

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

Six Months Ended June 30, 2018 (in thousands)	Unrealized Gains and Losses On Available-for-Sale Securities	Postretirement Benefits Plans	Total
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 On Available-for-Sale Securities	Postretirement Benefits Plans	Total
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

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The following tables provide significant amounts reclassified out of each component of accumulated other comprehensive income for the periods ended June 30, 2018 and 2017:

Three Months Ended June 30, 2018 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Consolidated Statements of Income
Unrealized gains and losses on available-for-sale securities:		
Net realized gain on investments	\$ —	
Other-than-temporary impairments	—	
Total	\$ —	— Net realized investment gains
Tax	—	Provision for Income Taxes
Net of Tax	\$ —	
Amortization related to postretirement benefit plans:		
Prior year service cost	\$ —	
Unrecognized loss	—	
Total	\$ —	— (a)
Tax	—	Provision for Income Taxes
Net of Tax	\$ —	
Reclassifications for the period	\$ —	

Three Months Ended June 30, 2017 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Consolidated Statements of Income
Unrealized gains and losses on available-for-sale securities:		
Net realized gain on investments	\$ 83	
Other-than-temporary impairments	—	
Total	\$ 83	Net realized investment gains
Tax	(28)	Provision for Income Taxes
Net of Tax	\$ 55	
Amortization related to postretirement benefit plans:		
Prior year service cost	\$ —	
Unrecognized loss	(2)	
Total	\$ (2)	(a)
Tax	—	Provision for Income Taxes
Net of Tax	\$ (2)	
Reclassifications for the period	\$ 53	

Six Months Ended June 30, 2018 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Consolidated Statements of Income
Unrealized gains and losses on available-for-sale securities:		
Net realized gain on investments	\$ —	
Other-than-temporary impairments	—	
Total	\$ —	Net realized investment gains
Tax	—	Provision for Income Taxes
Net of Tax	\$ —	
Amortization related to postretirement benefit plans:		
Prior year service cost	\$ —	
Unrecognized loss	—	
Total	\$ —	(a)
Tax	—	Provision for Income Taxes
Net of Tax	\$ —	
Reclassifications for the period	\$ —	

Six Months Ended June 30, 2017 (in thousands)

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Consolidated Statements of Income
Unrealized gains and losses on available-for-sale securities:		
Net realized gain on investments	\$ 173	
Other-than-temporary impairments	—	
Total	\$ 173	Net realized investment gains
Tax	(60)	Provision for Income Taxes
Net of Tax	\$ 113	
Amortization related to postretirement benefit plans:		
Prior year service cost	\$ —	
Unrecognized loss	(4)	
Total	\$ (4)	(a)
Tax	1	Provision for Income Taxes
Net of Tax	\$ (3)	
Reclassifications for the period	\$ 110	

(a) These accumulated other comprehensive income components are not reclassified to net income in their entirety in the same reporting period. The amounts are presented within personnel costs on the Consolidated Statements of Income as amortized. Amortization and accretion related to postretirement benefit plans is included in the computation of net periodic pension costs, as discussed in Note 5.

Note 11 – Revenue Recognition

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. 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. The Company adopted this update on January 1, 2018 with no impact on the Company's financial position and results of operations.

The new revenue guidance does not apply to revenue associated with insurance contracts (including title insurance policies), financial instruments and lease contracts. The new revenue standard therefore is primarily applicable to the following Company revenue categories.

Escrow and other title-related fees: The Company's title segment recognizes commission revenue and fees related to items such as searches, settlements, commitments and other work. Escrow and other title-related fees are recognized as revenue at the time of the related transactions as the earnings process is then considered to be complete.

Non-title services: Through various subsidiaries, the Company offers management services, tax-deferred real property exchange services, investment management and trust services. Nonrefundable exchange fees are recognized as revenue upon receipt of the funds, which is at the time of closing of the initial sale of property. All other non-title service fees are recognized as revenue as performance obligations are completed.

Other: The Company occasionally recognizes revenue from other miscellaneous contracts. These revenue streams are deemed immaterial to the operations of the Company, and revenue is recognized when, or as, performance obligations are completed.

The following table provides a breakdown of the Company's revenue by major business activity:

(in thousands)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Revenue from contracts with customers:		
Escrow and other title-related fees	\$2,149	\$3,653
Non-title services	1,696	3,288
Total revenue from contracts with customers	3,845	6,941
Other sources of revenue:		
Net premiums written	35,142	64,701
Investment related revenue	2,942	3,840
Other	7	230
Total Revenues	\$41,936	\$75,712

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company's Annual Report on Form 10-K for the year ended December 31, 2017 should be read in conjunction with the following discussion since it contains information which is important for evaluating the Company's operating results and financial condition. Forward-looking statements are based on certain assumptions and expectations of future events that are subject to a number of risks and uncertainties. Actual results may vary.

Overview

Investors Title Company (the "Company") is a holding company that engages primarily in issuing title insurance through two subsidiaries, Investors Title Insurance Company ("ITIC") and National Investors Title Insurance Company ("NITIC"). Total revenues from the title segment accounted for 94.7% of the Company's revenues for the six-month period ended June 30, 2018. Through ITIC and NITIC, the Company underwrites land title insurance for owners and mortgagees as a primary insurer. Title insurance protects against loss or damage resulting from title defects that affect real property.

