INVESTORS TITLE CO
Form 10-K
March 12, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 2017
[ ] 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 or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

121 North Columbia Street
Chapel Hill, North Carolina 27514
(919) 968-2200
(Address and telephone number of principal executive office)

Securities registered pursuant to section 12(b) of the Act:	Name of each exchange on which registered:
Common Stock, no par value	The NASDAQ Stock Market LLC
Rights to Purchase Series A Junior Participating Preferred Stock	The NASDAQ Stock Market LLC

Securities registered pursuant to section 12(g) of the Act: None
Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes [ ] No [X]
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 [X] 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 [X] No [ ]
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]
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	X
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 Act).

Yes [ ] No [X]

The aggregate market value of the shares held by non-affiliates of the registrant as of June 30, 2017 was $342,728,481 based on the closing price on the NASDAQ Stock Market LLC.

As of February 16, 2018, there were 1,885,869 common shares of the registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Investors Title Company's definitive proxy statement for the Annual Meeting of Shareholders to be held May 16, 2018 are incorporated by reference in Part III hereof.

Safe Harbor and Forward-Looking Statements

This Annual Report on Form 10-K, as well as information included in future filings by the Company with the Securities and Exchange Commission ("SEC") 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," "should," "could," "would" and other expre 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. For a description of factors that may cause actual results to differ materially from such forward-looking statements, see Item 1A, "Risk Factors" of this Annual Report on Form 10-K.

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 general economic, business, and political conditions, including the performance of the financial and real estate markets and potential reform of government sponsored entities;
- the level of real estate transaction volumes, the level of mortgage origination volumes (including refinancing) 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 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, comprising approximately 38.3% and 19.1% of premiums written, respectively;
- 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 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 SEC. 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.

INVESTORS TITLE COMPANY AND SUBSIDIARIES

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PART I

Item 1. Business

GENERAL

Investors Title Company (the “Company”) is a holding company that operates through its subsidiaries and was incorporated in the state of North Carolina in 1973. The Company became operational in 1976, when it acquired Investors Title Insurance Company (“ITIC”), which had itself been operating since 1972, as a wholly owned subsidiary under a plan of exchange of shares of common stock. In 1983, the Company acquired National Investors Title Insurance Company (“NITIC”), formerly Northeast Investors Title Insurance Company, which had itself been operating since 1973, as a wholly owned subsidiary under a plan of exchange of shares of common stock. The Company’s executive offices are located at 121 North Columbia Street, Chapel Hill, North Carolina 27514 and its telephone number is (919) 968-2200. The Company maintains a website at www.invtitle.com.

OVERVIEW OF THE BUSINESS

The Company’s primary business activity, and its only reportable operating segment, is the issuance of residential and commercial title insurance through ITIC and NITIC. Additionally, the Company provides tax-deferred real property exchange services through its subsidiaries, Investors Title Exchange Corporation (“ITEC”) and Investors Title Accommodation Corporation (“ITAC”); investment management and trust services to individuals, trusts and other entities through its subsidiary Investors Trust Company (“Investors Trust”); and management services to title insurance agencies through its subsidiary, Investors Title Management Services (“ITMS”). See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 12 of Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for additional information related to the revenues, income and assets attributable to the Company’s primary operating segment.

Title Insurance

Through its two wholly owned title underwriting subsidiaries, ITIC and NITIC, the Company underwrites title insurance for owners and mortgagees as a primary insurer. ITIC and NITIC offer primary title insurance coverage to owners and mortgagees of real estate and assume reinsurance of title insurance risks from other title insurance companies. The commitments and policies are predominantly issued using standard forms approved by the American Land Title Association (“ALTA”).

Title insurance protects against losses resulting from title defects affecting real property. Upon a real estate closing, the seller of real property executes a deed to the new owner, and typically, the property is encumbered with a new mortgage. When real property is conveyed from one party to another, occasionally there is an undisclosed or undiscovered defect in the title or a mistake or omission in a prior deed or mortgage that may give a third party a legal claim against such property or result in the invalidity or unenforceability of the insured mortgage. If a claim is made against the title to real property, title insurance provides indemnification against covered defects.

Numerous types of defects could jeopardize the property owner’s or mortgagee’s interest in the property for which a title policy may provide coverage. Such risks include title being vested in an individual or entity other than the insured, lack of a right of access to the property, invalidity or unenforceability of the insured mortgage, or other liens or encumbrances that make the property unmarketable. The policy may provide coverage for defects arising from prior unsatisfied mortgages, judgments, tax liens or confirmed assessments, or encumbrances against the property arising through easements, restrictions or other existing covenants. Title insurance may also protect against deeds or mortgages that were forged or improperly acknowledged or delivered, that were executed by spouses without the other spouse's signature or that were conveyed by minors or other persons who lack legal capacity.

Title Insurance Policies. The Company issues title insurance policies based on a search of public records. The title search documents the current status of title to the 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 property owners to purchase title insurance to protect the priority of its 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.

Insured Risk on Policies in Force. Generally, the amount of the insured risk under a title insurance policy is equal to the purchase price, the loan amount or the fair market value of the insured property. If a claim is made against an insured property's title, the insurer can choose to pay the cost of eliminating the covered title defects or to defend the insured party against covered title defects affecting the property. In the alternative, the insurer may opt to pay the policy limits to the insured or, if the loss is less than policy limits, the amount of the insured's actual loss due to such title defects, at which time the insurer's duty to defend the claim and all other obligations of the insurer with respect to the claim are satisfied.

At any given time, the insurer's actual risk of monetary loss under outstanding policies is only a portion of the aggregate insured risk, or total face amount, of all policies in force. The lower risk results primarily from the reissuance of title insurance policies for the same property by other underwriters over time when such property is subsequently conveyed or refinanced. The coverage on a lender's title insurance policy is reduced and eventually terminated as the mortgage loan is paid. An owner's policy is effective as long as the insured has an ownership interest in the property or has liability under warranties of title. Due to the variability of these factors, the aggregate contingent liability of the Company's title underwriters on outstanding policies cannot be determined with precision.

Losses and Reserves. While most other forms of insurance provide for the assumption of risk of loss arising from unforeseen events, title insurance is based upon a process of loss avoidance. Title insurance generally serves to protect the policyholder from the risk of loss from events that predate the issuance of the policy. Losses on policies typically occur when a title defect is not discovered during the examination and settlement process or upon the occurrence of certain hidden risks which cannot be determined from an accurate search of public land records. The maximum amount of liability under a title insurance policy is generally the face amount of the policy plus the cost of defending the insured's title against an adverse claim, if agreed to by the insurer prior to payment of loss under the policy, and any inflation protection clause associated with the policy. The reserve for claim losses is established from known claims, as well as estimated losses incurred but not yet reported to the Company based upon historical experience and other factors.

