

Texas Public Policy Foundation

Heavy Regulation, High Profits, and Wasteful Spending

An Examination of the Texas Title Insurance Market



by Bill Peacock
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An Examination of the Texas Title Insurance Market

by Bill Peacock, Director, Center for Economic Freedom

Executive Summary

Texas has the most heavily regulated title insurance market in the country. Unlike all but one other state, the government sets a fixed rate for title insurance, preventing competition for consumers' business. This rate functions as a monopoly price that all consumers are forced to pay. By requiring the purchase of comprehensive, one-size-fits-all title insurance policies at a fixed rate, Texas increases costs for both consumers and businesses.

Our previously published research shows Texas has the fifth highest title costs in the nation for a \$300,000 home ([Peacock, 1](#)). This is an "apples to apples" comparison taking into account all title insurance-related costs, not just premiums. Similarly, a 2016 study from the Texas LBJ School of Public Affairs (LBJ) found that "Texas's decision to set prices and restrict innovation adds from \$292 (in 2001 dollars) to \$1,663 (in 2016 dollars) in costs for the average purchaser of title insurance policies of \$1 million dollars or less" ([Eaton and Gao, i](#)).

In this paper, we estimate the cumulative cost of these excessive charges to Texas homeowners. Comparing the cost of title insurance for both the median and average priced home in Texas to the cost in other states, the Foundation determined that the Texas "title insurance tax" on Texas homeowners in 2016 was between \$111.1 million and \$186.5 million. That is the equivalent of a title insurance tax on every home sale of \$342 to \$574. And that is just the average. Many homeowners paid far more, as seen in the LBJ study.

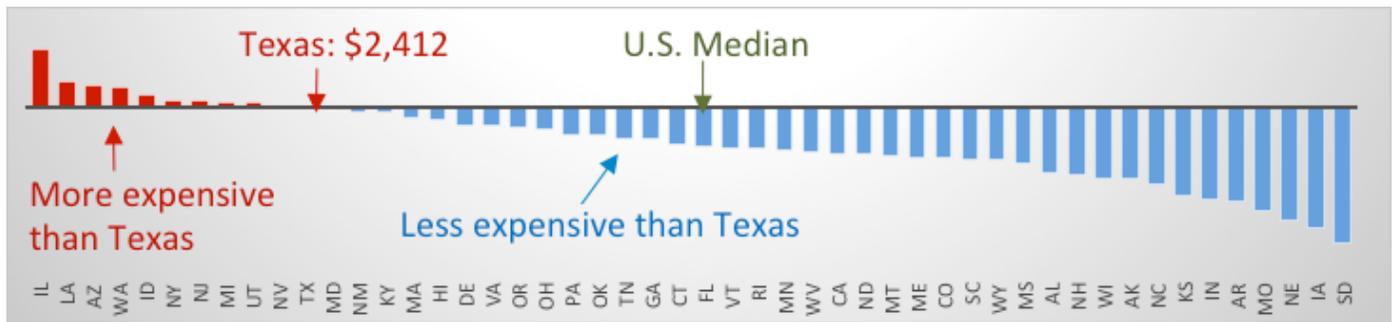
If Texas title insurance companies are charging customers almost \$200 million more annually than they would in a competitive market, this begs the question, "What are they doing with all this extra money?" The short answer is they pocket it or spend it. And for the most part they spend it wastefully in ways that benefit themselves, not consumers.

To eliminate the Texas title insurance tax and return hundreds of millions of dollars in excess profits and wasteful spending to Texas consumers, the Texas Legislature should eliminate monopoly pricing by introducing competition into the Texas title insurance market. This is best accomplished by moving to the same file and use system Texas uses to regulate other forms of insurance. Interim steps toward this end include keeping the current system but allowing companies to set prices within a band around the fixed rate and/or offer risk-only premiums. Increasing transparency is also important, but it will only help consumers in conjunction with a corresponding increase in competition

Key Points

- The Texas "title insurance tax" on Texas homeowners in 2016 was between \$111.1 million and \$186.5 million, averaging \$342 to \$574 per home sale.
- Texas has the most restrictive regulation of title rates and forms (policies) in the nation. It allows no opportunity for insurers to innovate with their products or lower rates to compete for business directly from the consumer.
- Much of the revenue from title insurance policies is wastefully spent to the benefit of the industry; on average, only 13 percent of the cost of a title policy on a \$260,064 home is spent benefiting consumers by reducing risk or paying claims.
- There is no accuracy to claims by the Texas title insurance industry that Texas consumers benefit from higher prices because their titles are safer than in other states.
- Texas should introduce competition into the title insurance market by moving to a file-and-use system.

Figure 1: The Texas Title Insurance Tax on a Home that Sold for the Average Price in 2016



Source: Texas A&M Real Estate Center, Bank of America Closing Cost Calculator, Stewart Title Premium Calculator, and Entitle Direct.

