,563	13,085,385	126,764,689	107,394,438	9,107,066
Premier Land Title Insurance Company	418,691	7,903,602	13,364,325	9,922,810	4,847,352
Wfg National Title Insurance Company	562,242	10,856,155	11,918,078	6,261,283	2,784,123
Sierra Title Insurance Guaranty Company	0	2,883,903	2,472,944	2,121,607	2,496,129
National Investors Title Insurance Company	168,380	5,601,319	4,773,427	3,925,127	2,144,908
Southern Title Insurance Corporation	1,706,608	6,780,171	24,443,021	17,106,843	197,320
Weighted Average - Tx Direct Premiums as Weights	213,056,512	385,007,902	1,404,364,962	865,816,228	

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Invested Assets</i>	<i>Investment Gain</i>	<i>Statutory Reserve on Known Claims</i>	<i>Statutory Premium Reserve</i>	<i>Schedule P Reserves</i>
2011 Annual Statement by Company Licensed in Texas					
First American Title Insurance Company	1,770,194,001	130,066,439	147,540,880	885,571,943	935,291,880
Stewart Title Guaranty Company	855,213,573	41,408,810	124,017,790	369,414,210	493,431,790
Fidelity National Title Insurance Company	1,205,223,796	62,980,750	252,468,301	761,346,012	780,642,297
Chicago Title Insurance Company	1,701,808,190	72,910,037	274,895,617	806,189,891	757,600,618
Title Resources Guaranty Company	48,355,728	95,681	868,687	20,704,968	18,635,686
Old Republic National Title Insurance Company	651,056,707	22,249,600	67,955,525	323,075,732	297,433,257
Alamo Title Insurance	32,245,226	1,408,929	2,868,933	12,416,494	9,825,933
Commonwealth Land Title Insurance Company	549,226,352	24,698,156	88,130,727	278,360,748	303,684,516
Alliant National Title Insurance Company, Inc.	7,372,566	55,446	1,377,632	3,582,496	5,985,632
National Investors Title Insurance Company	7,804,302	207,821	37,009	1,188,010	1,307,000
National Title Insurance Of New York, Inc.	61,573,167	1,354,412	1,769,043	42,597,823	32,752,043
Wfg National Title Insurance Company	20,276,087	110,432	853,967	7,173,176	6,479,967
North American Title Insurance Company	73,671,784	431,406	1,995,174	24,295,995	20,235,319
Westcor Land Title Insurance Company	29,242,300	692,885	604,600	21,070,157	18,245,600
Premier Land Title Insurance Company	15,761,489	84,707	89,970	7,455,915	3,288,000
Sierra Title Insurance Guaranty Company	3,057,020	23,910	0	171,478	233,599
Weighted Average - Tx Direct Premiums as Weights	987,553,078	54,834,932	134,609,178	500,731,919	527,772,427

Attachment 3 - Exhibit 3

Texas Land Title Association

<i>Company Name</i>	<i>Non-Admitted Assets</i>	<i>Surplus as Regards Policyholders</i>	<i>Total Operating Income</i>	<i>Amount Paid to or Retained by Title Agents</i>	<i>Texas Direct Premium Written</i>
2011 Annual Statement by Company Licensed in Texas					
First American Title Insurance Company	666,853,259	828,332,847	2,654,565,052	1,525,349,897	225,622,359
Stewart Title Guaranty Company	28,367,861	371,800,135	1,177,992,622	860,956,387	211,825,719
Fidelity National Title Insurance Company	225,172,476	246,378,096	1,356,653,487	804,173,738	174,266,176
Chicago Title Insurance Company	232,600,755	628,455,293	2,009,652,618	920,493,403	154,655,889
Title Resources Guaranty Company	4,737,548	17,357,932	185,997,248	160,785,050	91,286,793
Old Republic National Title Insurance Company	73,186,380	224,102,988	1,248,418,166	931,710,235	90,994,857
Alamo Title Insurance	2,576,800	19,588,803	43,002,923	35,453,978	41,711,712
Commonwealth Land Title Insurance Company	53,188,560	200,136,176	533,667,734	343,128,731	32,086,514
Alliant National Title Insurance Company, Inc.	794,695	3,547,232	46,987,793	39,154,909	31,545,321
National Investors Title Insurance Company	209,943	6,587,503	28,122,276	24,255,158	26,321,570
National Title Insurance Of New York, Inc.	3,219,528	20,630,824	261,272,226	234,608,773	25,814,952
Wfg National Title Insurance Company	2,674,418	13,530,605	47,372,788	32,424,902	14,731,794
North American Title Insurance Company	1,266,292	46,494,638	77,385,455	66,027,068	14,422,221
Westcor Land Title Insurance Company	2,332,980	14,213,417	154,811,397	131,285,135	12,069,101
Premier Land Title Insurance Company	360,756	7,405,645	12,913,483	9,535,748	4,700,915
Sierra Title Insurance Guaranty Company	0	2,988,134	2,516,557	2,158,598	2,539,556
Weighted Average - Tx Direct Premiums as Weights	208,546,180	378,395,873	1,349,298,981	807,181,023	

