



TEXAS DEPARTMENT OF INSURANCE

**TEXAS TITLE INSURANCE INDUSTRY
COST OF CAPITAL ASSESSMENT
SEPTEMBER 2025**

SEPTEMBER 17, 2025

For

Texas Department of Insurance

By

John Andrew Seymour, ACAS, MAAA and

Mark Crawshaw, Ph.D., FCAS, MAAA

EXPERTS WITH **IMPACT™**



September 17, 2025

Ms. Nicole Elliott
Chief Actuary
Texas Department of Insurance
333 Guadalupe Street
Austin, TX 78714-9104

Dear Ms. Elliott:

FTI Consulting, Inc. is pleased to enclose a copy of the above captioned report. We have enjoyed working on this project and hope you find it satisfactory. Please call if you have any questions or comments.

Respectfully submitted,
FTI Consulting, Inc.

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TEXAS TITLE INSURANCE INDUSTRY COST OF CAPITAL ASSESSMENT SEPTEMBER 2025

INTRODUCTION

Purpose

FTI Consulting, Inc. (“FTI”) was retained by the Texas Department of Insurance (“TDI”) to estimate the cost of capital for the Texas title insurance industry and to determine an appropriate underwriting profit provision to include in the title rates to provide for that cost of capital. This report describes the results of our analysis.

Acknowledgement of Qualification

This report was prepared by Mark Crawshaw, Ph.D., FCAS, MAAA and John Andrew Seymour, ACAS, MAAA. Messrs. Crawshaw and Seymour are Members of the American Academy of Actuaries and meet the qualification standards of the American Academy of Actuaries to render the opinions presented in this report.

RECOMMENDATIONS

Our estimated cost of capital for the independent and affiliated agents in the Texas title insurance industry is 17.1%. Our estimated cost of capital for underwriters (including their direct operations) in the Texas title insurance industry is 13.9%. On a combined basis, these cost of capital estimates produce an indicated underwriting profit provision of 11.1% for the Texas title insurance industry. These estimates are summarized on Exhibit 1, Sheet 1.

COMPARISON TO THE AUGUST 2024 FTI COST OF CAPITAL ASSESSMENT

We previously performed a similar cost of capital analysis on behalf of TDI in August 2024. That earlier analysis produced somewhat higher cost of capital estimates (18.0% for independent and affiliated agents and 14.6% for underwriters and direct operations) than the current analysis. However, the resulting indicated underwriting profit provision in this analysis (11.1%) is little different from our earlier indication (11.0%).

COMPARISON TO THE SEPTEMBER 2024 TLTA COST OF CAPITAL REPORT

A prior cost of capital assessment was performed on behalf of the Texas Land Title Association (“TLTA”) in September 2024 by Dr. Greg Hallman and Mr. Kevin Jewell. Their estimated cost of capital for the entire Texas title industry (agents and underwriters including direct operations) was then converted to an indicated underwriting profit provision of 12.0% by actuaries with the firm Rudd and Wisdom, Inc. in their rate study dated October 14, 2024. Despite differences in approach, the previous cost of capital produced by TLTA for the entire title industry (15.4%) is within the range of our current cost of capital estimates for independent and affiliated agents (17.1%) and for underwriters and direct operations (13.9%).

CONDITIONS AND LIMITATIONS

Data Sources

In our analysis, we relied on the following sources of the information:

- Financial information for the five largest title insurance companies (Fidelity, First American, Old Republic, Stewart, and Investors Title) reported by Value Line, including information about betas, capital structure, investments, and taxes;
- Financial statements for the five largest title insurance companies published by S&P Capital IQ;
- Market risk premium information and recommendations reported by the Kroll Cost of Capital Navigator;

- ALTA and S&P Capital IQ countrywide title industry annual statements;
- Historical and current interest rates for various financial instruments published by the Federal Reserve, S&P bond indices, Moody's, and Freddie Mac;
- Agents' statistical reports and underwriters' experience reports published by the TDI; and
- Industry data compiled and reported by Sageworks summarizing net profit margins for privately held companies in various industries.

Overview of Methodology

Although there are some differences in the details of our approach, in general our methodology follows that used in the last rate proceeding. We estimate the cost of capital for the Texas title agents and underwriters (including their direct operations) separately using the CAPM. These cost of capital estimates are then converted into a single underwriting profit provision for the Texas title industry. The steps in our analysis are as follows:

1. Apply CAPM using the largest title insurers to estimate the equity cost of capital separately for agents and underwriters including direct operations.
2. Calculate the weighted average cost of capital (including equity and debt) for agents and underwriters including direct operations.
3. For underwriters including direct operations, we convert the indicated cost of capital to an underwriting profit provision by applying financial leverage ratios from published ALTA annual statements. For agents, we select an underwriting profit provision based on their historical profit margins.
4. Finally, we calculate a single underwriting profit provision for the title insurance industry based on the allocation of retained premiums to agents and underwriters including direct operations.

The steps in our analysis are described in more detail below.

CAPM Overview

The Capital Asset Pricing Model (“CAPM”) is a theoretical finance model widely used to determine cost of capital by analyzing the returns that stock investors in a company/industry are currently requiring considering current market data. More specifically, CAPM assumes the required rate of return for a stock, considering all the alternative opportunities the investor has, is determined as follows:

$$\text{Required Return} = \text{Risk-Free Rate} + \text{Beta} \times \text{Market Risk Premium}$$

Where:

1. **Risk-Free Rate** refers to the expected return on a theoretical risk-free asset. In applying the model, a current US Treasury yield is typically selected as the risk-free rate. Consistent with the prior approach, we use the current Treasury twenty-year bond yield as the risk-free rate.
2. **Beta** represents the sensitivity of the company/industry expected stock return (excess of the risk-free rate) to the total stock market return (excess of the risk-free rate). It is a measure of the systematic risk inherent in a company’s equity. Beta values are calculated and published by various investor services organizations. In our analysis, we used current values published by Value Line, Inc. for the five largest title insurers.
3. **Market Risk Premium** (equity risk premium) represents the excess of the market return over the risk-free rate. In our analysis, we use the historical long term market risk premium published by the Kroll Cost of Capital Navigator (previously Duff and Phelps).

The above equation describes the standard and most common application of the CAPM equation. Various adjustments to the standard CAPM equation are sometimes used in specific circumstances to account for different underlying assumptions or specific applications. To estimate the cost of capital for Texas title agents and for underwriters including direct operations, we include a “Size Premium” adjustment to obtain the following equation:

$$\text{Required Return} = \text{Risk-Free Rate} + \text{Beta} \times \text{Market Risk Premium} + \text{Size Premium}$$

The Size Premium reflects the expected return in excess of the CAPM expected return required by an investor to invest in a small firm.¹ In general, smaller firms are riskier for investors than larger firms, which are typically more established and display less volatility in their stock returns. In the Texas title industry, all title agent firms are below the 10th (bottom) decile of publicly traded companies ranked by market capitalization. The largest underwriter is in the 3rd decile. Thus, a relatively large adjustment to the standard CAPM equation to account for the small size of title agent firms is justified as well as a smaller adjustment for the underwriters. For agents we select the Kroll Cost of Capital Navigator size premium of 4.5% for companies in the 10th decile of publicly traded companies. The 10th decile corresponds to companies with a market capitalization of \$304.48 million or less. For underwriters including direct operations, we calculate a weighted average size premium using the decile-specific size premiums for the largest underwriters and their 2024 market share of countrywide title written premiums and used the 10th decile size premium of 4.5% for the remaining underwriters.

