NEW YORK TITLE INSURANCE RATE SERVICE ASSOCIATION

CALL FOR INDEPENDENT AGENT 2014 INCOME AND EXPENSE EXPERIENCE

This data call has been initiated by and is being distributed to you at the express direction of the New York State Department of Financial Services.

INTRODUCTION

The New York State Department of Financial Services (NYSDFS) has required all title insurance underwriters operating in New York to collect income and expense data for 2014 from their independent (and affiliated) agents. The agent data call consists of three schedules contained in an Excel file named AgentCall2014.xls accompanying these call instructions. The Excel file contains formulas that automatically calculate row and column totals.

Each agent is to:

1. Make a backup copy of the blank data call file.
2. ***Rename the file*** by preceding the current title with the agency name and the underwriter name (e.g., ABC Agency - Chicago Title - AgentCall2014.xls). [If you are preparing reports for more than one underwriter, please prepare a separate file for each underwriter.]
3. Enter the relevant data into the renamed file;
4. Make a backup copy of the completed renamed data file;
5. E-mail a copy of the completed renamed data file to your underwriter.

Note that, as was the case last year, Part 3 of the agent data call is in a separate sheet in the Excel file. For your information, following your submission of data the underwriter will be required to provide Milliman with the individual Part 3 sheets from every agent submitting data. These sheets will then be provided to TIRSA and ultimately to the NYSDFS. The information that identifies the agency name and contact person has been removed from Part 3.

Please be careful with respect to the following issues:

1) DO NOT ALTER THE FORMULA IN ANY CELL UNLESS YOU HAVE BEEN NOTIFIED BY THE UNDERWRITER THAT THERE IS AN ERROR THAT NEEDS TO BE CORRECTED. IF YOU SUSPECT AN ERROR IN A FORMULA, NOTIFY THE UNDERWRITER IMMEDIATELY SO THAT THE UNDERWRITER CAN CONTACT MILLIMAN IF NECESSARY.

2) DO NOT TYPE NUMBERS OVER THE FORMULAS IN ANY CELL.

3) BREAK ALL LINKS WITH YOUR INTERNAL FILES ON THE COPY OF THE SPREADSHEET THAT YOU SUBMIT. MAINTAIN A COPY WITH THE LINKS IN PLACE IN THE EVENT THAT YOU NEED TO MAKE CORRECTIONS AND RESUBMIT.

CASH VS. ACCRUAL ACCOUNTING

All reporting should be done as if the reporting entity was a cash basis taxpayer. Only include revenue from transactions closed in 2014 and expenses actually paid in 2014.

MUNICIPAL SEARCH INCOME AND EXPENSES

Income derived from and expenses related to municipal searches ***should not be reported*** on this schedule. Such income and expense is to be completely excluded from the reporting.

AGENTS OPERATING IN MULTIPLE STATES

This report covers only New York operations. We understand that agents may not keep track of all their expenses by individual state. If you have expenses that support operations in multiple states, allocate a portion of these expenses to New York by multiplying the total expense by the ratio of total New York revenue to total revenue in all states in which you operate.

AGENTS OPERATING AS PART OF A LAW FIRM OR OTHER BUSINESS

This report covers only title insurance operations. We understand that agents may not maintain separate accounting for their title insurance operations. If you have direct or allocated New York expenses that support both title insurance operations and other operations, allocate a portion of your New York expenses to New York title insurance operations by multiplying the expense by the ratio of retained New York title insurance premium to total New York revenues for your operations.

AGENTS WITH A SINGLE UNDERWRITER

Please complete the schedule and ***return it to your underwriter by March 13, 2015.***

AGENTS WITH MULTIPLE UNDERWRITERS

Please complete one schedule for each of your underwriters and ***return it to the appropriate underwriter by March 13, 2015.***

We understand that many agents do not keep track of their expenses by individual underwriter, except for the amount of premium remitted. You are to distribute all expenses allocated to New York among your underwriters in proportion to dollars of premium written directly. You are to report premium remitted as actually remitted to each underwriter.

INSTRUCTIONS FOR COMPLETION

The reporting Schedule is set forth in the separate Excel file provided.

NOTE THAT THERE ARE THREE PARTS TO THE SCHEDULE.

Instructions for completing all three parts are provided below.