Title claims can often be complex, vary greatly in dollar amounts, are affected by economic and market conditions and may involve uncertainties as to ultimate exposure. Therefore, reserve estimates are subject to variability. For a more complete description of the Company's reserve for claims, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

Title Insurance Underwriting Operations. ITIC and NITIC issue title insurance through the Company's 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 Company's title insurance subsidiaries determine the terms and conditions upon which they will insure title to real property according to the Company's underwriting standards, policies and procedures. Title insurance premiums written reflect a one-time premium payment, with no recurring premiums.

Generally, premiums for title insurance are recorded and recognized as revenue at the closing of the related transaction, when the earnings process is considered complete. When the policy is issued directly through a home or branch office, the premiums collected are retained by the Company. When the policy is issued through a title insurance agent, the agent retains a majority of the premium as a commission and remits the net amount to the Company. Title insurance commissions earned by the Company's agents are recognized as expenses concurrently with premium recognition. The percentage of the premium retained by agents varies by region and is sometimes regulated by the states where the property is located.

For a description of the level of net premiums written by direct and agency operations, refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

Geographic Operations. ITIC was incorporated in North Carolina in 1972, and is licensed to write title insurance in 44 states and the District of Columbia. ITIC currently writes title insurance as a primary insurer in 21 states and the District of Columbia, primarily in the eastern half of the United States, and as a reinsurer for NITIC and third party title insurance companies.

NITIC was incorporated in South Carolina in 1973, and is licensed to write title insurance in 20 states and the District of Columbia. In November 2014, NITIC redomesticated to Texas. NITIC currently writes title insurance as a primary insurer in Texas, and as a reinsurer for ITIC.

Premiums from title insurance written on properties located in North Carolina and Texas represent the largest source of revenue for the title insurance segment. In North Carolina, ITIC primarily issues title insurance commitments and policies through branch offices. In Texas and other states, title policies are primarily issued through issuing agents. For a description of the level of net premiums written geographically for significant states, refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K.

Each state license authorizing ITIC or NITIC to write title insurance must be renewed annually. These licenses are necessary for the companies to operate as a title insurer in each state in which they write premiums.

Ratings. The Company’s title insurance subsidiaries are regularly assigned ratings by independent agencies designed to indicate their financial condition and/or their claims paying ability. The rating agencies determine ratings primarily by analyzing financial data.

Reinsurance. The Company assumes and cedes reinsurance with other insurance companies in the normal course of business. Reinsurance is a contractual arrangement whereby one insurer assumes some or all of the risk exposure written by another insurer. Ceded reinsurance is comprised of excess of loss treaties, which outline the conditions in which the reinsurance company will pay claims and protect the ceding insurer against losses over certain agreed amounts.

In the ordinary course of business, ITIC and NITIC reinsure certain risks with other title insurers to limit their risk exposure and to comply with state insurance regulations. They also assume reinsurance for certain risks of other title insurers for which they receive additional income in the form of reinsurance premiums. For each of the last three years, revenues from reinsurance activities accounted for less than 1% of total premium volume.

Exchange Services, Investment Management and Trust Services, and Management Services

The Company’s other lines of business include services offered by wholly owned subsidiaries ITEC, ITAC, Investors Trust, and ITMS.

In 1988, the Company established ITEC to provide services in connection with tax-deferred exchanges of like-kind property pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended. ITEC acts as a qualified intermediary in tax-deferred exchanges of property held for productive use in a trade or business or for investment, and its income is derived from fees for handling exchange transactions and interest earned on client deposits held by the Company. 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 time the old property is sold and the new property is purchased, and accepting the formal identification of the replacement property within the required identification period. ITAC provides services as an exchange accommodation titleholder for accomplishing reverse exchanges when taxpayers decide to acquire replacement property before selling the relinquished property. The services provided by the Company’s exchange division, ITEC and ITAC, are pursuant to provisions in the Internal Revenue Code. From time to time, these laws are subject to review and changes, which may negatively affect the demand for tax-deferred exchanges in general, and consequently, the revenues and profitability of the Company’s exchange division.

Investors Trust provides investment management and trust services to individuals, companies, banks and trusts.

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

None of these other lines of business is currently a reportable segment for which separate financial information is presented; instead, they are collectively included and reported in the category “All Other” in the segment information of the Company’s financial statements.

CYCLICALITY AND SEASONALITY

Real estate activity, home sales and mortgage lending are cyclical in nature. Title insurance premiums are closely related to the level of real estate activity and the average price of real estate sales. The availability of funds to finance purchases directly affects real estate sales. Other factors include mortgage interest rates, consumer confidence, economic conditions, supply and demand and family income levels. The Company’s 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, but is subject to interest rate fluctuations.

MARKETING

The Company markets its title insurance services to a broad range of customers in the residential and commercial market sectors of the real estate industry. 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.

ITIC and NITIC strive to provide superior service to their customers and consider this an important factor in attracting and retaining customers. Branch and corporate personnel strive to develop new business and agency relationships to increase market share while ITIC’s Commercial Services Division focuses on services provided to commercial clients.

REGULATION

Any material change in the Company’s regulatory environment may have an adverse effect on its business.

Title Insurance

The Company is an insurance holding company and therefore it is subject to regulation in the states in which its insurance subsidiaries do business. These regulations, among other things, require insurance holding companies to register and file certain reports, and require prior regulatory approval of the payment of extraordinary dividends and other intercompany distributions or transfers.

Title insurance companies are extensively regulated under applicable state laws. All states have requirements for admission to do business as an insurance company, including minimum levels of capital, surplus and reserves. State regulatory authorities monitor the stability and service of insurance companies and possess broad powers with respect to the licensing of title insurers and agents, approving rate schedules and policy forms, financial reporting and accounting practices, reserve requirements, investments and dividend restrictions, approving related party transactions, as well as examining and auditing title insurers. At December 31, 2017, both ITIC and NITIC met the statutory premium reserve requirements and the minimum capital and surplus requirements of the states where they are licensed. A substantial portion of the assets of the Company’s title insurance subsidiaries consists of their portfolios of investment securities. Both of these subsidiaries are required by various state laws to maintain assets of a defined minimum quality and amount.