The Texas Title Insurance Tax

To estimate the cost to Texas homeowners of the excessive prices being charged by Texas title insurance companies, the Foundation developed an extensive database similar to one we used in our previous paper, [Texas’ Title Insurance Tax](#) (Peacock). The methodology for this study is essentially the same as it was in that paper (Peacock, 4) and won’t be repeated here. The difference here is that we develop a range of the average cost of the title insurance tax per home sale and then use that range to develop a cumulative number. To do this, we determined the excess cost of title insurance on Texas homes that sold for both the median (\$210,000) and average (\$260,064) prices in 2016, then multiplied those numbers by the number of homes sold in Texas (324,901) through the MLS system in 2016 ([Texas A&M Real Estate Center](#)).*

On average, homeowners paid between \$342 and \$574 extra to title insurance companies on homes sales in 2016. The cumulative cost to homeowners was between \$111.1 million and \$186.5 million. Rather than use this money

for a new washer or dryer, for home repair, or for paying for their children’s education, homeowners were forced to pay this money to title insurance companies because of the way the Texas Legislature regulates the title insurance market. The setting, or promulgation, of rates by the state forces consumers to pay these monopoly prices; it is illegal in the state of Texas for consumers to receive a discount on title insurance.

What are title insurance companies doing with all this money? They are either pocketing it as excess profit or spending it. And when they spend it, they generally spend it on things that benefit them, not consumers. They are spending it wastefully, on things that have little to do with protecting consumers from risk. If they didn’t spend it, the Texas Department of Insurance would eventually open a rate hearing and cut their rates—and their revenue. The rest of this paper examines the wasteful spending of the Texas title insurance tax by title insurance companies in the Texas market.

**2016 Texas Title Insurance Tax
Cumulative Cost to Texas Homebuyers/Sellers**

\$111,116,142 – \$186,493,174

* Median and average sales prices from the Texas A&M Real Estate Center, Bank of America Closing Cost Calculator, Stewart Title Premium Calculator, and Entitle Direct.

Figure 2: 50 State Title Insurance Costs on a Home Priced at \$260,064 with 15% Down

State	AL	AK	AZ	AR	CA	CO	CT	DE	FL	GA	HI	ID	IL	
Title Costs														
Lenders Title Insurance		550	1,135	1,398	548	425	1,336	843	715	1,328	613	1,107	1,509	1,625
Owners Title Insurance		250	75	852	180	713	190	70	420	25	400	250	473	500
<i>Subtotal - Premium Cost</i>		800	1,210	2,250	728	1,138	1,526	913	1,135	1,353	1,013	1,357	1,982	2,125
Closing/Escrow Fee		\$495	255	373	213	675	175	750	650	238	725	600	255	625
Title Insurance Endorsements			50	75		25	69		100	50			55	120
TIEF Fee														
Abstract/Title Search Fee, est.		290			290			290	290	290	290	290	290	290
Total		1,585	1,515	2,698	1,231	1,838	1,770	1,953	2,175	1,931	2,028	2,247	2,582	3,160
State	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO	MT	
Title Costs														
Lenders Title Insurance		214	110	533	747	935	438	738	625	769	750	750	488	1,200
Owners Title Insurance		624		336	949	446	425	555	625	1,226	175	400	160	357
<i>Subtotal - Premium Cost</i>		838	110	869	1,696	1,381	863	1,293	1,250	1,995	925	1,150	648	1,557
Closing/Escrow Fee		320	660	130	375	885	600	815	750	500	650	263	180	190
Title Insurance Endorsements		100	120	25		200	25							65
TIEF Fee		5												
Abstract/Title Search Fee, est.				290	290	290	290	290	290	290	290	290	290	290
Total		1,263	890	1,314	2,361	2,756	1,778	2,398	2,290	2,495	1,865	1,703	1,118	1,812
State	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA	RI	
Title Costs														
Lenders Title Insurance		708	690	450	1,163	1,415	1,200	445	585	925	563	1,073	1,428	575
Owners Title Insurance		75	1,378	188	25	212	433	25	230	538	335	385	260	175
<i>Subtotal - Premium Cost</i>		783	2,068	638	1,188	1,627	1,633	470	815	1,463	898	1,458	1,688	750
Closing/Escrow Fee		163	378	575	975	170	525	640	720	205	563	610	200	850
Title Insurance Endorsements		50		50	50	275	68	40		175	100	100	175	
TIEF Fee														
Abstract/Title Search Fee, est.				290	290	290	290	290	290	290	500			290
Total		996	2,446	1,553	2,503	2,362	2,516	1,440	1,825	2,133	2,061	2,168	2,063	1,890
State	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY			
Title Costs														
Lenders Title Insurance		645	488	1,088	1,521	918	605	725	1,558	650	930	959		
Owners Title Insurance		100	200	483	311	1,397	305	450	703	350	300	272		
<i>Subtotal - Premium Cost</i>		745	688	1,571	1,832	2,315	910	1,175	2,261	1,000	1,230	1,231		
Closing/Escrow Fee		725		168	530	135	700	660	413	550	295	175		
Title Insurance Endorsements			25		50	40		50				60		
TIEF Fee														
Abstract/Title Search Fee, est.		290		290			290	290		290		290		
Total		1,760	713	2,029	2,412	2,490	1,900	2,175	2,674	1,840	1,525	1,756		

Source: Bank of America Closing Cost Calculator, Stewart Title Premium Calculator, and Entitle Direct.

