

INVESTORS TITLE CO
Form 10-Q
August 08, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended June 30, 2018

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission File Number: 0-11774

INVESTORS TITLE COMPANY
(Exact name of registrant as specified in its charter)
North Carolina 56-1110199
(State of incorporation) (I.R.S. Employer Identification No.)

121 North Columbia Street, Chapel Hill, North Carolina 27514
(Address of principal executive offices) (Zip Code)

(919) 968-2200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ___ No X

As of July 19, 2018, there were 1,886,630 common shares of the registrant outstanding.

INVESTORS TITLE COMPANY
AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Investors Title Company and Subsidiaries

Consolidated Balance Sheets

As of June 30, 2018 and December 31, 2017

(in thousands)

(unaudited)

	June 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	\$29,289	\$ 20,214
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost: June 30, 2018: \$93,469; December 31, 2017: \$100,314)	94,578	103,341
Equity securities, at fair value (cost: June 30, 2018: \$26,956; December 31, 2017: \$26,003)	48,026	47,367
Short-term investments	24,950	23,780
Other investments	11,622	12,032
Total investments	179,176	186,520
Premium and fees receivable	11,008	10,031
Accrued interest and dividends	1,015	1,100
Prepaid expenses and other receivables	7,974	7,730
Property, net	10,820	10,173
Goodwill and other intangible assets, net	11,032	11,357
Other assets	1,457	1,403
Current income taxes receivable	1,427	385
Total Assets	\$253,198	\$ 248,913
Liabilities and Stockholders' Equity		
Liabilities:		
Reserve for claims	\$32,484	\$ 34,801
Accounts payable and accrued liabilities	25,140	27,565
Deferred income taxes, net	9,461	8,626
Total liabilities	67,085	70,992
Commitments and Contingencies	—	—
Stockholders' Equity:		
Preferred stock (1,000 authorized shares; no shares issued)	—	—
Common stock – no par value (10,000 authorized shares; 1,887 and 1,886 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively, excluding in each period 292 shares of common stock held by the Company)	—	—
Retained earnings	185,252	161,891
Accumulated other comprehensive income	806	15,945
Total stockholders' equity attributable to the Company	186,058	177,836
Noncontrolling interests	55	85
Total stockholders' equity	186,113	177,921

Total Liabilities and Stockholders' Equity

\$253,198 \$ 248,913

See notes to the Consolidated Financial Statements.

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Investors Title Company and Subsidiaries
Consolidated Statements of Income
For the Three and Six Months Ended June 30, 2018 and 2017
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Net premiums written	\$35,142	\$34,672	\$64,701	\$67,410
Escrow and other title-related fees	2,149	1,942	3,653	3,957
Non-title services	1,696	1,515	3,288	2,878
Interest and dividends	1,125	1,114	2,243	2,211
Other investment income	1,181	766	1,450	995
Net realized investment gains	288	83	441	186
Net unrealized gain (loss) on equity investments	348	—	(294)	—
Other	7	33	230	281
Total Revenues	41,936	40,125	75,712	77,918
Operating Expenses:				
Commissions to agents	16,427	16,598	30,452	32,929
Provision (benefit) for claims	564	140	(842)	860
Personnel expenses	10,798	9,942	22,138	19,900
Office and technology expenses	2,326	1,984	4,395	3,923
Other expenses	3,007	3,115	5,530	5,509
Total Operating Expenses	33,122	31,779	61,673	63,121
Income before Income Taxes	8,814	8,346	14,039	14,797
Provision for Income Taxes	1,894	2,672	2,946	4,657
Net Income	6,920	5,674	11,093	10,140
Net Loss Attributable to Noncontrolling Interests	27	1	30	11
Net Income Attributable to the Company	\$6,947	\$5,675	\$11,123	\$10,151
Basic Earnings per Common Share	\$3.68	\$3.01	\$5.90	\$5.38
Weighted Average Shares Outstanding – Basic	1,887	1,887	1,886	1,886
Diluted Earnings per Common Share	\$3.66	\$2.99	\$5.87	\$5.35
Weighted Average Shares Outstanding – Diluted	1,897	1,897	1,896	1,896
Cash Dividends Paid per Common Share	\$0.40	\$0.35	\$0.80	\$0.55

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three and Six Months Ended June 30, 2018 and 2017
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$6,920	\$5,674	\$11,093	\$10,140
Other comprehensive (loss) income, before tax:				
Amortization of unrecognized loss	—	2	—	4
Unrealized (losses) gains on investments arising during the period*	(258)	1,396	(1,918)	3,062
Reclassification adjustment for sales of securities included in net income*	—	(83)	—	(173)
Other comprehensive (loss) income, before tax	(258)	1,315	(1,918)	2,893
Income tax expense related to postretirement health benefits	—	—	—	1
Income tax (benefit) expense related to unrealized (losses) gains on investments arising during the period*	(55)	476	(406)	1,045
Income tax benefit related to reclassification adjustment for sales of securities included in net income*	—	(28)	—	(60)
Net income tax (benefit) expense on other comprehensive (loss) income	(55)	448	(406)	986
Other comprehensive (loss) income	(203)	867	(1,512)	1,907
Comprehensive Income	\$6,717	\$6,541	\$9,581	\$12,047
Comprehensive loss attributable to noncontrolling interests	27	1	30	11
Comprehensive Income Attributable to the Company	\$6,744	\$6,542	\$9,611	\$12,058

* Amounts related to 2018 include fixed maturity securities only. Amounts related to 2017 include both fixed maturities and equity securities.