The Company’s insurance subsidiaries are subject to examination at any time by the insurance regulators in the states where they are licensed as well as required periodic examinations. These and other governmental authorities have the power to enforce state and federal laws to which the title insurance subsidiaries are subject. These governmental authorities include, but are not limited to, the Consumer Financial Protection Bureau (“CFPB”), which enforces the Real Estate Settlement Procedures Act (“RESPA”), the primary federal regulatory guidance governing the real estate settlement industry. The CFPB has the authority to identify and address, through regulation, unfair, deceptive and abusive practices in the mortgage industry and certain other settlement service industries.

On July 7, 2017, the CFPB released final amendments to federal mortgage disclosure requirements under RESPA and the Truth in Lending Act that are implemented in Regulation Z. The final rules were published in the Federal Register on August 11, 2017. The amendments reinforce the CFPB’s informal guidance on various issues and include clarifications and technical amendments. The CFPB rule creates tolerances for the total of payments; adjusts a partial exemption that mainly affects housing finance agencies and nonprofits; provides a uniform rule regarding application of the integrated mortgage disclosure requirements to cooperative units; and provides guidance on sharing the disclosures with various parties involved in the mortgage origination process. The final rule did not have a material impact on the Company.

In recent years, the CFPB, Office of the Comptroller of Currency and the Federal Reserve have issued memorandums to banks that communicated those agencies’ 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.

On December 22, 2017, the Tax Cuts and Jobs Act (“TCJA”), was enacted into law. The new tax legislation, among other changes, reduces 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 newly enacted U.S. corporate income tax rate, and the impact was recognized in our provision for income taxes in the fourth quarter of 2017. The revaluation resulted in a benefit of approximately $5.3 million, or $2.82 per diluted share.

Exchange Services, Investment Management and Trust Services, and Management Services

Investors Trust is regulated by the North Carolina Commissioner of Banks.

COMPETITION

The title insurance industry is highly competitive. The four largest title insurance companies typically maintain greater than 85% of the market for title insurance in the United States, with smaller regional companies holding the balance of the market. The number and size of competing companies varies in the respective geographic areas in which the Company conducts business. Key competitive factors in the title insurance industry are the financial strength and size of the insurer, timeliness and quality of service, price and expertise in certain transactions. Title insurance underwriters also compete for agents based upon service and commission levels. Some title insurers currently have greater financial resources, larger distribution networks and more extensive computerized databases of property records and related information than the Company. In addition, there are numerous industry-related regulations and statutes that set out conditions and requirements to conduct business. Changes to or the removal of such regulations and statutes could result in additional competition from alternative title insurance products or new entrants into the industry that could materially affect the Company’s business operations and financial condition.

CUSTOMER AND LENDER CONCENTRATION

The Company is not dependent upon any single title insurance customer or a few customers, and the loss of any single customer would not have a material adverse effect on the Company.

Based on information from Mortgage Daily, published on February 23, 2017 by the Washington Post titled The Mortgage Market Is Now Dominated By Non-Bank Lenders, there were 10 lending institutions in the United States that accounted for approximately 44% of all mortgage originations in the United States in 2016. These lending institutions benefit from title insurance policies that are purchased by borrowers on the lending institutions’ behalf as a condition to the making of loans. Refusal by major market lenders to accept our product offerings could have a material adverse effect on the Company.

INVESTMENT POLICIES

The Company and its subsidiaries derive a substantial portion of their income from investments in municipal government securities and investment grade corporate bonds and equity securities. The Company’s debt and equity securities are classified as available for sale and carried at fair market value. The Company’s investment policy is designed to maintain a high quality portfolio and maximize income. Some state laws impose restrictions upon the types and amounts of investments that can be made by the Company’s insurance subsidiaries. The Company’s investment portfolio is managed internally and via a wholly owned subsidiary. The securities in the Company’s portfolio are subject to economic conditions and normal market risks. Equity securities at December 31, 2017 and 2016 consisted of investments in various industry groups. The Company’s investment portfolio did not include any significant investments in banks, trust or insurance companies at December 31, 2017 or 2016. Short-term investments, which consist primarily of money market instruments and certificates of deposit which have an original maturity of one year or less, are carried at cost, which approximates fair value due to the short duration to maturity. In addition, at December 31, 2017 and 2016, the Company held investments that are accounted for using the equity method (see Note 1 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.)

See Note 3 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for the major categories of investments, scheduled maturities, fair values of investment securities and earnings by category.

ENVIRONMENTAL MATTERS

The title insurance policies ITIC and NITIC currently issue exclude any liability for environmental risks and contamination unless a notice of violation relating to an environmental protection law, ordinance or regulation is recorded prior to the date of such policy or the Company issues a specific policy endorsement providing coverage for environmental liens recorded prior to the date of such policy. The Company has not experienced and does not anticipate that it or its subsidiaries will incur any significant expenses related to environmental claims.

In connection with tax-deferred exchanges of like-kind property, ITAC may temporarily hold title to property pursuant to an accommodation titleholder agreement. In order for ITAC to enter into such arrangements, each person or entity for which title is being held must first (i) execute an indemnification agreement under which it agrees to indemnify ITAC for any environmental or other claims which may arise as a result of the arrangement, and (ii) provide due diligence materials regarding any known environmental issues, in the form of an environmental questionnaire and/or applicable environmental engineering studies, if indicated for review by ITAC, as applicable.

EMPLOYEES

The Company and its subsidiaries had 360 full-time employees and 23 part-time employees as of December 31, 2017. None of the employees are covered by any collective bargaining agreements. Management considers its relationship with its employees to be favorable.

ADDITIONAL INFORMATION

The Company's internet address is www.invtitle.com. The contents of the Company's website are not and shall not be deemed to be a part of this document or any other Securities and Exchange Commission ("SEC") filing. The Company makes available free of charge through its internet website its annual reports on Form 10-K, its quarterly reports on Form 10-Q, its current reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the SEC, and also makes available the Section 16 reports on Forms 3, 4 and 5 of its insiders no later than the end of the business day following such filings. The information is free of charge and may be reviewed and downloaded from the website at any time. The public may read any material it has filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The "Investor Relations" section of the Company's website also includes its code of business conduct and ethics and the charters of the Audit, Compensation and Nominating Committees of its Board of Directors.

Executive Officers of the Company

Following is information regarding the executive officers of the Company as of February 23, 2018. Each officer is appointed at the annual meeting of the Board of Directors to serve until the next annual meeting of the Board or until his or her respective successor has been elected and qualified.

Name	Age	Position with Registrant
J. Allen Fine	83	Chief Executive Officer and Chairman of the Board
James A. Fine, Jr.	55	President, Treasurer, Chief Financial Officer, Chief Accounting Officer and Director
W. Morris Fine	51	Executive Vice President, Secretary and Director

J. Allen Fine has been Chief Executive Officer and Chairman of the Board of the Company since its incorporation in 1973. He also served as President of the Company until May 1997. He is the father of James A. Fine, Jr. and W. Morris Fine.

