



Demotech, Inc.

January 23, 2009

The Honorable Morris J. Chavez
Superintendent of Insurance
Chair, NAIC Title Insurance Issues Working Group
P. O. Box 1269
Santa Fe, New Mexico

Dear Superintendent Chavez:

I received a copy of the thoughtful correspondence dated November 19, 2009, as prepared by David B. Cox, FCAS, MAAA. I also received an email related to your Working Group's conference call scheduled for January 28, 2009. Although a previously scheduled pressing matter precludes me from participating in the call, I am taking this opportunity to provide my thoughts related to the development of a State Page.

My comments and suggestions are as follows:

I suggest that all references to the amounts paid to or retained by agents be referenced as 'retention', not 'commission'. In Mr. Cox's correspondence, this would impact 1.d., 1.h. and 1.i. The draft State page for Title insurance 11/19/2008 utilizes the nomenclature in the NAIC's prescribed reporting documents.

I suggest that an enumeration of the number of items that required curative action by the agent or the Title underwriter be made at the policy level. Consistent with Mr. Cox's item 6. on page 2 of his correspondence, information at the policy-by-policy level should be relatively inexpensive to compile and report.

In other words, should a Title agent's investigation uncover:

1. unpaid taxes
2. a materialmen's lien
3. a release of judgment
4. an easement
5. a gap in the chain of title

then the number of items cured, prior to issuance of that policy, would be reported as 5.

Data collection at the policy level might be difficult; however, if the State Page requests the number of insured policies, the additional level of detail to report items identified and cured is but one level deeper. Moreover, curative actions are a critical and integral component of the value proposition of title insurance. Incurred loss ratios in the Title industry are low because of the adjusting and other expense expended by professionals. Without an enumeration of issues requiring curative efforts, where losses have been eliminated or mitigated, profitability cannot be measured.



For example, a \$500 premium on a \$200,000 transaction that required no curatives efforts may be more profitable than a \$5,000 premium on a \$2,000,000 transaction that identified fifteen issues that needed to be analyzed, addressed and cured prior to policy issuance. The rote comparison of the relative dollar amount of agent retention would understate the time, effort and expense expended in the second situation.

It seems to me that any discussion related to the profitability of Title insurance should reflect the efficiency and effectiveness of the review and analysis of the chain of title. The more items identified and cured, the less profit to the professional investigating the chain of title. Similarly, it is my personal belief that this information should be included in statistical plans.

I thank you for the opportunity to present my thoughts and suggestions. Thank you for your time.

Very truly yours,

Joseph L. Petrelli, ACAS, MAAA
President

cc: David B. Cox, FCAS, MAAA
P&C Actuary
State of Missouri
Via email to David.Cox@insurance.mo.gov

Joseph Bieniek
National Association of Insurance Commissioners
Via email to JBieniek@naic.org

Justin Ailes
Director of Government Affairs
American Land Title Association
Via email to JAiles@alta.org