

June 9, 2006

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

RE: Title Insurance Final Report

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

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

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

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

Sincerely,

Stephen A. Alexander, FCAS, MAAA, MBA

June 9, 2006

**Title Insurance Rates and
Related Title Service Charges
State of Florida**

Actuarial Analysis

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

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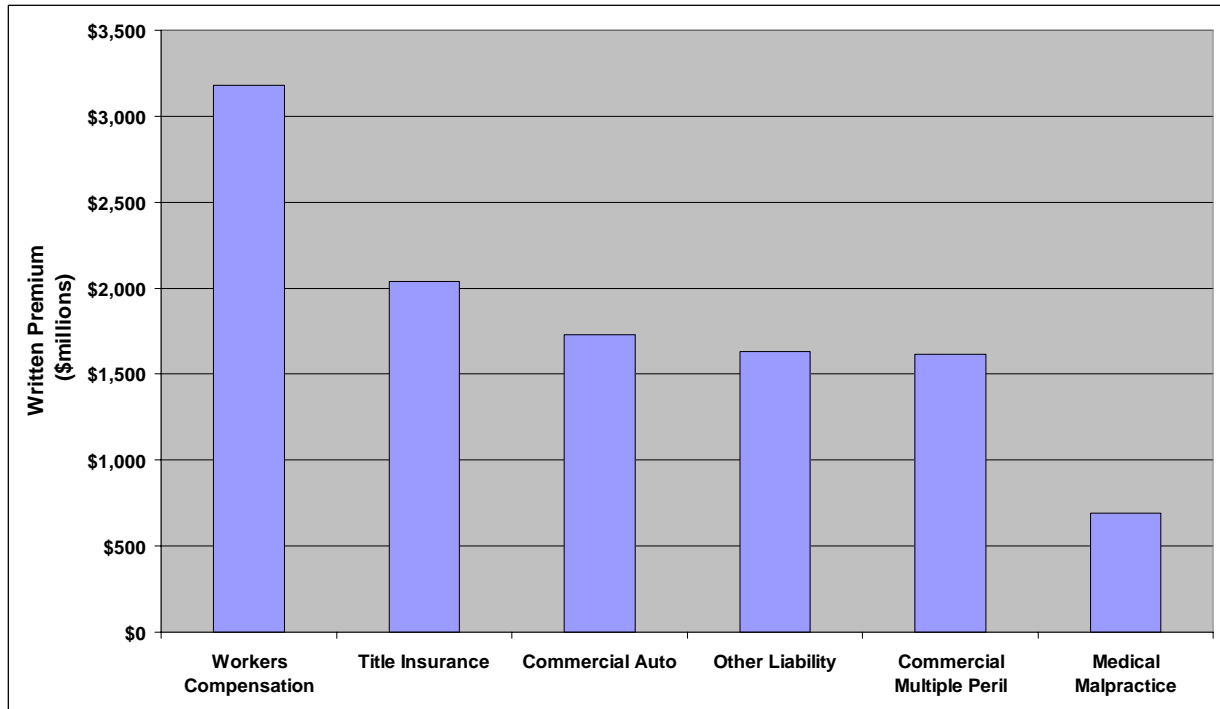
INTRODUCTION

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

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

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

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



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

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

CONCLUSIONS AND RECOMMENDATIONS

- Average title insurance rates in Florida are 99.2% higher than comparable rates in the surrounding states of Alabama, Georgia, Mississippi, North Carolina and South Carolina, and the indicated overall average change in title insurance rates is a reduction of 49.8%.
- Charges for the related title services of search, examination and closing in Florida are estimated to be 37.7% lower than those in other states, and the indicated overall average change in related title service charges is an increase of 60.4%.
- The combined effect of decreasing title insurance rates and increasing charges for related title services is an overall average decrease in Florida title insurance and related title service charges of 29.4%.
- If title insurance rates in Florida are reduced, limits should be placed by administrative rule on related title service charges and endorsement premiums to prevent offsetting increases. Furthermore, to facilitate regulation and increase the taxable premium base, consideration should be given to a statutory change in the definition of title insurance “premium” to include the related title services of search, examination and closing as has been done in the “all-inclusive rate” states of Texas and Pennsylvania.
- Title insurance rates, related title service charges and endorsement premiums should continue to be regulated in Florida to deter excessive consumer costs, foster efficiency and protect against collusion and monopoly. The Florida title insurance market is highly concentrated in six large company groups. As concentration increases, competition and efficiency decrease and the chances of collusion and monopoly increase. However, care should be taken to insure that “capture” of government regulation does not occur. The problem of regulator capture occurs when large companies control the setting of laws and administrative rules creating a system biased against consumers.
- By administrative rule amendment, the eligibility period for reissue discounts in Florida should be increased from 3 years to 10 years consistent with reissue discounts typically granted in other states. When a real property is refinanced or sold during the eligibility period, title insurance may be issued at a discount.
- Consideration should be given to the imposition of a minimum loss ratio requirement on title insurers in place of the 30% minimum retention requirement (title insurers by law must retain at least 30% of title insurance premiums (Section 727.782 F.S.)). This change in Florida law is recommended because: 1) title insurance is the only form of property and casualty or life and health insurance in the state of Florida that has such a provision, 2) elimination of this requirement will facilitate rate reduction, and 3) this provision appears unnecessary based on industry profitability.

INDUSTRY

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

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

Comparison with Other Insurance

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

Types of Policies

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

Types of Premiums

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

Related Title Services

Search, means a careful exploration and perusal of the public records in an effort to find all recorded instruments relating to a particular chain of title. *Examination*, means to peruse and study the instruments incident to a chain of title and to determine their effect and condition in order to reach a conclusion as to the status of title. *Closing*, in some areas called a "*settlement*", is the process of completing a real estate transaction during which deeds, mortgages, leases and other required instruments are signed and/or delivered, an accounting between the parties is made, the money is disbursed, the papers are recorded, and all other

details such as payment of outstanding liens and transfer of hazard insurance policies are completed. In addition to the above there may be additional related title service charges for such items as binders, document preparation, notary fees, attorney fees, shipping and handling, warehouse fees and other miscellaneous fees.

Owner's Policy

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

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

Lender's Policy

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

Industry Profitability

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

Comparing claims with premiums tells only part of the story, since, for example, title insurance companies have marketing expenses not incurred by the boiler insurance industry. But the

industry's profitability is also hinted at by the repeated instances of state regulators uncovering cases where title insurers have engaged in illegal marketing tactics. Although owners are free to shop around for title insurance, many owners defer such decisions to lenders or real estate agents, and title insurance companies have sometimes used illegal tactics in marketing to those decision-makers. Illegal tactics noted in a CNN/Money article include kickbacks, free vacations, and the free use of office space and equipment. The article noted that in 2005 alone over a dozen title insurers settled with regulators for tens of millions of dollars over these practices.

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

LIMITATIONS

Distribution and Use

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

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

Data and Information Reliances

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

- Data Request submissions were provided by 19 responding companies as summarized on Exhibit 8. The Data Request was electronically distributed via e-mail on November 10, 2005 to all title insurance companies operating in the state of Florida. It was composed of a Jurat page and Tables 1, 2 and 3, which each contained instructions for completion. The deadline for completing the Data Request was December 31, 2005, however the last submission was not received until February 8, 2005. All of the major writers in Florida of title insurance responded to the Data Request except companies in the Stewart Group (composing 8.6% of the 2004 Florida market). A copy of the Data Request can be obtained from the OIR.
- 50 HUD-1 settlement statements were taken from OIR Consumer Services complaint files and Agents and Agencies closed investigation files and summarized by Dr. Stacy Sirmans in his Phase I study entitled "A Preliminary Examination of Title Insurance Regulation, Pricing and Costs Structures", dated February, 2006. The real estate settlement agent must complete a Federal HUD-1 form on every real estate settlement transaction in the United States. A sample HUD-1 form and completion instructions may be obtained from the Federal Department of Housing and Urban Development.
- Title Insurance Statutory Annual Statement Schedule T Data for the years 1995 through 2004 were provided by OIR. This data was obtained from the NAIC database for every title insurance company operating anywhere in the United States during the time period 1995 through 2004. Schedule T shows for each title insurer: written premiums, earned premiums, paid losses, and incurred losses by state, by calendar year.