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Six Months Ended June 30, 2018 and 2017
(in thousands, except per share amounts)
(unaudited)

	Common Stock Shares	Retained Earnings Amount	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Stockholders' Equity
Balance, January 1, 2017	1,884	\$ — \$143,284	\$ 11,761	\$ 91	\$ 155,136
Net income attributable to the Company		10,151			10,151
Dividends paid (\$0.55 per share)		(1,038)			(1,038)
Repurchases of common stock	—	(9)			(9)
Exercise of stock appreciation rights	3	(1)			(1)
Share-based compensation expense related to stock appreciation rights		95			95
Amortization related to postretirement health benefits			3		3
Net unrealized gain on investments			1,904		1,904
Net loss attributable to noncontrolling interests				(11)	(11)
Balance, June 30, 2017	1,887	\$ — \$152,482	\$ 13,668	\$ 80	\$ 166,230
Balance, January 1, 2018	1,886	\$ — \$161,891	\$ 15,945	\$ 85	\$ 177,921
Net income attributable to the Company		11,123			11,123
Dividends paid (\$0.80 per share)		(1,509)			(1,509)
Repurchases of common stock	—	(29)			(29)
Exercise of stock appreciation rights	1	(1)			(1)
Share-based compensation expense related to stock appreciation rights		150			150
Cumulative effect adjustment for adoption of new accounting standards		13,627	(13,627)		—
Net unrealized loss on investments			(1,512)		(1,512)
Net loss attributable to noncontrolling interests				(30)	(30)
Balance, June 30, 2018	1,887	\$ — \$185,252	\$ 806	\$ 55	\$ 186,113

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2018 and 2017
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2018	2017
Operating Activities		
Net income	\$11,093	\$10,140
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	825	690
Amortization of investments, net	451	387
Amortization related to postretirement benefits obligation	—	4
Amortization of other intangible assets, net	325	467
Share-based compensation expense related to stock appreciation rights	150	95
Net loss (gain) on disposals of property	16	(13)
Net realized investment gains	(441)	(186)
Net unrealized loss on equity investments	294	—
Net earnings from other investments	(890)	(784)
(Benefit) provision for claims	(842)	860
Provision for deferred income taxes	1,241	1,155
Changes in assets and liabilities:		
Increase in premium and fees receivables	(977)	(1,047)
(Increase) decrease in other assets	(213)	90
Increase in current income taxes receivable	(1,042)	(1,089)
Decrease in accounts payable and accrued liabilities	(2,425)	(1,823)
Decrease in current income taxes payable	—	(1,232)
Payments of claims, net of recoveries	(1,475)	(2,024)
Net cash provided by operating activities	6,090	5,690
Investing Activities		
Purchases of fixed maturity securities	—	—
Purchases of equity securities	(1,658)	(1,414)
Purchases of short-term investments	(13,488)	(15,218)
Purchases of other investments	(610)	(987)
Proceeds from sales and maturities of fixed maturity securities	6,280	9,490
Proceeds from sales of equity securities	1,141	1,100
Proceeds from sales and maturities of short-term investments	12,431	3,931
Proceeds from sales and distributions of other investments	1,913	1,525
Proceeds from sales of other assets	3	13
Purchases of property	(1,538)	(1,964)
Proceeds from the sale of property	50	22
Net cash provided by (used in) investing activities	4,524	(3,502)
Financing Activities		
Repurchases of common stock	(29)	(9)
Exercise of stock appreciation rights	(1)	(1)
Dividends paid	(1,509)	(1,038)

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Net cash used in financing activities	(1,539)	(1,048)
Net Increase in Cash and Cash Equivalents	9,075	1,140
Cash and Cash Equivalents, Beginning of Period	20,214	27,928
Cash and Cash Equivalents, End of Period	\$29,289	\$29,068

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Consolidated Statements of Cash Flows, continued

	Six Months Ended June 30,	
	2018	2017
Supplemental Disclosures:		
Cash Paid During the Year for:		
Income tax payments, net	\$2,746	\$5,834
Non Cash Investing and Financing Activities:		
Non cash net unrealized loss (gain) on investments, net of deferred tax benefit (provision) of \$406 and \$(985) for June 30, 2018 and 2017, respectively	\$1,512	\$(1,904)

See notes to the Consolidated Financial Statements.

INVESTORS TITLE COMPANY
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2018

(unaudited)

Note 1 – Basis of Presentation and Significant Accounting Policies

Reference should be made to the “Notes to Consolidated Financial Statements” appearing in the Annual Report on Form 10-K for the year ended December 31, 2017 of Investors Title Company (the “Company”) for a complete description of the Company’s significant accounting policies.

Principles of Consolidation – The accompanying unaudited Consolidated Financial Statements include the accounts and operations of Investors Title Company and its subsidiaries, and have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information, with the instructions to Form 10-Q and with Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. Earnings attributable to noncontrolling interests in majority-owned title insurance agencies are recorded in the Consolidated Statements of Income. Noncontrolling interests representing the portion of equity not related to the Company’s ownership interests are recorded in separate sections of the Consolidated Balance Sheets. All intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows of the Company in the accompanying unaudited Consolidated Financial Statements have been included. All such adjustments are of a normal recurring nature. Operating results for the quarter ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

Reclassifications – Certain prior year amounts have been reclassified for consistency with the current period presentation. The primary change was the presentation of revenue and operating expenses. Revenue other than title premiums are now presented in more detail than previously provided. Presentation of operating expenses has also been modified. These reclassifications had no effect on the reported results of operations.

Use of Estimates and Assumptions – The preparation of the Company’s Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions used.

Subsequent Events – The Company has evaluated and concluded that there were no material subsequent events requiring adjustment or disclosure to its Consolidated Financial Statements.

Recently Adopted Accounting Standards

In February 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. ASU 2018-02 is intended to help organizations reclassify certain stranded income tax effects in accumulated other comprehensive income resulting from the Tax Cuts and Jobs Act (“TCJA”). Under the ASU, entities have the option to reclassify tax effects from the TCJA within other comprehensive

income to retained earnings in each period in which the effect of the change in the federal corporate tax rate under the TCJA is recorded. The update is effective for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company adopted this update on January 1, 2018 by means of a \$3.1 million cumulative effect reclassification between retained earnings and accumulated other comprehensive income. The update had no material impact on the Company's financial position and results of operations.