RESULTS

Estimation of Equity Cost of Capital for Underwriters Including Direct Operations

The cost of capital for title insurance underwriters including direct operations is a weighted average of the costs of their equity and debt capital. We estimate the cost of equity capital by applying the CAPM to publicly available financial data reported for the five largest title insurance groups: First American Financial Corporation, Old Republic International Corporation, Fidelity National Financial, Stewart Information Services, and Investors Title Company. These groups account for about 83% of countrywide title premiums and about 75% of Texas title premiums written in 2024. Their share of title premiums in recent prior years is similar.

The betas for the five largest title insurance groups are obtained from recent reports published by Value Line. These “levered” (or “equity”) betas reflect the sensitivity of the company’s expected stock returns to the market’s expected return and include the effect of the company’s leverage (debt). All else equal, a company with higher leverage will be perceived by investors as riskier because a higher portion of its future earnings must go toward servicing its debt and thus reduce earnings. This additional risk, all else equal, will increase a company’s levered beta. To compare betas across companies and obtain a single beta for the title industry, the effects of leverage on each company’s levered beta must be removed to produce “unlevered” (or “asset”)

¹ For the very largest firms the size premium is negative.

betas. These unlevered betas are on a consistent basis because they only reflect systematic risk due to the market. Based on the unlevered betas for title insurance groups, we select an unlevered beta for the entire title industry of 1.07 (see Exhibit 8).. Including a size premium of 1.2%, we obtain an equity cost of capital of 13.9% for underwriters including direct operations (see Exhibit 7). The 1.2% size premium is calculated based on the actual market capitalizations of the five largest title insurance groups and assumes the remaining small title insurers are in the 10th decile of market capitalization.

Estimation of Equity Cost of Capital for Independent and Affiliated Agents

Unlike for underwriters, the cost of capital for independent and affiliated agents cannot be directly related to market data because these entities are not typically publicly traded. However, the cost of capital can be inferred using a CAPM model. In such a model it is arguably reasonable to use the same unlevered beta as underwriters because their market risks are closely related. Therefore, to calculate the cost of capital for agents we use the same unlevered beta as for underwriters including direct operations. The size premium is larger for agents, however, to reflect their smaller size relative to the underwriters. Including the 10th decile size premium of 4.5%, we obtain an equity cost of capital of 17.2% for independent and affiliated agents (see Exhibit 7).

Estimation of Weighted Average Cost of Capital for the Title Industry

The impact of debt cost of capital in the title industry must be reflected in the total cost of capital. We use a debt cost of capital based on the current yield published by Moody's for corporate bonds with a similar rating to debt recently issued by the largest title insurers. This debt cost of capital is used for both agents and for underwriters including direct operations. While arguably the debt costs for agents should differ from underwriters, the weight of debt is very low for the title industry and the cost of debt capital used in the calculation has little impact on the total estimated cost of capital including debt and equity.

Exhibit 5 summarizes the calculation of total cost of capital estimates for agents and for underwriters including direct operations. This is done by calculating weighted averages of the equity costs of capital and the debt costs of capital for the agents and underwriters including direct operations separately. The allocation of capital between equity and debt for agents is imputed based on data from the 2024 Texas Title Insurance Agent Experience Report Compilation and the estimated debt and equity costs of capital (discussed above). The allocation of capital between equity and debt for underwriters including direct operations is

derived from balance sheet information presented in the 2024 Texas Title Insurance Agent Experience Report Compilation.

The weighted average costs of capital for agents and for underwriters including direct operations are then calculated by applying the debt and equity allocations and the estimated debt and equity costs of capital. The (weighted average) total cost of capital for independent and affiliated agents is 17.1%. The (weighted average) total cost of capital for underwriters including direct operations is 13.9%.

Estimation of the Texas Title Industry Underwriting Profit Provision

The total costs of capital for agents and for underwriters including direct operations are then converted into pre-tax underwriting profit provisions (see Exhibit 1, Sheet 2). For underwriters including direct operations, this is done using financial leverage ratios (i.e., the ratio of invested assets to capital and the ratio of operating income to capital) that can be reasonably estimated based on published annual statements from ALTA. The cost of capital is then converted to a pre-tax underwriting profit provision for underwriters including direct operations using these leverage ratios.

Comparable financial leverage ratios to those used to derive the pre-tax underwriting profit provision for underwriters including direct operations are unavailable for Texas title agents. This is because agents are not required to report balance sheet information. Even if this information were reported, it would be of dubious value because intangible assets make up a large part of the equity value of a title agency. Therefore, to determine an appropriate underwriting profit provision we select a range of estimates based on historical profit margins for title agents in Texas (see Exhibit 11, Sheet 1). To check for reasonableness and to avoid a “feedback loop,” we also refer to industry profit margins reported for other private firms with high profit margins and with operations arguably similar to title agents (see Exhibit 12). Based on this review, we select an underwriting profit provision for title agents.

Finally, we calculate the weighted average of the agents and underwriters profit provisions using retained premiums as weights to obtain a single underwriting profit provision for the entire Texas title insurance industry (see Exhibit 1, Sheet 1).

TEXAS TITLE INSURANCE INDUSTRY
COST OF CAPITAL ASSESSMENT

DEVELOPMENT OF TARGET PRE-TAX UNDERWRITING PROFIT
BASED ON TARGET COST OF CAPITAL

TEXAS TITLE INSURANCE INDUSTRY

Item	Independent & Affiliated Agents	Underwriters & Direct Operations
(1) Target Return on Capital (a)	17.1%	13.9%
(2) Selected Pre-Tax Underwriting Profit (a)	11.1%	10.9%
(3) Weight of Retained Premium (b)	78.4%	21.6%
	<u>Texas Title Insurance Industry</u>	
(4) Calculated Pre-Tax Underwriting Profit for Title Insurance Industry (c)	11.1%	
(5) Prior Pre-Tax Underwriting Profit for Title Insurance Industry (d)	8.5%	
(6) Selected Pre-Tax Underwriting Profit for Title Insurance Industry	11.1%	

- Notes: (a) From Exhibit 1, Sheet 2.
 (b) From Exhibit 10.
 (c) Sum of [(2) x (3)] for Agents and Underwriters & Direct Operations.
 (d) From Attachment 3 - Exhibit 1 of the 2018 TLTA Rate Study.