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

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

Key Assumptions and Limitations

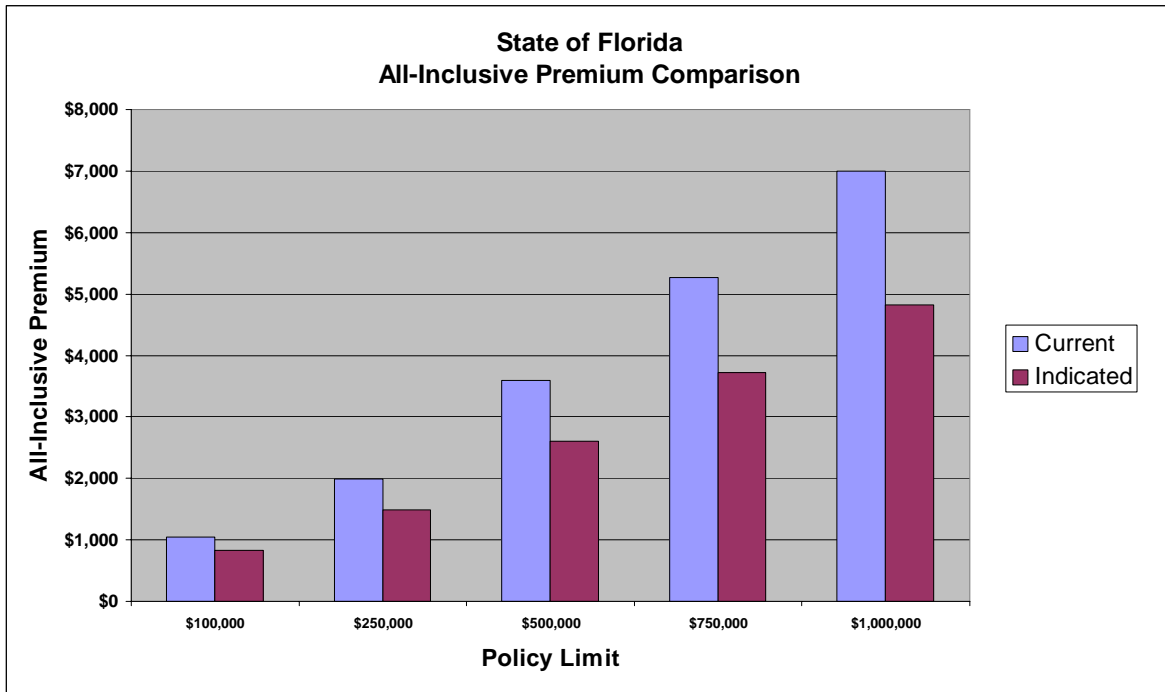
- The indicated premiums and rates in this analysis are based upon the assumption that Florida's costs to provide title insurance and coverages should be similar to other states' costs and coverages. These indications may not be valid to the extent that Florida's costs and coverages should not be comparable to other states'.
- Related title service charges in Florida have been estimated based upon a limited sample of settlement statements taken from OIR Consumer Services complaint files and Agents and Agency closed investigation files and may be biased or not representative of the entire Florida title insurance market.
- It is assumed that risk premiums charged in the surrounding states of Alabama, Georgia, Mississippi, North Carolina and South Carolina are more representative of reasonable Florida premiums than premiums based on countrywide averages.
- This analysis has been prepared in conformity with its intended use by persons technically competent in the areas addressed and only for the stated purposes. Judgments as to the conclusions, indications, methods, and data contained in this analysis should be made only after studying the analysis in its entirety. Furthermore, the author is available to explain any matter presented herein. It is assumed that the user of the analysis will seek such explanation as to any matter in question.
- In performing this analysis, data as provided by the responding companies pursuant to the Data Request, the summary of settlement statements provided by Dr. Sirmans and the Statutory Annual Statement Schedule T data provided by OIR was relied upon without audit or independent verification. Where data was lacking, insufficient, or unreliable it was not used, and actuarial judgment was used to supplement this analysis.
- In addition to the assumptions stated in the report, numerous other assumptions underlie the calculations and results presented herein.

ANALYSIS

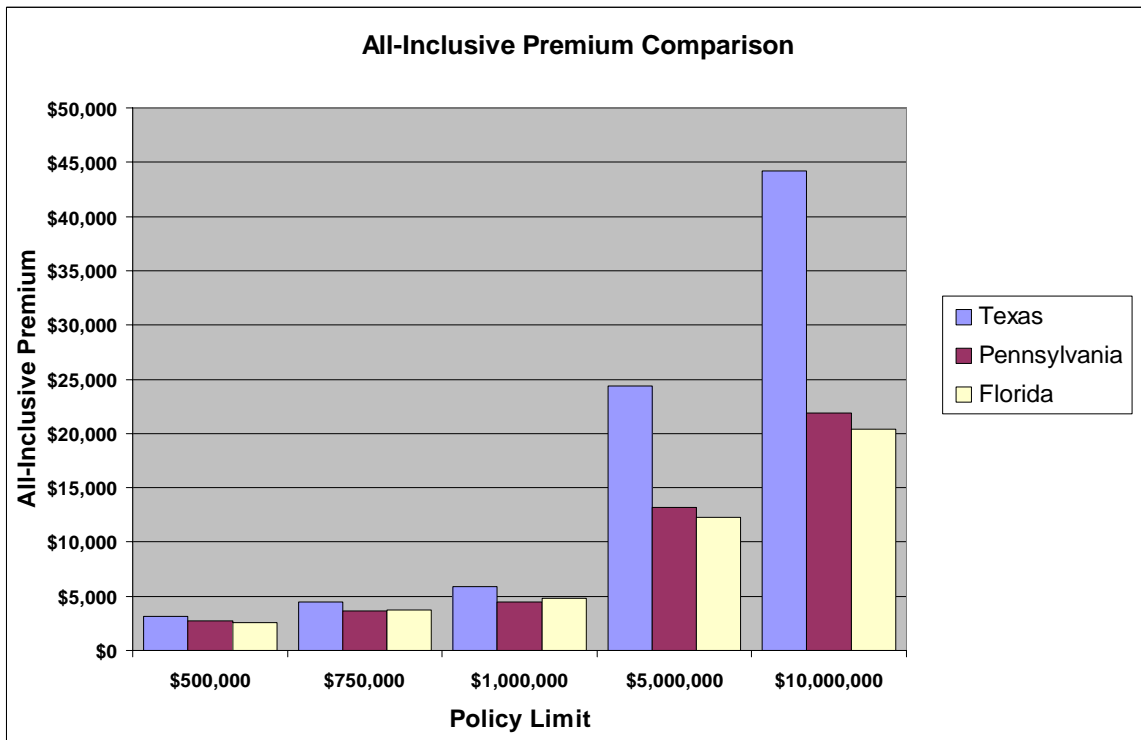
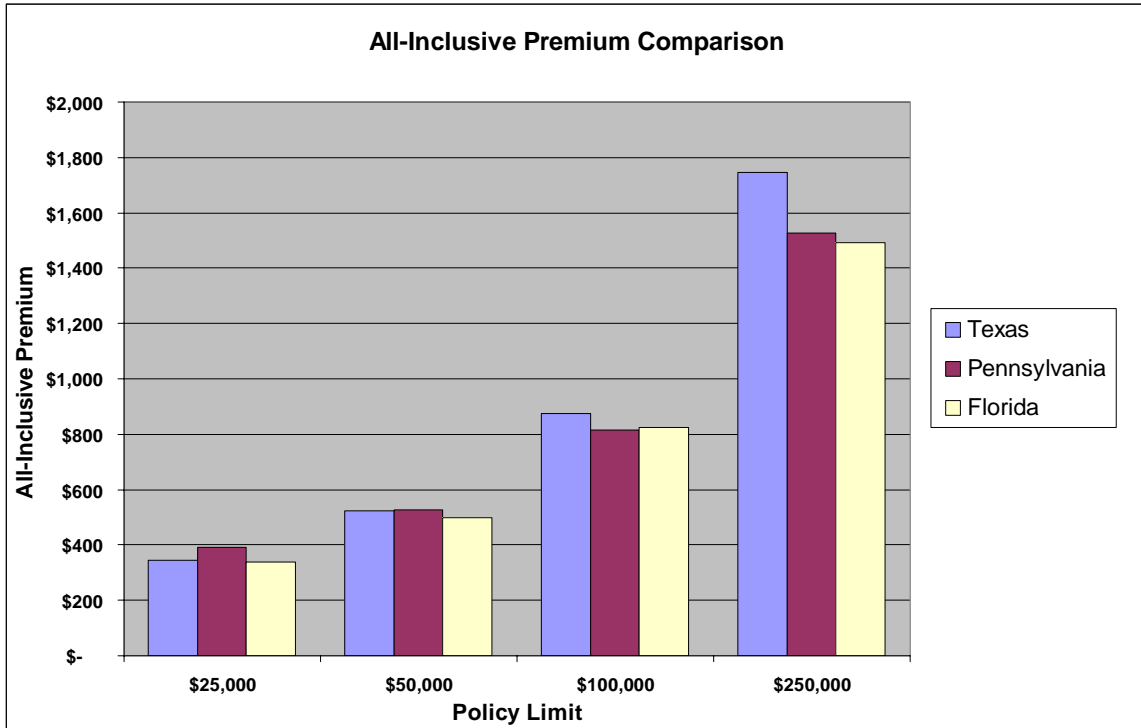
Indicated Rates and Charges