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715). This update requires entities to (1) disaggregate the current service cost component from the other components of net benefit cost (the "other components") and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. In addition, the ASU requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines. The update was effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted this update on January 1, 2018 with no material impact on the Company's financial position and results of operations.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 updated guidance to enhance the reporting model for financial instruments. Among the main principles of the guidance applicable to the Company are provisions to: (1) require equity investments, except those accounted for under the equity method of accounting or those that result in consolidation of the investee, to be measured at fair value with changes in fair value recognized in net income; (2) simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, noting that when a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value; (3) eliminate the requirement to disclose methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost; (4) require entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (5) require separate presentation of financial assets and financial liabilities by measuring category and form of financial asset on the balance sheet or accompanying notes to the financial statements; and (6) clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The update was effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company adopted this update on January 1, 2018 by means of a \$16.8 million cumulative effect reclassification of the net unrealized gain related to equity securities from accumulated other comprehensive income to retained earnings. The amendments related to equity securities without readily determinable fair values were applied prospectively to equity investments that existed as of the date of adoption. As a result, the Company recognized a \$294 thousand net unrealized loss on equity investments in the Consolidated Statements of Income for the six-month period ended June 30, 2018.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 updated guidance to improve the comparability of revenue recognition practices for entities that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards such as insurance contracts or lease standards. As the ASU does not apply to the Company's core title insurance business, its potential effect is limited to the Company's other lines of business. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For public entities, this update originally became effective for interim and annual reporting periods beginning after December 15, 2016. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. ASU 2015-14 updated guidance to defer the effective date of the standard by one year. The Company adopted this update using the modified retrospective transition approach on January 1, 2018 with no impact on the Company's financial position and results of operations. Refer to Note 11 for further information regarding the Company's revenue from contracts with customers.

Recently Issued Accounting Standards

In March 2017, the FASB issued ASU 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. ASU 2017-08 is intended to enhance the accounting for the amortization of premiums for purchased callable debt securities. Specifically, the ASU shortens the amortization period for certain investments in callable debt securities purchased at a premium by requiring that the premium be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. The update is effective for annual periods beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that the recently issued accounting standard will have on the Company's financial position and results of operations, but does not expect it to have a material impact.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350). This update removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. As a result, under the ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, the ASU clarifies that an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The update is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. None of these amendments are expected to have a material impact on the Company's financial position or results of operations.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326). ASU 2016-13 is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The update broadens the information that an entity must consider in developing its expected credit loss estimates, and is meant to better reflect an entity's current estimate of all expected credit losses. In addition, this update amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The update is effective for annual periods beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted as of fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact that the recently issued accounting standard will have on the Company's financial position and results of operations, but does not expect it to have a material impact. Currently, the Company's potential credit losses under this accounting standard relate to fixed maturity securities. The Company does not believe that the risk of credit losses, based on current fixed maturity holdings, is material to the Company's financial statements as a whole. Refer to Note 6 for further information about the Company's investments.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 updated guidance to improve financial reporting for leasing transactions. The core principle of the guidance is that lessees will be required to recognize assets and liabilities on the balance sheet for all leases with terms of more than twelve months. A lessee would recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor is largely unchanged from current GAAP, with some targeted improvements. Disclosures will be required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In transition, both lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The update is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption was permitted for all entities upon issuance. The Company is currently evaluating the impact that the recently issued accounting standard will have on the Company's financial position and results of operations, but does not expect it to have a material impact. As of December 31, 2017, future minimum lease payments with terms of more than twelve months were approximately \$3.6 million.

Significant Accounting Policies – The Company has updated the following accounting policies due to the adoption of ASU 2016-01.

Investments in Fixed Maturity Securities – Fixed maturity securities are classified as available-for-sale and reported at fair value with unrealized gains and losses, net of tax and adjusted for other-than-temporary declines in fair value, and reported as accumulated other comprehensive income. Securities are regularly reviewed for differences between the cost and estimated fair value of each security for factors that may indicate that a decline in fair value is other-than-temporary. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include the duration and extent to which the fair value has been less than cost and the Company's ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value. Such reviews are inherently uncertain and the value of the investment may not fully recover or may decline in future periods resulting in a realized loss. Realized gains and losses are determined on the specific identification method (refer to Note 6 for further information regarding the Company's investments).

Investments in Equity Securities – Equity securities represent ownership interests held by the Company in entities for investment purposes. Prior to January 1, 2018, these equity securities were classified as available-for-sale and were carried at fair value on the Company's Consolidated Balance Sheets. Unrealized holding gains and losses from changes in the fair values of available-for-sale equity securities were reported in accumulated other comprehensive income. Effective January 1, 2018, unrealized holding gains and losses are reported in the Consolidated Statements of Income as a net unrealized gain or loss on equity securities. As a result, other-than-temporary impairments will no

longer be considered for equity securities. Realized investment gains and losses from sales are recorded on the trade date and are determined using the specific identification method (refer to Note 6 for further information regarding the Company's investments).

Other Investments – Other investments consist of investments in unconsolidated affiliated entities, typically structured as limited liability companies ("LLC's"), without readily determinable fair values. Other investments are accounted for under either the equity method or the measurement alternative method. The measurement alternative method is used when an investment does not qualify for the equity method or the practical expedient in Accounting Standards Codification ("ASC") Topic 820, which estimates fair value using the net asset value per share. Under the measurement alternative method, investments are recorded at cost, less any impairment and plus or minus any changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. The Company monitors any events or changes in circumstances that may have had a significant adverse effect on the fair value of these investments and makes any necessary adjustments.

Note 2 – Reserve for Claims

Activity in the reserve for claims for the six-month period ended June 30, 2018 and the year ended December 31, 2017 are summarized as follows:

(in thousands)	June 30, 2018	December 31, 2017
Balance, beginning of period	\$34,801	\$ 35,305
(Benefit) provision, charged to operations	(842)	3,311
Payments of claims, net of recoveries	(1,475)	(3,815)
Balance, end of period	\$32,484	\$ 34,801

The total reserve for all reported and unreported losses the Company incurred through June 30, 2018 is represented by the reserve for claims. The Company's reserves for unpaid losses and loss adjustment expenses are established using estimated amounts required to settle claims for which notice has been received (reported) and the amount estimated to be required to satisfy claims that have been incurred but not yet reported ("IBNR"). Despite the variability of such estimates, management believes that the total reserve is adequate to cover claim losses which might result from pending and future claims under title insurance policies issued through June 30, 2018. Management continually reviews and adjusts its reserve estimates to reflect its loss experience and any new information that becomes available. Adjustments resulting from such reviews may be significant.