TEXAS TITLE INSURANCE INDUSTRY

COST OF CAPITAL ASSESSMENT

DEVELOPMENT OF TARGET PRE-TAX UNDERWRITING PROFIT BASED ON TARGET COST OF CAPITAL

UNDERWRITERS AND DIRECT OPERATIONS AND ALL AGENTS

	Item	Amount
Underwriters and Direct Operations		
(1)	Target Return on Capital (a)	13.9%
(2)	Pre-Tax Return on Investments / Invested Assets (b)	5.9%
(3)	Tax on Investment Return (c)	20.5%
(4)	After-Tax Return on Investments / Invested Assets (d)	4.7%
(5)	Invested Assets / Capital Leverage Factor (e)	1.46
(6)	After-Tax Return on Investments / Capital (f)	6.9%
(7)	Needed After-Tax Return From Underwriting/Capital (g)	7.0%
(8)	Premium / Capital Leverage Factor (e)	0.81
(9)	Indicated After-Tax Return From Underwriting / Premium (h)	8.6%
(10)	Calculated Pre-Tax Return From Underwriting / Premium (i)	10.9%
(11)	Selected Pre-Tax Underwriting Profit for Underwriters and Direct Operations	10.9%
Independent and Affiliated Agents		
(12)	Target Return on Capital (a)	17.1%
	<u>Indicated Pre-Tax Return From Underwriting / Premium:</u>	
(13)	- Low Estimate (Avg of 1998-2011) (j)	8.9%
(14)	- High Estimate (Avg of 1998-2019) (j)	13.3%
(15)	- Average of Low and High Estimates	11.1%
(16)	Selected Pre-Tax Underwriting Profit for Independent and Affiliated Agents	11.1%

- Notes: (a) From Exhibit 5.
 (b) Selected Pre-Tax Inv Gain Risk Premium from Exhibit 2 + current U.S. Gov't 20-yr bond yield from Exhibit 4.
 (c) From Exhibit 3.
 (d) [(2) x (1 - (3))]
 (e) From Exhibit 2.
 (f) [(4) x (5)]
 (g) [(1) - (6)]
 (h) [(7) / (8)]
 (i) [(9) / 0.79]
 (j) From Exhibit 11, Sheet 1. Excludes years affected by COVID-19.

TEXAS TITLE INSURANCE INDUSTRY
COST OF CAPITAL ASSESSMENT

DEVELOPMENT OF FINANCIAL LEVERAGE RATIOS
ASSUMING 21% FEDERAL INCOME TAX RATE
(\$ MILLIONS)

Item	Source	Countrywide Data (a)														Selected (b)	
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		
Investment Gain:																	
(1)	Invested Assets	AS (Pg 2, Col. 3, Line 12)	\$ 7,301	\$ 7,914	\$ 8,000	\$ 7,927	\$ 8,042	\$ 8,634	\$ 8,687	\$ 8,860	\$ 9,804	\$ 10,537	\$ 12,205	\$ 10,997	\$ 10,365	\$ 10,605	
(2)	Average Invested Assets	Last 2 Yr Avg from (1)	7,508	7,608	7,957	7,964	7,985	8,338	8,661	8,774	9,332	10,171	11,371	11,601	10,681	10,485	
(3)	Annual Net Investment Gain (Loss)	AS (Pg 4, Line 11)	365	330	269	213	249	386	381	212	416	243	346	311	489	595	
(4)	Capital Gains Tax Adjustment	AS (Pg 4, Line 10, Note)	6	14	6	8	4	17	15	15	21	(5)	31	(19)	(7)	40	
(5)	Pre-Tax Investment Gain	[(3)+(4)]	371	344	275	221	253	403	396	227	437	238	377	292	482	635	
(6)	Pre-Tax Inv Gain / Avg Invested Assets	[(5)/(2)]	4.9%	4.5%	3.5%	2.8%	3.2%	4.8%	4.6%	2.6%	4.7%	2.3%	3.3%	2.5%	4.5%	6.1%	
(7)	U.S. Gov't Bond Yield (20 Year)	Appendix MC, Exhibit 4	3.6%	2.5%	3.1%	3.1%	2.6%	2.2%	2.7%	3.0%	2.4%	1.4%	2.0%	3.3%	4.3%	4.5%	
(8)	Pre-Tax Inv Gain Risk Premium	[(6)-(7)]	1.3%	2.0%	0.3%	-0.3%	0.6%	2.6%	1.9%	-0.4%	2.3%	1.0%	1.3%	-0.8%	0.3%	1.6%	1.0%
Calculation of GAAP Adjusted Capital:																	
(9)	Statutory Reserve on Known Claims	AS (Pg 3, Line 1)	\$ 993	\$ 611	\$ 555	\$ 542	\$ 434	\$ 623	\$ 620	\$ 648	\$ 627	\$ 636	\$ 648	\$ 644	\$ 636	\$ 704	
(10)	Statutory Premium Reserve	AS (Pg 3, Line 2)	3,779	3,788	3,872	3,641	3,818	3,976	3,897	3,949	4,097	4,384	5,074	5,317	5,090	4,999	
(11)	Statutory Premium and Loss Reserves	[(9)+(10)]	\$ 4,772	\$ 4,399	\$ 4,427	\$ 4,183	\$ 4,252	\$ 4,599	\$ 4,517	\$ 4,597	\$ 4,724	\$ 5,020	\$ 5,722	\$ 5,961	\$ 5,726	\$ 5,703	
(12)	Schedule P Reserves	Sch P, Part 1 (Col 24, Line 12)	3,857	3,736	3,745	3,753	3,741	3,704	3,692	3,714	3,725	4,019	4,470	4,717	4,601	4,488	
(13)	Equity in Reserves (Gross of Tax)	[(11)-(12)]	\$ 915	\$ 663	\$ 682	\$ 430	\$ 511	\$ 895	\$ 825	\$ 883	\$ 999	\$ 1,001	\$ 1,252	\$ 1,244	\$ 1,125	\$ 1,215	
(14)	Equity in Reserves (Net of Tax)	[(13)x79%]	\$ 723	\$ 524	\$ 539	\$ 340	\$ 404	\$ 707	\$ 652	\$ 698	\$ 789	\$ 791	\$ 989	\$ 983	\$ 889	\$ 960	
(15)	Non-Admitted Assets	AS (Pg 2, Col. 2, Line 28)	1,372	1,153	777	638	742	636	569	671	658	775	897	991	1,122	1,209	
(16)	Surplus as Regards Policyholders	AS (Pg 3, Line 32)	2,632	3,493	3,728	3,817	3,921	4,205	4,197	4,271	4,971	5,480	6,312	5,254	5,069	5,130	
(17)	GAAP Adjusted Capital (Year End)	[(14)+(15)+(16)]	\$ 4,727	\$ 5,170	\$ 5,044	\$ 4,795	\$ 5,067	\$ 5,548	\$ 5,418	\$ 5,640	\$ 6,418	\$ 7,046	\$ 8,198	\$ 7,228	\$ 7,080	\$ 7,299	
(18)	GAAP Adjusted Capital Yearly Avg	Last 2 Yr Avg from (15)	\$ 4,621	\$ 4,949	\$ 5,107	\$ 4,920	\$ 4,931	\$ 5,308	\$ 5,483	\$ 5,529	\$ 6,029	\$ 6,732	\$ 7,622	\$ 7,713	\$ 7,154	\$ 7,190	
Operating Income:																	
(19)	Total Operating Income	AS (Pg 4, Line 3)	\$ 10,417	\$ 12,226	\$ 13,434	\$ 12,204	\$ 13,649	\$ 14,880	\$ 15,548	\$ 15,787	\$ 16,770	\$ 20,355	\$ 27,157	\$ 22,975	\$ 16,209	\$ 17,293	
(20)	Amount Paid to or Retained by Title Agents	AS (O&I Ex Pt3 Line 2, Col 8)	6,443	8,146	9,211	8,073	9,357	10,273	10,491	10,424	11,143	13,910	18,863	15,720	10,792	11,488	
(21)	Underwriter Retained Operating Income	[(19)-(20)]	\$ 3,974	\$ 4,080	\$ 4,223	\$ 4,131	\$ 4,292	\$ 4,607	\$ 5,057	\$ 5,363	\$ 5,627	\$ 6,445	\$ 8,294	\$ 7,255	\$ 5,417	\$ 5,805	
Financial Leverage Ratios To (GAAP Adjusted) Capital (b):																	
(22)	Invested Assets / Capital	[(2)/(18)]	1.62	1.54	1.56	1.62	1.62	1.57	1.58	1.59	1.55	1.51	1.49	1.50	1.49	1.46	1.46
(23)	Operating Income / Capital	[(21)/(18)]	0.86	0.82	0.83	0.84	0.87	0.87	0.92	0.97	0.93	0.96	1.09	0.94	0.76	0.81	0.81