Attachment 3 - Exhibit 4

Texas Land Title Association

Income from Investments

Description	2006	2007	2008	2009	2010	Totals	Tax Rate
(1) Investment Income - Tax Exempt - Before Expenses	9,557,935	10,446,493	7,782,624	4,520,835	3,947,375	36,255,262	5.25%
(2) Investment Income - Dividends - Before Expenses	11,508,213	14,683,323	11,439,154	15,507,304	9,477,292	62,615,286	14.18%
(3) Investment Income - Other - Before Expenses	35,013,627	38,244,048	20,904,109	28,622,042	20,666,457	143,450,283	35.00%
(4) Net Realized Capital Gains (Losses)	506,631	(3,308,268)	(23,958,833)	(1,233,647)	(7,446,060)	(35,440,177)	35.00%
(5) Net Unrealized Capital Gains (Losses)	(522,235)	(20,008,442)	(29,654,319)	9,476,733	37,401,546	(3,306,718)	35.00%
Investment Expenses and Other Deductions (Excludes Interest Paid on Borrowed Money, Notes and Encumbrances on Real Estate, See Line 13)	3,361,238	2,515,885	2,735,988	1,934,096	1,917,063	12,464,270	35.00%
(6) TOTAL INCOME FROM INVESTMENTS	52,702,933	37,541,268	(16,223,253)	54,959,170	62,129,547	191,109,665	22.53%
(7) (1 + 2 + 3 + 4 + 5 - 6)							

*Investment income data taken from "pcAnnual_Report_2011.xlsx" from ALTA web site

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Appendix 1:
Working Draft
Petition and Rate
Rule Proposal

TDI DOCKET NO. _____

IN THE MATTER OF THE

BEFORE THE

PERIODIC TITLE INSURANCE RATE
RULEMAKING HEARING,

COMMISSIONER OF INSURANCE FOR

TEXAS LAND TITLE ASSOCIATION

§
§
§
§
§
§
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§

THE STATE OF TEXAS

**PETITION TO HOLD THE PERIODIC TITLE INSURANCE RATE RULEMAKING
HEARING AND FOR THE ADOPTION OF A RULE**

TO THE HONORABLE ELEANOR KITZMAN, COMMISSIONER OF INSURANCE:

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

1. TLTA, the Petitioner, has retained Sneed, Vine & Perry, P.C. and Burton & Hyde, P.L.L.C. to represent the association in the above referenced matter. Thomas A. Rutledge will serve as the attorney of record. His firm's mailing address, telephone number, and facsimile number are contained in the signature line below.

2. TLTA is an association composed of approximately 90 percent—well over the required 50 percent—of the number of title insurance agents and title insurance companies licensed or authorized by the department; and, on behalf of its membership, TLTA requests that the commissioner hold a rulemaking proceeding to fix and promulgate a new title insurance premium rate pursuant to TEX. INS. CODE § 2703.202(b).

3. TLTA requests that the commissioner adopt the proposed amendments to 28 TEX. ADMIN. CODE § 9.1, attached and incorporated into this petition by reference, and promulgate the *Schedule of Basic Premium Rates for Title Insurance*, attached as Appendix A, to be made part of the *Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*.

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

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

5. TLTA has provided a copy of its analysis and recommendations to department staff. TLTA requests a copy of department staff's analysis and recommendations on the rule proposal before a rulemaking hearing on the title insurance rate is held.

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

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

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

Respectfully submitted,

Thomas A. Rutledge
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900 Congress Avenue, Suite 300
Austin, Texas 78701
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Fax: 512-476-1825
SBN: 17462500

Cass Burton
Burton & Hyde, P.L.L.C.
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Fax: 512-354-7401
SBN: 24040613

**ATTORNEYS FOR THE
TEXAS LAND TITLE ASSOCIATION**

TDI DOCKET NO. _____

PETITION TO HOLD THE PERIODIC TITLE INSURANCE RATE HEARING & ADOPT A RULE

Page 3 of 10

CERTIFICATE OF SERVICE

In accordance with 28 TEX. ADMIN. CODE § 1.202, I certify that on _____, 2012, a true and correct copy of this petition, the proposed rule, and Appendix A have been sent to the following parties:

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

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

Thomas A. Rutledge

DRAFT

TITLE 28. INSURANCE

PART 1. TEXAS DEPARTMENT OF INSURANCE

CHAPTER 9. TITLE INSURANCE

**SUBCHAPTER A. BASIC MANUAL OF RULES, RATES AND FORMS FOR THE WRITING
OF TITLE INSURANCE IN THE STATE OF TEXAS**

28 TAC §9.1

1. Introduction. The Texas Land Title Association proposes amendments to 28 TEX. ADMIN. CODE § 9.1 concerning the rate to be charged for title insurance policies written in the State of Texas. These amendments are necessary to implement the indicated rate changes and adopt the *Schedule of Basic Premium Rates for Title Insurance*, attached and incorporated by reference as Appendix A, as part of the *Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas*. TLTA requests that the commissioner adopt the *Schedule* effective 12:01 a.m. January 1, 2013.