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

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



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



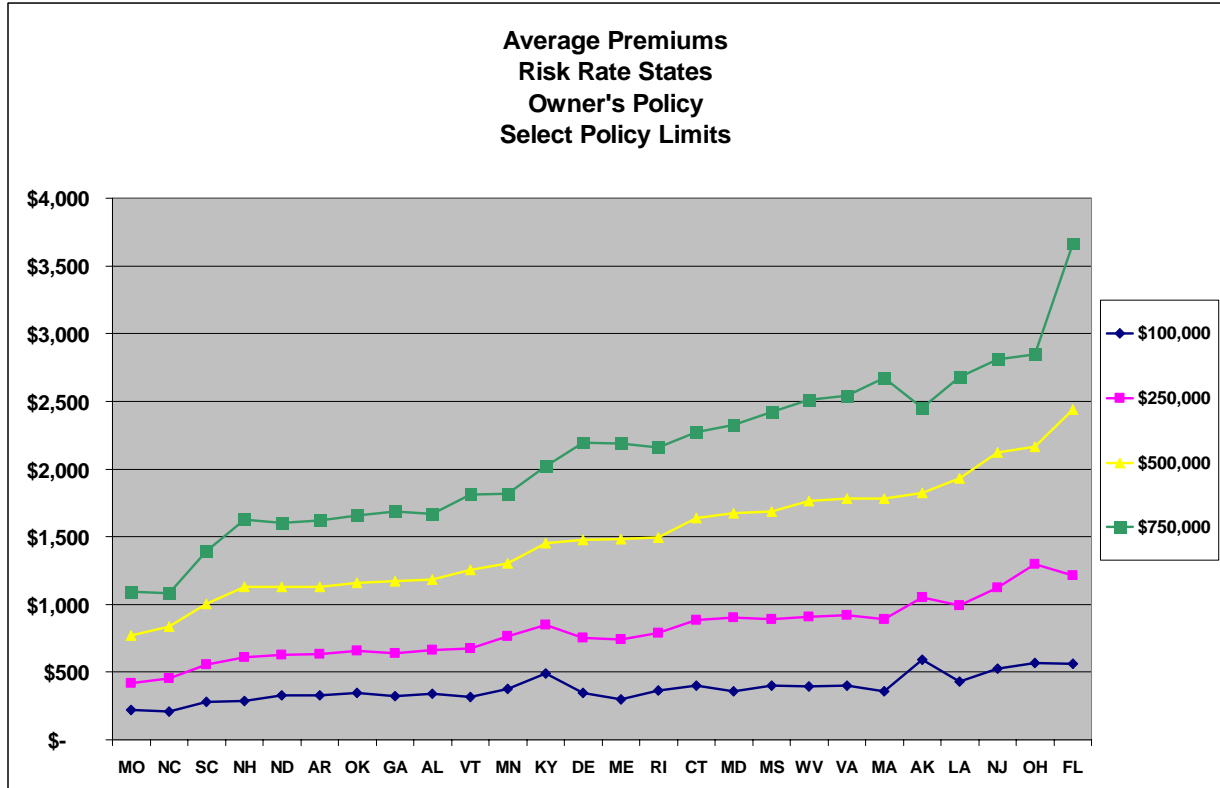
Indicated Agent Compensation

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

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

Current Rates and Charges

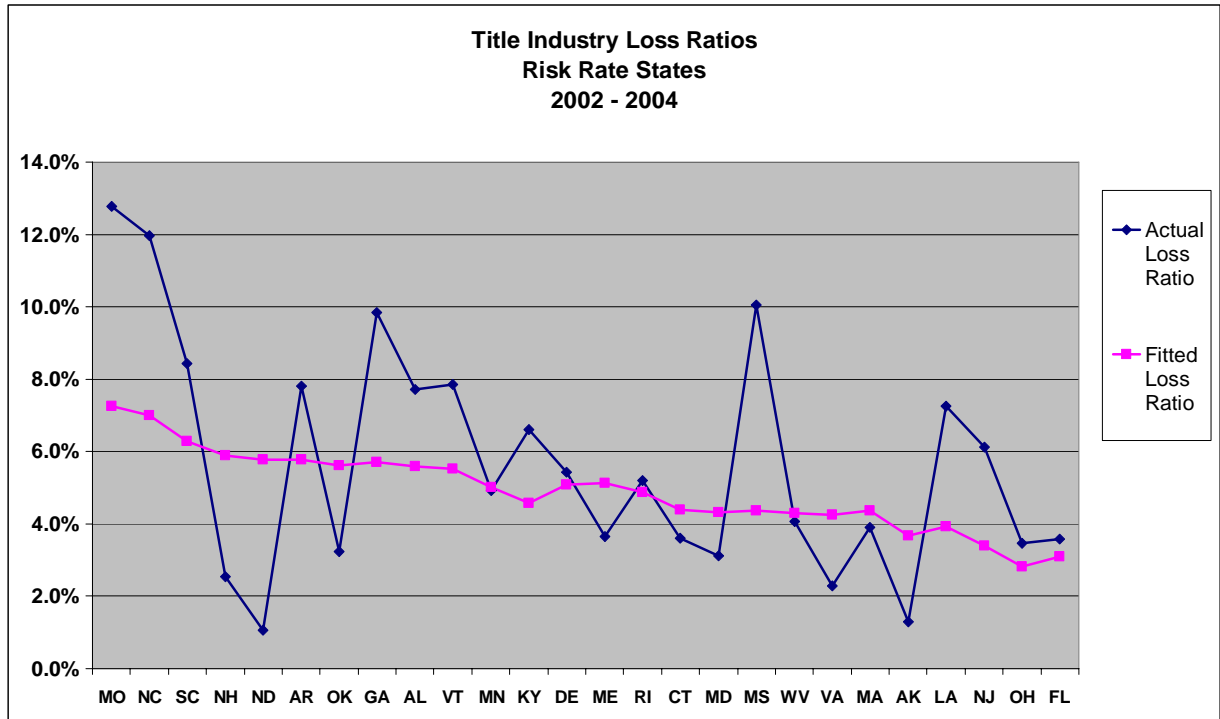
With few exceptions, current Florida title insurance risk rates are the highest in the country. The following chart illustrates the rate disparity between Florida and the 26 other risk rate states:



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

Loss Ratios

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

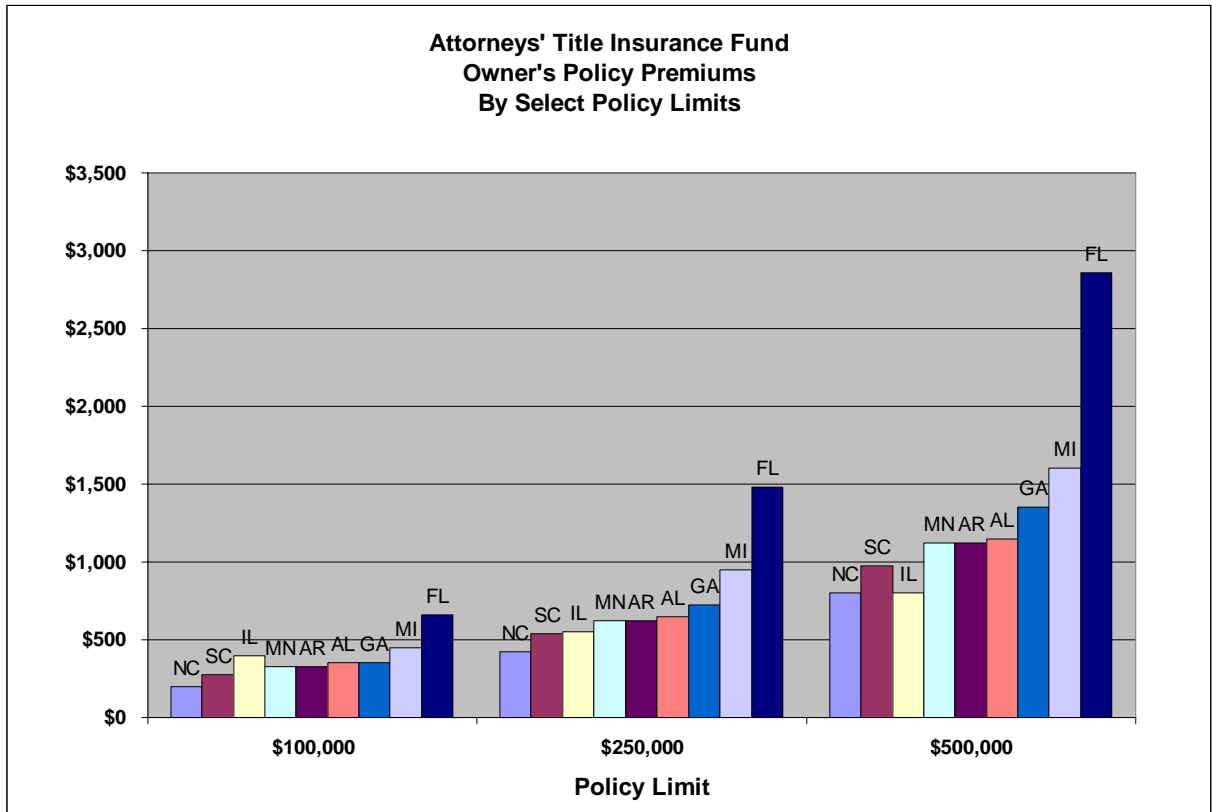


The “Fitted Loss Ratio” line above is the predicted loss ratio based on rate level. Rate levels are predictive of loss ratios with a coefficient of determination (R squared) of .249, meaning 24.9% of the variation in loss ratios can be explained by the variation in rate levels.

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

The Fund's Premiums

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



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

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

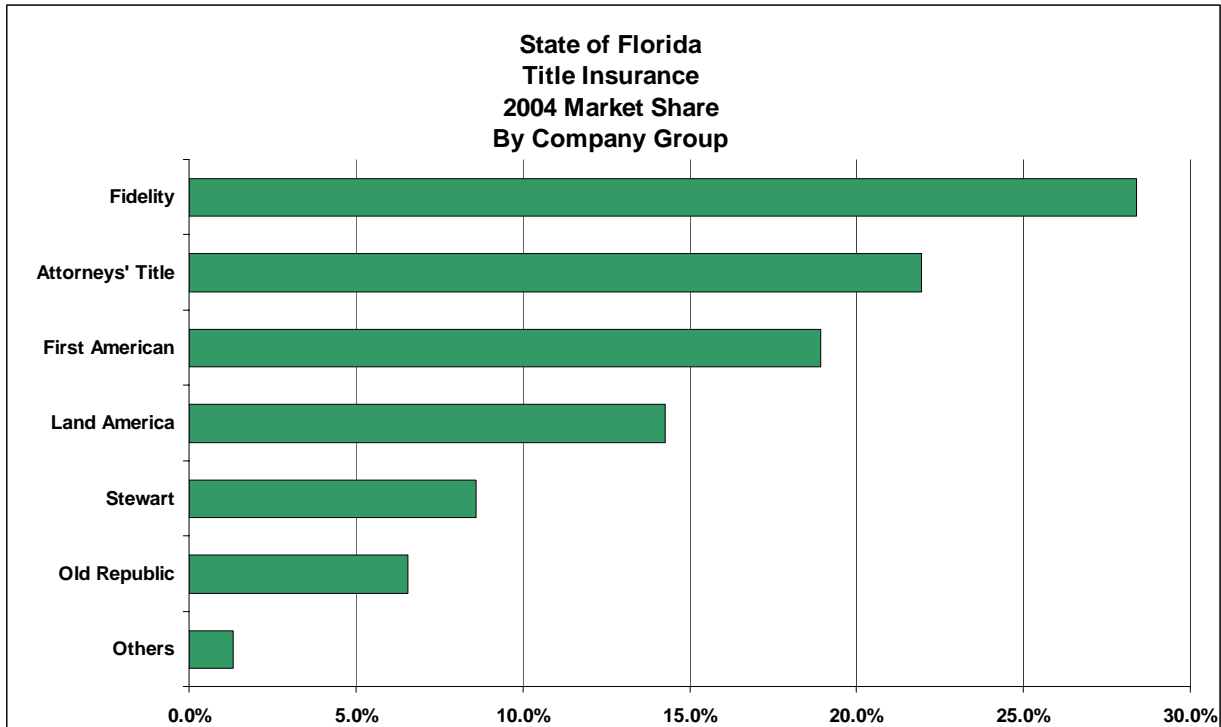
Tax Base

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

Florida Market Concentration

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

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



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

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

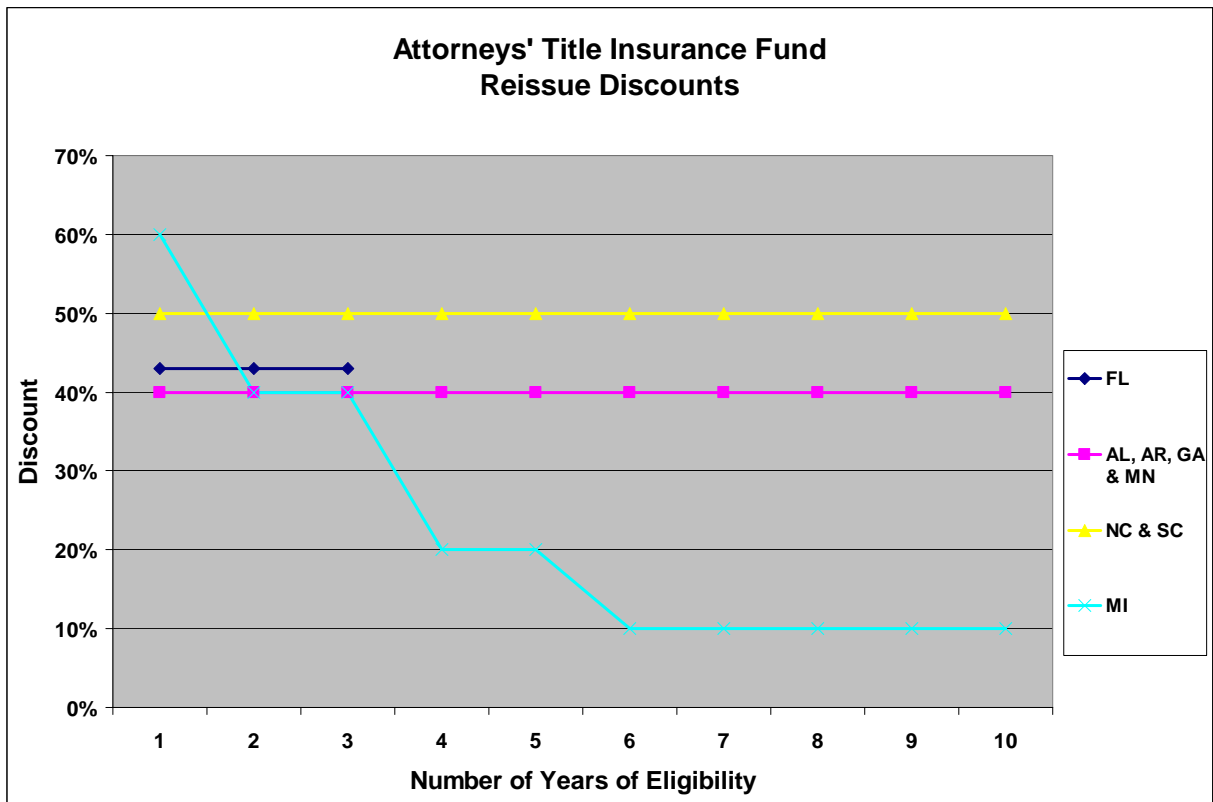
Group	Company Name	Direct Written Premium	Company Share	Group Total	Group Share
Fidelity	Chicago Title	202,365,496	11.2%		
Fidelity	Fidelity National	158,239,195	8.7%		
Fidelity	Ticor FL	133,386,189	7.4%		
Fidelity	Ticor	12,522,909	0.7%		
Fidelity	National NY	6,962,671	0.4%	513,476,460	28.4%
Attorneys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