Notes: (a) Unless otherwise noted, data is from ALTA Industry Annual Statement Compilations.
(b) Selection for (8) is all year average. Selections for (22) and (23) selections are 3-year averages.

TEXAS TITLE INSURANCE INDUSTRY

COST OF CAPITAL ASSESSMENT

DEVELOPMENT OF ESTIMATED TAX RATE ON INVESTMENT INCOME
BASED ON CURRENT TAX LAW

Asset Class	Net Investment Income Earned During the Year (\$000s) (a):													Total	Tax Rate (b)
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	(14)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
U.S. Gov't Bonds - Taxable	\$ 6,222	\$ 6,260	\$ 6,029	\$ 5,851	\$ 6,288	\$ 8,989	\$ 10,075	\$ 8,436	\$ 7,649	\$ 8,452	\$ 12,751	\$ 19,090	\$ 106,092	21.00%	
Corporate Bonds - Taxable	113,214	111,826	122,188	128,456	124,553	133,480	156,564	145,194	137,536	158,115	200,599	227,678	1,759,403	21.00%	
Bonds - Tax Exempt	39,242	34,606	30,378	28,319	26,811	14,300	7,766	9,602	5,420	4,765	4,108	3,487	208,804	5.25%	
Preferred Stock	13,835	12,099	16,001	18,488	18,190	23,877	23,932	23,680	16,000	17,401	10,566	12,428	206,497	10.00%	
Common Stock	66,323	41,311	51,101	30,152	32,240	37,459	40,630	52,232	67,588	83,370	51,444	41,014	594,864	21.00%	
Mortgage Loans	1,850	1,524	1,069	1,808	3,251	2,814	2,050	2,009	1,637	601	173	91	18,877	21.00%	
Real Estate	20,876	21,043	17,806	24,204	29,001	26,878	26,923	26,574	27,044	22,838	20,122	19,055	282,364	21.00%	
Cash/Short-Term Investment	1,291	1,283	712	2,459	6,424	16,846	24,613	7,432	1,591	13,767	53,772	57,291	187,481	21.00%	
Total/Average	\$ 262,853	\$ 229,952	\$ 245,284	\$ 239,737	\$ 246,758	\$ 264,643	\$ 292,553	\$ 275,159	\$ 264,465	\$ 363,406	\$ 353,535	\$ 380,134	\$ 3,364,382		
Wtd Tax Rate (c)	18.1%	18.1%	18.3%	18.3%	18.5%	19.2%	19.7%	19.5%	20.0%	17.1%	20.5%	20.5%	19.3%		
Selected Tax Rate (d)													20.5%		

Notes: (a) Based on countrywide ALTA Industry Annual Statement "Exhibit of Net Investment Income".

(b) Bonds: Based on assumption of 5.25% tax rate for bonds exempt from US taxation.

Preferred Stocks: Assumes all return is taxed as a dividend.

Common Stock, Mortgage Loans, Real Estate, & Cash/Short-Term Investment: Based on marginal corporate tax rate (ordinary income, not capital gains).

(c) Sum of the products of (2) through (12) and (13), divided by the total of (2) through (12).

(d) Selected from (11).

TEXAS TITLE INSURANCE INDUSTRY
COST OF CAPITAL ASSESSMENT

REVIEW OF HISTORICAL INTEREST RATES

Asset Class	Average Rate During the Year:															
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025*	9/3/2025
Short-Term Securities																
Financial Commercial Paper (3 Month) (a)	0.21%	0.20%	0.14%	0.12%	0.23%	0.64%	1.15%	2.18%	2.22%	0.63%	0.11%	2.25%	5.19%	5.04%	4.31%	4.16%
U.S. Treasury Security (1 Year Maturity) (a)	0.18%	0.17%	0.13%	0.12%	0.32%	0.61%	1.20%	2.33%	2.05%	0.37%	0.10%	2.80%	5.08%	4.69%	4.09%	3.82%
Long-Term Securities																
U.S. Municipal General Obligation Bonds (b)			3.09%	2.86%	2.82%	2.60%	2.70%	3.06%	2.63%	2.17%	1.95%	3.25%	3.75%	3.75%	3.81%	3.85%
U.S. Municipal Revenue Bonds (c)			4.18%	3.84%	3.71%	3.47%	3.56%	3.66%	3.29%	2.98%	2.68%	3.84%	4.32%	4.26%	4.26%	4.40%
Other Gov't Bonds (d)			1.40%	1.11%	0.73%	0.35%	0.49%	0.61%	0.29%	0.16%	0.22%	1.49%	2.75%	2.82%	2.67%	2.83%
U.S. Government Bonds (20 Year) (a)	3.62%	2.54%	3.12%	3.07%	2.55%	2.22%	2.65%	3.02%	2.40%	1.35%	1.98%	3.30%	4.26%	4.50%	4.81%	4.92%
Moody's Corporate Bonds (Aaa) (a)	4.64%	3.67%	4.24%	4.16%	3.89%	3.67%	3.74%	3.93%	3.39%	2.48%	2.70%	4.07%	4.81%	5.04%	5.42%	5.47%
Moody's Corporate Bonds (Baa) (a)	5.66%	4.94%	5.10%	4.85%	5.00%	4.71%	4.44%	4.80%	4.37%	3.60%	3.40%	5.08%	5.87%	5.76%	6.09%	6.09%
30 Year Fixed Rate Conventional Home Mortgage (e)	4.45%	3.66%	3.98%	4.17%	3.85%	3.65%	3.99%	4.54%	3.94%	3.11%	2.96%	5.34%	6.81%	6.72%	6.81%	6.56%
Long-Term Average	4.59%	3.70%	3.59%	3.44%	3.22%	2.95%	3.08%	3.37%	2.90%	2.26%	2.27%	3.77%	4.65%	4.69%	4.84%	4.87%

* Interest rates reflect year-to-date averages through June 30, 2025.

Note: (a) From Federal Reserve Bank H15 data series. Corporate bonds reflect terms of 20 years or more.

(b) From S&P Municipal Bond General Obligation Index.

(c) From S&P Municipal Bond Revenue Index.

(d) From S&P Global Developed Sovereign Ex-US Bond Index.