A summary of the Company's loss reserve, broken down into its components of known title claims and IBNR, follows:

(in thousands, except percentages)	June 30, 2018	%	December 31, 2017	%
Known title claims	\$3,927	12.1	\$ 4,646	13.4
IBNR	28,557	87.9	30,155	86.6
Total loss reserves	\$32,484	100.0	\$ 34,801	100.0

Claims and losses paid are charged to the reserve for claims. Although claims losses are typically paid in cash, occasionally claims are settled by purchasing the interest of the insured or the claimant in the real property. When this event occurs, the Company carries assets at the lower of cost or estimated realizable value, net of any indebtedness on the property.

Note 3 – Earnings Per Common Share and Share Awards

Basic earnings per common share is computed by dividing net income attributable to the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per common share is computed by dividing net income attributable to the Company by the combination of dilutive potential common stock, comprised of shares issuable under the Company's share-based compensation plans and the weighted average number of common shares outstanding during the reporting period. Dilutive common share equivalents include the dilutive effect of in-the-money share-based awards, which are calculated based on the average share price for each period using the treasury stock method. Under the treasury stock method, when share-based awards are exercised, (a) the exercise price of a share-based award; and (b) the amount of compensation cost, if any, for future services that the Company has not yet recognized, are assumed to be used to repurchase shares in the current period.

The following table sets forth the computation of basic and diluted earnings per share for the three- and six-month periods ended June 30:

(in thousands, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017

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Net income attributable to the Company	\$6,947	\$5,675	\$11,123	\$10,151
Weighted average common shares outstanding – Basic	1,887	1,887	1,886	1,886
Incremental shares outstanding assuming the exercise of dilutive SARs (share-settled)	10	10	10	10
Weighted average common shares outstanding – Diluted	1,897	1,897	1,896	1,896
Basic earnings per common share	\$3.68	\$3.01	\$5.90	\$5.38
Diluted earnings per common share	\$3.66	\$2.99	\$5.87	\$5.35

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There were 9 thousand and 4 thousand potential shares excluded from the computation of diluted earnings per share for the three-month periods ended June 30, 2018 and 2017, respectively. There were 4 thousand potential shares excluded from the computation of diluted earnings per share for the six-month periods ended June 30, 2018 and 2017.

The Company historically has adopted employee stock award plans under which restricted stock, and options or stock appreciation rights ("SARs") exercisable for the Company's stock, may be granted to key employees or directors of the Company. There is currently one active plan from which the Company may grant share-based awards. The awards eligible to be granted under the active plan are limited to SARs, and the maximum aggregate number of shares of common stock of the Company available pursuant to the plan for the grant of SARs is 250 thousand shares.

As of June 30, 2018, the only outstanding awards under the plans were SARs, which expire in seven years from the date of grant, and all of which vest and are exercisable within one year of the date of grant. All SARs issued to date have been share-settled only. There have been no stock options or SARs granted where the exercise price was less than the market price on the date of grant.

There was approximately \$151 thousand and \$95 thousand of compensation expense relating to SARs vesting on or before June 30, 2018 and 2017, respectively, included in salaries, employee benefits and payroll taxes in the Consolidated Statements of Income. As of June 30, 2018, there was \$265 thousand of unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Company's stock award plans.

A summary of share-based award transactions for all share-based award plans follows:

(in thousands, except weighted average exercise price and average remaining contractual term)	Number Of Shares	Weighted Average Exercise Price	Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2017	25	\$ 65.85	3.85	\$ 837
SARs granted	4	192.71		
SARs exercised	(4)	36.38		
Outstanding as of December 31, 2017	25	\$ 93.40	3.98	\$ 837
SARs granted	4	188.71		
SARs exercised	(1)	41.50		
Outstanding as of June 30, 2018	28	\$ 110.27	4.15	\$ 2,175
Exercisable as of June 30, 2018	25	\$ 99.73	3.78	\$ 2,175
Unvested as of June 30, 2018	3	\$ 188.71	6.88	\$ —

During the second quarters of both 2018 and 2017, the Company issued 4 thousand share-settled SARs to the directors of the Company. SARs give the holder the right to receive stock equal to the appreciation in the value of shares of stock from the grant date for a specified period of time, and as a result, are accounted for as equity instruments. The fair value of each award is estimated on the date of grant using the Black-Scholes option valuation model with the weighted average assumptions noted in the table shown below. Expected volatilities are based on both the implied and historical volatility of the Company's stock. The Company uses historical data to project SAR exercises and pre-exercise forfeitures within the valuation model. The expected term of awards represents the period of time that SARs granted are expected to be outstanding. The interest rate assumed for the expected life of the award is based on the U.S. Treasury yield curve in effect at the time of the grant. The weighted average fair values for the SARs issued during 2018 and 2017 were \$78.61 and \$55.40, respectively, and were estimated using the weighted average assumptions shown in the table below.

2018 2017

Expected Life in Years	7.0	7.0
Volatility	39.0%	26.2%
Interest Rate	3.1%	2.0%
Yield Rate	0.8%	0.8%

Note 4 – Segment Information

The Company has one reportable segment, title insurance services. The remaining immaterial segments have been combined into a group called “All Other.”

The title insurance segment primarily issues title insurance policies through approved attorneys from underwriting offices and through independent issuing agents. Title insurance policies insure titles to real estate.