James A. Fine, Jr. was named Vice President of the Company in 1987. In 1997, he was named President and Treasurer and appointed as a Director of the Company. In 2002, he was appointed as Chief Financial Officer and Chief Accounting Officer. He is the son of J. Allen Fine and the brother of W. Morris Fine.

W. Morris Fine was named Vice President of the Company in 1992. In 1993, he was named Treasurer of the Company and served in that capacity until 1997. In 1997, he was named Executive Vice President and Secretary of the Company. In 1999, he was appointed as a Director of the Company. He is the son of J. Allen Fine and the brother of James A. Fine, Jr.

Item 1A. Risk Factors

The risk factors listed in this section and other factors noted herein could cause actual results to differ materially from those contained in any forward-looking statements or could result in a significant or material adverse effect on the Company's results of operations.

Adverse changes in real estate activity may negatively impact the Company's results of operations and financial condition.

The demand for the Company's title insurance and other real estate transaction products and services varies from year to year and is dependent upon, among other factors, the volume of residential and commercial real estate transactions and mortgage financing transactions. The volume of these transactions has historically been influenced by factors such as the overall state of the economy, the average price level of real estate sales and the availability and pricing of mortgage financing. During periods of economic uncertainty, or when the availability of mortgage credit is limited or when mortgage interest rates are increasing, real estate activity typically declines. The cyclical nature of the Company's business has caused volatility in revenue and profitability in the past and could do so in the future. Demand for title insurance also depends in part upon the requirement by mortgage lenders and other participants in the secondary mortgage market that title insurance policies be obtained on residential and commercial real property.

The Company may experience material losses resulting from fraud, defalcation or misconduct.
Underwriting agents and approved settlement providers, which can include approved settlement agents, attorneys and search firms, perform a significant portion of the work necessary to issue the Company's title insurance policies. These agents and providers operate with a substantial degree of independence from the Company, and while they are subject to certain contractual limitations designed to mitigate the Company's risk, there is no guarantee that these limitations will eliminate all associated risks. As a result, the Company's use of title agents and approved providers could result in claims on the Company's policies and other expenses due to fraud and negligence. Fraud, defalcation, errors and other misconduct by the Company's agents, approved attorneys and employees are risks inherent in the Company's business. Agents and approved attorneys typically handle large sums of money in trusts pursuant to the closing of real estate transactions. Misappropriation of funds by any of these parties could result in title claims, some of which could be large and have a material negative impact on the Company's results of operations and financial condition.
The Company relies upon the North Carolina and Texas markets for a significant portion of its premiums. Changes in the economic or regulatory environments in North Carolina or Texas could have an adverse impact on the Company.

North Carolina and Texas are the largest sources of premium revenue for the Company's title insurance subsidiaries. In 2017, North Carolina and Texas represented 38.3% and 19.1% of total premiums written by the Company, respectively. A decrease in the level of real estate activity in either North Carolina and/or Texas, whether driven by weak economic conditions, changes in regulatory environments or other factors that influence demand, could have a negative impact on the Company's financial results.

Adverse deviation of actual claims experience from expected claims experience will result in lower net earnings.
The Company's net income is affected by the extent to which its actual claims experience differs from the assumptions used in establishing the reserve for claims. The reserve for claims is established based on actuarial estimates of future payments for reported claims, as well as claims which have been incurred but not yet reported. In addition, management considers factors such as the Company's historical claims experience, case reserve estimates on reported claims, large claims and other relevant factors in determining loss provision rates and the aggregate recorded expected liability for claims.
Due to the nature of the underlying risks and the high degree of uncertainty associated with the estimation of the reserve for claims, the Company cannot determine precisely the amounts which it will ultimately pay to settle its claims. Factors contributing to the complexity in establishing reserves can include varying loss potentials, timing, unfavorable market or economic conditions and the legal environment. The timing of claims is difficult to estimate as payments may not occur until well into the future. Higher levels of defaults and foreclosures upon insured properties are more prevalent in times of unfavorable economic conditions and can lead to an increase in title insurance claims. The Company may also incur higher than normal claim payment experience or large losses. To the extent that actual claims experience is greater than estimated, the Company could be required to increase the reserve.
The Company's insurance subsidiaries are subject to complex government regulations. Changes in regulations may have an adverse effect on the Company's results of operations.
The Company's title insurance subsidiaries are subject to extensive regulations that are intended to protect policyholders and consumers.
The Company's title insurance subsidiaries are subject to regulations by the CFPB, created by the Dodd-Frank Act. The CFPB has extensive regulatory and enforcement authority over real estate and mortgage markets, including RESPA, the primary federal regulatory guidance governing the real estate settlement industry. The manner and extent to which the CFPB will implement new regulations is not fully known; however, any new regulations implemented could result in changes to internal processes, including changes to systems and forms.

In addition to federal regulation, title insurance subsidiaries are subject to state regulations. The nature and extent of state regulations, which vary from state to state, typically involve, among other matters, licensing and renewal requirements and trade and marketing practices, including, but not limited to the following:

- licensing of insurers and agents;
- capital and surplus requirements;
- approval, regulation or establishment of premium rates for insurance;
- limitations on types and amounts of investments;
- limitations on the size of risks that may be insured by a single company;
- filing of annual and other reports with respect to financial condition;
- the amount of dividends and other payments made by insurance subsidiaries;
- establishing reserves;
- accounting and financing practices;
- deposits of securities for the benefit of policyholders;
- trade and marketing practices;
- regulation of reinsurance;
- approval of policy forms; and
- use of personal information.

Insurance holding companies are subject to periodic examinations and the regulation of acquisitions, intercompany transactions and changes in control, among other regulations, by state regulators.

The Company and its subsidiaries are also subject to certain federal regulations established by the Office of the Comptroller of Currency, the Federal Reserve and various other governmental agencies.

The Company's other businesses also operate within state and federal guidelines. Any changes in the regulatory environment could restrict its existing or future operations and could possibly make it more burdensome and costly to conduct them.

New regulations, or differing interpretations of existing laws, could change business processes, products and services and have a negative impact on the Company's results of operations and financial condition.

Competition affects the Company's results of operations.