(e) From Freddie Mac Primary Mortgage Market Survey.

TEXAS TITLE INSURANCE INDUSTRY
COST OF CAPITAL ASSESSMENT

DEVELOPMENT OF WEIGHTED AVERAGE COST OF CAPITAL
FOR TITLE INSURANCE INDUSTRY
USING CAPITAL ASSET PRICING MODEL

Component		Independent & Affiliated Agents	Underwriters & Direct Operations
(1)	Interest Expense in 2024 (a)	\$ 3,272,550	N/A
(2)	Total Net Income After Interest (a)	\$ 462,613,109	N/A
(3)	Total Net Income Before Interest (b)	\$ 465,885,659	N/A
(4)	Imputed Debt (c)	\$ 53,648,361	N/A
(5)	Imputed Equity Capital (d)	\$ 2,708,637,552	N/A
(6)	Debt Weight (e)	1.9%	0.1%
(7)	Equity Weight (f)	98.1%	99.9%
(8)	Debt Cost of Capital (g)	6.1%	6.1%
(9)	Unlevered (CAPM) Equity Cost of Capital (h)	17.2%	13.9%
(10)	Tax Rate (i)	21.0%	21.0%
(11)	Levered Equity Cost of Capital (j)	17.4%	13.9%
(12)	Weighted Average Total Cost of Capital (k)	17.1%	13.9%
(13)	Selected Total Cost of Capital	17.1%	13.9%

Notes: (a) From 2024 Texas Title Insurance Agent Experience Report Compilation.

(b) [(1) + (2)]

(c) [(1) / (8)]

(d) [(3) / (8) from Exhibit 7].

(e) Agents: (4) / [(4) + (5)]

Underwriters and Direct Operations: Total Debt Funds divided by Total Assets from
2024 Texas Title Insurance Industry Experience Report Compilation.

(f) [1 - (6)]

(g) From Exhibit 6.

(h) From Exhibit 7.

(i) Based on marginal corporate tax rate.

(j) [(9) + [(9) - (8)] x [(6) / (7)] x [1 - (10)]]

(k) [(7) x (11)] + [(6) x (8)] x [1 - (10)]

TEXAS TITLE INSURANCE INDUSTRY

COST OF CAPITAL ASSESSMENT

DEVELOPMENT OF ESTIMATED COST OF DEBT FOR TITLE INSURANCE GROUPS (\$ MILLIONS)

Company	Stock	Source (a)	Value at Year-End (\$ millions)						Total
			2019	2020	2021	2022	2023	2024	
Long-Term Debt:									
(1) First American Financial Corp	FAF	Value Line	\$ 1,007	\$ 1,527	\$ 2,186	\$ 2,012	\$ 1,947	\$ 2,190	\$ 10,869
(2) Old Republic International Corp	ORI	Value Line	974	966	1,589	1,597	1,591	1,589	8,306
(3) Fidelity National Financial	FNF	Value Line	838	2,662	3,096	3,238	3,887	4,321	18,042
(4) Stewart Information Services	STC	Value Line	111	102	483	447	445	446	2,034
(5) Investors Title Company	ITIC	Value Line	-	-	-	-	-	-	-
Total			\$ 2,930	\$ 5,257	\$ 7,354	\$ 7,294	\$ 7,870	\$ 8,546	\$ 39,251
Interest Expense:									
(6) First American Financial Corp	FAF	2020-24 Financial Statements	\$ 48	\$ 57	\$ 72	\$ 93	\$ 133	\$ 150	\$ 553
(7) Old Republic International Corp	ORI	2020-24 Financial Statements	40	44	56	67	71	77	355
(8) Fidelity National Financial	FNF	2020-24 Financial Statements	47	90	114	115	174	209	749
(9) Stewart Information Services	STC	2020-24 Financial Statements	4	3	5	18	20	20	70
(10) Investors Title Company	ITIC	2020-24 Financial Statements	-	-	-	-	-	-	-
Total			\$ 139	\$ 194	\$ 247	\$ 293	\$ 398	\$ 456	\$ 1,727
Cost of Debt:									
(11) First American Financial Corp	FAF	[(6)/(1)]	4.8%	3.7%	3.3%	4.6%	6.8%	6.8%	5.1%
(12) Old Republic International Corp	ORI	[(7)/(2)]	4.1%	4.6%	3.5%	4.2%	4.5%	4.8%	4.3%
(13) Fidelity National Financial	FNF	[(8)/(3)]	5.6%	3.4%	3.7%	3.6%	4.5%	4.8%	4.2%
(14) Stewart Information Services	STC	[(9)/(4)]	3.6%	2.9%	1.0%	4.0%	4.5%	4.5%	3.4%
(15) Investors Title Company	ITIC	[(10)/(5)]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total			4.7%	3.7%	3.4%	4.0%	5.1%	5.3%	4.4%

Straight Averages:

2019-2024	4.4%
2020-2024	4.3%
2021-2024	4.5%
2022-2024	4.8%
2023-2024	5.2%
Corporate (b)	6.1%
Selected	6.1%

Notes: (a) All amounts are from most current Value Line reports identified on Exhibit 9 or financial statements, unless otherwise noted.

(b) Baa corporate bond yield from Exhibit 4 to reflect most recent rating of senior unsecured debt issued by FAF, ORI, and FNF.

TEXAS TITLE INSURANCE INDUSTRY

COST OF CAPITAL ASSESSMENT

DEVELOPMENT OF ESTIMATED COST OF CAPITAL FOR TITLE INSURANCE INDUSTRY USING CAPITAL ASSET PRICING MODEL

Component		Independent & Affiliated Agents	Underwriters & Direct Operations
(1)	Risk-Free Rate (20-Year US Treasury) (a)	4.92%	4.92%
(2)	Market Risk Premium (b)	7.3%	7.3%
(3)	Market Rate of Return (c)	12.2%	12.2%
(4)	Unlevered Beta (d)	1.07	1.07
(5)	CAPM Estimated Cost of Capital (e)	12.7%	12.7%
(6)	Size Premium (f)	4.5%	1.2%
(7)	Estimated Equity Cost of Capital with Size Premium (g)	17.2%	13.9%
(8)	Selected Equity Cost of Capital	17.2%	13.9%

- Notes: (a) Based on information from the Federal Reserve Bank; effective September 3, 2025.
 (b) From Kroll Cost of Capital Navigator. Reflects average risk premium from 1926-2024 based on S&P 500 and long-term US government bonds.
 (c) [(1) + (2)]. Rounded to three decimal places.
 (d) From Exhibit 8.
 (e) (1) + [(2) x (4)]
 (f) Agents: Kroll size premium of the 10th decile of publicly traded companies by market capitalization. Underwriters & Direct Operations: Based on weighted average of Kroll size premiums for groups on Exhibit 8 and their market share of title premiums.
 (g) [(5) + (6)]