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

Reissue Discounts

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

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



Minimum Loss Ratio

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

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

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

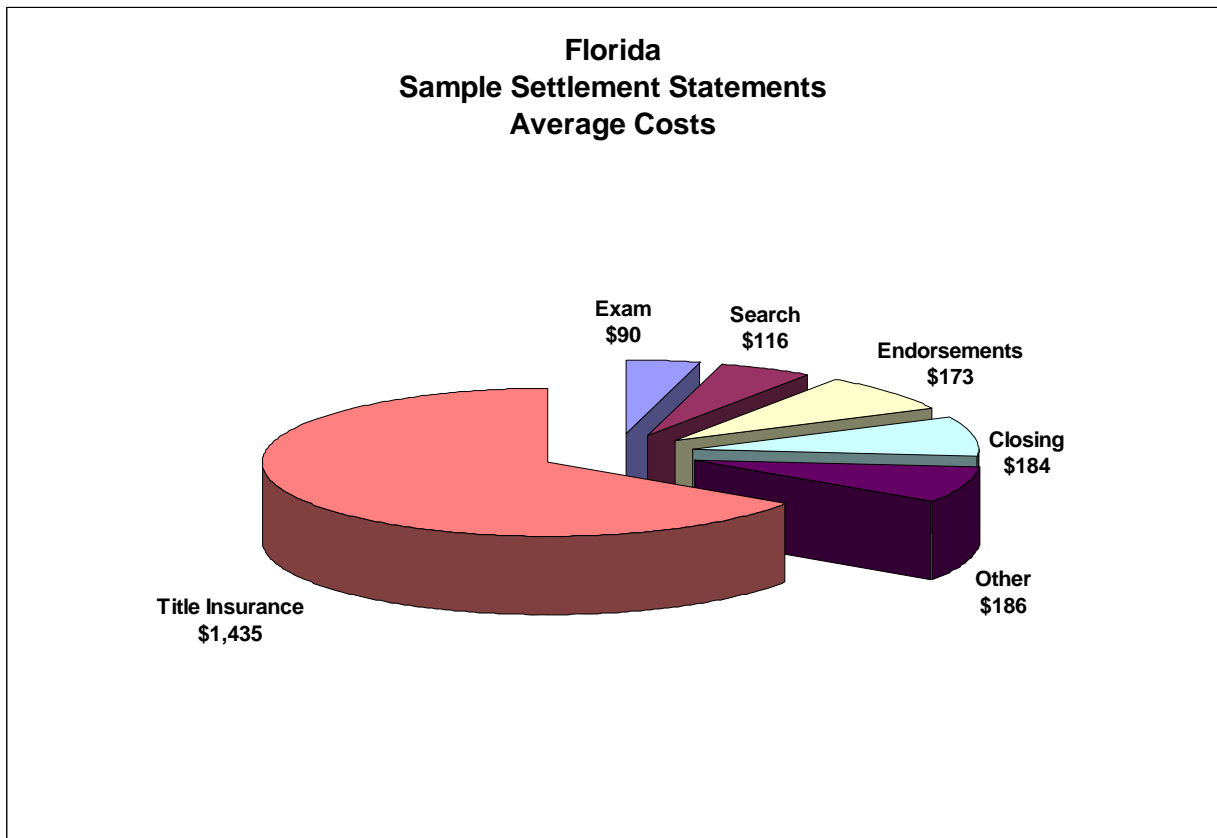
The current indicated minimum loss ratio for the Florida title insurance industry is 4.5% (Exhibit 2, Sheet 7), if the indicated changes in premium and related title services are adopted and the definition of premium is expanded to include related title service charges. The current indicated minimum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

METHODOLOGY

Related Title Service Charges

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

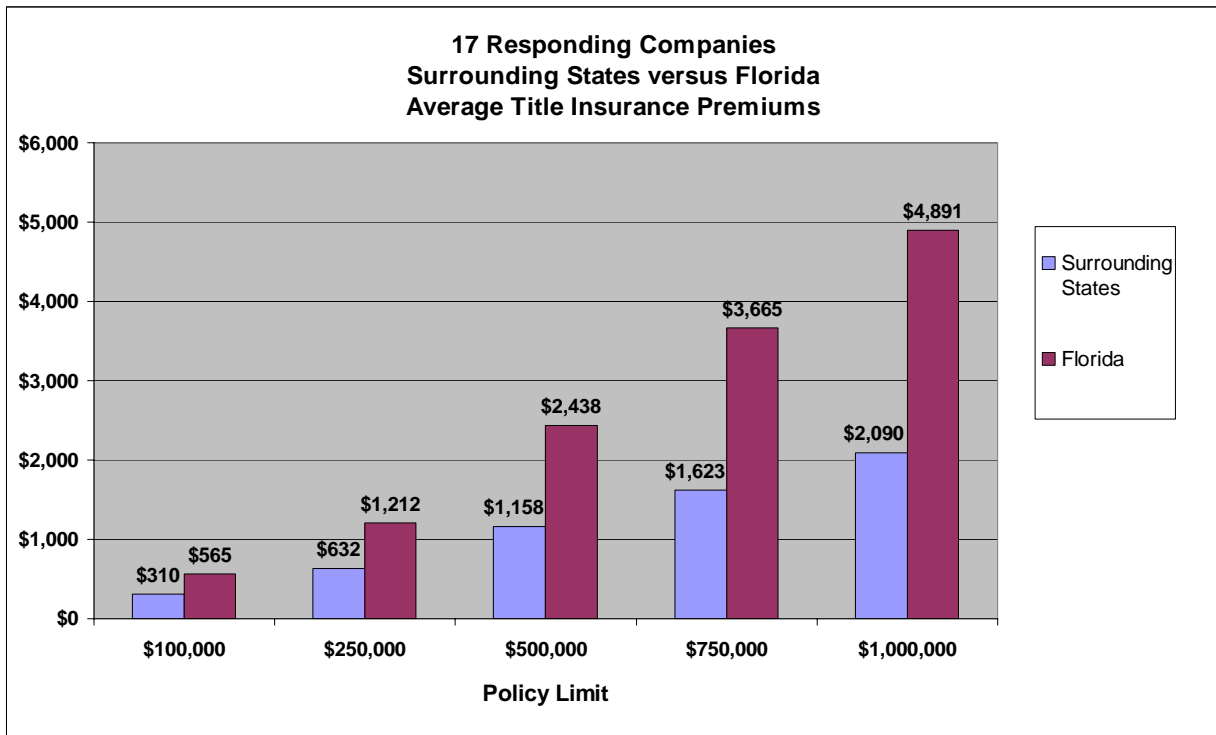
In this sample, the average cost of title insurance and related title services was \$2,184 of which \$1,608 was for title insurance premiums and endorsements and the remainder was for related title services. This average sample premium of \$1,608 including endorsements is significantly higher than the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