The title insurance industry is highly competitive with only a few insurers comprising a large percentage of the market. Key competitive factors are quality of service, price within regulatory parameters, expertise, timeliness and the financial strength and size of the insurer. Title insurance underwriters compete for premiums by choosing various distribution channels which may include company-owned operations, independent agents and agency relationships with real estate attorneys, subsidiaries of community and regional lending institutions, realtors, builders and other settlement service providers. Title insurance underwriters compete for agents on the basis of service, technology and commission levels. Some title insurers currently have greater financial resources, larger distribution networks and more extensive computerized databases of property records and information than the Company. The number and size of competing companies varies in the different geographic areas in which the Company operates, and any reductions to current regulatory barriers within any of the different geographic areas could increase the number of competitors entering into the title insurance market. Competition among the major providers of title insurance or the acceptance of alternative products to traditional title products by the regulatory authorities and the marketplace could adversely affect the Company's operations and financial condition.

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 that primarily includes fixed-income 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-income 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. If the carrying value of the Company's investments exceeds the fair value, and the decline in fair value is deemed to be other-than-temporary, the Company will be required to write down the value of its investments, which could have a material negative impact on the Company's results of operations and financial condition.

A downgrade from a rating agency could result in a loss of underwriting business.

The competitive positions of title insurance companies rely partly on ratings published by independent rating services. Government sponsored entities and lending institutions utilize these ratings, among other items, to evaluate a title insurer's strength and stability. The Company's title insurance subsidiaries are currently rated by A.M. Best Company, Kroll Bond Agency and Demotech, Inc. The ratings issued by independent rating agencies are not credit ratings, but represent the opinion of the individual rating agency in regards to the title insurance subsidiaries' financial strength, operating performance, and ability to meet policyholder obligations. These insurer ratings are subject to periodic review and there can be no assurance that the Company's insurance subsidiaries will maintain their current respective ratings. A significant downgrade in the ratings of either of the Company's insurance subsidiaries could negatively impact the ability to compete for new business, retain existing business and maintain the necessary licenses to operate as title insurance companies in various states.

Breaches and failures of, and other disruptions to, the Company's information technology systems may disrupt the Company's operations, result in monetary losses and harm the Company's reputation.

The Company relies on information technology ("IT") systems for a wide range of activities involved in the delivery of its products and services, including, but not limited to the following:

- process title insurance applications and policy issuances;
- perform due diligence on land titles;
- manage substantial cash, investment assets, bank deposits, trust assets and escrow account balances on behalf of the Company and its customers;
- manage billing, collections and payables, including insurance premiums, agent commissions;
- manage accounting and financial reporting; and
- manage payroll and human resources information.

The Company's IT systems may be disrupted or fail, and information stolen or otherwise misappropriated, for a number of reasons, including:

- hacking, computer viruses, malware, ransomware or other cyber-attacks;
- software "bugs", hardware defects or human error;
- natural disasters, like fires; or
- power loss.

Any of these events could disrupt operations both internally and externally, which may result in the loss of revenues. These events could also result in the unauthorized release of proprietary and/or non-public information, or even defalcation of corporate or client funds.

The Company's information technology systems have been subject to, and are likely to continue to be the target of, computer viruses, cyber-attacks, phishing attacks and other malicious activity. The Company invests resources in maintaining the security of its systems and adapting to evolving security threats. There is however no guarantee that its security measures will be adequate to prevent all cyberattacks. There is similarly no guarantee that the Company's backup systems or disaster recovery procedures will be adequate to mitigate losses due to IT system disruptions in a timely fashion, and the Company may incur significant expense in correcting IT system emergencies. The Company's reputation may also be damaged in the event of a serious IT breach or failure. Furthermore, as technology develops, and as cybercriminals become more capable, the difficulty and expense of maintaining IT security and redundancy may increase.

To the extent the Company's IT systems store non-public personal information, and information about its employees, security breaches may expose the Company to other serious liabilities and reputational harm if such data is misappropriated. Non-public personal information may include, but is not limited to, names, addresses, social security numbers, and banking information.

Furthermore, certain laws to which the Company or its subsidiaries are subject and certain contracts to which they are a party, particularly contracts with financial institutions, require notification to various parties, consumers and customers in the event that confidential or personal information may have been or was accessed by unauthorized third parties. Such an event could potentially result in a breach of contract, and any required notifications could result in, among other things, the loss of customers, negative publicity, distraction of management, fines, lawsuits for breach of contract, regulatory inquiries or involvement and a decline in sales.

The Company seeks to mitigate the financial risk associated with unauthorized disclosure of non-public information by maintaining cyber liability insurance coverage. As cybercriminals continue to become more sophisticated however, the costs to insure against cyber-attacks may rise.

Title insurance rate regulation could have an adverse impact on the Company's results of operations.

Rates for title insurance vary by 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. This regulation could impact the Company's ability to adjust prices in the face of rapidly changing market conditions, which could adversely affect results of operations.

The Company may encounter difficulties managing system or technological changes, which could adversely affect its financial and operating results.

Technological changes in the title insurance industry are driven primarily by evolution in technology, competitive factors and regulatory changes. These changes have resulted in faster information delivery and efficient, highly automated production processes. The inability of the Company to manage, develop or successfully implement new systems or technological changes could negatively impact profitability.

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.

As a result of acquisition activity, the Company has goodwill and other intangible assets that comprise approximately 4.6% of total assets as of December 31, 2017. Quarterly, the Company performs an impairment analysis that reviews changes in events or circumstances that could lead to the carrying value not being recoverable. Economic downturns or poor performance of the acquisitions could result in the Company recognizing an impairment of a portion or all of the goodwill and intangible assets on the Company's books and could have a material adverse effect on the Company's results of operations.

Financial institution failures could adversely affect the Company.

The Company has substantial deposits with financial institutions, including fiduciary deposits that are owned by third parties. There is no guarantee the Company, whether through the Federal Deposit Insurance Corporation or otherwise, would recover the funds it has deposited should one or more of the financial institutions at which the Company maintains deposits fail.

The Company may encounter difficulties managing growth, which could adversely affect its results.

The Company's future growth plans involve expansion into new geographic locations and further penetration into established markets through new or existing agents, or through acquisitions. Such growth may subject the Company to associated risks, such as diverting management's attention, incurring unanticipated liabilities from an acquired business, difficulty integrating an acquired entity, or retaining its employees or customers and realization of synergies. The occurrence of any of these risks may deprive the Company of some or all of the anticipated value of an acquisition or other growth initiatives, resulting in lower returns on investment and result in a negative impact on the Company's results of operations. These risks could be particularly significant if the Company incurs significant costs in pursuing an acquisition or other initiatives.

The Company depends on its ability to attract and retain key personnel and agents, and its inability to do so could adversely affect its business.

Competition for skilled and experienced personnel in the Company's industry is high, and the success of the Company is substantially dependent on its ability to attract and retain such personnel. The Company may have difficulty hiring and retaining the necessary marketing and management personnel to support future growth plans. Also, the Company's results of operations and financial condition could be adversely affected if it is unsuccessful in attracting and retaining new agents.

