



# Dora

Department of Regulatory Agencies

**Division of Insurance**  
Marcy Morrison  
Commissioner of Insurance

Bill Ritter, Jr.  
Governor

D. Rico Munn  
Executive  
Director

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Joe Bieniek

Submitted via e-mail: [jbieniek@naic.org](mailto:jbieniek@naic.org)

Re: Collecting Title Agent Expense Data

Mr. Bieniek,

The Colorado Division of Insurance appreciates the opportunity to provide comments regarding the collection of title insurance expense and loss data to better understand and measure the profitability and competitiveness of title rates and charges. Our team of title insurance analysts has met and prepared the following remarks.

## **Background**

The business model of title insurance is not that of a typical casualty insurer. Specifically, the model revolves not so much in the paying out of claims, but in the prevention of claims in the first place. Because the majority of business in Colorado runs through a title agency rather than the title insurer (underwriter), some form of annual revenue and expense reporting from title agents would allow for a clearer picture of the actual costs, profitability, competitiveness, and reasonableness of rates and charges. Typical agent premium retention in Colorado is 80%-90%.

## **Data**

In order to gain a clearer picture, the following data would be useful:

- A. Operating costs, including:
  - i. Salaries
  - ii. Property rental expenditures
  - iii. Equipment lease costs
  - iv. Other costs, such as those involved in maintaining a title plant and software
- B. Annual premiums earned (those retained by the agent as commission.)
- C. Annual number of policies issued.
- D. Total amount of closing and settlement fees earned (including all ancillary charges.)



- E. Total expenditures from closing and settlement fees to third parties (i.e. a wire fee that may be included in the total closing fees collected, but in reality is only a pass through fee.)
- F. Total loss expenditures paid by the agency (since most underwriter/agency contracts have deductibles built in, many small losses are paid by the agent directly, and not reported as losses to or by the underwriter. Additionally, small losses such as the need to re-record documents are not contained in any loss reports from the industry.)
- G. To the extent reasonable, cost factors should be distinguished between title operations and escrow or closing operations, since they are separately filed rates.

### **Collection of Data**

While the collection of the above data would be very helpful in providing market analysis and statistical reports of the industry, it is not without its burdens. There are factors which we identified that should be considered regarding the feasibility, appropriateness, and effectiveness of collecting such data.

The main issue is that of burdens placed on smaller title agencies. While many larger title agencies already compile such data for the purposes of accounting and tax preparation, it is not known if title agencies with small staffs would have such data readily available beyond basic profit and loss statements for their yearly taxes. If overly burdensome reporting requirements were to be put in place, some small title agencies may not be able to bear this, and the reports which were meant to examine competitiveness in the marketplace could in fact become harmful to the maintaining of competitiveness in smaller communities.

### **Conclusion**

The Colorado Division of Insurance supports and encourages all efforts to make title insurance more transparent, competitive, and better understood for the protection of consumers. The Division looks forward to others' comments on these matters, and a useful dialog regarding the collection and reporting of title agent expenses and losses.