There are two basic types of title insurance policies - one for the mortgage lender and one for the real property owner. A lender often requires the property owner to purchase a lender's title insurance policy to protect its position as a holder of a mortgage loan, but the lender's title insurance policy does not protect the property owner. The property owner has to purchase a separate owner's title insurance policy to protect its investment. When real property is conveyed from one party to another, occasionally there is an undisclosed defect in the title or a mistake or omission in a prior deed, will or mortgage that may give a third party a legal claim against such property. If a covered claim is made against real property, title insurance provides indemnification against insured defects.

The Company issues title insurance policies through its home and branch offices and through a network of agents. Issuing agents are typically real estate attorneys, independent agents or subsidiaries of community and regional mortgage lending institutions, depending on local customs and regulations and the Company's marketing strategy in a particular territory. The ability to attract and retain issuing agents is a key determinant of the Company's growth in title insurance premiums written.

Revenues for the title insurance segment primarily result from purchases of new and existing residential and commercial real estate, refinance activity and certain other types of mortgage lending such as home equity lines of credit.

Title insurance premiums vary from state to state and are subject to extensive regulation. Statutes generally provide that rates must not be excessive, inadequate or unfairly discriminatory. The process of implementing a rate change in most states involves pre-approval by the applicable state insurance regulator.

Volume is a factor in the Company's profitability due to fixed operating costs that are incurred by the Company regardless of title insurance premium volume. The resulting operating leverage tends to amplify the impact of changes in volume on the Company's profitability. The Company's profitability also depends, in part, upon its ability to manage its investment portfolio to maximize investment returns and minimize risks such as interest rate changes, defaults and impairments of assets.

The Company's volume of title insurance premiums is affected by the overall level of residential and commercial real estate activity, which includes property sales, mortgage financing and mortgage refinancing. Real estate activity, home sales and mortgage lending are cyclical in nature. In turn, real estate activity is affected by a number of factors, including the availability of mortgage credit, the cost of real estate, consumer confidence, employment and family income levels and general United States economic conditions. Interest rate volatility is also an important factor in the level of residential and commercial real estate activity.

The Company's title insurance premiums in future periods are likely to fluctuate due to these and other factors which are beyond management's control.

Historically, the title insurance business tends to be seasonal as well as cyclical. Because home sales are typically strongest in periods of favorable weather, the first calendar quarter tends to have the lowest activity levels, while the spring and summer quarters tend to be more active. Refinance activity is generally less seasonal.

Services other than title insurance provided by operating divisions of the Company are not reported separately, but rather are reported collectively in a category called "All Other." These other services include those offered by the Company and by its wholly owned subsidiaries, Investors Title Exchange Corporation ("ITEC"), Investors Title Accommodation Corporation ("ITAC"), Investors Trust Company ("Investors Trust") and Investors Title Management Services, Inc. ("ITMS").

The Company's exchange services division, consisting of the operations of ITEC and ITAC, provides customer services in connection with tax-deferred real property exchanges. ITEC serves as a qualified intermediary in like-kind exchanges under Section 1031 of the Internal Revenue Code of 1986, as amended. In its role as qualified intermediary, ITEC coordinates the exchange aspects of the real estate transaction, and its duties include drafting standard exchange documents, holding the exchange funds between the sale of the old property and the purchase of the new property, and accepting the formal identification of the replacement property within the required identification period. ITAC serves as exchange accommodation titleholder in reverse exchanges. An exchange accommodation offers a vehicle for accommodating a reverse exchange when the taxpayer must acquire replacement property before selling the relinquished property.

The Company's trust services division, Investors Trust, provides investment management and trust services to individuals, companies, banks and trusts.

ITMS offers various consulting services to provide clients with the technical expertise to start and successfully operate a title insurance agency.

Business Trends and Recent Conditions

The housing market is heavily influenced by government policies and overall economic conditions. Regulatory reform and initiatives by various governmental agencies, including the Federal Reserve's monetary policy and other regulatory changes, could impact lending standards or the processes and procedures used by the Company. The current real estate environment, including interest rates and general economic activity, typically influence the demand for real estate. Changes in either of these areas would likely impact the Company's results of operations.

Regulatory Environment

In efforts to provide transparency, the Federal Open Market Committee ("FOMC") of the Federal Reserve issues disclosures on a periodic basis that include projections of the federal funds rate and expected actions. At the December 2015 meeting, the FOMC voted to raise the federal funds rate for the first time since December 2008 to a target range between 0.25% and 0.50%. Since December 2015, the FOMC has voted on several occasions to increase the federal funds rate, most recently at the June 2018 meeting to a target range between 1.75% and 2.00%. Any future adjustments to the rate are expected to be based on realized and expected economic developments to achieve maximum employment and 2.0% inflation. The FOMC anticipates future economic conditions to evolve in ways that will warrant increases and that, for some time, the federal funds rate is expected to be below long range levels. At the September 2017 meeting, the FOMC announced the reduction of securities held on the Federal Reserve's balance sheet, also known as normalization, which began in October 2017.

In 2008, the federal government took control of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") in an effort to keep these government-sponsored entities from failing. The primary functions of Fannie Mae and Freddie Mac are to provide liquidity to the nation's mortgage finance system by purchasing mortgages on the secondary market, pooling them and selling them as mortgage-backed securities. In order to securitize, Fannie Mae and Freddie Mac typically require the purchase of title insurance for loans they acquire. Since the federal takeover, there have been various discussions and proposals regarding their reform. Changes to these entities could impact the entire mortgage loan process and, as a result, could affect the demand for title insurance. The timing and results of reform are currently unknown; however, any changes to these entities could affect the Company and its results of operations.