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

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

By adopting the proposed rate change, the commissioner also offers important protections to consumers and purchasers of title insurance. An adequate provision for losses and the associated expenses makes it possible to investigate claims, indemnify the purchaser of title insurance, and institute legal proceedings to clear their title. An adequate provision for expenses ensures reliable, consistent, and efficient service. It prevents losses. An adequate provision for profit creates market stability, attracts capital, and

encourages long-term investments in the title industry. It prevents insolvencies. It ensures the safety of funds and the security of the real estate closing.

A rate change does impose some costs on title insurance companies, title insurance agents, and software vendors. The following category of costs will be incurred: technology (e.g., software programming and redevelopment), printing, labor, and training. Title insurance companies must update software, which includes, variously, rate and fee calculators, accounting, policy production, and escrow/title systems. Title insurance agents may also incur technology costs for updating internal policy production and escrow/title systems, depending variously on the licensee's reliance on the sponsoring underwriter or software vendor. Software vendors that provide business solutions to the title insurance industry will expend funds on software redevelopment. Title insurance companies and agents will pay for new rate cards and the printing of training materials. Underwriters, agents, and software vendors alike will incur labor costs. The number of full time employees required to perform these tasks is largely dependent on the size of the entity. Estimates have ranged from one to three full time employees being devoted to these projects for anywhere from nine to 90 days. Some training programs are conducted in-house, others are provided by software vendors for a fee.

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

3. Text.

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

The Texas Department of Insurance adopts by reference the Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas as amended effective January 1, 2013 [~~February 1, 2010~~]. The document is available on-line or upon request from [~~and on file at~~] the Texas

Department of Insurance, [~~Title Division,~~] Mail Code 106-2T, 333 Guadalupe Street, Austin, Texas 78701-3938.

4. Statutory Authority. The amendments are proposed under TEX. INS. CODE §§ 31.021(b), 36.001, 36.110, 2501.002, and 2551.003(a), 2703.001(b), 2703.151, 2703.202(b) – (c), and 2703.206; and, TEX. GOV'T CODE §§ 2001.021 – 2001.041. Insurance Code, Section 31.021(b) vests the commissioner with the statutory powers and duties of the department. Insurance Code, Section 36.001 provides that the commissioner may adopt any rules necessary and appropriate to implement the powers and duties of the department under the Insurance Code and other laws of this state. Insurance Code, Section 36.110 allows the commissioner to engage in negotiated rulemaking under Chapter 2008, Government Code. Insurance Code, Section 2501.002 explicitly states the legislative intent to completely regulate the business of title insurance, and Insurance Code, Section 2551.003(a) grants the commissioner rulemaking authority over the business of title insurance. Insurance Code, Chapter 2703 describes the commissioner's powers in additional detail. Insurance Code, Section 2703.001(b) states that the commissioner supervises and oversees the title insurance industry. Insurance Code, Section 2703.151 provides that the commissioner shall fix and promulgate premium rates to be charged by a title insurance agent or title insurance company for title insurance policies or for other forms prescribed and approved by the commissioner. Insurance Code, Section 2703.202(b) provides that the commissioner shall order a public hearing to consider charging a premium rate on written request of an association composed of at least 50 percent of the number of title insurance agents and title insurance companies licensed by the department; and, Insurance Code, Section 2703.206 provides that the commissioner may hold a hearing to consider the adoption of premium rates as the commissioner determines necessary. Insurance Code, Section 2703.202(c) provides that the commissioner shall hold a public hearing as a rulemaking hearing under Subchapter B, Chapter 2001, Government Code. Government Code, Sections 2001.021 to 2001.041 provides the procedures for proposing and adopting a rule under the Administrative Procedures Act.