Loss Reimbursement v. Risk Elimination

According to the National Association of Insurance Commissions (NAIC), property and casualty insurance companies spend about 71 percent of their premiums earned on paying and administering claims by consumers (NAIC, 1). This is commonly known as the loss ratio. Consumers benefit directly from these expenditures by being reimbursed for their own losses or protected from having to pay others to reimburse them for their losses.

Spending is remarkably different in the title insurance industry. For the third quarter in 2016, the loss ratio for

national title insurance companies was only 4.6 percent (NAIC, 2). In Texas, there are several sources for determining the loss ratio. The Texas Department of Insurance (TDI), based on the industry’s projections, estimated in 2013 that the Texas industry’s loss ratio going forward would range from 4.8 percent to 5 percent (TDI 2013, 5). The industry recently has claimed its loss ratio is lower than the national average “with claims at only 1.7 percent of premiums written” (TLTA 2016). However, the most recent filings with TDI show that the 2014 loss ratio in Texas was 2.1 percent (TDI 2016).

This paper will discuss later the meaning of the discrepancy in the Texas numbers, but for now it is enough to note the radical difference between loss ratios in the property and casualty market and the title insurance market. While part of this is based on differences in the risk being underwritten—with title insurance, the events that can trigger a legitimate claim have all occurred in the past—it still points to an issue that bears examination. Property and casualty companies spend most of their premium dollars benefiting consumers by paying claims, while title insurance companies spend most of their premium dollars on something other than paying claims. The question then becomes whether consumers benefit or are harmed by how title insurance companies spend these funds.

The title insurance industry recognizes the liability it faces when accounting for the high premiums it earns in Texas as opposed to the low payouts it makes for claims.

The title insurance industry recognizes the liability it faces when accounting for the high premiums it earns in Texas as opposed to the low payouts it makes for claims. While the industry doesn't explicitly acknowledge the excess profits it earns, it does spend a lot of effort defending them, often by claiming Texans are indeed benefiting. For instance, it touts the 15 percent reduction in premium rates since the 1990s (TLTA 2016b), the implication being that rates couldn't be excessive if they have decreased. It also claims that the high premiums that Texas consumers pay provide "safe real estate transactions with . . . one of the lowest 'claims rates' in the country." Another claim it makes is that the high premiums go toward supporting "thousands of jobs across the state" (TLTA 2016).

Of course, jobs are important to Texans and the Texas economy, but that doesn't justify forcing consumers to pay higher prices to subsidize jobs in a particular industry. In fact, if consumers weren't forced to pay excess premiums to the title insurance industry, they'd spend that money elsewhere or save it, both of which would create more jobs than exist because of the excess profits in the title insur-

ance industry. This is because, as we'll see when examining the industry's claims about the 15 percent rate reduction and the safe real estate transactions, the title insurance industry's use of consumers' premium dollars is very inefficient. Notwithstanding the net loss of jobs likely caused by excess profits in the title insurance market, the industry hammers home the number of jobs in the industry because of the impact it can have on the political process.

Neither does the industry's defense of its high premiums and excess profits stand up when it comes to an examination of the industry's claims that profits are used to ensure "safe real estate transactions" in Texas. According to the TLTA, "title insurance is a risk elimination product" (TLTA 2016). As such, one would expect to see a lower loss ratio in title insurance than it would in property and casualty, which is essentially a loss reimbursement product. As indicated above, this is certainly the case. This difference stems from the fact that title insurance provides protection against claims based on events that occurred prior to the purchase of the insurance policy, while property and casualty provides protection against events that happen after the insurance is purchased. While property and casualty insurance companies certainly take steps to reduce and eliminate risk, they can only go so far. However, when it comes to title insurance, one can theoretically eliminate almost all risk of a title insurance claim with a thorough search of property records.

Title search and examination are the primary means of eliminating risk and ensuring clear title in a property transaction. Stewart Title describes a title search as "the process of determining from the public record just what these rights are and who owns them. A title search is a means of determining that the person who is selling the property really has the right to sell it and that the buyer is getting all the rights to the property (title) that he or she is paying for" ([Stewart Title](#)). One focus of a title search is to ensure that there is no "break in the chain of title" on a property, that the record shows the property being legally transferred from owner to owner up to the present day. A second focus of a title search is to ensure that there are no outstanding liens on the property that would need to be paid off at closing or by the new owner if not identified. Liens could exist because of a mortgage, back taxes, or a mechanic's lien.

The inference from the title industry is that Texas ranks “as one of the safest states in protecting real estate” (TLTA 2016b) because Texas companies conduct such thorough title searches that next to nothing slips through the cracks. The truth, however, is that with today’s technology thorough title searches are generally performed nationally with a few keystrokes and a click of the mouse. Title searches and examinations cost very little, and title insurance companies in Texas spend little if anymore here than they do in other states.

In developing the comparison of Texas title insurance rates with other states, the Foundation obtained comprehensive quotes containing all the title related costs in nine states from Entitle Direct, a national title insurance company based in Norwalk, Connecticut, that markets and sells title insurance directly to consumers. The states were selected based on the state’s regulation of premiums to help us understand how to best compare Texas costs with the other states. The first thing that stood out was that the quotes from states where companies offered non-comprehensive (risk-only or the risk-plus title examination) policies had a title search charge, whereas the states that had comprehensive premiums—Texas, Pennsylvania, and California—did not. Examining these charges, we estimated that title insurance search and examination charges generally cost \$290.