TEXAS TITLE INSURANCE INDUSTRY
COST OF CAPITAL ASSESSMENT

DEVELOPMENT OF UNLEVERED BETA VALUE FOR
TITLE INSURANCE GROUPS

Company	Stock	Levered Beta (a)	Equity Weight (b)	Unlevered Beta (c)
(1)	(2)	(3)	(4)	(5)
First American Financial Corp	FAF	1.10	1.15	1.27
Old Republic International Corp	ORI	1.00	0.84	0.84
Fidelity National Financial	FNF	1.20	0.91	1.09
Stewart Information Services	STC	1.15	0.91	1.05
Investors Title Company	ITIC	1.05	1.07	1.12
Average All				1.07
Selected				1.07

Notes: (a) From most current Value Line reports identified on Exhibit 9.
(b) Selected from Exhibit 9.
(c) [(3) x (4)]

TEXAS TITLE INSURANCE INDUSTRY

COST OF CAPITAL ASSESSMENT

DEVELOPMENT OF EQUITY WEIGHT FOR UNLEVERED BETA CALCULATION

TITLE INSURANCE GROUPS

(\$ MILLIONS)

Company	Stock	Source (a)	Value at Year-End (\$ millions)					
			2019	2020	2021	2022	2023	2024
Long-Term Debt:								
(1) First American Financial Corp	FAF	Value Line	\$ 1,007	\$ 1,527	\$ 2,186	\$ 2,012	\$ 1,947	\$ 2,190
(2) Old Republic International Corp	ORI	Value Line	974	966	1,589	1,597	1,591	1,589
(3) Fidelity National Financial	FNF	Value Line	838	2,662	3,096	3,238	3,887	4,321
(4) Stewart Information Services	STC	Value Line	111	102	483	447	445	446
(5) Investors Title Company	ITIC	Value Line	-	-	-	-	-	-
Cash & Short-Term Investments:								
(6) First American Financial Corp	FAF	Value Line	\$ 1,486	\$ 1,275	\$ 1,228	\$ 1,224	\$ 3,605	\$ 1,718
(7) Old Republic International Corp	ORI	Value Line	484	868	724	942	203	202
(8) Fidelity National Financial	FNF	Value Line	2,252	3,488	4,851	4,876	2,767	3,479
(9) Stewart Information Services	STC	Value Line	354	453	504	273	272	257
(10) Investors Title Company	ITIC	Value Line	26	14	37	35	24	16
Net Debt:								
(11) First American Financial Corp	FAF	[(1)-(6)]	\$ (479)	\$ 252	\$ 958	\$ 788	\$ (1,658)	\$ 472
(12) Old Republic International Corp	ORI	[(2)-(7)]	490	98	865	655	1,388	1,387
(13) Fidelity National Financial	FNF	[(3)-(8)]	(1,414)	(826)	(1,755)	(1,638)	1,120	842
(14) Stewart Information Services	STC	[(4)-(9)]	(243)	(351)	(21)	174	173	189
(15) Investors Title Company	ITIC	[(5)-(10)]	(26)	(14)	(37)	(35)	(24)	(16)
Shareholder's Equity:								
(16) First American Financial Corp	FAF	Value Line	\$ 4,420	\$ 4,910	\$ 5,767	\$ 4,665	\$ 4,848	\$ 4,909
(17) Old Republic International Corp	ORI	Value Line	6,000	6,187	6,893	6,166	6,411	5,619
(18) Fidelity National Financial	FNF	Value Line	5,382	8,351	9,414	5,619	6,908	7,754
(19) Stewart Information Services	STC	Value Line	747	1,005	1,282	1,362	1,371	1,402
(20) Investors Title Company	ITIC	Value Line	191	200	229	241	252	252
Income Tax Rate:								
(21) First American Financial Corp	FAF	Value Line	21.6%	24.1%	23.9%	18.7%	21.5%	22.8%
(22) Old Republic International Corp	ORI	Value Line	20.2%	19.0%	20.2%	20.0%	19.9%	20.3%
(23) Fidelity National Financial	FNF	Value Line	22.5%	18.3%	23.1%	25.9%	27.7%	21.1%
(24) Stewart Information Services	STC	Value Line	22.8%	22.3%	21.7%	21.9%	25.1%	22.9%
(25) Investors Title Company	ITIC	Value Line	21.0%	20.6%	21.1%	20.6%	17.3%	21.3%
Equity Weight:								
(26) First American Financial Corp	FAF	(16) / [(11) x [1-(21)] + (16)]	1.09	0.96	0.89	0.88	1.37	0.93
(27) Old Republic International Corp	ORI	(17) / [(12) x [1-(22)] + (17)]	0.94	0.99	0.91	0.92	0.85	0.84
(28) Fidelity National Financial	FNF	(18) / [(13) x [1-(23)] + (18)]	1.26	1.09	1.17	1.28	0.90	0.92
(29) Stewart Information Services	STC	(19) / [(14) x [1-(24)] + (19)]	1.34	1.37	1.01	0.91	0.91	0.91
(30) Investors Title Company	ITIC	(20) / [(15) x [1-(25)] + (20)]	1.12	1.06	1.15	1.13	1.09	1.05
Equity Weight Averages:								
(31) First American Financial Corp	FAF	Averages of (26)	1.02	1.01	1.02	1.06	1.15	1.15
(32) Old Republic International Corp	ORI	Averages of (27)	0.91	0.90	0.88	0.87	0.84	0.84
(33) Fidelity National Financial	FNF	Averages of (28)	1.10	1.07	1.06	1.03	0.91	0.91
(34) Stewart Information Services	STC	Averages of (29)	1.07	1.02	0.94	0.91	0.91	0.91
(35) Investors Title Company	ITIC	Averages of (30)	1.10	1.09	1.10	1.09	1.07	1.07

Notes: (a) All amounts are from most current Value Line reports effective September 3, 2025, unless otherwise noted.

TEXAS TITLE INSURANCE INDUSTRY
COST OF CAPITAL ASSESSMENT

SUMMARY OF RETAINED TITLE PREMIUM RATIOS

Calendar Year	Total Title Premium (a)	Form 1: Retained Title Premium (a)				Ratio of Retained Title Premium	
		Independent Agents (b)	Affiliated Agents (c)	Underwriters (d)	Direct Operations (e)	Independent & Affiliated Agents (f)	Underwriters & Direct Operations (g)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2012	\$ 1,428,938,173	\$ 643,039,101	\$ 528,210,294	\$ 215,105,633	\$ 42,583,145	82.0%	18.0%
2013	1,703,670,373	812,683,208	580,967,987	259,775,028	50,244,150	81.8%	18.2%
2014	1,720,074,777	797,145,533	577,186,823	277,631,736	68,110,685	79.9%	20.1%
2015	1,883,729,161	886,532,455	602,819,343	311,917,695	82,459,667	79.1%	20.9%
2016	2,041,418,863	1,001,222,047	629,517,519	333,691,419	76,987,877	79.9%	20.1%
2017	2,055,916,368	1,019,102,522	582,609,507	334,939,667	119,264,672	77.9%	22.1%
2018	2,164,266,861	1,072,098,193	589,202,085	364,170,519	138,796,064	76.8%	23.2%
2019	2,243,213,051	1,140,789,303	603,899,412	366,686,600	131,837,736	77.8%	22.2%
2020	2,627,090,787	1,338,650,888	730,794,123	424,517,833	133,127,943	78.8%	21.2%
2021	3,691,028,213	1,895,409,247	1,005,032,388	587,769,661	202,816,916	78.6%	21.4%
2022	3,554,659,566	1,759,662,379	1,009,732,372	586,575,827	198,688,988	77.9%	22.1%
2023	2,382,924,310	1,112,899,823	756,324,687	383,484,298	130,215,502	78.4%	21.6%
2024	2,501,159,232	1,171,649,277	784,135,716	410,714,186	134,660,054	78.2%	21.8%
Total	\$ 29,998,089,736	\$ 14,650,883,977	\$ 8,980,432,256	\$ 4,856,980,103	\$ 1,509,793,400	78.8%	21.2%
Last 5	14,756,862,108	7,278,271,615	4,286,019,286	2,393,061,805	799,509,404	78.4%	21.6%
Selected Weights						78.4%	21.6%

*Unless otherwise noted, all amounts are from Form 1 of 2017, 2021, 2022, and 2024 Texas Title Insurance Industry Experience Report Compilations.