In recent years, the Consumer Financial Protection Bureau ("CFPB"), Office of the Comptroller of Currency and the Federal Reserve have issued memorandums to banks reflecting a heightened focus on vetting third party providers. Such increased regulatory involvement may affect the Company's agents and approved providers. Further proposals to change regulations governing insurance holding companies and the title insurance industry are often introduced in Congress, in state legislatures and before various insurance regulatory agencies. Although the Company regularly

monitors such proposals, the likelihood and timing of passage of any such regulation, and the possible effects of any such regulation on the Company and its subsidiaries, cannot be determined at this time.

In recent months, both the President and certain members of Congress have indicated a desire for reform of the CFPB. The timing and nature of any reforms are currently unknown; however, any changes to the CFPB could affect the Company and its results of operations.

On December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”) was enacted into law, reducing the federal corporate income tax rate from 35% to 21%, effective January 1, 2018. As required under generally accepted accounting principles, the Company’s deferred tax assets and liabilities were revalued at the new tax rate, and the impact was recognized in the provision for income taxes in the fourth quarter of 2017. The revaluation resulted in a tax benefit of approximately \$5.3 million, or \$2.82 per diluted share, for the year ended December 31, 2017.

Real Estate Environment

Overall, the economy is currently expanding and there has been a steady reduction in unemployment in recent years. The Mortgage Bankers Association's ("MBA") June 2018 Economic and Mortgage Finance Commentary ("MBA Commentary") predicts that the unemployment rate will continue to decrease slowly, reaching a low of 3.6% in the third quarter of 2018 and staying at that level through 2019. The MBA Commentary also anticipates an increase in purchase origination volume based on accelerated wage growth overcoming increasing mortgage rates and housing inventory shortages, and a decline in refinance volume as mortgage rates increase and fewer borrowers are able to take advantage of refinancing rates and terms.

The MBA June 15, 2018 Mortgage Finance Forecast ("MBA Forecast") projects 2018 purchase activity to increase 5.1% to \$1,167 billion and refinance activity to decrease 23.7% to \$458 billion, resulting in a decrease in total mortgage originations of 5.0% to \$1,625 billion, all from 2017 levels. In 2017, purchase activity accounted for 64.9% of all mortgage originations and is projected in the MBA Forecast to represent 71.8% of all mortgage originations in 2018.

According to data published by Freddie Mac, the average 30-year fixed mortgage interest rates in the United States were 4.4% and 4.1% for the six-month periods ended June 30, 2018 and 2017, respectively. Per the MBA Forecast, refinancing is expected to be lower in 2018 as mortgage interest rates continue to climb to a projected 4.9% in the fourth quarter of 2018.

Historically, activity in real estate markets has varied over the course of market cycles by geographic region and in response to evolving economic factors. Operating results can vary from year to year based on cyclical market conditions and do not necessarily indicate the Company's future operating results and cash flows.

Critical Accounting Estimates and Policies

The preparation of the Company's Consolidated Financial Statements requires management to make estimates and judgments that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures regarding contingencies and commitments. Actual results could differ from these estimates. During the six-month period ended June 30, 2018, the Company made the following changes to its critical accounting policies as previously disclosed in Management's Discussion and Analysis in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission.

The Company has updated the following accounting policies due to the adoption of Accounting Standards Update 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 to the Notes to Consolidated Financial Statements herein).

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 to the Notes to Consolidated Financial Statements herein).

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 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.

Results of Operations

The following table presents certain income statement data for the three- and six-month periods ended June 30, 2018 and 2017:

(in thousands)	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 Attributable to the Company	\$6,947	\$5,675	\$11,123	\$10,151

Insurance Revenues

Insurance revenues include net premiums written and other title-related income that includes escrow and settlement fees. Non-title services, investment and other income are discussed separately below.

Net Premiums Written

Title insurance companies typically issue title insurance policies directly through home and branch offices or through title agencies. Following is a breakdown of net premiums generated by home and branch offices and agency operations for the three- and six-month periods ended June 30, 2018 and 2017:

(in thousands, except percentages)	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	%	2017	%	2018	%	2017	%
Home and Branch	\$10,736	30.6 %	\$10,394	30.0 %	\$19,353	29.9 %	\$19,677	29.2 %
Agency	24,406	69.4 %	24,278	70.0 %	45,348	70.1 %	47,733	70.8 %
Total	\$35,142	100.0 %	\$34,672	100.0 %	\$64,701	100.0 %	\$67,410	100.0 %

Home and Branch Office Net Premiums: In the Company's home and branch operations, the Company issues an insurance policy and retains the entire premium, as no commissions are paid in connection with these policies. Net premiums written from home and branch operations increased 3.3% and decreased 1.6% for the three- and six-month periods ended June 30, 2018, respectively, compared with the same prior year periods. The increase for the three-month period ended June 30, 2018 was primarily attributable to higher real estate values, as well as a shift to higher-premium purchase activity, which offset the decline in refinance activity that has occurred over the past year. The decrease for the six-month period ended June 30, 2018 was primarily attributable to a decrease in refinance activity and a shift toward markets with lower average property values.

All of the Company's home office operations and the majority of its branch offices are located in North Carolina; as a result, the home and branch office net premiums written are primarily for North Carolina title insurance policies.

Agency Net Premiums: When a policy is written through a title agency, the premium is shared between the agency and the underwriter. Total premiums include an estimate of premiums for policies that have been issued by agents, but not reported to the Company as of the balance sheet date. To determine the estimated premiums, the Company uses historical experience, as well as other factors, to make certain assumptions about the average elapsed time between the policy effective date and the date the policies are reported. From time to time, the Company adjusts the inputs to the estimation process as agents report transactions and new information becomes available. In addition to estimating revenues, the Company also estimates and accrues agent commissions, claims provision, premium taxes, income taxes, and other expenses associated with the estimated revenues that have been accrued. The Company reflects any adjustments to the accruals in the results of operations in the period in which new information becomes available.

