

INVESTORS TITLE CO
Form 10-Q
November 09, 2015

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 September 30, 2015

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
(State of incorporation)

56-1110199
(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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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(do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 15, 2015, there were 1,953,217 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 September 30, 2015 and December 31, 2014
 (Unaudited)

	September 30, 2015	December 31, 2014
Assets:		
Investments in securities:		
Fixed maturities, available-for-sale, at fair value (amortized cost: 2015: \$94,114,403; 2014: \$104,421,050)	\$98,034,042	\$ 109,048,290
Equity securities, available-for-sale, at fair value (cost: 2015: \$24,247,215; 2014: \$24,128,753)	35,135,885	39,254,981
Short-term investments	13,884,266	2,576,993
Other investments	10,069,708	8,530,929
Total investments	157,123,901	159,411,193
Cash and cash equivalents	19,290,813	15,826,515
Premium and fees receivable	9,067,775	8,544,183
Accrued interest and dividends	1,286,710	1,063,837
Prepaid expenses and other assets	8,599,846	7,732,677
Property, net	7,176,557	5,460,805
Total Assets	\$202,545,602	\$ 198,039,210
Liabilities and Stockholders' Equity		
Liabilities:		
Reserves for claims	\$37,897,000	\$36,677,000
Accounts payable and accrued liabilities	19,441,453	18,290,819
Current income taxes payable	248,679	92,192
Deferred income taxes, net	5,635,321	5,415,493
Total liabilities	63,222,453	60,475,504
Commitments and Contingencies	—	—
Stockholders' Equity:		
Preferred stock (1,000,000 authorized shares; no shares issued)	—	—
Common stock - no par value (10,000,000 authorized shares; 1,953,418 and 2,023,270 shares issued and outstanding 2015 and 2014, respectively, excluding 291,676 shares for 2015 and 2014 of common stock held by the Company's subsidiary)	1	1
Retained earnings	129,585,111	124,707,196
Accumulated other comprehensive income	9,606,451	12,856,509
Total stockholders' equity attributable to the Company	139,191,563	137,563,706
Noncontrolling interests	131,586	—
Total stockholders' equity	139,323,149	137,563,706
Total Liabilities and Stockholders' Equity	\$202,545,602	\$ 198,039,210

See notes to the Consolidated Financial Statements.

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Investors Title Company and Subsidiaries
 Consolidated Statements of Income
 For the Three and Nine September 30, 2015 and 2014
 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues:				
Net premiums written	\$30,945,532	\$26,356,835	\$86,372,154	\$81,115,940
Investment income - interest and dividends	1,117,529	1,064,995	3,427,055	3,130,846
Net realized (loss) gain on investments	(338,631)	8,689	601,336	592,908
Other	2,816,828	2,077,711	7,924,329	6,344,163
Total Revenues	34,541,258	29,508,230	98,324,874	91,183,857
Operating Expenses:				
Commissions to agents	16,898,323	14,440,264	48,393,553	48,242,923
Provision for claims	703,979	1,507,814	3,621,401	4,177,478
Salaries, employee benefits and payroll taxes	6,957,874	6,609,425	21,101,955	19,250,116
Office occupancy and operations	1,342,288	1,257,009	4,089,806	3,683,980
Business development	568,189	552,215	1,633,358	1,581,872
Filing fees, franchise and local taxes	134,880	233,079	572,621	648,022
Premium and retaliatory taxes	573,336	491,927	1,684,674	1,332,492
Professional and contract labor fees	661,879	621,305	1,926,469	1,976,272
Other	264,012	196,702	708,918	656,653
Total Operating Expenses	28,104,760	25,909,740	83,732,755	81,549,808
Income before Income Taxes	6,436,498	3,598,490	14,592,119	9,634,049
Provision for Income Taxes	1,941,000	1,004,000	4,250,000	2,656,000
Net Income	4,495,498	2,594,490	10,342,119	6,978,049
Net Income Attributable to Noncontrolling Interests	(4,536)	—	(4,536)	(23,523)
Net Income Attributable to the Company	\$4,490,962	\$2,594,490	\$10,337,583	\$6,954,526
Basic Earnings per Common Share	\$2.28	\$1.28	\$5.18	\$3.42
Weighted Average Shares Outstanding – Basic	1,967,923	2,028,818	1,995,120	2,033,637
Diluted Earnings per Common Share	\$2.28	\$1.28	\$5.17	\$3.41
Weighted Average Shares Outstanding – Diluted	1,972,233	2,032,644	2,000,043	2,038,875
Cash Dividends Paid per Common Share	\$0.08	\$0.08	\$0.24	\$0.24