Regulatory investigations of the title insurance industry by governmental entities could adversely impact the Company's results of operations.

The title insurance industry is subject to scrutiny by both federal and state regulators focusing on violations of state insurance codes, RESPA and similar state and federal laws, among others. The Company's insurance subsidiaries occasionally receive inquiries from regulators involving market conduct. Future inquiries could lead to fines for violations, settlements with regulating authorities that could result in fines or requirements to pay claims and the potential for further regulation. The results of future inquiries could adversely affect the Company’s results of operations and financial condition.

Mortgage lending is highly concentrated and changes in relationships with lenders or reform of government-sponsored entities could adversely affect the Company.

In 2016, the 10 largest mortgage lenders accounted for slightly less than half of all mortgage originations in the United States. Refusal by major market lenders to accept our product offerings could have a material adverse effect on the Company. Furthermore, government-sponsored entities, the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), often require the purchase of title insurance for home loans they securitize. The federal government has had discussions about the possible reform of Fannie Mae and Freddie Mac. Changes to these entities could impact the entire mortgage loan process and as a result, could impact the demand for title insurance. The timing and results of reform are currently unknown; however, changes to these entities could adversely impact the Company and its results of operations.

Policies and procedures for the mitigation of risk may not be sufficient.

The Company has policies and procedures in place to help identify, analyze, and measure the risks associated with the issuance of title insurance policies, investment risks, interest rate risks and legal risks, among others. Because a significant degree of judgment is involved with the establishment of policies and processes as well as the measurement of risks, it is possible not all risks have been identified or anticipated. Misidentified or unanticipated risks could adversely impact the Company and its results of operations.

The Company relies on distributions from its insurance subsidiaries.

The Company is an insurance holding company and it has no substantial operations of its own. Its principal assets are investments in its operating subsidiaries, primarily its insurance subsidiaries. The Company's ability to pay dividends and meet its obligations is dependent, among other factors, on the ability of its subsidiaries to pay dividends or repay intercompany loans. The Company's insurance subsidiaries are subject to regulations that limit the amount of dividends, loans or advances they may make to the Company. The restriction on these amounts is based on the amount of the insurance subsidiaries' unassigned surplus and net income, with certain adjustments. Additionally, these subsidiaries are required to maintain minimum amounts of capital, surplus and reserves. As of December 31, 2017, approximately $102,082,000 of consolidated stockholders' equity represented the net assets of the Company's subsidiaries that cannot be transferred in the form of dividends, loans or advances to the Company. In general, dividends in excess of prescribed limits are deemed "extraordinary" and require prior approval by the appropriate regulatory body. These dividend restrictions could limit the Company's ability to pay dividends to its shareholders or fund growth opportunities.

Certain provisions of the Company's shareholder rights plan may deter or discourage a takeover of the Company.

The Company has adopted a shareholder rights plan. The rights set forth in the plan are not intended to prevent a takeover of the Company, and we believe the rights would be beneficial to the Company and its shareholders in the event of negotiations with a potential acquirer. However, the shareholder rights plan could discourage transactions involving actual or potential changes of control, including transactions that may involve payment of a premium over prevailing market prices to the Company's common shareholders.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The Company owns two adjacent office buildings and property located on the corner of North Columbia and West Rosemary streets in Chapel Hill, North Carolina, which serve as the Company's corporate headquarters. The main building contains approximately 23,000 square feet and has on-site parking facilities. The Company's subsidiaries, principally ITIC and NITIC, lease office space in 37 locations throughout North Carolina, South Carolina, Texas and Nebraska. The Company believes that each of the office facilities occupied by the Company and its subsidiaries are in good condition, adequately insured and sufficient for its present operations.

Item 3. 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.

Item 4. Mine Safety Disclosures

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Data and Dividends

The Common Stock of the Company is traded under the symbol "ITIC" on the NASDAQ Stock Market LLC. The number of record holders of common stock at December 31, 2017 was 269. The number of record holders is based upon the actual number of holders registered on the books of the Company at such date and does not include holders of shares in "street name" or persons, partnerships, associations, corporations or other entities identified in security position listings maintained by securities depositories. The following table shows, for the periods indicated, the high and low sales prices of the Company's Common Stock as reported on the NASDAQ Global Market, and cash dividends declared.

	2017			2016		
	High	Low	Dividend Paid	High	Low	Dividend Paid
First Quarter	$163.34	$118.10	$ 0.20	$99.89	$76.35	$ 0.16
Second Quarter	$199.75	$153.71	$ 0.35	$106.80	$82.13	$ 0.16
Third Quarter	$196.79	$169.25	$ 0.40	$102.70	$88.70	$ 0.20
Fourth Quarter	$203.97	$178.50	$ 2.80	$174.10	$93.78	$ 0.20

The Company's current dividend policy anticipates the payment of quarterly dividends in the future. The declaration and payment of dividends will be at the discretion of the Board of Directors and will be dependent upon the Company's future earnings, financial condition and capital requirements. The Company's ability to pay dividends is also subject to certain regulatory restrictions on the payment of dividends by its insurance subsidiaries as described in the "Liquidity and Capital Resources" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 2 to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

For the quarter ended December 31, 2017, the Company purchased 1,033 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. During the year ended December 31, 2017, the Company purchased a total of 1,333 shares of the Company's common stock at an average per share price of $183.67 under the Company's repurchase plan. As of December 31, 2017, there was authority remaining under the plan to purchase up to an aggregate of 428,444 shares of the Company's common stock. 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 from time to time) 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.

Common Stock Performance Graph
Presented below is a line graph comparing the yearly percentage change in the cumulative total return on the Company's common stock to the cumulative return of the NASDAQ Composite Index and a peer group consisting of certain companies in the title insurance industry (SIC Code 6361) for the period commencing December 31, 2012 and ending December 31, 2017. The graph assumes that $100 was invested in the Company's common stock, the NASDAQ Composite Index and the peer group on December 31, 2012 and that all dividends were reinvested on a quarterly basis. Returns for the companies included in the peer group have been weighted on the basis of the total market capitalization for each company.