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

Indicated Risk Premiums

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



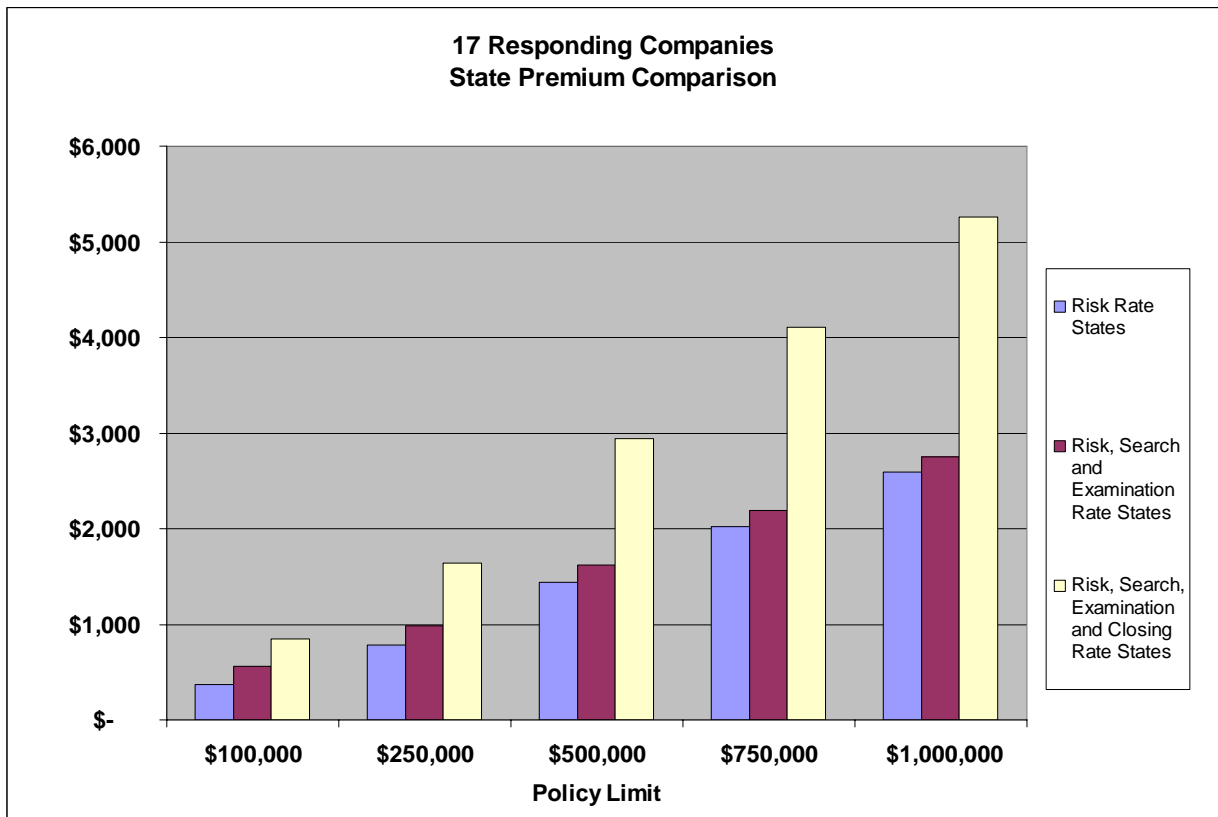
It is assumed that risk premiums charged in surrounding states are more representative of reasonable Florida premiums than premiums based on countrywide averages. Note that 19 companies responded to the Data Request, but only 17 companies completed Table 3.

Indicated Search, Examination and Closing Costs

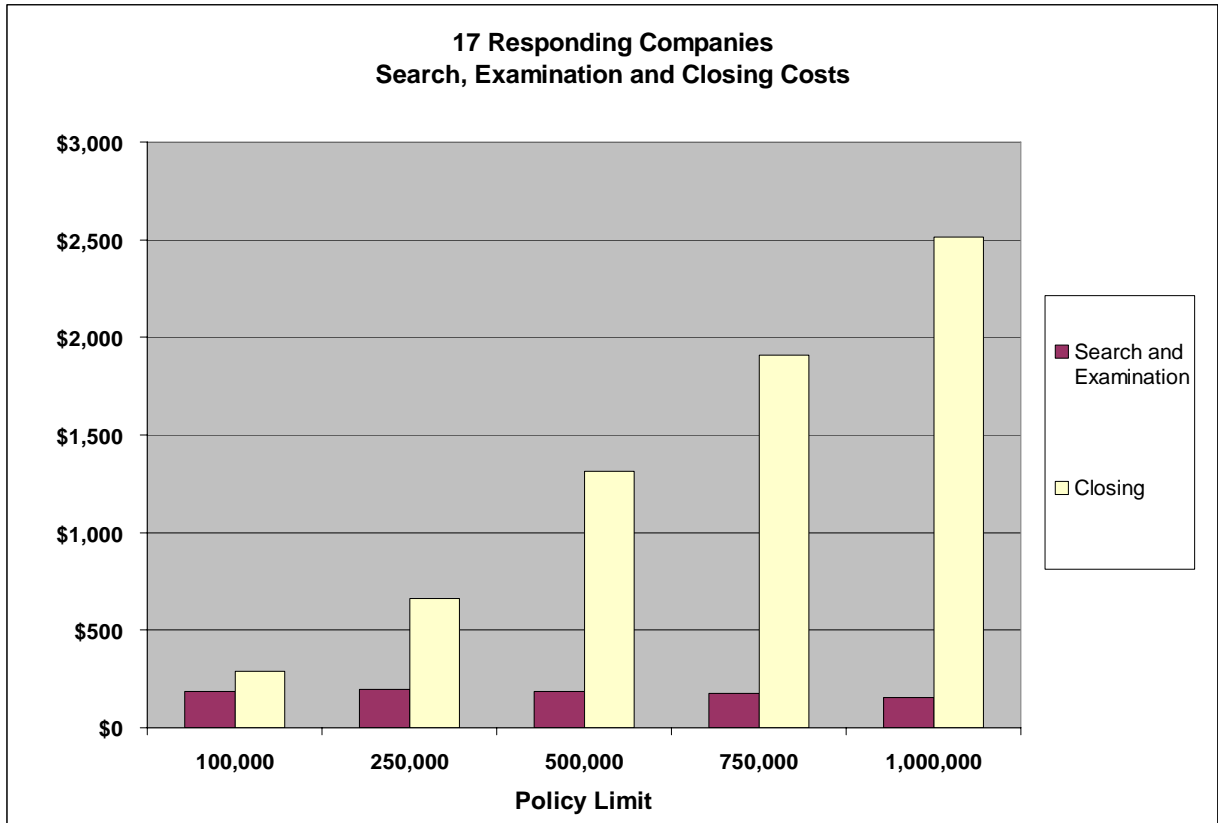
Of the 49 states other than Florida, it is assumed that 26 states (risk rate states) do not include search, examination, or closing charges in the title insurance premium, 19 states include search and examination but not closing charges in the title insurance premium, 2 states (Texas and Pennsylvania)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

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

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



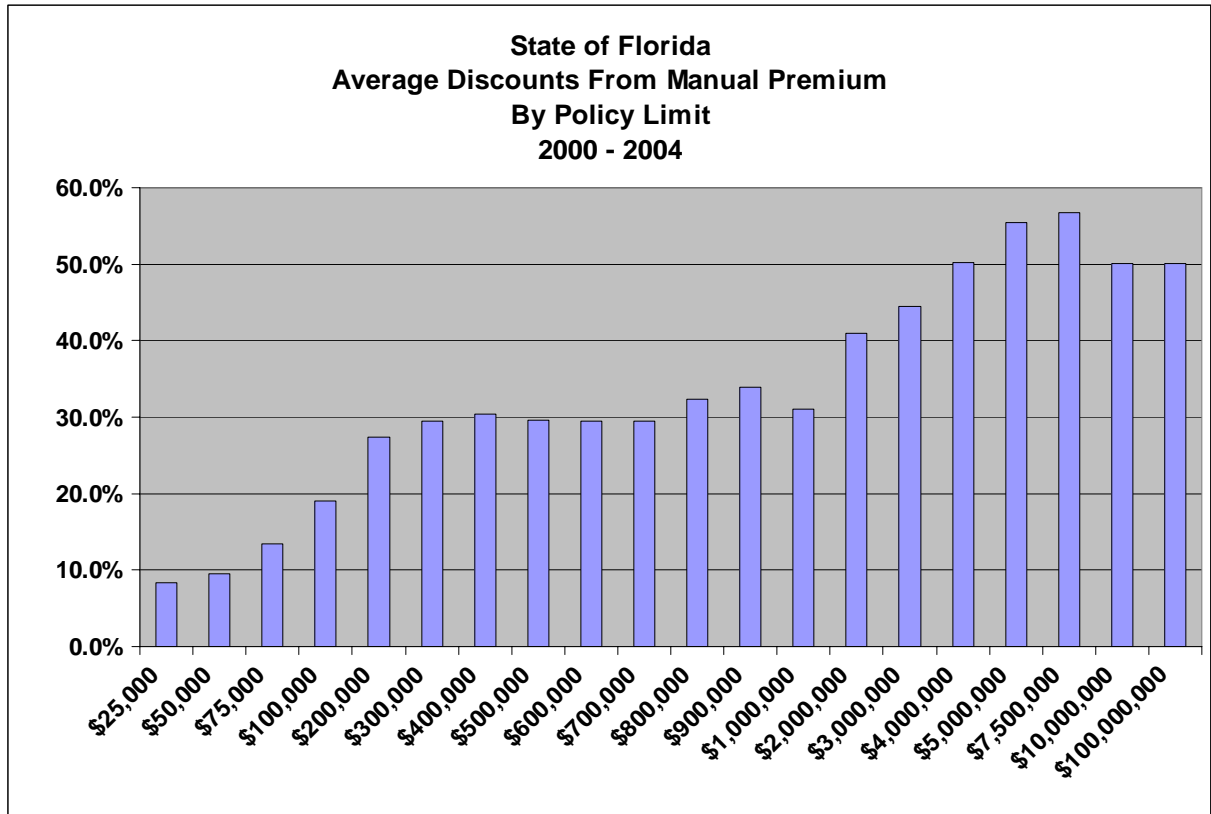
By subtracting risk rates from rates that include risk, search and examination, an estimate can be made of average search and examination costs; and by subtracting rates that include risk, search and examination from rates that include risk, search, examination and closing, an estimate can be made of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



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

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

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



EXHIBITS

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

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

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

Notes:

- (1) Based on Chapter 690-186 Title Insurance Rates, Florida Administrative Code excluding cost of endorsements.
- (2) These are estimates derived from a limited number of settlement statements that may not be a representative sample. See Exhibit 7, Column (20).
- (3) Derived from Exhibit 5, Sheet 1, Column (4)
- (4) Derived from Exhibit 3, Column (4)
- (5) Exhibit 2, Sheet 1, Column (7)
- (6) equals (5) / (average policy limit) - 1
- (7) equals (4) + (6)
- (8) equals (3) / (1) - 1
- (9) equals (7) / (2) - 1

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

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

Notes:

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

(1) Based on Chapter 69O-186 Title Insurance Rates, Florida Administrative Code.