Agency net premiums written increased 0.5% and decreased 5.0% for the three- and six-month periods ended June 30, 2018, respectively, compared with the same prior year periods. The increase for the three-month period ended June 30, 2018 was primarily attributable to higher real estate values, as well as a shift to higher-premium purchase activity, which offset the decline in refinance activity that has occurred over the past year. The decrease for the six-month period ended June 30, 2018 was primarily attributable to lower levels of refinance activity following recent increases in mortgage interest rates. The volume decreases were partially offset by a continuation of increases in real estate values in our core markets.

Following is a schedule of net premiums written for the three- and six-month periods ended June 30, 2018 and 2017 in select states in which the Company's two insurance subsidiaries, ITIC and NITIC, currently underwrite title insurance:

State (in thousands)	Three Months Ended June, 30		Six Months Ended June 30,	
	2018	2017	2018	2017
North Carolina	\$14,570	\$13,307	\$26,198	\$25,530
Texas	6,303	6,688	11,714	12,859
South Carolina	3,440	3,212	6,985	6,837
Georgia	3,559	3,010	6,040	5,840
Virginia	1,472	1,440	2,890	3,000
All Others	5,904	7,073	11,044	13,458
Premiums	35,248	34,730	64,871	67,524
Reinsurance Assumed	—	3	2	3
Reinsurance Ceded	(106)	(61)	(172)	(117)
Net Premiums Written	\$35,142	\$34,672	\$64,701	\$67,410

Escrow and Other Title-Related Fees

Escrow and other title-related fees consists primarily of commission income, escrow and other various fees associated with the issuance of a title insurance policy including settlement, examination and closing fees. Escrow and other title-related fee income was \$2.1 million and \$3.7 million for the three- and six-month periods ended June 30, 2018, respectively, compared with \$1.9 million and \$4.0 million for the same prior year periods. Escrow and other title-related fees typically trend in conjunction with premiums written.

Revenue from Non-Title Services

Revenue from non-title services includes trust services, agency management services and exchange services income. Non-title services revenues were \$1.7 million and \$3.3 million for the three- and six-month periods ended June 30, 2018, respectively, compared with \$1.5 million and \$2.9 million for the same prior year periods. The increase for the three- and six-month periods ended June 30, 2018 primarily related to increases in revenue from exchange services, trust services and agency management services.

Investment Related Revenues

Interest and Dividends

The Company derives a substantial portion of its income from investments in municipal and corporate debt securities and equity securities. The Company's title insurance subsidiaries are required by statute to maintain minimum levels of investments in order to protect the interests of policyholders. The Company's investment policy is designed to comply with regulatory requirements and to balance the competing objectives of asset quality and investment returns.

The Company's investment strategy emphasizes after-tax income and principal preservation. The Company's investments are primarily in fixed maturity securities and, to a lesser extent, equity securities. The average effective maturity of the majority of the fixed maturity securities is less than 10 years. The Company's invested assets are managed to fund its obligations and evaluated to ensure long term stability of capital accounts.

As the Company generates cash from operations, it is invested in accordance with the Company's investment policy and corporate goals. The Company's investment policy has been designed to balance multiple goals, including the

assurance of a stable source of income from interest and dividends, the preservation of principal, and the provision of liquidity sufficient to meet insurance underwriting and other obligations as they become payable in the future. Securities purchased may include a combination of taxable or tax-exempt fixed maturities and equity securities. The Company also invests in short-term investments that include commercial paper, money-market funds and certificates of deposit. The Company strives to maintain a high quality investment portfolio. Interest and investment income levels are primarily a function of general market performance, interest rates and the amount of cash available for investment.

Interest and dividends remained virtually unchanged at \$1.1 million and \$2.2 million for the three- and six-month periods ended June 30, 2018 and 2017.

Other Investment Income

Other investment income consists primarily of income related to investments in unconsolidated affiliates, typically structured as limited liability companies ("LLC's"), accounted for under either the equity method of accounting or the measurement alternative for investments that do not have readily determinable fair values. The measurement alternative method requires investments without readily determinable fair values to be recorded at cost, less impairments, and 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.

Other investment income was \$1.2 million and \$1.5 million for the three- and six-month periods ended June 30, 2018, respectively, compared with \$766 thousand and \$995 thousand for the same prior year periods.

Net Realized Investment Gains

Dispositions of equity securities at a realized gain or loss reflect such factors as industry sector allocation decisions, ongoing assessments of issuers' business prospects and tax planning considerations. Additionally, the amounts of net realized investment gains and losses are affected by assessments of securities' valuation for other-than-temporary impairment. As a result of the interaction of these factors and considerations, the net realized investment gain or loss can vary significantly from period to period.

The net realized gains on investments were \$288 thousand and \$441 thousand for the three- and six-month periods ended June 30, 2018, respectively, compared with \$83 thousand and \$186 thousand for the same prior year period. The net realized gains on investments for the three- and six-month periods ended June 30, 2018 and 2017 did not include any impairment charges. Management believes unrealized losses on remaining fixed maturity securities at June 30, 2018 are temporary in nature.

The securities in the Company's investment portfolio are subject to economic conditions and market risks. The Company considers relevant facts and circumstances in evaluating whether a credit or interest-related impairment of a security is other-than-temporary. Relevant facts and circumstances include the extent and length of time the fair value of an investment has been below cost.