Part 1 Instructions

Enter amounts on each line as follows:

INCOME SECTION

Line 1 - Policy Charges - Report premiums from policies priced under manual rates excluding endorsement premiums.

Line 2 - Endorsements - Report all endorsement premiums

Line 3 - Special Charges - Include charges for

Special Risks - Affirmative Coverage

Affirmative Covenant Insurance - Existing Construction

Construction Loan Continuation Searches beyond 5

Commercial Contract Vendee Continuation Searches beyond 5

Option Insurance Continuation Searches

Mortgage Foreclosure Guarantees

Recorded Document Certificates with Open Order

Recorded Document Certificates with No Open Order

Line 4 - Gross Title Insurance Charges - Sum of Lines 1, 2 and 3

Line 5 - Amount Remitted to Underwriter - Report the amount of premium ***remitted to the underwriter covered by this report***. ***If you write for more than one underwriter, do not report the total remitted to all underwriters.*** The total must be broken down so that the amount remitted to each underwriter is reported only on the report for that underwriter.

Line 6 - Retained Title Insurance Charges - Line 4 less Line 5

EXPENSE SECTION

Note that, like last year, we have eliminated the distinction between title order processing and general administration. We are requesting that data for both expense categories be combined and reported in the Total column for each zone.

We understand that some agents do not keep track of all their expenses according to the categories identified below. If you do not maintain separate accounting for these categories, we ask that you allocate expenses between these categories using your best professional judgment.

Line 7 - **Search & Exam Costs Paid To Independent Searchers** - includes payments to non-employees for abstracts, title reports, chain of title documents, etc.

Line 8 - **Purchase of Copies of Public Record** - includes payments to governmental entities for paper copies of deeds, mortgages, judgments, etc.; fees to government entities for online access to databases such as real estate tax records, etc. Do not include fees paid to private data providers, which are reported on line 18.

Line 9 - **Salaries** - Include:

Salaries of both full-time and part-time personnel.

Compensation paid on an hourly basis

Bonuses

Sales Commissions

Contract Labor Expenses

Partnership draws (if organized as a partnership)

Note: agents conducting business in multiple states are required to make a reasonable allocation of salaries for title insurance operations in New York State, as described above. Similar allocations need to be made for agents that are part of a law firm or have multiple underwriters.

Line 10 - **Employee Benefits** include group insurance (life, health, dental, disability, etc.), company contributions to profit-sharing plans, company contributions to 401(k) plans, etc.

Line 11 - **Payroll Taxes** include city, state and Federal levies on payroll (including company portion of Social Security, Medicare, unemployment, etc.)

Line 12 - **Rent and Rent Items** includes all utilities (i.e., heat, light, power, water), rental of main office, branch offices, and other offices; non-rental payments under net leases (utilities, taxes, etc.); maintenance expenses (janitorial supplies and services, repairs, etc.), etc.

Line 13 - **Real Estate Expenses** include expenses for real estate your agency owns, such as janitorial services, real property insurance, interest on mortgage loans, etc.

Line 14 - **Real Estate Taxes** include real estate taxes for real estate your agency owns.

Line 15 - **Taxes, Licenses, and Fees** include non-real-estate-related and non-payroll taxes EXCLUDING state and Federal income taxes.

Line 16 - **Advertising** includes advertising space purchased in Yellow Pages, advertising spots purchased on radio and television, billboards, advertising space purchased in trade or popular newspapers and magazines, etc. Additional details for this expense category are to be provided on Part 2. The total amount for this expense category on Part 2 must agree to the amount reported on Part 1.

Line 17 - **Marketing and Promotional Expenses** include the cost of pens, pads, calendars, and similar materials distributed to customers; costs for providing training seminars; event sponsorships; costs of maintaining a website; costs of telemarketers; cost of newsletters and other marketing materials distributed to customers; etc. Additional details for this expense category are to be provided on Part 2. The total amount for this expense category on Part 2 must agree to the amount reported on Part 1.

Line 18 - **Title Plant Maintenance and Rental** includes the costs of maintenance of any daily takeoff title or abstract plant and/or back title plant; and payments for the right to access another company's title or abstract plant, back title files, and copies of the public record that are obtained from a private company.