(2) equals 12.0% x (1), based on Exhibit 7, Column (16) average and actuarial judgment

(3) equals (1) + (2)

(4) Derived from Exhibit 7, Column (20)

(5) equals (3) + (4)

(6) Exhibit 5, Sheet 1, Column (4)

(7) Based on actuarial judgment and Exhibit 4, Sheet 1, Column (4)

(8) Exhibit 3, Column (4)

(9) equals (7) + (8)

(10) equals (6) + (9)

(11) equals (6) / (3) - 1

(12) equals (9) / (4) - 1

(13) equals (10) / (5) - 1

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

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

Notes:

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

(1) Based on Chapter 69O-186 Title Insurance Rates, Florida Administrative Code.

(2) equals 12.0% x (1), based on Exhibit 7, Column (16) and actuarial judgment

(3) equals (1) + (2)

(4) Exhibit 5, Sheet 1, Column (4)

(5) Based on actuarial judgment and Exhibit 4, Sheet 1, Column (4)

(6) Exhibit 3, Column (4)

(7) equals (5) + (6)

(8) equals (4) + (7)

(9) equals (8) / (3) - 1

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

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

Notes:

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

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

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

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

Notes:

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

- (1) Based on Chapter 690-186 Title Insurance Rates, Florida Administrative Code.
- (2) equals 12.0% x (1), based on Exhibit 7, Column (20) and actuarial judgment
- (3) equals (1) + (2)
- (4) Derived from Exhibit 7, Column (20)
- (5) equals (3) + (4)
- (6) equals .70 x (3) + (4)
- (7) Exhibit 5, Sheet 1, Column (4)
- (8) Based on actuarial judgment and Exhibit 4, Sheet 1, Column (4)
- (9) Exhibit 3, Column (4)
- (10) equals (8) + (9)
- (11) equals (7) + (10)
- (12) equals .70 x (11)
- (13) equals (12) / (6) - 1

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

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

Notes:

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

- (1) Based on Chapter 690-186 Title Insurance Rates, Florida Administrative Code.
- (2) equals 12.0% x (1), based on Exhibit 7, Column (20) and actuarial judgment
- (3) equals (1) + (2)
- (4) Derived from Exhibit 7, Column (20)
- (5) equals (3) + (4)
- (6) equals .70 x (3) + (4)
- (7) Exhibit 5, Sheet 1, Column (4)
- (8) Based on actuarial judgment and Exhibit 4, Sheet 1, Column (4)
- (9) Exhibit 3, Column (4)
- (10) equals (8) + (9)
- (11) equals (7) + (10)
- (12) equals .70 x (7) + (10)
- (13) equals (12) / (6) - 1

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

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

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

Notes:

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

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

Minimum Loss Ratio
Definition of Premium Unchanged

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

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

Notes:

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

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

Exhibit 3

Fitted Closing Cost
By Owner's Policy Limit

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

Notes:

- (2) From Exhibit 4, Sheet1, Column (5)
- (3) equals (2) / (1)
- (4) Based on selected rates: .330%, .245%, .012%, .011% for the respective layers 0-\$100,000, \$100,001-\$1,000,000, \$1,000,001-\$5,000,000 and \$5,000,000-\$10,000,000.
- (5) equals (4) / (1)

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

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

Notes:

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

Related Title Services Charges
Based on First American Rates

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

Notes:

- (1) Average First American rates for the states of Texas and Pennsylvania include risk, search, examination and closing costs in title premium, except Pennsylvania premiums for \$5,000,000 and \$10,000,000 limits.
- (2) Average First American premiums for 19 states that include risk, search and examination but not closing costs in title premium.
- (3) Average First American premiums for 26 states excluding Florida that include risk but not search, examination or closing costs in title insurance premium.
- (4) equals (2) - (3)
- (5) equals (1) - (2)
- (6) The states of Utah and Iowa have been excluded from this analysis. Utah was considered to include closing costs in title premium but not search and examination, and therefore is not comparable to other states. The sale of title insurance is prohibited in the state of Iowa.
- (7) First American was the only large company operating in all states that was considered to complete the related title services portion of Table 3 correctly.

Surrounding States
Average Title Premium
By Owner's Policy Limit

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

Notes:

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

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

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

Notes:

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

The average premiums for each state are straight averages of 17 responding companies that write business in Florida and may not represent the weighted average based on market shares of companies operating in each state.

Companies that may have a significant market share in another state that do not write business in Florida were not requested to respond to this data call.

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

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

Notes:

- (3) equals [(1) + (2)] / 2
- (4) - (7) compilation of Table 1 data submitted pursuant to Data Request
- (8) equals (5) / (4)
- (9) equals((8) / (3)) * 1000
- (10) equals (7) / (5)
- (11) based on Chapter 69O-186 Title Insurance Rates, Florida Administrative Code excluding cost of endorsements, minimum manual premium is \$100.
- (12) equals (8) / (11) - 1