There are a number of risks and uncertainties inherent in the process of monitoring impairments and determining if an impairment is other-than-temporary. These risks and uncertainties include the risk that the economic outlook will be worse than expected or have more of an impact on the issuer than anticipated; the risk that the Company's assessment of an issuer's ability to meet all of its contractual obligations will change based on changes in the characteristics of that issuer; the risk that information obtained by the Company or changes in other facts and circumstances leads management to change its intent to sell the debt security; and the risk that management is making decisions based on misstated information in the financial statements provided by issuers.

Net Unrealized Gain (Loss) on Equity Investments

The Company adopted Accounting Standards Update 2016-01, Financial Instruments, on January 1, 2018. Among other provisions, the update requires changes in fair value for equity securities to be recorded in net income. The net unrealized gain (loss) on equity securities was a \$348 thousand gain and a \$294 thousand loss for the three- and six-month periods ended June 30, 2018, respectively. Such gains and losses were driven by changes in general market conditions.

Other Revenues

Other revenues primarily include state tax credit income, gains and losses on the disposal of fixed assets and miscellaneous revenues. Other revenues were \$7 thousand and \$230 thousand for the three- and six-month periods ended June 30, 2018, respectively, compared with \$33 thousand and \$281 thousand for the same prior year periods.

Expenses

The Company's operating expenses consist primarily of commissions to agents, personnel expenses, office and technology expenses and the provision (benefit) for claims. Operating expenses increased 4.2% and decreased 2.3% for the three- and six-month periods ended June 30, 2018, respectively, compared with the same prior year periods. The increase for the three-month period ended June 30, 2018 was primarily due to an increase in personnel expenses and the provision claims, partially offset by a decrease in commissions expense. The decrease for the six-month period ended June 30, 2018 was primarily due to a decrease in commissions expense and a current year benefit for claims, partially offset by an increase in personnel expenses.

Following is a summary of the Company's operating expenses for the three- and six-month periods ended June 30, 2018 and 2017. Inter-segment eliminations have been netted; therefore, the individual segment amounts will not agree to Note 4 in the accompanying Consolidated Financial Statements.

(in thousands, except percentages)	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	%	2017	%	2018	%	2017	%
Title Insurance	\$30,903	93.3 %	\$29,760	93.6 %	\$57,419	93.1 %	\$59,307	94.0 %
All Other	2,219	6.7 %	2,019	6.4 %	4,254	6.9 %	3,814	6.0 %
Total	\$33,122	100.0 %	\$31,779	100.0 %	\$61,673	100.0 %	\$63,121	100.0 %

On a combined basis, after-tax profit margins were 16.6% and 14.7% for the three- and six-month periods ended June 30, 2018, respectively, compared with 14.1% and 13.0% for the same prior year periods. The Company continually strives to enhance its competitive strengths and market position, including ongoing initiatives to reduce its operating expenses.

Total Company

Personnel Expenses: Personnel expenses include base salaries, benefits and payroll taxes, bonuses paid to employees and contract labor expenses. Personnel expenses were \$10.8 million and \$22.1 million for the three- and six-month periods ended June 30, 2018, respectively, compared with \$9.9 million and \$19.9 million for the same prior year periods. On a consolidated basis, personnel expenses as a percentage of total revenues were 25.7% and 29.2% for the three- and six-month periods ended June 30, 2018, respectively, compared with 24.8% and 25.5% for the same prior year periods. The increase in personnel expenses for the three- and six-month periods ended June 30, 2018 was primarily the result of higher staffing levels related to the support of growth, increases in contract services associated with the Company's ongoing software initiatives, and normal inflationary increases on salaries and benefits.

Office and Technology Expenses: Office and technology expenses primarily include facilities expenses, software and hardware expenses, depreciation expenses, telecommunications expenses, and business insurance. Office and technology expenses were \$2.3 million and \$4.4 million for the three- and six-month periods ended June 30, 2018, respectively, compared with \$2.0 million and \$3.9 million for the same prior year periods. The increase in office and technology expenses in 2018 primarily related to increases in software and hardware expenses, depreciation, facilities and telecommunications expenses.

Other Expenses: Other expenses primarily include business development expenses, premium-related taxes and licensing, professional services, title and service fees, amortization of intangible assets and other general expenses. Other expenses remained virtually unchanged and were \$3.0 million and \$5.5 million for the three- and six-month periods ended June 30, 2018, respectively, compared with \$3.1 million and \$5.5 million for the same prior year periods.

Title Insurance

Commissions: Agent commissions represent the portion of premiums retained by agents pursuant to the terms of their respective agency contracts. Commissions to agents decreased 1.0% and 7.5% for the three- and six-month periods ended June 30, 2018, respectively, compared with the same prior year periods. Commission expense as a percentage of net premiums written by agents was 67.3% and 67.2% for the three- and six-month periods ended June 30, 2018, respectively, compared with 68.4% and 69.0% for the same prior year periods. Commission expense for the six-month period ended June 30, 2018 decreased primarily due to lower agent premium volume. Commissions expense as a percentage of net premiums written decreased primarily due to changes in geographic mix and an increase in the level of intercompany commissions as a percentage of total premiums, with intercompany commissions being eliminated for affiliated agents upon consolidation. Commission rates vary by market due to local practice, competition and state regulations.