The performance graph above and the related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Exchange Act, as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

ITEM 6. SELECTED FINANCIAL DATA
(amounts in thousands except per share data)

For the Year	2017	2016	2015	2014	2013
Net premiums written	$138,589	$120,569	$111,909	$109,567	$113,669
Investment income	4,444	4,684	4,531	4,260	3,895
Revenues	161,649	138,492	127,200	123,119	126,251
Net income attributable to the Company	25,707	19,523	12,534	9,649	14,708
Per Share Data					
Basic earnings per common share	$13.63	$10.23	$6.32	$4.75	$7.15
Weighted average shares outstanding – Basic	1,886	1,908	1,984	2,032	2,056
Diluted earnings per common share	$13.56	$10.19	$6.30	$4.74	$7.08
Weighted average shares outstanding – Diluted	1,896	1,915	1,990	2,038	2,077
Cash dividends per share	$3.75	$0.72	$0.40	$0.32	$0.32
At Year-End					
Assets	$248,913	$228,938	$211,522	$198,039	$188,306
Investments	186,520	160,854	160,552	159,411	142,764
Stockholders' equity attributable to the Company	177,835	155,045	142,670	137,564	128,062
Book value/share attributable to the Company	94.29	82.28	73.17	67.99	62.86
Performance Ratios					
Net income attributable to the Company to:					
Average stockholders' equity attributable to the Company	15.44 %	13.12 %	8.95 %	7.27 %	12.12 %
Total revenues	15.90 %	14.10 %	9.85 %	7.84 %	11.65 %

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements and the related notes in this report. 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 95.6% of the Company's revenues in 2017. 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 which 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 to 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 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.

Services other than title insurance provided by operating divisions of the Company are not reported separately and 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 one, or both 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 four times to increase the federal funds rate. Specifically, the FOMC voted to increase the federal funds rate at the December 2016 meeting to a target range between 0.50% and 0.75%, at the March 2017 meeting to a target range between 0.75% and 1.00%, at the June 2017 meeting to a target range between 1.00% and 1.25%, and most recently at the December 2017 meeting to a target range between 1.25% and 1.50%. 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 gradual 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 Fannie Mae and 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.

On July 7, 2017, the Consumer Financial Protection Bureau (“CFPB”) released final amendments to federal mortgage disclosure requirements under the Real Estate Settlement Procedures Act (“RESPA”) and the Truth in Lending Act that are implemented in Regulation Z. The final rules were published in the Federal Register on August 11, 2017. The amendments reinforce the CFPB’s informal guidance on various issues and include clarifications and technical amendments. The CFPB rule creates tolerances for the total of payments; adjusts a partial exemption that mainly affects housing finance agencies and nonprofits; provides a uniform rule regarding application of the integrated mortgage disclosure requirements to cooperative units; and provides guidance on sharing the disclosures with various parties involved in the mortgage origination process. The final rule did not have a material impact on the Company.

In recent years, the CFPB, Office of the Comptroller of Currency and the Federal Reserve have issued memorandums to banks that communicated those agencies’ 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. The revaluation resulted in a benefit to the year and the quarter of approximately $5.3 million, or $2.82 per diluted share.

Real Estate Environment

Overall, the economy is expanding and there has been a steady reduction in unemployment in recent years. The Mortgage Bankers Association's ("MBA") January 2018 Economic and Mortgage Finance Commentary predicts continued improvement in the employment rate in 2018, as the economy is projected to add approximately 150,000 jobs per month in early 2018 with a deceleration to around 100,000 jobs per month by the end of year. The unemployment rate is expected to be 3.7% in the fourth quarter of 2018. Given the boost in economic growth, it is projected that the FOMC will raise the federal funds rate four times during 2018. Overall, the MBA believes that the TCJA is a net positive for the economy. In regards to housing, the MBA projects the TCJA to have a minimal impact for most of the country, with a potentially negative impact for higher income borrowers in the highest cost markets.

The MBA January 20, 2018 Mortgage Finance Forecast ("MBA Forecast") projects 2018 purchase activity to increase 6.6% to $1,183 billion and refinance activity to decrease 29.0% to $426 billion, resulting in a decrease in total mortgage originations of 5.9% to $1,609 billion, all from 2017 levels. In 2017, purchase activity accounted for 64.9% of all mortgage originations and is projected to represent 73.5% of all mortgage originations in 2018.

According to data published by Freddie Mac, the average 30-year fixed mortgage interest rate in the United States was 4.0%, 3.6% and 3.8% for the years ended December 31, 2017, 2016 and 2015, respectively. Per the MBA Forecast, refinancing is expected to be lower in 2018 as mortgage interest rates continue to climb to a projected 4.8% 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.

Agency Acquisition

In October 2016, National Investors Holdings, LLC ("NIH"), a subsidiary of the Company, acquired all of the outstanding shares of a title insurance agency doing business in the state of Texas. NIH paid $10 million plus a $918,000 adjustment for the agency's net cash position at closing.

Critical Accounting Estimates and Policies

This discussion and analysis of the Company's financial condition and results of operations is based upon the Company's accompanying Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The Company's management makes various estimates and judgments when applying policies affecting the preparation of the Consolidated Financial Statements. Actual results could differ from those estimates. Significant accounting policies of the Company are discussed in Note 1 to the accompanying Consolidated Financial Statements. Following are the accounting estimates and policies considered critical to the Company.

Reserve for Claim Losses

The Company’s reserve for claims is established using estimates of amounts required to settle claims for which notice has been received (reported) and the amount estimated to be required to satisfy incurred claims of policyholders which may be reported in the future (incurred but not reported, or “IBNR”). The total reserve for all losses incurred but unpaid as of December 31, 2017 is represented by the reserve for claims totaling $34,801,000 in the accompanying Consolidated Balance Sheets. Of that total, approximately $4,646,000 was reserved for specific claims which have been reported to the Company, and approximately $30,155,000 was reserved for IBNR claims.

A provision for estimated future claims payments is recorded at the time the related policy revenue is recorded. The Company records the claims provision as a percentage of net premiums written. This loss provision rate is set to provide for losses on current year policies. By their nature, title claims can often be complex, vary greatly in dollar amounts, vary in number due to economic and market conditions such as an increase in mortgage foreclosures, and involve uncertainties as to ultimate exposure. In addition, some claims may require a number of years to settle and determine the final liability for indemnity and loss adjustment expense. The payment experience may extend for more than 20 years after the issuance of a policy. Events such as fraud, defalcation and multiple property defects can substantially and unexpectedly cause increases in estimates of losses. Due to the length of time over which claim payments are made and regularly occurring changes in underlying economic and market conditions, these estimates are subject to variability.

Management considers factors such as the Company’s historical claims experience, case reserve estimates on reported claims, large claims, actuarial projections and other relevant factors in determining its loss provision rates and the aggregate recorded expected liability for claims. In establishing the reserve, actuarial projections are compared with recorded reserves to evaluate the adequacy of such recorded claims reserves and any necessary adjustments are then recorded in the current period’s income statement. As the most recent claims experience develops and new information becomes available, the loss reserve estimate related to prior periods will change to more accurately reflect updated and improved emerging data. The Company reflects any adjustments to the reserve in the results of operations in the period in which new information (principally claims experience) becomes available.