Provided below is selected financial information about the Company's operations by segment for the periods ended June 30, 2018 and 2017:

Three Months Ended June 30, 2018 (in thousands)	Title Insurance	All Other	Intersegment Eliminations	Total
Insurance and other services revenues	\$38,680	\$1,996	\$ (1,682)	\$38,994
Investment income	2,125	529	—	2,654
Net realized gain on investments	264	24	—	288
Total revenues	\$41,069	\$2,549	\$ (1,682)	\$41,936
Operating expenses	32,424	2,246	(1,548)	33,122
Income before income taxes	\$8,645	\$303	\$ (134)	\$8,814
Total assets	\$199,132	\$54,066	\$ —	\$253,198
Three Months Ended June 30, 2017 (in thousands)	Title Insurance	All Other	Intersegment Eliminations	Total
Insurance and other services revenues	\$37,922	\$1,799	\$ (1,559)	\$38,162
Investment income	1,715	165	—	1,880
Net realized gain on investments	81	2	—	83
Total revenues	\$39,718	\$1,966	\$ (1,559)	\$40,125
Operating expenses	31,176	2,043	(1,440)	31,779
Income (loss) before income taxes	\$8,542	\$(77)	\$ (119)	\$8,346
Total assets	\$191,182	\$46,772	\$ —	\$237,954
Six Months Ended June 30, 2018 (in thousands)	Title Insurance	All Other	Intersegment Eliminations	Total
Insurance and other services revenues	\$71,101	\$3,886	\$ (3,115)	\$71,872
Investment income	2,739	660	—	3,399
Net realized gain on investments	407	34	—	441
Total revenues	\$74,247	\$4,580	\$ (3,115)	\$75,712
Operating expenses	60,216	4,304	(2,847)	61,673
Income before income taxes	\$14,031	\$276	\$ (268)	\$14,039
Total assets	\$199,132	\$54,066	\$ —	\$253,198
Six Months Ended June 30, 2017 (in thousands)	Title Insurance	All Other	Intersegment Eliminations	Total
Insurance and other services revenues	\$73,686	\$3,451	\$ (2,611)	\$74,526
Investment income	2,877	329	—	3,206
Net realized gain on investments	144	42	—	186
Total revenues	\$76,707	\$3,822	\$ (2,611)	\$77,918
Operating expenses	61,677	3,860	(2,416)	63,121
Income (loss) before income taxes	\$15,030	\$(38)	\$ (195)	\$14,797
Total assets	\$191,182	\$46,772	\$ —	\$237,954

Note 5 – Retirement Agreements and Other Postretirement Benefits

The Company's subsidiary, Investors Title Insurance Company ("ITIC"), is a party to employment agreements with key executives that provide for the continuation of certain employee benefits and other payments due under the agreements upon retirement, estimated to total \$10.9 million and \$9.5 million as of June 30, 2018 and December 31, 2017, respectively. The executive employee benefits include health, dental, vision and life insurance and are unfunded. These amounts are classified as accounts payable and accrued liabilities in the Consolidated Balance Sheets. The following sets forth the net periodic benefits cost for the executive benefits for the periods ended June 30, 2018 and 2017:

(in thousands)	Three Months Ended June 30, 2018		Six Months Ended June 30, 2017	
	2018	2017	2018	2017
Service cost – benefits earned during the year	\$—	\$—	\$—	\$—
Interest cost on the projected benefit obligation	8	9	16	19
Amortization of unrecognized losses	—	2	—	4
Net periodic benefits costs	\$8	\$11	\$16	\$23

Note 6 – Investments and Estimated Fair Value

Investments in Fixed Maturity Securities

The estimated fair value, gross unrealized holding gains, gross unrealized holding losses and amortized cost for fixed maturities by major classification are as follows:

As of June 30, 2018 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturities, available-for-sale, at fair value:				
Government Obligations	\$ 1,033	\$ —	\$ 10	\$ 1,023
General obligations of U.S. states, territories and political subdivisions	21,248	242	232	21,258
Special revenue issuer obligations of U.S. states, territories and political subdivisions	58,694	1,247	389	59,552
Corporate debt securities	12,494	327	76	12,745
Total	\$ 93,469	\$ 1,816	\$ 707	\$ 94,578
As of December 31, 2017 (in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturities, available-for-sale, at fair value:				
Government obligations	\$ 1,043	\$ —	\$ 1	\$ 1,042
General obligations of U.S. states, territories and political subdivisions	24,189	505	50	24,644
Special revenue issuer obligations of U.S. states, territories and political subdivisions	62,592	2,218	165	64,645
Corporate debt securities	12,490	527	7	13,010
Total	\$ 100,314	\$ 3,250	\$ 223	\$ 103,341

The special revenue category for both periods presented includes approximately 60 individual fixed maturities with revenue sources from a variety of industry sectors.

The scheduled maturities of fixed maturity securities at June 30, 2018 were as follows:

(in thousands)	Available-for-Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	\$9,394	\$9,387
Due one year through five years	38,648	39,474
Due five years through ten years	43,289	43,184
Due after ten years	2,138	2,533
Total	\$93,469	\$94,578

Expected maturities will differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without penalties.

The following table presents the gross unrealized losses on investment securities and the estimated fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous loss position at June 30, 2018 and December 31, 2017:

	Less than 12 Months		12 Months or Longer		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
As of June 30, 2018 (in thousands)						
Government obligations	\$1,023	\$ (10)	\$—	\$ —	\$1,023	\$ (10)
General obligations of U.S. states, territories and political subdivisions	8,062	(96)	3,402	(136)	11,464	(232)
Special revenue issuer obligations of U.S. states, territories and political subdivisions	18,139	(190)	3,899	(199)	22,038	(389)
Corporate debt securities	10,696	(76)	—	—	10,696	(76)
Total temporarily impaired securities	\$37,920	\$ (372)	\$7,301	\$ (335)	\$45,221	\$ (707)
As of December 31, 2017 (in thousands)						
Government obligations	\$1,042	\$ (1)	\$—	\$ —	\$1,042	\$ (1)
General obligations of U.S. states, territories and political subdivisions	4,560	(27)	3,535	(23)	8,095	(50)
Special revenue issuer obligations of U.S. states, territories and political subdivisions	13,551	(61)	4,023	(104)	17,574	(165)
Corporate debt securities	3,744	(7)	—	—	3,744	(7)
Total temporarily impaired securities	\$22,897	\$ (96)	\$7,558	\$ (127)	\$30,455	\$ (223)

The decline in estimated fair value of the fixed maturity securities can be attributed primarily to changes in market interest rates and changes in credit spreads over Treasury securities. Because the Company does not have the intent to sell these securities and will likely not be compelled to sell them before it can recover its cost basis, the Company does not consider these investments to be other-than-temporarily impaired.