The exception to this was Oklahoma, which was assigned a \$500 charge, because at least in some cases there may be less access to electronic data in undertaking title searches.

The \$290 cost for title search and examination appears to be in line with title searches offered online from companies around the country. For instance, [AFX Research offers](#) its Full 30 Year Title Search for \$349, its Expanded Full Title Search for \$179, and its Economy Property Title Search for \$115. [ProTitleUSA offers](#) its Commercial Search for \$250, its Thirty Year Search for \$175, its Foreclosure/Full Title Search for \$137, and its Current Owner Search for \$87. A One Year Update Search costs only \$40.

Here we’ll put the cost of title search and examination into the context of a title insurance policy on a Texas home with a \$260,064 purchase price—the average home price in Texas—financed with a \$221,054 loan. As shown in **Figure 1**, the cost for this policy is \$2,412. This includes a base premium of \$1,832, an escrow fee of \$530, and an endorsement charge of \$50. With a loss ratio of 2.1 percent, only \$38 of the \$1,832 premium is allocated toward satisfying claims. That leaves \$2,374 (\$1,794 from the premium, the \$530 escrow fee, and the \$50 for endorsements), or 98.5 percent of title insurance company revenue from this policy, that could be used for risk reduction, i.e., ensuring a clear title.

Figure 3: Losses as a Percent of Revenue (\$260,064 policy)



Figure 4: Losses & Risk Reduction as a Percent of Revenue (\$260,064 policy)



However, Texas title insurance companies appear to use very little of this \$2,374 for ensuring that their policy holders use clear title. As noted, the national average that companies charge for title search and examination is only \$290. If we use this as an estimate of Texas expenditures, adding \$290 to the \$38 of premium dollars allocated to losses means that only \$328, or 13.6 percent, of the cost of a title policy on a \$260,064 home is spent on benefiting consumers by reducing risk or paying claims.

In addition to using national averages to estimate title search and examination costs, there is Texas-specific data from TDI that can provide a better understanding of Texas expenditures on risk elimination and how they compare with the national numbers. In the latest title insurance industry revenue and expense data available from the TDI, title insurance companies in 2014 paid \$13,655,906 (0.89 percent) of their premium revenue to agents and others outside the companies for “title examination and furnishing title evidence” (TDI 2016); note that this expense covers both title search and title analysis. In contrast, companies spent far more, \$85,335,796 (5.56 percent) of their premium revenue for closing costs to title agents and others.

A more accurate accounting of expenditures on risk reduction can be found in focusing on the direct operations of title insurance companies. A company’s direct operations are when the big underwriters, like Stewart Title, write a policy using in-house title agents rather than using outside independent or affiliated agents. In 2014, premiums from direct operations totaled \$68.1 million. Out of that, the title companies report that they paid \$4.5 million in fees “for title examination and furnishing title evidence” to title agents. This equals 6.6 percent of their premium income. This is actually less than the national average. Another way of looking at this is that 6.6 percent of the premium on the average-priced Texas home equals \$121.

Considering that the TDI data explain the wholesale costs to companies, while our \$290 estimate represents the retail price to consumers, \$121 is in line with the national numbers. For instance, the national quotes we have obtained and described above show that company title search and examination expenses—as opposed to the price consumers pay—probably average less than \$290 per policy. Other

sources of references support this. ORET in Ohio lists title exam fees for VA-FHA-Conventional loans at \$200 and for refinances at \$175 ([ORET](#)). Louisiana’s 110 Title lists its title examination fee at \$150 ([110 Title](#)). And WalletHub says the title exam fee is “typically around \$300” ([Davis](#)). Since not all policies for which title searches and examinations are conducted are issued and thus paid for, the costs for companies must be somewhere below the numbers that they quote.

In Texas, there is no indication in the TDI data that title insurance companies spend more than the national average. In fact, since Texas premiums are higher than in most states, the amount that title insurance companies expend on title search and examination fees is likely less as a percentage of the premium than at the national level. Low loss ratios in Texas don’t only mean that there are fewer claims in Texas; they also reflect the fact that title insurance companies are charging higher premiums and making more money. There is simply no accuracy to the claim by the Texas title insurance industry that Texas consumers benefit because their titles are safer than in other states, because they pay some of the highest prices for title insurance in the country.

Wasteful Spending

If Texas title insurance companies are spending only 14 percent of their revenue on losses or eliminating risk, what is it doing with the other 86 percent? Similarly, if only 21 percent of the revenue of property and casualty insurance companies goes to profit and non-claims expenses, why do title insurance companies spend so much more? The answer to these questions is found in an examination of how Texas sets rates under the legislatively mandated system of promulgation of rates.