Provision (Benefit) for Claims: The provision (benefit) for claims as a percentage of net premiums written was 1.6% and (1.3)% for the three- and six-month periods ended June 30, 2018, respectively, compared with 0.4% and 1.3% for the same prior year period. The increase in the provision (benefit) for claims for the three-month period ended June 30, 2018 was primarily due to higher levels of favorable development incurred in the prior year. The decrease in the provision (benefit) for claims for the six-month period ended June 30, 2018, compared with the same prior year period, primarily related to the current year impact of favorable claims experience and reductions to estimated amounts incurred related to claims previously considered to be large losses.

Title claims are typically reported and paid within the first several years of policy issuance. The provision for claims reflects actual payments of claims, net of recovery amounts, plus adjustments to the specific and incurred but not reported claims reserves, the latter of which are actuarially determined based on historical claims experience. Actual payments of claims, net of recoveries, were \$1.5 million and \$2.0 million for the six-month periods ended June 30, 2018 and 2017, respectively.

At June 30, 2018, the total reserve for claims was \$32.5 million. Of that total, approximately \$3.9 million was reserved for specific claims, and approximately \$28.6 million was reserved for claims for which the Company had no notice. Because of the uncertainty of future claims, changes in economic conditions and the fact that claims may not materialize for several years, reserve estimates are subject to variability.

Changes from prior periods in the expected liability for claims reflect the uncertainty of the claims environment, as well as the limited predictive power of historical data. The Company continually updates and refines its reserve estimates as current experience develops and credible data emerges. Such data includes payments on claims closed during the quarter, new details that emerge on open cases that cause claims adjusters to increase or decrease the case reserves, and the impact that these types of changes have on the Company's total loss provision. Adjustments may be required as new information develops which often varies from past experience.

Income Taxes

The provision for income taxes was \$1.9 million and \$2.9 million for the three- and six-month periods ended June 30, 2018, compared with \$2.7 million and \$4.7 million for the same prior year period. Income tax expense, including federal and state taxes, as a percentage of earnings before income taxes was 21.5% and 21.0% for the three- and six-month periods ended June 30, 2018, respectively, compared with 32.0% and 31.5% for the same prior year period. On December 22, 2017, the Tax Cuts and Jobs Act was enacted into law, reducing the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The effective income tax rate for both 2018 and 2017 differs from the U.S. federal statutory income tax rate of 21% for 2018 and 34% for 2017 primarily due to the effect of tax-exempt income and prior year tax settlement adjustments. Tax-exempt income lowers the effective tax rate.

The Company believes it is more likely than not that the tax benefits associated with recognized impairment and unrecognized losses recorded through June 30, 2018 will be realized. However, this judgment could be impacted by further market fluctuations.

Liquidity and Capital Resources

The Company's current cash requirements include general operating expenses, income taxes, capital expenditures, dividends on its common stock and repurchases of its common stock. Cash flows from operations have historically been the primary source of financing for expanding operations, whether through organic growth or outside investments.

The Company evaluates nonorganic growth opportunities, such as mergers and acquisitions, from time to time in the ordinary course of business. Because of the episodic nature of these events, related incremental liquidity and capital resource needs can be difficult to predict.

The Company's operating results and cash flows are heavily dependent on the real estate market. The Company's business has certain fixed costs such as personnel; therefore, changes in the real estate market are monitored closely, and operating expenses such as staffing levels are managed and adjusted accordingly. The Company believes that its significant working capital position and management of operating expenses will aid its ability to manage cash resources through fluctuations in the real estate market.

Cash Flows: Net cash flows provided by operating activities were \$6.1 million and \$5.7 million for the six-month periods ended June 30, 2018 and 2017, respectively. Cash flows from operating activities increased in 2018 from 2017, primarily due to the timing of disbursements for income taxes and an increase in net income, partially offset by the benefit in the provision for claims.

Cash flows from non-operating activities have historically consisted of purchases and proceeds from investing activities, repurchases of common stock and the payment of dividends. In 2018, the Company had lower levels of investment purchase activity and higher levels of proceeds received from investments compared with the prior year period.

The Company maintains a high degree of liquidity within its investment portfolio in the form of cash, short-term investments and other readily marketable securities. As of June 30, 2018, the Company held cash and cash equivalents of \$29.3 million, short-term investments of \$25.0 million, available-for-sale fixed maturity securities of \$94.6 million and equity securities of \$48.0 million. The net effect of all activities on total cash and cash equivalents was an increase of \$9.1 million in 2018.

Capital Resources: The amount of capital resources the Company maintains is influenced by state regulation, the need to maintain superior financial ratings from third-party rating agencies and other marketing and operational considerations.

The Company's significant sources of funds are dividends and distributions from its subsidiaries, primarily its two title insurance subsidiaries. Cash is received from its subsidiaries in the form of dividends and as reimbursements for operating and other administrative expenses that it incurs. The reimbursements are executed within the guidelines of management agreements between the Company and its subsidiaries.

The ability of the Company's title insurance subsidiaries to pay dividends to the Company is subject to state regulation from their respective states of domicile. Each state regulates the extent to which title underwriters can pay dividends or make distributions and requires prior regulatory approval of the payment of dividends and other intercompany transfers. The maximum dividend permitted by law is not necessarily indicative of an insurer's actual ability to pay dividends. Depending on regulatory conditions, the Company may in the future need to retain cash in its title insurance subsidiaries in order to maintain their statutory capital position. As of June 30, 2018, both ITIC and NITIC met the minimum capital, surplus and reserve requirements for each state in which they are licensed.

While state regulations and the need to cover risks may set a minimum level for capital requirements, other factors necessitate maintaining capital resources in excess of the required minimum amounts. For instance, the Company's capital resources help it maintain high ratings from insurance company rating agencies. Superior ratings strengthen the Company's ability to compete with larger, well known title insurers with national footprints.