State of Florida
Title Insurance
Sample Settlement Statements

File Number (1)	Settlement Date (2)	Contract Sales Price (3)	Closing Fee (4)	Search (5)	Exam (6)	Binder (7)	Document Preparation (8)	Notary Fees (9)	Attorney Fees (10)	Shipping and Handling (11)	Warehouse Fee (12)	Anything Regarding Title (13)	Title Insurance (14)	Endorsements (15)	Endorsement to Premium Ratio (16)	Title Insurance Including Endorsements (17)	Related Title Services (18)	Ratio (19)	Fitted (20)
01C13909	2/28/2004	7,500	25	100	25	-	-	-	-	-	-	-	100	-	0.0%	100	150	150.0%	158.3%
05C14823	6/15/2004	17,000	25	100	25	-	-	-	-	-	-	-	100	-	0.0%	100	150	150.0%	142.7%
04C11544	6/4/2002	20,450	50	100	50	-	-	-	-	-	100	-	321	-	0.0%	321	300	93.5%	137.5%
04C11544	6/4/2002	20,450	50	100	50	-	-	-	-	-	-	-	121	-	0.0%	121	200	165.6%	137.5%
AM0506212	7/18/2005	29,900	76	50	76	-	-	-	-	75	-	-	172	-	0.0%	172	277	161.1%	124.0%
06C12969	7/11/2003	32,000	50	100	50	-	-	-	-	-	-	-	184	25	13.6%	209	200	95.7%	121.2%
0204-1773-21	9/9/2004	32,000	150	80	90	-	-	-	-	15	35	-	184	-	0.0%	184	370	201.1%	121.2%
1040-05	4/26/2006	38,000	10	60	5	-	-	-	-	20	-	-	219	-	0.0%	219	95	43.5%	113.5%
01C10069	5/10/2001	50,650	135	100	50	-	-	-	-	-	-	-	293	-	0.0%	293	285	97.2%	98.9%
05117H	5/4/2005	55,000	250	150	360	-	275	-	-	35	-	150	216	-	0.0%	216	1,220	565.2%	94.3%
04C12777	6/23/2003	56,000	150	100	50	-	-	-	-	25	-	-	522	150	28.7%	672	325	48.4%	93.3%
02C14130	5/3/2004	78,700	150	100	50	-	-	-	-	25	-	-	654	150	22.9%	804	325	40.4%	72.8%
10C09798	11/10/2000	88,000	50	100	50	-	195	-	-	30	-	-	706	145	20.5%	851	425	49.9%	65.8%
07C13034	8/8/2003	92,000	150	100	50	-	-	-	-	25	-	-	729	150	20.6%	879	325	37.0%	63.0%
03-0581A	5/15/2003	94,600	295	350	275	-	295	-	-	-	-	60	569	82	14.4%	651	1,275	195.9%	61.2%
03-280	1/24/2003	109,500	200	100	75	-	-	-	-	63	-	-	923	162	17.6%	1,085	438	40.4%	52.0%
03-279a	1/24/2003	115,000	200	100	75	-	-	-	-	63	-	-	950	165	17.4%	1,115	438	39.3%	49.0%
00189C	6/25/2000	115,000	125	225	125	-	135	-	-	74	-	-	460	95	20.7%	555	684	123.2%	41.0%
03-330	2/19/2003	120,000	175	100	75	-	-	-	-	63	-	-	975	168	17.2%	1,143	413	36.1%	40.7%
03-236	11/27/2002	125,000	175	100	75	-	-	-	-	98	-	-	1,000	170	17.0%	1,170	448	38.3%	40.4%
03-335	2/14/2003	129,900	175	100	75	-	-	-	-	63	-	-	1,025	172	16.8%	1,197	413	34.5%	40.1%
03-253	12/10/2002	140,000	150	100	75	-	-	-	-	33	-	-	775	-	0.0%	775	358	46.2%	39.6%
2062-831942	6/6/2005	141,000	100	85	25	-	-	-	-	70	-	-	483	106	21.9%	588	280	47.6%	39.5%
03-246	12/26/2002	143,900	175	75	50	-	-	-	-	63	-	-	1,095	179	16.4%	1,274	363	28.5%	39.3%
2005-0015	4/27/2005	156,000	300	150	150	-	150	100	-	110	-	-	885	153	17.3%	1,038	960	92.5%	38.6%
07C10733	8/17/2001	157,000	100	100	50	-	-	-	-	-	-	-	860	-	0.0%	860	250	29.1%	38.6%
03-272	1/23/2003	157,900	175	100	75	-	-	-	-	63	-	-	1,165	182	15.6%	1,346	413	30.7%	38.5%
2331-00	2/25/2005	160,000	175	75	75	-	125	-	-	25	-	-	900	140	15.6%	1,040	475	45.7%	38.4%
03-273	1/3/2003	171,400	175	100	75	-	25	-	-	84	-	-	1,232	193	15.7%	1,425	459	32.2%	37.8%
05003101	5/6/2005	175,000	250	350	250	-	350	-	-	-	-	230	1,275	153	12.0%	1,428	1,430	100.2%	37.6%
05CV031562	3/31/2005	180,000	60	35	35	-	-	-	-	30	-	-	990	125	12.6%	1,115	160	14.3%	37.3%
03-270	12/17/2002	184,900	175	100	75	-	-	-	-	84	-	-	1,300	235	18.1%	1,534	434	28.3%	37.1%
03-271	12/24/2002	188,000	150	100	75	-	-	-	-	33	-	-	815	-	0.0%	815	358	43.9%	36.9%
03-306	2/17/2003	205,000	150	100	75	-	-	-	-	15	-	-	1,100	-	0.0%	1,100	340	30.9%	36.0%
03-327	2/12/2003	209,900	175	100	75	-	-	-	-	84	-	-	1,425	212	14.9%	1,637	434	26.5%	35.7%
746041133-MA	8/31/2004	218,000	200	200	50	-	-	-	-	85	35	25	1,460	70	4.8%	1,530	595	38.9%	35.3%
20043291	9/2/2005	223,000	300	90	90	-	-	-	-	80	25	-	1,540	331	21.5%	1,871	585	31.3%	35.1%
50449	4/26/2005	225,000	125	96	75	-	-	-	-	52	-	-	1,200	299	24.9%	1,499	348	23.2%	35.0%
20052542	6/24/2005	240,000	150	50	95	-	-	-	-	35	-	-	1,275	-	0.0%	1,275	330	25.9%	34.2%
05-879	7/21/2005	242,000	250	75	100	-	-	-	-	-	-	-	1,225	150	12.3%	1,375	425	30.9%	34.1%
03-329	2/28/2003	248,000	100	-	-	-	-	-	-	63	-	-	300	232	77.2%	532	163	30.7%	33.8%
03-300	1/27/2003	291,700	175	100	75	-	50	-	-	63	-	-	1,833	253	13.8%	2,086	463	22.2%	31.7%
03-1015	8/12/2005	417,900	500	250	95	195	-	-	-	110	-	-	2,355	311	13.2%	2,666	1,150	43.1%	26.4%
03-224	11/29/2002	425,000	200	100	75	-	-	-	-	72	-	-	2,525	358	14.2%	2,883	447	15.5%	26.1%
2004243	12/15/2004	440,000	500	100	50	-	-	-	-	30	-	-	2,300	305	13.3%	2,605	680	26.1%	25.6%
05-250	7/15/2005	467,000	300	350	300	-	-	300	-	140	-	-	2,710	321	11.8%	3,031	1,390	45.9%	24.6%
05-0401	6/30/2005	520,000	675	-	275	-	475	750	-	75	-	-	3,099	343	11.1%	3,442	2,250	65.4%	23.1%
03-298	1/31/2003	565,000	150	100	75	-	-	-	-	15	-	-	2,900	-	0.0%	2,900	340	11.7%	23.0%
Branson/Buck	3/23/2005	565,000	350	175	-	-	-	-	-	-	-	-	2,975	348	11.7%	3,323	525	15.8%	23.0%
03-20117	6/29/2004	4,500,000	250	125	250	-	-	-	3,000	45	-	-	19,328	2,010	10.4%	21,338	3,670	17.2%	17.0%
Sum / Count	50		9,201	5,796	4,521	195	2,075	1,150	3,000	2,232	195	465	71,742	8,643	12.0%	80,385	28,830	35.9%	32.4%
Average	11/19/2003	267,685	184	116	90	4	42	23	60	45	4	9	1,435	173	12.0%	1,608	577	35.9%	32.4%

Data Request
Submission Compliance

Group	Company	Responded	Table 2			
			Table 1	Reissue	Related Title Services	Table 3
Attorneys' Title	Attorneys' Title Insurance Fund, Inc.	Yes	Yes	Yes	Yes	Yes
Fidelity	Chicago Title Insurance Company	Yes	Yes	No	No	Yes
Fidelity	Fidelity National Title Insurance Company	Yes	Yes	No	No	Yes
Fidelity	National Title Insurance Company	Yes	Yes	Yes	Yes	Yes
Fidelity	National Title Insurance Of New York Inc.	Yes	Yes	No	No	Yes
Fidelity	Security Union Title Insurance Company	No	n/a	n/a	n/a	n/a
Fidelity	Ticor Title Insurance Company	Yes	Yes	No	No	Yes
Fidelity	Ticor Title Insurance Company Of Florida	Yes	Yes	No	No	Yes
First American	Censtar Title Insurance Company	Yes	Yes	Yes	Yes	Yes
First American	First American Title Insurance Company	Yes	Yes	No	Yes	Yes
First American	United General Title Insurance Company	No	n/a	n/a	n/a	n/a
Land America	Commonwealth Land Title Insurance Company	Yes	Yes	No	No	Yes
Land America	Lawyers Title Insurance Corporation	Yes	Yes	No	No	Yes
Land America	Title Insurance Company Of America	Yes	No	No	No	Yes
Land America	Transnation Title Insurance Company	Yes	No	No	No	Yes
Ohio Farmers	Southern Title Insurance Corporation	No	n/a	n/a	n/a	n/a
Old Republic	American Guaranty Title Insurance Company	Yes	No	No	No	No
Old Republic	Old Republic National Title Insurance Company	Yes	Yes	No	No	Yes
Stewart	Alliance Title Of America, Inc.	No	n/a	n/a	n/a	n/a
Stewart	Stewart Title Guaranty Company	No	n/a	n/a	n/a	n/a
n/a	Atlantic Title Insurance Company Of South Carolina	Yes	No	No	No	No
n/a	Commerce Title Insurance Company	Yes	Yes	Yes	Yes	Yes
n/a	Investors Title Insurance Company	No	n/a	n/a	n/a	n/a
n/a	North American Title Insurance Corporation	Yes	Yes	No	No	Yes
n/a	Westcor Land Title Insurance Company	Yes	Yes	Yes	No	Yes
Totals:						
Yes		19	15	5	5	17
No		6	4	14	14	2
n/a		0	6	6	6	6
		25	25	25	25	25

Notes:

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