- Notes: (a) From Line 7, column (G).
 (b) From Line 2 + Line 5, column (C).
 (c) From Line 8, column (D).
 (d) From Line 9, column (A).
 (e) From Line 8, column (B).
 (f) [(3) +(4)] / (2)
 (g) [(5) +(6)] / (2)

TEXAS TITLE INSURANCE INDUSTRY
COST OF CAPITAL ASSESSMENT

SUMMARY OF NET TITLE INCOME TO GROSS TITLE INCOME RATIOS
FOR INDEPENDENT AND AFFILIATED AGENTS

Calendar Year	Gross Title Income			Net Title Income or (Loss) From Operations			Ratio of Net Title Income to Gross Title Income		
	Independent Agents (a)	Affiliated Agents (b)	All Agents (c)	Independent Agents (a)	Affiliated Agents (b)	All Agents (d)	Independent Agents (e)	Affiliated Agents (f)	All Agents (g)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1998	\$ 377,930,367	\$ 332,225,718	\$ 710,156,085	\$ 36,781,669	\$ 51,459,641	\$ 88,241,310	9.7%	15.5%	12.4%
1999	343,691,130	428,278,422	771,969,552	23,268,975	37,409,804	60,678,779	6.8%	8.7%	7.9%
2000	332,690,741	434,542,546	767,233,287	24,069,155	44,665,086	68,734,242	7.2%	10.3%	9.0%
2001	393,229,506	523,275,853	916,505,359	42,070,172	58,555,913	100,626,085	10.7%	11.2%	11.0%
2002	460,882,971	604,637,414	1,065,520,386	41,625,164	77,533,982	119,159,146	9.0%	12.8%	11.2%
2003	544,612,361	729,687,056	1,274,299,417	48,462,986	107,086,105	155,549,091	8.9%	14.7%	12.2%
2004	516,311,669	612,393,875	1,128,705,544	39,783,751	56,940,391	96,724,142	7.7%	9.3%	8.6%
2005	538,571,442	652,770,150	1,191,341,592	45,800,125	51,163,308	96,963,434	8.5%	7.8%	8.1%
2006	622,670,692	733,413,113	1,356,083,805	45,974,401	77,101,855	123,076,256	7.4%	10.5%	9.1%
2007	596,358,428	700,830,884	1,297,189,311	27,993,562	79,988,121	107,981,683	4.7%	11.4%	8.3%
2008	469,594,161	517,043,750	986,637,911	(3,502,617)	6,153,774	2,651,157	-0.7%	1.2%	0.3%
2009	452,428,704	478,207,220	930,635,924	24,611,450	29,421,634	54,033,084	5.4%	6.2%	5.8%
2010	457,232,605	486,658,398	943,891,003	31,832,941	62,532,458	94,365,399	7.0%	12.8%	10.0%
2011	476,558,664	482,892,503	959,451,167	38,946,709	58,502,376	97,449,085	8.2%	12.1%	10.2%
2012	592,259,315	722,426,564	1,314,685,879	93,090,310	147,630,878	240,721,188	15.7%	20.4%	18.3%
2013	730,917,193	813,950,954	1,544,868,147	124,833,211	186,102,908	310,936,119	17.1%	22.9%	20.1%
2014	770,859,164	785,344,355	1,556,203,519	127,532,146	156,057,018	283,589,164	16.5%	19.9%	18.2%
2015	845,223,089	846,784,350	1,692,007,439	149,433,691	165,784,147	315,217,838	17.7%	19.6%	18.6%
2016	894,374,782	916,602,602	1,810,977,384	174,976,805	145,330,208	320,307,013	19.6%	15.9%	17.7%
2017	929,525,451	773,954,395	1,703,479,846	162,471,710	111,446,503	273,918,213	17.5%	14.4%	16.1%
2018	994,658,279	780,362,578	1,775,020,857	204,086,341	123,066,004	327,152,345	20.5%	15.8%	18.4%
2019	1,091,076,865	797,738,527	1,888,815,392	210,975,073	127,116,891	338,091,964	19.3%	15.9%	17.9%
2020	1,446,154,189	896,994,075	2,343,148,264	368,021,398	175,024,082	543,045,480	25.4%	19.5%	23.2%
2021	1,905,862,752	1,209,003,759	3,114,866,511	601,274,936	301,789,149	903,064,085	31.5%	25.0%	29.0%
2022	1,581,675,648	1,169,744,633	2,751,420,281	387,731,338	226,527,200	614,258,538	24.5%	19.4%	22.3%
2023	1,074,714,794	781,121,722	1,855,836,516	162,189,364	81,941,488	244,130,852	15.1%	10.5%	13.2%
2024	1,222,769,613	790,347,774	2,013,117,387	251,654,121	87,533,235	339,187,356	20.6%	11.1%	16.8%
Total	\$ 20,662,834,575	\$ 19,001,233,190	\$ 39,664,067,765	\$ 3,485,988,887	\$ 2,833,864,160	\$ 6,319,853,047	16.9%	14.9%	15.9%
1998-2011	6,582,763,441	7,716,856,902	14,299,620,343	467,718,443	798,514,449	1,266,232,892	7.1%	10.3%	8.9%
1998-2019	13,431,657,579	14,154,021,227	27,585,678,806	1,715,117,730	1,961,049,006	3,676,166,736	12.8%	13.9%	13.3%
Last 5	7,231,176,996	4,847,211,963	12,078,388,959	1,770,871,157	872,815,154	2,643,686,311	24.5%	18.0%	21.9%
2012-2024	14,080,071,134	11,284,376,288	25,364,447,422	3,018,270,444	2,035,349,711	5,053,620,155	21.4%	18.0%	19.9%

All Agents Net Title Income to Gross Title Income Averages	
Wtd Avg 1998-2011	8.9%
Str Avg 1998-2011	8.9%
Wtd Avg 1998-2019	13.3%
Str Avg 1998-2019	12.2%
Median 1998-2019	11.1%

*Unless otherwise noted, all amounts are from Form 1 of 2017, 2021, 2022, and 2024 Texas Title Insurance Industry Experience Report Compilations
Notes: (a) From Independent Agency Experience section, pages 6-9.
(b) From Affiliated Agency Experience section, pages 10-13.
(c) [(2) + (3)]
(d) [(5) + (6)]
(e) [(5) / (2)]
(f) [(6) / (3)]
(g) [(7) / (4)]