In no other market in Texas does the state set a monopoly price for a product that every consumer has to pay. The cost of this unique approach weighs heavily on Texas consumers. A basic precept of mainstream economics is, “A firm with monopoly power sets a monopoly price that maximizes the monopoly profit” ([Wikipedia](#)). In the case of a monopoly price set through the ratemaking process, however, companies don’t have complete control over the allocation of their revenues between profits, expenses, and claims. This is because TDI sets the monopoly price based

on a review of title insurance company revenues. If profits are too high, TDI would likely reexamine and reduce the rates. Because of this, title insurance companies are motivated to hide their excess profits in the form of wasteful spending.

The last time TDI conducted a ratemaking on title insurance rates was in 2012-13. In the official order dated March 22, 2013, the Texas commissioner of insurance adopted a rate increase of 3.8 percent (TDI 2016). In doing so, the commissioner and TDI staff reviewed data, assumptions, and projections from both the Texas Land Title Association (TLTA) and the Texas Office of Public Insurance Counsel (OPIC). The final order of the commissioner assumed a loss ratio between 4.8 percent and 5 percent and an expense ratio between 89.4 percent and 92.3 percent. While the commissioner did not make a determination about an appropriate profit provision, OPIC selected a profit provision of 7 percent (TDI 2016).

It is worth noting that while the current rates were adopted assuming a loss ratio of 4.8 percent, TDI data and title insurance industry claims point to a loss ratio of about 2 percent. This being the case, it would appear that TDI should consider opening a new rate case should the Legislature not eliminate the current system. With a lower than expected loss ratio, a rate reduction should be in order.

The single largest expense for title insurance underwriters and agents in 2014 was for employee salaries at about \$368 million (TDI 2016). Rent and related real estate expenses total about \$46 million. The \$414 million in this category provides a lot of opportunity for waste and inefficiency. Excessive salaries, payrolls, and building costs are hidden behind a shield of protection. Under the system of rate promulgation on an industrywide basis, individual company expenses are hidden from view. There is no way for TDI to examine, much less analyze, whether these expenses are necessary or reasonably needed for companies to issue title insurance policies to Texas homeowners and lenders.

Another expense that stands out when considering the inefficiency of the title insurance market is closing costs. Title insurance companies paid \$21,418,599 to non-employee title agents for closing costs, along with another \$63,917,197 to non-employee, non-title agents. This total

of over \$85 million is higher than any other single title company expense other than salaries. There is likely a reason for this. Though the industry often says that Texas has a comprehensive premium structure, it really isn't comprehensive. Texas law allows title companies to charge a completely unregulated escrow/closing cost fee on top of the regulated premium. We estimate this charge to be about \$530. Since this fee is unregulated, the companies can spend it on anything they want related to escrow and closing with no oversight from TDI. Texas' escrow/closing fee is higher than the \$492 average for the rest of the country (see [Figure 2](#)).

Title insurance companies also spend \$27.4 million on advertising, promotion, and employee travel and education. Of course, these categories are legitimate, but it is impossible to tell under the current scheme whether individual expenses are. Again, these costs at the individual company level are hidden from the view of regulators.

One final category of spending to examine is that of political donations, lobbying, and trade associations dues. In 2014, these expenditures totaled \$2.6 million. It is likely in 2017 these categories will total even higher; as of the writing of this paper, the industry had retained more than 30 lobbyists to defend the current monopoly system before the Texas Legislature ([Texas Ethics Commission](#)).

Recommendations

Texas has the most restrictive regulation of title rates and forms (policies) in the nation. It allows no opportunity for insurers to innovate with their products or lower rates to compete for business directly from the consumer.

In fact, Texas doesn't have a heavily regulated system, it has a state-dictated system. The activities of companies are almost entirely prescribed and proscribed by the state. Texas promulgates a single-rate structure and a single-policy form that dictate consumers pay the same rate of premium and buy the same coverages with no opportunity for competition. Even if a consumer desired to shop around for the best product and price, Texas law allows no differentiation. It is actually illegal for a title company to offer a reduced rate or discount below that which is set by the state. Similarly, title companies are prohibited from using the most technologically efficient methods of underwrit-

ing, but instead in most instances are forced to use abstract plants in local counties, limiting market entry and increasing costs to consumers.

As a result of the state maintaining this vise grip on the industry—though at the behest of most industry participants, Texas has some of the highest prices for title insurance in the nation. The only way to bring prices down is to introduce competition into the system that would allow companies to decrease the price and improve the quality of title insurance in an attempt to service consumers. This can be accomplished incrementally through introducing limited competition now or moving more quickly to competition by regulating the title insurance market like Texas regulates property and casualty and other insurance markets.

Options for Reform

▪ Option – Greater Competition

- Eliminate state setting of rates; permit title companies to set their own prices. Replace the single promulgated rate and form with a system of “file and use” like other lines of insurance in Texas and other states. Insurers would file their proposed rates with the Department of Insurance and begin using rates and forms unless disapproved by the insurance commissioner.
- Eliminate state setting of revenue sharing between agents and title companies. Allow the companies and agents to determine the appropriate fee sharing by contract, similar to other lines of insurance.
- Eliminate state setting of coverages; permit title companies to offer different coverages. Replace the single promulgated policy form with a “file and use” system similar to other lines of insurance in Texas and other states that ensure adequate coverage exists to protect from loss while providing greater flexibility and competition.