Factors considered in determining whether a loss is temporary include the length of time and extent to which fair value has been below cost, the financial condition and prospects of the issuer (including credit ratings and analyst reports) and macro-economic changes. A total of 52 and 32 securities had unrealized losses at June 30, 2018 and December 31, 2017, respectively. Reviews of the values of securities are inherently uncertain and the value of the investment may not fully recover, or may decline in future periods resulting in a realized loss. The Company recorded no other-than-temporary impairment charges for fixed maturities for the six-month periods ended June 30, 2018 and 2017. Other-than-temporary impairment charges are included in net realized investment gains in the Consolidated Statements of Income.

Investments in Equity Securities

The estimated fair value, gross unrealized holding gains, gross unrealized holding losses and cost for equity securities are as follows:

As of June 30, 2018 (in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities, at fair value:				
Common stocks	\$26,956	\$ 21,283	\$ 213	\$ 48,026
Total	\$26,956	\$ 21,283	\$ 213	\$ 48,026
As of December 31, 2017 (in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities, at fair value:				
Common stocks	\$26,003	\$ 21,376	\$ 12	\$ 47,367
Total	\$26,003	\$ 21,376	\$ 12	\$ 47,367

Effective January 1, 2018, unrealized holding gains and losses are reported in the Consolidated Statements of Income as net unrealized gain or loss on equity securities. As a result, other-than-temporary impairments will no longer be considered for equity securities. The Company did not record any other-than-temporary charges for equity securities for the six-month period ended June 30, 2017.

Realized Gains from the Sale of Investment Securities

Gross realized gains and losses on sales of investments for the six-month periods ended June 30 are summarized as follows:

(in thousands)	2018	2017
Gross realized gains from securities:		
Special revenue issuer obligations of U.S. states, territories and political subdivisions	\$—	\$—
Corporate debt securities	—	—
Common stocks	484	298
Total	\$484	\$298
Gross realized losses from securities:		
General obligations of U.S. states, territories and political subdivisions	\$—	\$—
Special revenue issuer obligations of U.S. states, territories and political subdivisions	—	—
Common stocks	(47)	(125)
Other-than-temporary impairment of securities	—	—
Total	\$(47)	\$(125)
Net realized gain from securities	\$437	\$173

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Net realized gain on other investments:

Gains on other investments	\$4	\$13
Total	\$4	\$13
Net realized investment gains	\$441	\$186

Realized gains and losses are determined on the specific identification method.

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Variable Interest Entities

The Company holds investments in variable interest entities ("VIEs") that are not consolidated in the Company's financial statements as the Company is not the primary beneficiary. These entities are considered VIEs as the equity investors at risk, including the Company, do not have the power over the activities that most significantly impact the economic performance of the entities; this power resides with a third-party general partner or managing member that cannot be removed except for cause. The following table sets forth details about the Company's variable interest investments in VIEs, which are structured either as limited partnerships ("LPs") or limited liability companies ("LLCs"), as of June 30, 2018:

Type of Investment (in thousands)	Balance Sheet Classification	Carrying Value	Estimated Fair Value	Maximum Potential Loss (a)
Tax credit LPs	Other investments	\$ 628	\$ 628	\$ 1,325
Real estate LLCs or LPs	Other investments	4,893	5,141	7,950
Small business investment LPs	Other investments	4,142	4,261	9,400
Total		\$ 9,663	\$ 10,030	\$ 18,675

Maximum potential loss is calculated as the total investment in the LLC or LP, including any capital commitments (a) that may have not yet been called. The Company is not exposed to any loss beyond the total commitment of its investment.

Valuation of Financial Assets

The FASB has established a valuation hierarchy for disclosure of the inputs used to measure estimated fair value of financial assets and liabilities, such as securities. This hierarchy categorizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value.

A financial instrument's classification within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement – consequently, if there are multiple significant valuation inputs that are categorized in different levels of the hierarchy, the instrument's hierarchy level is the lowest level (with Level 3 being the lowest level) within which any significant input falls.

The Level 1 category includes equity securities that are measured at estimated fair value using quoted active market prices.

The Level 2 category includes fixed maturity investments such as corporate debt securities, U.S. government and agency obligations, and municipal obligations. Estimated fair value is principally based on market values obtained from a third-party pricing service. Factors that are used in determining estimated fair market value include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. The Company receives one quote per security from a third-party pricing service, although as discussed below, the Company does consult other pricing resources when confirming that the prices it obtains reflect the fair values of the instruments in accordance with ASC 820, Fair Value Measurements and Disclosures. Generally, quotes obtained from the pricing service for instruments classified as Level 2 are not adjusted and are not binding. As of June 30, 2018 and December 31, 2017, the Company did not adjust any Level 2 fair values.

A number of the Company's investment grade corporate debt securities are frequently traded in active markets, and trading prices are consequently available for these securities. However, these securities are classified as Level 2 because the pricing service from which the Company has obtained estimated fair values for these instruments uses valuation models that use observable market inputs in addition to trading prices. Substantially all of the input assumptions used in the service's model are observable in the marketplace or can be derived or supported by observable market data.

In the measurement of the estimated fair value of certain financial instruments, other valuation techniques were utilized if quoted market prices were not available. These derived fair value estimates are significantly affected by the assumptions used. Additionally, ASC 820 excludes from its scope certain financial instruments, including those related to insurance contracts, pension and other postretirement benefits, and equity method investments.

In estimating the fair value of the financial instruments presented, the Company used the following methods and assumptions:

Cash and cash equivalents

The carrying amount for cash and cash equivalents is a reasonable estimate of fair value due to the short-term maturity of these investments.