Line 19 - **Travel** includes cost of tickets for public transportation, including trains and airlines; all automobile expenses paid including cost of automobile lease or rental; depreciation of owned automobiles; cost of hotels and meals; etc. Only expenses relating to employees or officers are to be reported on line 19. Additional details for this expense category are to be provided on Part 2. The total amount for this expense category on Part 2 must agree to the amount reported on Part 1.

Line 20 - **Printing and Office Supplies** including copier expenses.

Line 21 - **Postage, Telephone and Freight** includes cost of stamps, local and long-distance telephone service, leased dedicated telephone lines (such as T1 or T3 lines), internet services, Federal Express, UPS, etc.

Line 22 - **Equipment Depreciation and Rental (Non-EDP)** includes rental or depreciation charges for furniture, copiers, fax machines, telecommunications equipment, and other non-computer office equipment;

Line 23 - **Cost or Depreciation of EDP Equipment and Software** includes cost of leasing or depreciation charges on computer equipment including laptops, desktops, servers, network attached storage, etc.; cost of purchased software; cost of software licensing and upgrade agreements; etc.

Line 24 - **Errors and Omissions Insurance**

Line 25 - **Other Insurance** includes property insurance, liability insurance, fidelity and surety bonds, etc.

Line 26 - **Director's Fees**, including expense allowances for travel to Board meetings.

Line 27 - **Boards and Associations** includes dues paid by your agency for itself or for its employees to trade and professional associations (e.g., American Land Title Association, New York State Land Title Association, Chamber of Commerce, bar associations, etc.); fees to attend professional and trade association meetings; etc.

Line 28 - **Legal and Auditing** includes fees paid to outside accounting firms and law firms

Line 29 - **Bad Debts** includes amounts originally booked as income that were written off as uncollectable including any charge offs. Please include any unreimbursed Closing / Escrow losses and any Abstract / Search losses (from abstracts /searches sold) in this category. Unreimbursed title losses paid (i.e., losses paid by the agent, but not reimbursed by the underwriter) are also to be included in this line. Note that any expense items that can be reported on lines above are to be reported on those lines and not reported on Line 29.

Line 30 - **Interest** includes interest paid to banks and/or suppliers. It excludes mortgage interest reported on Line 13.

Line 31 - **Other** includes all expenses not reported on Lines 11 to 30. Additional details for this expense category are to be provided on Part 2. The total amount for this expense category on Part 2 must agree to the amount reported on Part 1.

Line 32 - **Total Expenses** is the sum of Lines 7 to 31

Line 33 - **Net** is Line 6 less Line 32

Line 34 - **Number of Employees** is the number of full-time equivalent personnel (i.e., report two half-time employees as one full-time equivalent employee)

Note: agents conducting business in multiple states are required to make a reasonable allocation of the number of employees devoted to title insurance operations in New York State, as described above. Similar allocations need to be made for agents that are part of a law firm or have multiple underwriters.

Part 2 Instructions

The NYSDFS has requested that all agents provide additional detail for the amounts reported in the following expense categories:

- Advertising Expense (Part 1 Line 16)
- Marketing and Promotional Expenses (Part 1 Line 17)
- Travel (Part 1 Line 19)
- Other (Part 1 Line 31)

In Part 2 of the schedule we have provided a line for each of several possible expense types that may appear in the broader categories mentioned above and displayed on Part 1. Please enter the amounts for each of these categories on Part 2. Within each of the four main categories, there is also provided an “Other” line to accommodate the entry of any amounts not covered by the items explicitly identified.

Note: it is important that the sums of the detailed items in Part 2 for each category agree with the amounts reported on Part 1.

Part 3 Instructions

Note that Part 3 is found on a separate sheet within the Excel file. After receiving the responses to this agent call, the underwriters will be required to submit Part 3 for each individual responding agent to Milliman. Milliman will then transmit these files to TIRSA and TIRSA will then provide these sheets to the Department of Financial Services. The individual agency name and other identifying information have been removed from Part 3.

In the event that amounts have been entered in the "Other" line for Advertising Expenses (16.12), Marketing and Promotional Expenses (17.10), Travel Expenses (19.08) or Other Expenses (31.06) in Part 2, enter a detailed description for each of the items that fall within these "Other" lines. 10 lines have been provided for each of the 4 categories. Also, provide an overall amount for each item entered on Part 3 if possible.

Note: it is important that the sums of the detailed items in Part 3 for each category agree with the amounts reported on Part 2.