- Reduce barriers to entry into the title insurance market. Texas law (with few exceptions) prohibits the issuance of a title policy unless an abstract plant is used which is owned or operated by a title agent or direct operation in the county where the property is located. Texas should allow title companies to use the best and most technologically efficient methods to obtain title evidence when underwriting the risk.

▪ Option – Limited Competition

- Allow companies to offer risk-only premiums under current regulatory scheme. This would allow title companies to offer a policy to cover the same guarantee or warranty of title in today’s policy without all the agent fees associated with closing the real estate contract, which could then be separately contracted.
- Allow companies to provide discounts to consumers through a band system, including deeper discounts for refinancing.
- Continue to use the current system, but require TDI to set rates for individual companies rather than industrywide rates.

Conclusion

The Texas title insurance industry supports monopoly pricing and almost total state control of the industry because this structure allows it to earn monopoly profits of \$100 million a year or more. The Texas Legislature should introduce competition into the market by moving to a file and use system that would empower Texas consumers to shop for the best price on title insurance, reduce prices for consumers by nearly \$200 million a year, and boost economic growth and job creation in Texas. ★

Appendix 1: Texas Department of Insurance Title Insurance Industry Income Data – 2014

**FORM 1
TITLE INSURANCE INCOME EXHIBIT
Calendar Year Ended December 31, 2014
Texas Experience Only**

All Companies Combined

Types of Income		(A)	(B)	(C)	(D)	(E)	(F)	(G)
		Title Insurance				Investment	Escrow, Abstract, and Other Business	Gross Amount Per Books (Sum of Columns A-F)
		Underwriters	Direct Operations	Independent Agents	Affiliated Agents			
PREMIUM INCOME								
1	Gross premiums - other than home office issue		76,749,871	818,715,476	639,208,247			1,534,673,594
2	Premiums allocated to agency function - other than home office issue		65,237,391	695,890,403	543,329,852			1,304,457,646
3	Premiums allocated to underwriter function - other than home office issue (Line 1G - Line 2G)	230,215,948						230,215,948
4	Gross premiums - home office issue	142,734,417	2,835,037		39,831,729			185,401,183
5	Premiums allocated to agency function - home office issue		2,873,294	101,255,130	33,856,971			137,985,395
6	Premiums allocated to underwriter function - home office issue (Line 4G - Line 5G)	47,415,788						47,415,788
7	Gross premiums - Total (Line 1 + Line 4)	142,734,417	79,584,908	818,715,476	679,039,977			1,720,074,777
8	Total premiums allocated to agency function (Line 2 + Line 5)		68,110,685		577,186,823			645,297,507
9	Total premiums allocated to underwriter function (Line 3 + Line 6)	277,631,736						277,631,736
INVESTMENT INCOME								
10	Investment income-tax exempt-before expenses					3,545,609		3,545,609
11	Investment income-dividends-before expenses					12,985,866		12,985,866
12	Investment income-other-before expenses					19,163,417		19,163,417
13	Net realized capital gains (losses)					-1,256,007		-1,256,007
14	Net unrealized capital gains (losses)					-7,405,669		-7,405,669
15	Total (Sum of lines 10 through 14)					27,033,216		27,033,216
OTHER INCOME								
16	Reinsurance fees (acquired)						2,238,488	2,238,488
17	Service charges (from Form 4)	5,805,765	18,725,637		152,867,915	0	37,099,423	214,498,740
18	Escrow and abstract fees						71,481,257	71,481,257
19	Miscellaneous (from Form 4)	2,629,138	468,353		70,308,218	36	16,891,166	90,296,911
20	Total (Sum of lines 16 through 19)	8,434,903	19,193,990		223,176,133	36	127,710,334	378,515,396
21	TOTAL INCOME (Sum of lines 8, 9, 15, and 20)	286,066,639	87,304,675		800,362,956	27,033,252	127,710,334	1,328,477,856
22	NUMBER OF TITLE POLICIES ISSUED IN TEXAS	472,297	119,821	343,718			1,960,710	2,896,546

Appendix 2: Texas Department of Insurance Title Insurance Industry Expense Data – 2014