Measurement alternative equity investments

The measurement alternative method requires investments without readily determinable fair values to be recorded at cost, less impairments plus or minus any changes resulting from observable price changes. The Company monitors any events or changes in circumstances that may have had a significant adverse effect on the fair value of these investments and makes any necessary adjustments.

Accrued dividends and interest

The carrying amount for accrued dividends and interest is a reasonable estimate of fair value due to the short-term maturity of these assets.

The following table presents, by level, fixed maturities carried at estimated fair value measured as of June 30, 2018 and December 31, 2017:

As of June 30, 2018 (in thousands)	Level 1	Level 2	Level 3	Total
Fixed maturities:				
Obligations of U.S. states, territories and political subdivisions*	\$ —	-\$81,833	\$ —	-\$81,833
Corporate debt securities*	—	12,745	—	12,745
Total	\$ —	-\$94,578	\$ —	-\$94,578
As of December 31, 2017 (in thousands)	Level 1	Level 2	Level 3	Total
Fixed maturities:				
Obligations of U.S. states, territories and political subdivisions*	\$ —	-\$90,331	\$ —	-\$90,331
Corporate debt securities*	—	13,010	—	13,010
Total	\$ —	-\$103,341	\$ —	-\$103,341

*Denotes fair market value obtained from pricing services.

The estimated fair values of equity investments and other financial instruments as of June 30, 2018 and December 31, 2017 are presented in the following table:

As of June 30, 2018 (in thousands)	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash	\$29,289	\$ —	\$ —	\$29,289
Accrued interest and dividends	1,015	—	—	1,015
Equity securities, at fair value:				
Common stocks	48,026	—	—	48,026
Short-term investments:				
Commercial paper and money market funds	24,950	—	—	24,950
Other investments:				

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Equity investments in unconsolidated affiliates, equity method	—	—	5,871	5,871
Equity investments in unconsolidated affiliates, measurement alternative	—	—	5,751	5,751
Total	\$103,280	\$	-\$11,622	\$114,902

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As of December 31, 2017 (in thousands)	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash	\$20,214	\$ —		\$20,214
Accrued interest and dividends	1,100	—	—	1,100
Equity securities, at fair value:				
Common stocks	47,367	—	—	47,367
Short-term investments:				
Commercial paper, money market funds and certificates of deposit	23,780	—	—	23,780
Other investments:				
Equity investments in unconsolidated affiliates, equity method	—	—	6,593	6,593
Equity investments in unconsolidated affiliates, measurement alternative	—	—	5,439	5,439
Total	\$92,461	\$ —	\$12,032	\$104,493

The Company did not hold any Level 3 category debt or marketable equity investment securities as of June 30, 2018 or December 31, 2017.

There were no transfers into or out of Levels 1, 2 or 3 during the period.

To help ensure that estimated fair value determinations are consistent with ASC 820, prices from our pricing services go through multiple review processes to ensure appropriate pricing. Pricing procedures and inputs used to price each security include, but are not limited to, the following: unadjusted quoted market prices for identical securities such as stock market closing prices; non-binding quoted prices for identical securities in markets that are not active; interest rates; yield curves observable at commonly quoted intervals; volatility; prepayment speeds; loss severity; credit risks; and default rates. The Company reviews the procedures and inputs used by its pricing services, and verifies a sample of the services' quotes by comparing them to values obtained from other pricing resources. In the event the Company disagrees with a price provided by its pricing services, the respective service reevaluates the price to corroborate the market information and then reviews inputs to the evaluation in light of potentially new market data. The Company believes that these processes and inputs result in appropriate classifications and estimated fair values consistent with ASC 820.

Certain equity investments under the measurement alternative are measured at estimated fair value on a non-recurring basis and are reviewed for impairment quarterly. If any such investment is determined to be other-than-temporarily impaired, an impairment charge is recorded against such investment and reflected in the Consolidated Statements of Income. There were no impairments of such investments made during the six-month period ended June 30, 2018 or the twelve-month period ended December 31, 2017. The following table presents a rollforward of equity investments under the measurement alternative as of June 30, 2018 and December 31, 2017:

As of June 30, 2018 (in thousands)	Balance, January 1, 2018	Amount Impaired	Observable Changes	Purchases and Additional Commitments Paid	Sales, Returns of Capital and Other Reductions	Balance, June 30, 2018
Other investments:						
Equity investments in unconsolidated affiliates, measurement alternative	\$ 5,439	\$ —	—	\$ 552	\$ (240)	\$ 5,751
Total	\$ 5,439	\$ —	—	\$ 552	\$ (240)	\$ 5,751
As of December 31, 2017 (in thousands)	Balance, January 1, 2017	Amount Impaired	Observable Changes	Purchases and Additional Commitments Paid	Sales, Returns of Capital and Other Reductions	Balance, December 31, 2017
Other investments:						
Equity investments in unconsolidated affiliates, measurement alternative	\$ 4,744	\$ —	—	\$ 1,082	\$ (387)	\$ 5,439
Total	\$ 4,744	\$ —	—	\$ 1,082	\$ (387)	\$ 5,439

Note 7 – Commitments and Contingencies

Legal Proceedings – The Company and its subsidiaries are involved in legal proceedings that are incidental to their business. In the Company’s opinion, based on the present status of these proceedings, any potential liability of the Company or its subsidiaries with respect to these legal proceedings, will not, in the aggregate, be material to the Company’s consolidated financial condition or operations.

Regulation – The Company’s title insurance and trust subsidiaries are regulated by various federal, state and local governmental agencies and are subject to various audits and inquiries. It is the opinion of management based on its present expectations that these audits and inquiries will not have a material impact on the Company’s consolidated financial condition or operations.

Escrow and Trust Deposits – As a service to its customers, the Company, through ITIC, administers escrow and trust deposits representing earnest money received under real estate contracts, undisbursed amounts received for settlement of mortgage loans and indemnities against specific title risks. These amounts are not considered assets of the Company and, therefore, are excluded from the accompanying Consolidated Balance Sheets. However, the Company remains contingently liable for the disposition of these deposits.