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

TDI DOCKET NO. _____

PETITION TO HOLD THE PERIODIC TITLE INSURANCE RATE HEARING & ADOPT A RULE

Page 7 of 10

Submitted to the Texas Department of Insurance on the ____ of October, 2012 by:

Thomas A. Rutledge
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SBN: 17462500

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Tel: 512-705-8880
Fax: 512-354-7401
SBN: 24040613

**ATTORNEYS FOR THE
TEXAS LAND TITLE ASSOCIATION**

APPENDIX A

Schedule of Basic Premium Rates for Title Insurance

effective

12:01 a.m. January 1, 2013

DRAFT

TEXAS TITLE INSURANCE PREMIUM RATES

EFFECTIVE JANUARY 1, 2013

Policies Up To And Including	Basic Premium	Policies Up To And Including	Basic Premium	Policies Up To And Including	Basic Premium	Policies Up To And Including	Basic Premium
\$10,000	\$244	\$32,500	\$407	\$55,000	\$571	\$77,500	\$734
10,500	248	33,000	411	55,500	574	78,000	738
11,000	251	33,500	415	56,000	578	78,500	742
11,500	255	34,000	418	56,500	582	79,000	745
12,000	259	34,500	422	57,000	585	79,500	749
12,500	262	35,000	426	57,500	589	80,000	752
13,000	266	35,500	429	58,000	593	80,500	756
13,500	269	36,000	433	58,500	596	81,000	760
14,000	273	36,500	436	59,000	600	81,500	763
14,500	277	37,000	440	59,500	604	82,000	767
15,000	280	37,500	444	60,000	607	82,500	771
15,500	284	38,000	447	60,500	611	83,000	774
16,000	288	38,500	451	61,000	614	83,500	778
16,500	291	39,000	455	61,500	618	84,000	781
17,000	295	39,500	458	62,000	622	84,500	785
17,500	298	40,000	462	62,500	625	85,000	789
18,000	302	40,500	466	63,000	629	85,500	792
18,500	306	41,000	469	63,500	633	86,000	796
19,000	309	41,500	473	64,000	636	86,500	800
19,500	313	42,000	476	64,500	640	87,000	803
20,000	317	42,500	480	65,000	643	87,500	807
20,500	320	43,000	484	65,500	647	88,000	811
21,000	324	43,500	487	66,000	651	88,500	814
21,500	328	44,000	491	66,500	654	89,000	818
22,000	331	44,500	495	67,000	658	89,500	821
22,500	335	45,000	498	67,500	662	90,000	825
23,000	338	45,500	502	68,000	665	90,500	829
23,500	342	46,000	505	68,500	669	91,000	832
24,000	346	46,500	509	69,000	673	91,500	836
24,500	349	47,000	513	69,500	676	92,000	840
25,000	353	47,500	516	70,000	680	92,500	843
25,500	357	48,000	520	70,500	683	93,000	847
26,000	360	48,500	524	71,000	687	93,500	850
26,500	364	49,000	527	71,500	691	94,000	854
27,000	367	49,500	531	72,000	694	94,500	858
27,500	371	50,000	535	72,500	698	95,000	861
28,000	375	50,500	538	73,000	702	95,500	865
28,500	378	51,000	542	73,500	705	96,000	869
29,000	382	51,500	545	74,000	709	96,500	872
29,500	386	52,000	549	74,500	712	97,000	876
30,000	389	52,500	553	75,000	716	97,500	880
30,500	393	53,000	556	75,500	720	98,000	883
31,000	397	53,500	560	76,000	723	98,500	887
31,500	400	54,000	564	76,500	727	99,000	890
32,000	404	54,500	567	77,000	731	99,500	894
						100,000	898

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

1. For policies of \$100,001 to \$1,000,000

Basic Premium

- (1) Subtract \$100,000 from the policy amount
- (2) Multiply result in 1.(1) by \$0.00569 and round to the nearest whole dollar
- (3) Add \$898 to the result in 1.(2).

2. For Policies of \$1,000,001 to \$5,000,000

Basic Premium

- (1) Subtract \$1,000,000 from the policy amount
- (2) Multiply result in 2.(1) by \$0.00468 and round to the nearest whole dollar
- (3) Add \$6,019 to the result in 2.(2).

3. For policies of \$5,000,001 to \$15,000,000

Basic Premium

- (1) Subtract \$5,000,000 from the policy amount
- (2) Multiply result in 3.(1) by \$0.00386 and round to the nearest whole dollar
- (3) Add \$24,739 to the result in 3.(2).

4. For policies of \$15,000,001 to \$25,000,000

Basic Premium

- (1) Subtract \$15,000,000 from the policy amount
- (2) Multiply result in 4.(1) by \$0.00274 and round to the nearest whole dollar
- (3) Add \$63,339 to the result in 4.(2).

5. For policies in excess of \$25,000,000

Basic Premium

- (1) Subtract \$25,000,000 from the policy amount
- (2) Multiply result in 5.(1) by \$0.00164 and round to the nearest whole dollar
- (3) Add \$90,739 to the result in 5.(2).

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Briefing Book

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