FORM 2 TITLE INSURANCE EXPENSE EXHIBIT Calendar Year Ended December 31, 2014 Texas Experience Only All Companies Combined						
Expenses	(A)	(B)	(C)	(D)	(E)	(F)
	Title Insurance			Investment	Escrow, Abstract, and Other Business	Gross Amount Per Books (Sum of Columns A - E)
	Underwriters	Direct Operations	Affiliated Agents			
1a Salaries - employees		36,107,134	277,986,855		54,158,024	368,252,013
1b Salaries - owners and partners		0	317,131		52,399	369,530
1c Salaries - Total	69,901,780			18,198		69,919,978
2 Employee benefits, relations, and welfare	10,720,315	4,552,646	46,069,136	1,890	8,902,507	70,246,494
3a Fees paid for title examination and furnishing title evidence - Title Agents	1,708,771	4,501,435	5,484,972			11,695,178
3b Fees paid for title examination and furnishing title evidence - Others	1,781,579	0	179,148			1,960,727
4a Closing costs paid non-employees - Title Agents	0	849,073	20,569,526			21,418,599
4b Closing costs paid non-employees - Others	-924,659	4,377,727	60,464,128			63,917,197
5 Rent	4,918,970	2,904,320	29,317,558	69	5,852,079	42,992,996
6 Utilities	905,162	92,587	1,694,899	0	288,054	2,980,702
7 Accounting and auditing	1,752,169	237,230	2,543,703	558,140	574,167	5,665,409
8 Advertising and promotions	2,802,941	3,225,970	8,480,719	0	1,782,366	16,291,996
9 Employee travel, lodging, and education	4,471,869	623,522	4,579,967	103	1,451,779	11,127,240
10 Insurance	1,032,568	300,901	1,736,466	0	888,058	3,957,993
11 Interest expense	274,507	0	38,759	0	1,076,343	1,389,609
12 Legal expense	4,309,842	110,655	572,353	0	2,708,454	7,701,304
13 Licenses, taxes, and fees	22,994,727	620,896	988,100	0	260,737	24,864,460
14 Postage and freight	501,622	235,918	2,686,660	0	532,915	3,957,115
15 Courier and overnight delivery	578,354	344,936	6,172,781	0	23,825	7,119,895
16 Telephone and facsimile	663,577	321,410	5,342,686	0	2,754,636	9,082,309
17 Printing and photocopying	478,211	74,395	1,906,408	0	321,942	2,780,956
18 Office supplies	285,028	501,409	3,327,353	9	635,872	4,749,670
19 Equipment and vehicle leases	5,075,113	241,744	1,744,567	0	386,349	7,447,773
20 Depreciation	1,260,717	747,232	3,904,071	114	1,463,004	7,375,137
21 Directors fees	22,965	0	17,661	0	2,782	43,408
22 Dues, boards, and associations	419,662	286,549	1,066,955	37	272,515	2,045,718
23 Bad debts	446,201	1,335	157,644	0	104,424	709,604
24 Loss adjustment expenses incurred	13,447,454	0	738,931			14,186,385
25 Losses incurred	18,139,395	0	0			18,139,395
26 Reinsurance charges (ceded)		0	5,196		8,437,704	8,442,900
27 Other	11,000,116	5,511,210	19,378,327	3,376,911	28,246,330	67,512,894
28 Tax certificates		805,699	11,926,699		668	12,733,066
29 Recording fees		2,204,853	36,909,284		84,503	39,198,640
30 Plant lease/update costs		1,148,884	43,099,645		1,404,366	45,652,894
31 Allowances to managers and agents	66,635	0	0	0	0	66,635
32 Net addition to unearned premium reserve	-22,601,407					-22,601,407
33 Abstract costs					280,500	280,500
34 Real estate expenses				21,270		21,270
35 Real estate taxes				64,141		64,141
36 Damages paid for bad faith suits	0	0	0	0	0	0
37 Fines or penalties for violation of law	267,390	0	22,290	0	3,207	292,887
38 Donations/lobbying	325,005	285,825	806,068	0	125,858	1,542,756
39 Trade association fees	229,963	21,933	700,501	0	101,000	1,053,397
40 Total Expenses (Sum of lines 1 through 39)	157,256,542	71,237,428	600,937,146	4,040,882	123,177,364	956,649,361
41 Profit or (Loss) before federal income tax (Form 1, line 21 - Form 2, line 40)	128,810,097	16,067,247	199,425,810	22,992,371	4,532,970	371,828,495
Implied TOTAL INCOME to compare with Form 1	286,066,639	87,304,675	800,362,956	27,033,252	127,710,334	1,328,477,856

Appendix 3: 2016 3rd Quarter NAIC Insurance Industry Financial Snapshots



Financial Regulatory Services Department - Financial Analysis & Examination Unit P&C, Title, Life, Fraternal and Health Industry Snapshots for the Period Ended September 30, 2016

Below are the September 30, 2016 Industry Financial Snapshots for the Property/Casualty, Title, Life, Fraternal, and Health Industries. The Snapshots were produced from data filed with the NAIC as of November 17, 2016. Where applicable, the aggregated figures have been adjusted to eliminate affiliated amounts.

Property & Casualty						
(In Millions)	Chg.	3Q 2016	3Q 2015	3Q 2014	3Q 2013	3Q 2012
Net Premiums Written	2.6%	\$411,343	\$400,879	\$388,704	\$370,050	\$355,459
Net Premiums Earned	3.5%	\$397,503	\$384,030	\$369,796	\$354,615	\$341,256
Net Losses Incurred	7.6%	\$237,940	\$221,062	\$214,427	\$196,770	\$207,939
Loss Expenses Incurred	5.0%	\$46,668	\$44,444	\$44,411	\$42,280	\$40,810
Other Underwriting Expenses	2.6%	\$112,114	\$109,307	\$104,883	\$102,000	\$98,720
Net Underwriting Gain/(Loss)	(98.5)%	\$126	\$8,552	\$5,486	\$13,761	(\$6,037)
Net Income	(22.6)%	\$35,889	\$46,390	\$41,232	\$54,930	\$31,396
Loss Ratio	2.46-pts	71.60%	69.14%	69.99%	67.41%	72.89%
Expense Ratio	(0.01)-pts	27.26%	27.27%	26.98%	27.56%	27.77%
Dividend Ratio	0.02-pts	0.50%	0.48%	0.52%	0.47%	0.47%
Combined Ratio	2.47-pts	99.36%	96.89%	97.50%	95.44%	101.13%
Net Unrealized Gain/(Loss)	NM	\$8,336	(\$18,958)	\$14,180	\$23,456	\$24,843
Net Investment Income Earned	(2.6)%	\$36,145	\$37,127	\$37,723	\$39,183	\$38,083
Investment Yield (Annualized)	(0.12)-pts	3.22%	3.34%	3.45%	3.79%	3.81%
Net Realized Gain/(Loss)	(26.8)%	\$6,792	\$9,283	\$9,425	\$13,289	\$5,549
Return on Revenue	(2.63)-pts	8.15%	10.78%	9.89%	13.49%	8.16%
Net Cash from Operations	1.9%	\$46,869	\$45,998	\$45,419	\$46,812	\$37,793