A strong financial position provides necessary flexibility to fund potential acquisition activity, to invest in the Company's core business, and to minimize the financial impact of potential adverse developments. Adverse developments that generally require additional capital include adverse financial results, changes in statutory accounting requirements by regulators, reserve charges, investment losses or costs incurred to adapt to a changing regulatory environment, including costs related to CFPB regulation of the real estate industry.

The Company bases its capitalization levels, in part, on net coverage retained. Since the Company's geographical focus has been and continues to be concentrated in states with average premium rates typically lower than the national average, capitalization relative to premiums will usually appear higher than industry averages.

Due to the Company's historical ability to consistently generate positive cash flows from its consolidated operations and investment income, management believes that funds generated from operations will enable the Company to adequately meet its current operating needs for the foreseeable future. However, there can be no assurance that future experience will be similar to historical experience, since it is influenced by such factors as the interest rate environment, real estate activity, the Company's claims-paying ability and its financial strength ratings. In addition to operational and investment considerations, taking advantage of opportunistic external growth opportunities may necessitate obtaining additional capital resources. The Company is unaware of any trend that is likely to result in material adverse liquidity changes, but continually assesses its capital allocation strategy, including decisions relating to repurchasing the Company's stock and/or conserving cash.

Purchase of Company Stock: On November 9, 2015, the Board of Directors of the Company approved the purchase of an additional 163,335 shares pursuant to the Company's repurchase plan, such that there was authority remaining under the plan to purchase up to an aggregate of 500,000 shares of the Company's common stock pursuant to the plan immediately after this approval. Unless terminated earlier by resolution of the Board of Directors, the plan will expire when all shares authorized for purchase under the plan have been purchased. Pursuant to the Company's ongoing purchase program, the Company purchased no shares for the three-month periods ended June 2018 and 2017. The Company anticipates making further purchases under this plan from time to time in the future, depending on such factors as the prevailing market price of the Company's common stock, the Company's available cash and then existing alternative uses for such cash.

Capital Expenditures: Capital Expenditures were approximately \$1.5 million for the six-month period ended June 30, 2018. In 2018, the Company has plans for various capital improvement projects, including increased investment in a number of technology and system development initiatives and hardware purchases which are anticipated to be funded via cash flows from operations. All material anticipated capital expenditures are subject to periodic review and revision and may vary depending on a number of factors.

Off-Balance Sheet Arrangements

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.

In addition, in administering tax-deferred property exchanges, ITEC serves as a qualified intermediary for exchanges, holding the net sales proceeds from relinquished property to be used for purchase of replacement property. 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 held by the Company for the purpose of completing such transactions totaled approximately \$135.8 million and \$185.0 million as of June 30, 2018 and December 31, 2017, respectively. These exchange deposits are held at third-party financial institutions. These amounts are not considered assets of the Company for accounting purposes and, therefore, are excluded from the accompanying Consolidated Balance Sheets. Exchange services revenue includes earnings on these deposits; therefore, investment income is shown as exchange services revenue, rather than investment income. The Company remains contingently liable to customers for the transfers of property, disbursements of proceeds, and the return on the proceeds at the agreed upon rate.

External assets under management of Investors Trust Company are not considered assets of the Company and, therefore, are excluded from the accompanying Consolidated Balance Sheets.

It is not the general practice of the Company to enter into off-balance sheet arrangements or issue guarantees to third parties. The Company does not have any material source of liquidity or financing that involves off-balance sheet arrangements. Other than items noted above, off-balance sheet arrangements are generally limited to the future payments under noncancelable operating leases and payments due under various agreements with third-party service providers.

Recent Accounting Standards

For a description of recent accounting pronouncements, please refer to Note 1 to the Notes to Consolidated Financial Statements herein.

Safe Harbor for Forward-Looking Statements

This Quarterly Report on Form 10-Q, as well as information included in future filings by the Company with the Securities and Exchange Commission and information contained in written material, press releases and oral statements issued by or on behalf of the Company, contains, or may contain, “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, that reflect management’s current outlook for future periods. These statements may be identified by the use of words such as “plan,” “expect,” “aim,” “believe,” “project,” “anticipate,” “intend,” “estimate,” “may,” “should,” “could,” “would” and other expressions that indicate future events and trends. All statements that address expectations or projections about the future, including statements about the Company’s strategy for growth, product and service development, market share position, claims, expenditures, financial results and cash requirements, are forward-looking statements. Without limitation, projected developments in mortgage interest rates and the overall economic environment set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Business Trends and Recent Conditions” constitute forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events that are subject to a number of risks and uncertainties.

Actual future results and trends may differ materially from historical results or those projected in any such forward-looking statements depending on a variety of factors, including, but not limited to, the following:

- changes in interest rates and real estate values;
- other changes in general economic, business, and political conditions, including the overall performance of the financial and real estate markets;
- potential reform of government sponsored mortgage entities;
- the level of real estate transaction volumes, the level of mortgage origination volumes (including refinancing), the mix of title insurance between markets with varying real estate values, and changes to the insurance requirements of the participants in the secondary mortgage market, and the effect of these factors on the demand for title insurance;
- the possible inadequacy of provisions for claims to cover actual claim losses;
- the incidence of fraud-related losses;
- unanticipated adverse changes in securities markets that could result in material losses to the Company's investments;
- significant competition that the Company’s operating subsidiaries face, including the Company’s ability to develop and offer products and services that meet changing industry standards in a timely and cost-effective manner and expansion into new geographic locations;
- the Company’s reliance upon the North Carolina and Texas markets for a significant portion of its premiums;
- compliance with government regulation, including pricing regulation, and significant changes to applicable regulations or in their application by regulators;
- the impact of governmental oversight of compliance of the Company's service providers, including the application of financial regulation designed to protect consumers;
- possible downgrades from a rating agency, which could result in a loss of underwriting business;
- the inability of the Company to manage, develop and implement technological advancements and prevent system interruptions or unauthorized system intrusions;
- statutory requirements applicable to the Company’s insurance subsidiaries that require them to maintain minimum levels of capital, surplus and reserves and that restrict the amount of dividends they may pay to the Company without prior regulatory approval;
- the desire to maintain capital above statutory minimum requirements for competitive, marketing and other reasons;
- heightened regulatory scrutiny and investigations of the title insurance industry;
- the Company’s dependence on key management and marketing personnel, the loss of whom could have a material adverse effect on the Company’s business;
- difficulty managing growth, whether organic or through acquisitions;
-

unfavorable economic or other conditions could cause the Company to record impairment charges for all or a portion of its goodwill and other intangible assets;
policies and procedures for the mitigation of risks that may be insufficient to prevent losses;
the shareholder rights plan could discourage transactions involving actual or potential changes of control; and
other risks detailed elsewhere in this document and in the Company's other filings with the SEC.

These and other risks and uncertainties may be described from time to time in the Company's other reports and filings with the Securities and Exchange Commission. For more details on factors that could affect expectations, see the Company's Annual Report on Form 10-K for the year ended December 31, 2017. The Company is not under any obligation (and expressly disclaims any such obligation) and does not undertake to update or alter any forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made. You should consider the possibility that actual results may differ materially from our forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For the quarter ended June 30, 2018, there were no material changes in the Company's market risks as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in such reports is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that the system of controls has operated effectively in all cases. The Company's disclosure controls and procedures, however, are designed to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

Pursuant to Rule 13a-15(b) under the Exchange Act, an evaluation was performed under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2018 to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

Changes in Internal Control Over Financial Reporting

During the quarter ended June 30, 2018, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See discussion of legal proceedings in Note 7 to the Consolidated Financial Statements included in Item 1 of Part I of this Report, which is incorporated by reference into this Part II, Item 1.

Item 1a. Risk Factors

The following updates the risk factors previously disclosed under Item 1A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Deterioration in financial markets may cause a decline in the performance of the Company's investments and could have a material adverse impact on net income.

The Company derives a substantial portion of its income from its investment portfolio, which primarily includes fixed maturity and equity securities. The Company's investment policy is designed to comply with regulatory requirements and to balance the competing objectives of asset quality and investment returns. The Company's investment portfolio is subject to risk from changes in general economic conditions, prices of marketable fixed maturity and equity securities, interest rates, liquidity, credit markets, and other external factors. The risk of loss is increased during periods of economic uncertainty and tight credit markets as these factors could limit the ability of some issuers to repay their debt obligations.

Fixed maturity and equity securities are carried at estimated fair value on the Company's Consolidated Balance Sheet. Changes in the estimated fair value of securities in the Company's investment portfolio could have a material adverse effect on the Company's results of operations and financial condition.

Changes in the estimated fair value of fixed maturity securities are recorded as a component of accumulated other comprehensive income. If the carrying value of the Company's fixed maturity investments exceeds the estimated fair value, and the decline in estimated fair value is deemed to be other-than-temporary, the Company will be required to write down the value of its investments.

Effective January 1, 2018, all changes in the estimated fair value of equity securities are recognized in the Consolidated Statement of Income as a net unrealized gain or loss, without regard as to whether a decline in value is deemed to be temporary or other-than-temporary. The Company's net income may in turn experience more variation as changes in fair value will more immediately affect the Consolidated Statement of Income.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

- (a) None
- (b) None

The following table provides information about purchases by the Company (and all affiliated purchasers) during (c) the quarter ended June 30, 2018 of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act:

Issuer Purchases of Equity Securities (unrounded)		Total	Maximum
		Number of	Number

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Period	Total Number of Shares Purchased	Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Plan	of Shares that May Yet Be Purchased Under the Plan
Beginning of period				428,295
April 2018	—	\$	— —	428,295
May 2018	—	\$	— —	428,295
June 2018	—	\$	— —	428,295
Total:	—	\$	— —	428,295

For the quarter ended June 30, 2018, the Company purchased no shares of the Company's common stock pursuant to the Company's ongoing purchase program that was initially announced on June 5, 2000. On November 9, 2015, the Board of Directors of the Company approved the purchase of an additional 163,335 shares pursuant to the Company's repurchase plan, such that there was authority remaining under the plan to purchase up to an aggregate of 500,000 shares of the Company's common stock pursuant to the plan immediately after this approval. Unless terminated earlier by resolution of the Board of Directors, the plan will expire when all shares authorized for purchase under the plan (as such number may be amended by the Board) have been purchased. The Company anticipates making further purchases under this plan from time to time in the future, depending on such factors as the prevailing market price of the Company's common stock, the Company's available cash and then existing alternative uses for such cash.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

31(i) Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31(ii) Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS XBRL Instance Document

101.SCHXBRL Taxonomy Extension Schema Document

101.CALXBRL Taxonomy Extension Calculation Linkbase Document

101.LABXBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

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SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INVESTORS TITLE COMPANY

By: /s/ James A. Fine, Jr.

James A. Fine, Jr., President, Treasurer, Chief
Financial Officer, Chief Accounting Officer and
Director (Principal Financial Officer and
Principal Accounting Officer)

Dated: August 8, 2018