TEXAS TITLE INSURANCE INDUSTRY

COST OF CAPITAL ASSESSMENT

SUMMARY OF NET TITLE INCOME TO GROSS TITLE INCOME RATIOS
FOR UNDERWRITERS AND DIRECT OPERATIONS

Calendar Year	Gross Title Income			Net Title Income or (Loss) From Operations			Ratio of Net Title Income to Gross Title Income		
	Underwriters (a)	Direct Operations (b)	Underwriters & Direct Operations (c)	Underwriters (a)	Direct Operations (b)	Underwriters & Direct Operations (d)	Underwriters (e)	Direct Operations (f)	Underwriters & Direct Operations (g)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1998	\$ 161,352,746	\$ 179,062,978	\$ 340,415,724	\$ 58,039,681	\$ 38,983,522	\$ 97,023,203	36.0%	21.8%	28.5%
1999	186,043,147	124,213,824	310,256,971	37,712,250	23,149,926	60,862,176	20.3%	18.6%	19.6%
2000	167,569,170	123,828,161	291,397,331	32,691,882	17,910,611	50,602,493	19.5%	14.5%	17.4%
2001	171,526,134	165,305,845	336,831,979	19,223,026	30,699,278	49,922,304	11.2%	18.6%	14.8%
2002	191,174,671	200,238,158	391,412,829	23,399,972	32,102,244	55,502,217	12.2%	16.0%	14.2%
2003	243,937,898	248,105,925	492,043,823	16,625,922	37,131,664	53,757,586	6.8%	15.0%	10.9%
2004	262,158,664	222,961,181	485,119,845	15,186,406	25,229,036	40,415,442	5.8%	11.3%	8.3%
2005	265,114,130	229,954,499	495,068,629	12,219,589	25,162,731	37,382,319	4.6%	10.9%	7.6%
2006	281,783,217	236,222,878	518,006,095	8,363,529	35,678,663	44,042,192	3.0%	15.1%	8.5%
2007	258,627,773	223,638,543	482,266,316	(991,168)	38,266,336	37,275,168	-0.4%	17.1%	7.7%
2008	196,583,181	174,815,738	371,398,919	(15,465,970)	22,635,568	7,169,598	-7.9%	12.9%	1.9%
2009	168,110,602	84,413,225	252,523,827	(25,488,167)	13,559,431	(11,928,736)	-15.2%	16.1%	-4.7%
2010	175,230,880	98,328,043	273,558,923	11,888,206	24,422,139	36,310,345	6.8%	24.8%	13.3%
2011	184,557,763	125,686,458	310,244,221	9,432,298	37,750,556	47,182,854	5.1%	30.0%	15.2%
2012	223,846,557	65,337,360	289,183,917	57,705,903	17,953,296	75,659,199	25.8%	27.5%	26.2%
2013	270,836,545	83,493,629	354,330,174	72,487,782	28,002,240	100,490,022	26.8%	33.5%	28.4%
2014	286,066,639	92,936,763	379,003,402	128,810,097	21,310,465	150,120,562	45.0%	22.9%	39.6%
2015	317,954,941	114,991,249	432,946,190	107,178,191	19,182,044	126,360,235	33.7%	16.7%	29.2%
2016	340,009,926	108,143,647	448,153,573	128,745,805	9,988,712	138,734,517	37.9%	9.2%	31.0%
2017	340,560,902	234,845,191	575,406,093	147,997,089	20,727,423	168,724,512	43.5%	8.8%	29.3%
2018	370,102,734	243,324,779	613,427,513	159,012,483	8,756,211	167,768,694	43.0%	3.6%	27.3%
2019	372,846,081	260,936,737	633,782,818	157,523,960	20,902,520	178,426,480	42.2%	8.0%	28.2%
2020	430,297,407	256,495,019	686,792,426	195,099,483	9,748,162	204,847,645	45.3%	3.8%	29.8%
2021	593,098,007	379,725,887	972,823,894	260,206,894	81,997,314	342,204,208	43.9%	21.6%	35.2%
2022	589,877,250	363,289,778	953,167,028	241,876,922	61,216,611	303,093,533	41.0%	16.9%	31.8%
2023	387,748,166	263,179,488	650,927,654	144,157,275	4,323,644	148,480,919	37.2%	1.6%	22.8%
2024	416,801,281	267,249,536	684,050,817	124,134,548	1,451,286	125,585,834	29.8%	0.5%	18.4%
Total	\$ 7,853,816,413	\$ 5,170,724,519	\$ 13,024,540,931	\$ 2,127,773,888	\$ 708,241,633	\$ 2,836,015,521	27.1%	13.7%	21.8%
1998-2011	2,913,769,976	2,436,775,456	5,350,545,431	202,837,456	402,681,705	605,519,160	7.0%	16.5%	11.3%
1998-2019	5,435,994,302	3,640,784,811	9,076,779,112	1,162,298,766	549,504,616	1,711,803,382	21.4%	15.1%	18.9%
Last 5	2,417,822,111	1,529,939,708	3,947,761,819	965,475,122	158,737,017	1,124,212,139	39.9%	10.4%	28.5%
2012-2024	4,940,046,437	2,733,949,063	7,673,995,500	1,924,936,433	305,559,928	2,230,496,361	39.0%	11.2%	29.1%

*Unless otherwise noted, all amounts are from Form 1 of 2017, 2021, 2022, and 2024 Texas Title Insurance Industry Experience Report Compilations

- Notes: (a) From Underwriting Company Experience section, pages 1-5.
- (b) From Direct Operation Agency Experience section, pages 14-17.
- (c) [(2) + (3)]
- (d) [(5) + (6)]
- (e) [(5) / (2)]
- (f) [(6) / (3)]
- (g) [(7) / (4)]

TEXAS TITLE INSURANCE INDUSTRY

COST OF CAPITAL ASSESSMENT

SUMMARY OF NET PROFIT MARGINS FOR PRIVATE BUSINESSES WITH HIGH MARGINS (PRE-COVID)

Industry Results For Privately Held Companies (a)

Industry	2016	2017	2018	Average
Accounting, Tax Preparation, Bookkeeping, Payroll Services	18.3%	18.4%	19.8%	18.8%
Legal Services	17.4%	17.4%	17.8%	17.5%
Lessors of Real Estate	17.4%	17.9%	14.1%	16.5%
Offices of Dentists	14.1%	14.8%	14.9%	14.6%
Offices of Real Estate Agents and Brokers	14.8%	14.3%	14.1%	14.4%
Activities Related to Real Estate	12.3%	14.9%	10.8%	12.7%

Texas Title Industry Results

	2016	2017	2018	Average
Independent and Affiliated Agents (b)	17.7%	16.1%	18.4%	17.4%
Underwriters and Direct Operations (c)	31.0%	29.3%	27.3%	29.2%

- Notes: (a) Articles reporting statistics originally collected and compiled by Sageworks:
 "The most profitable industries in 2016", Forbes August 6, 2016.
 "These Are The 10 Most Profitable industries in 2017", Forbes August 6, 2017.
 "The 15 Most Profitable Industries", Forbes 2019.
- (b) From Exhibit 11, Sheet 1.
 (c) From Exhibit 11, Sheet 2.