Title						
(In Millions)	Chg.	3Q 2016	3Q 2015	3Q 2014	3Q 2013	3Q 2012
Direct Premiums Written	4.7%	\$10,018	\$9,566	\$8,144	\$9,554	\$7,866
Direct Operations	1.9%	\$1,089	\$1,069	\$878	\$969	\$937
Non-Aff. Agency Operations	7.9%	\$6,266	\$5,808	\$4,980	\$5,881	\$4,623
Affiliated Agency Operations	(1.0)%	\$2,663	\$2,690	\$2,285	\$2,704	\$2,306
Title Premiums Earned	5.6%	\$9,891	\$9,369	\$8,170	\$9,466	\$7,891
Loss & LAE Incurred	(5.6)%	\$460	\$487	\$572	\$624	\$632
Operating Expense Incurred	5.1%	\$9,456	\$9,000	\$7,803	\$9,029	\$7,695
Net Operating Gain/(Loss)	18.3%	\$647	\$547	\$397	\$536	\$315
Loss Ratio	(0.5)-pts	4.6%	5.2%	7.0%	6.6%	8.0%
Expense Ratio	(0.5)-pts	95.6%	96.1%	95.6%	95.5%	97.6%
Combined Ratio	(1.0)-pts	100.3%	101.3%	102.5%	102.1%	105.6%
Net Inv. Income Earned	0.8%	\$197	\$195	\$193	\$208	\$238
Net Realized Gain/(Loss)	946.1%	\$165	\$16	\$(3)	\$19	\$30
Net Investment Gain/(Loss)	71.5%	\$362	\$211	\$190	\$227	\$269
Net Income	36.3%	\$742	\$544	\$436	\$579	\$490
Net Unrealized Gain/(Loss)	NM	\$68	\$(57)	\$89	\$(21)	\$186
Net Cash from Operations	(5.8)%	\$628	\$667	\$413	\$500	\$458

Appendix 4: Texas A&M Real Estate Center Texas Housing Activity Data

Date	Sales	Dollar Volume	Average Price	Median Price	Total Listings	Months Inventory
1990	103,344	8,868,486,663	85,815	68,470	102,813	10.6
1991	102,789	9,023,993,917	87,791	71,656	96,551	9.8
1992	110,830	10,195,442,651	91,992	75,525	92,153	8.8
1993	120,749	11,816,870,835	97,863	78,396	88,265	7.8
1994	126,525	12,773,127,612	100,953	80,294	81,379	7.3
1995	126,279	13,007,453,162	103,006	81,851	85,283	7.5
1996	142,940	15,624,853,648	109,311	86,462	91,193	7.1
1997	151,861	17,685,408,333	116,458	90,879	88,854	6.3
1998	177,179	21,852,868,199	123,338	96,063	78,717	4.9
1999	191,189	25,014,064,081	130,834	100,952	77,627	4.6
2000	195,568	28,347,928,010	144,952	111,642	80,525	4.9
2001	204,084	30,360,494,647	148,765	118,808	91,608	5.1
2002	209,438	32,304,649,888	154,244	123,725	99,803	5.8
2003	224,215	35,475,315,389	158,220	127,017	114,760	6.0
2004	250,380	40,811,382,739	162,998	128,883	123,949	5.6
2005	277,649	48,033,968,917	173,002	135,788	124,638	4.8
2006	304,762	55,604,234,113	182,451	141,905	127,074	4.8
2007	286,778	54,850,688,964	191,265	146,105	143,885	5.9
2008	241,666	45,984,101,554	190,280	145,613	148,487	6.5
2009	221,768	40,816,804,922	184,052	144,633	133,284	6.6
2010	211,640	40,426,147,040	191,014	146,417	142,676	7.6
2011	213,412	41,386,249,965	193,927	147,000	132,956	6.3
2012	247,227	50,668,886,669	204,949	156,800	112,303	4.6
2013	287,405	64,211,099,139	223,417	170,000	97,003	3.6
2014	297,073	70,800,101,325	238,326	182,500	91,826	3.3
2015	309,932	77,697,670,061	250,693	195,086	91,276	3.3
2016	324,901	84,495,003,304	260,064	210,000	96,775	3.3

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