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three and Nine September 30, 2015 and 2014
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income	\$4,495,498	\$2,594,490	\$10,342,119	\$6,978,049
Other comprehensive (loss) income, before tax:				
Amortization related to prior year service cost	1,098	554	3,293	1,663
Amortization of unrecognized loss	878	—	2,635	—
Unrealized (losses) gains on investments arising during the period	(2,359,495)	(960,948)	(4,223,992)	2,023,167
Reclassification adjustment for sales of securities included in net income	(458,058)	(6,534)	(1,390,070)	(840,170)
Reclassification adjustment for write-downs of securities included in net income	657,755	—	668,904	—
Other comprehensive (loss) income, before tax	(2,157,822)	(966,928)	(4,939,230)	1,184,660
Income tax expense related to postretirement health benefits	672	188	2,016	565
Income tax (benefit) expense related to unrealized (losses) gains on investments arising during the year	(809,994)	(332,034)	(1,446,083)	699,001
Income tax benefit related to reclassification adjustment for sales of securities included in net income	(156,447)	(2,328)	(474,198)	(288,078)
Income tax expense related to reclassification adjustment for write-downs of securities included in net income	225,293	—	229,093	—
Net income tax (benefit) expense on other comprehensive (loss) income	(740,476)	(334,174)	(1,689,172)	411,488
Other comprehensive (loss) income	(1,417,346)	(632,754)	(3,250,058)	773,172
Comprehensive Income	\$3,078,152	\$1,961,736	\$7,092,061	\$7,751,221
Comprehensive income attributable to noncontrolling interests	(4,536)	—	(4,536)	(23,523)
Comprehensive Income Attributable to the Company	\$3,073,616	\$1,961,736	\$7,087,525	\$7,727,698

See notes to the Consolidated Financial Statements.

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Investors Title Company and Subsidiaries
 Consolidated Statements of Stockholders' Equity
 For the Nine Months Ended September 30, 2015 and 2014
 (Unaudited)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount				
Balance, January 1, 2014	2,037,135	\$1	\$116,714,749	\$11,347,404	\$—	\$128,062,154
Net income attributable to the Company			6,954,526			6,954,526
Dividends (\$0.24 per share)			(488,127)			(488,127)
Shares of common stock repurchased and retired	(9,824)		(652,657)			(652,657)
Stock options and stock appreciation rights exercised	1,507		27,100			27,100
Share-based compensation expense			88,291			88,291
Amortization related to postretirement health benefits				1,098		1,098
Net unrealized gain on investments				772,074		772,074
Purchase of redeemable noncontrolling interest of subsidiary			(114,320)			(114,320)
Income tax benefit from share-based compensation			15,999			15,999
Balance, September 30, 2014	2,028,818	\$1	\$122,545,561	\$12,120,576	\$—	\$134,666,138
Balance, January 1, 2015	2,023,270	\$1	\$124,707,196	\$12,856,509	\$—	\$137,563,706
Net income attributable to the Company			10,337,583			10,337,583
Dividends (\$0.24 per share)			(477,392)			(477,392)
Shares of common stock repurchased and retired	(72,044)		(5,166,846)			(5,166,846)
Stock options and stock appreciation rights exercised	2,192		54,988			54,988
Share-based compensation expense			102,707			102,707
Amortization related to postretirement health benefits				3,912		3,912
Net unrealized loss on investments				(3,253,970)		(3,253,970)
Net effect of changes in ownership					127,050	127,050
					4,536	4,536

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Net income attributable to noncontrolling interests						
Income tax benefit from share-based compensation			26,875			26,875
Balance, September 30, 2015	1,953,418	\$1	\$129,585,111	\$9,606,451	\$131,586	\$139,323,149

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
 Consolidated Statements of Cash Flows
 For the Nine Months Ended September 30, 2015 and 2014
 (Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Operating Activities		
Net income	\$ 10,342,119	\$ 6,978,049
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	654,838	583,979
Amortization, net	542,841	458,635
Amortization related to postretirement benefits obligation	5,928	1,663
Share-based compensation expense related to stock options	102,707	88,291
Net (gain) loss on the disposals of property	(30,374) 6,487
Net realized gain on investments	(601,336) (592,908)
Net earnings from other investments	(1,774,927) (990,657)
Provision for claims	3,621,401	