Like-Kind Exchanges Proceeds – In administering tax-deferred property exchanges, the Company’s subsidiary, Investors Title Exchange Corporation (“ITEC”), serves as a qualified intermediary for exchanges, holding the net sales proceeds from relinquished property to be used for purchase of replacement property. Another Company subsidiary, Investors Title Accommodation Corporation (“ITAC”), serves as exchange accommodation titleholder and, through limited liability companies that are wholly owned subsidiaries of ITAC, holds property for exchangers in reverse exchange transactions. Like-kind exchange deposits and reverse exchange property totaled approximately \$135.8

million and \$185.0 million as of June 30, 2018 and December 31, 2017, respectively. These amounts are not considered assets of the Company and, therefore, are excluded from the accompanying Consolidated Balance Sheets; however, the Company remains contingently liable for transfers of property, disbursements of proceeds and the return on the proceeds at the agreed upon rate. Exchange services revenues include earnings on these deposits; therefore, investment income is shown as non-title services rather than investment income. These like-kind exchange funds are primarily invested in money market and other short-term investments.

Note 8 – Related Party Transactions

The Company does business with, and has investments in, unconsolidated limited liability companies that are primarily title insurance agencies. The Company utilizes the equity method to account for its investment in these limited liability companies. The following table sets forth the approximate values by year found within each financial statement classification:

Financial Statement Classification, Consolidated Balance Sheets (in thousands)	As of June 30, 2018	As of December 31, 2017		
Other investments	\$5,871	\$ 6,594		
Premiums and fees receivable	\$721	\$ 720		
Financial Statement Classification, Consolidated Balance Sheets (in thousands)			For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Net premiums written			\$3,628	\$3,855
Non-title services and other investment income			\$892	\$775
Commissions to agents			\$2,415	\$2,552
			\$6,819	\$7,475
			\$1,135	\$1,047
			\$4,530	\$4,956

Note 9 – Intangible Assets and Goodwill

Intangible Assets

The fair values of intangible assets recognized as the result of title insurance agency acquisitions, all Level 3 inputs, are principally based on values obtained from a third-party valuation service. In accordance with ASC 350, Intangibles – Goodwill and Other, management determined that no events or changes in circumstances occurred during 2018 that would indicate the carrying amounts may not be recoverable, and therefore determined that no identifiable intangible assets were impaired during the six-months ended June 30, 2018. Net identifiable intangible assets of \$154 thousand were impaired during 2017.

Identifiable intangible assets consist of the following as of June 30, 2018 and December 31, 2017:

(in thousands)	2018	2017
Referral relationships	\$6,416	\$6,416
Non-compete agreements	1,406	1,406
Tradename	560	560
Total	8,382	8,382
Accumulated amortization	(1,700)	(1,375)
Identifiable intangible assets, net	\$6,682	\$7,007

The following table provides the estimated aggregate amortization expense for each of the five succeeding fiscal years:

Year Ended (in thousands)	
2018	\$252
2019	569
2020	569
2021	562
2022	525
Thereafter	4,205

Total \$6,682

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Goodwill and Title Plant

As of June 30, 2018, the Company recognized \$4.4 million in goodwill and \$690 thousand in a title plant, net of impairments, as the result of title insurance agency acquisitions. The title plant is included with other assets in the Consolidated Balance Sheets. The fair values of goodwill and the title plant, both Level 3 inputs, are principally based on values obtained from a third-party valuation service. In accordance with ASC 350, Intangibles – Goodwill and Other, management determined that no events or changes in circumstances occurred during 2018 that would indicate the carrying amounts may not be recoverable, and therefore determined that neither goodwill nor the title plant were impaired during the six-months ended June 30, 2018. Goodwill of \$29 thousand was impaired during 2017.

Note 10 – Accumulated Other Comprehensive Income

The following tables provide changes in the balances of each component of accumulated other comprehensive income, net of tax, for the periods ended June 30, 2018 and 2017:

Three Months Ended June 30, 2018 (in thousands)	Unrealized Gains and Losses On Available-for-Sale Securities		Postretirement Benefits Plans	Total
	Beginning balance at April 1	\$ 1,078	\$ (69)	
Other comprehensive loss before reclassifications	(203)	—		(203)
Amounts reclassified from accumulated other comprehensive income	—	—		—
Net current-period other comprehensive loss	(203)	—		(203)
Ending balance	\$ 875	\$ (69)		\$806
Three Months Ended June 30, 2017 (in thousands)	Unrealized Gains and Losses On Available-for-Sale Securities		Postretirement Benefits Plans	Total
	Beginning balance at April 1	\$ 12,910	\$ (109)	
Other comprehensive gain before reclassifications	920	—		920
Amounts reclassified from accumulated other comprehensive income	(55)	2		(53)
Net current-period other comprehensive income	865	2		867
Ending balance	\$ 13,775	\$ (107)		\$13,668

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Six Months Ended June 30, 2018 (in thousands)	Unrealized Gains and Losses		Postretirement Benefits Plans	Total
	On Available-for-Sale Securities			
Beginning balance at January 1	\$ 16,003		\$ (58)	\$15,945
Cumulative effect adjustment for adoption of new accounting standards	(13,616)		(11)	(13,627)
Other comprehensive loss before reclassifications	(1,512)		—	(1,512)
Amounts reclassified from accumulated other comprehensive income	—		—	—
Net current-period other comprehensive loss	(1,512)		—	(1,512)
Ending balance	\$ 875		\$ (69)	\$806
Six Months Ended June 30, 2017 (in thousands)	Unrealized Gains and Losses		Postretirement Benefits Plans	Total
	On Available-for-Sale Securities			
Beginning balance at January 1	\$ 11,871		\$ (110)	\$11,761
Other comprehensive income before reclassifications	2,017		—	2,017
Amounts reclassified from accumulated other comprehensive income	(113)		3	(110)
Net current-period other comprehensive income	1,904		3	1,907
Ending balance	\$ 13,775		\$ (107)	\$13,668