The Company initially reserves for each known claim based upon an assessment of specific facts and updates the reserve amount as necessary over the course of administering each claim. Loss ratios for earlier years tend to be more reliable than recent policy years, as those years are more fully developed. In making loss estimates, management determines a loss provision rate, which it then applies to net premiums written.

The Company assumes the reported liability for known claims and IBNR, in the aggregate, will be comparable to its historical claims experience unless factors, such as loss experience and charged premium rates, change significantly. Also affecting the Company’s assumptions are large losses related to fraud and defalcation, as these can cause significant variances in loss emergence patterns. Management defines a large loss as one where incurred losses exceed $250,000. Due to the small volume of large claims, the long-tail nature of title insurance claims and the inherent uncertainty in loss emergence patterns, large claim activity can vary significantly between policy years. The estimated development of large claims by policy year is therefore subject to significant changes as experience develops. The loss provision rate is set to provide for losses on current year policies and changes in prior year estimates.

Management also considers actuarial analyses in evaluating the claims reserve. The actuarial methods used to evaluate the reserve are loss development methods, Bornhuetter-Ferguson methods and Cape Cod methods, all of which are accepted actuarial methods for estimating ultimate losses and, therefore, loss reserves. In the loss development method, each policy year’s paid or incurred losses are projected to an “ultimate” level using loss development factors. In the Bornhuetter-Ferguson method, a type of expected loss method, losses for each policy year are estimated based on an expected loss ratio derived directly from a previous estimate of ultimate loss for each policy year plus an additional provision for losses that have not been reported or paid as of the evaluation date. Bornhuetter-Ferguson methods produce more stable ultimate loss estimates than do loss development methods, which are more responsive to the current loss data but can lead to volatile results. The Cape Cod method, a special case of the Bornhuetter-Ferguson method, blends the results of the loss development and expected loss methods. For more recent policy years, the Cape Cod methods give more weight to the results of the expected loss methods; for older policy years, more weight is given to the loss development method results.

The key actuarial assumptions are principally loss development factors and expected loss ratios. The selected loss development factors are based on a combination of the Company's historical loss experience and title industry loss experience. Expected loss ratios are estimated for each policy year based on the Company's own experience and title industry loss ratios. When updated data is incorporated into the actuarial models, the resulting loss development factors and expected loss ratios will likely change from the prior values. Changes in these values for historical policy years have generally been the result of actual Company and industry experience during the calendar years.

If one or more of the variables or assumptions used changed such that the Company's recorded loss ratio, or loss provision as a percentage of net title premiums, increased or decreased three loss ratio percentage points, the impact on after-tax income for the year ended December 31, 2017 would be as follows:

Increase in loss ratio of three percentage points	$(2,702,000)
Decrease in loss ratio of three percentage points	$2,702,000

Company management believes that using a sensitivity of three loss percentage points for the loss ratio provides a reasonable benchmark for analysis of the calendar year loss provision of the Company based on historical loss ratios by year.

Despite the variability of such estimates, management believes that, based on historical claims experience and actuarial analysis, the Company's reserve is adequate to cover claim losses resulting from pending and future claims for policies issued through December 31, 2017. The ultimate settlement of claims will likely vary from the reserve estimates included in the Company's Consolidated Financial Statements. The Company continually reviews and adjusts its reserve estimates to reflect its loss experience and any new information that becomes available. There are no known claims that are expected to have a material adverse effect on the Company's financial position or operating results.

Premiums Written and Commissions to Agents

Generally, title insurance premiums are recognized at the time of settlement of the related real estate transaction, as the earnings process is then considered complete, irrespective of the timing of the issuance of a title insurance policy or commitment. Expenses typically associated with premiums, including agent commissions, premium taxes, and the provision for future claims are recognized concurrent with recognition of related premium revenue.

Premium revenues from certain agency operations include accruals for transactions which have settled but have not been reported as of the balance sheet date. These accruals are based on estimates of the typical lag time between settlement of real estate transactions and the agent's reporting of these transactions to the Company. Reporting lag times vary by market. In certain markets, the lag time may be very short, but in others, can be as high as 100 days. The Company reviews and adjusts lag time estimates periodically, using historical experience and other factors, and reflects any adjustments in the result of operations in the period in which new information becomes available.

Quarterly, the Company evaluates the collectability of receivables. Premiums not collected within 7 months are fully reserved. Write-offs of receivables have not been material to the Company.

Valuation and Impairment of Investments in Securities

Securities held principally for resale in the near term are classified as trading securities and recorded at fair value. Realized and unrealized gains and losses on trading securities are included in other income. Securities not classified as either trading or held-to-maturity are classified as available-for-sale and reported at estimated fair value with unrealized gains and losses, net of tax, adjusted for other-than-temporary declines in estimated fair value, reported as accumulated other comprehensive income. As of December 31, 2017 and 2016, all of the Company's invested securities were classified as available-for-sale. Realized gains and losses on the sales of investments are determined using the specific identification method.

Securities are regularly evaluated and reviewed for differences between the cost and estimated fair value of each security for factors that may indicate that a decline in estimated fair value is other-than-temporary. When, in the opinion of management, a decline in the estimated fair value of an investment is considered to be other-than-temporary, such investment is written down to its estimated fair value. Some factors considered in evaluating whether or not a decline in estimated fair value is other-than-temporary include, but are not limited to:

- the duration and extent to which the fair value has been less than cost;
- with respect to equity securities, whether the Company’s ability and intent to retain the investment for a period of time is sufficient to allow for a recovery in value; and
- with respect to fixed maturity securities, whether the Company has the intent to sell or will more likely than not be required to sell a particular security before recovery in value.

These factors are reviewed quarterly and any material degradation in the prospect for recovery will be considered in the other-than-temporary impairment analysis. 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. The fair values of the majority of the Company's investments are based on quoted market prices from independent pricing services. See Note 3 to the Consolidated Financial Statements included in this Annual Report on Form 10-K for further information about the Company's valuation techniques.

Deferred Taxes

The Company recorded net deferred tax liabilities at December 31, 2017 and 2016. The deferred tax liabilities recorded during both periods primarily relate to net unrealized gains on investments, the recorded reserve for claims, net of statutory premium reserves, the excess of tax over book depreciation and intangible assets. See Note 8 to the Consolidated Financial Statements in this Annual Report on Form 10-K for further information on the Company's deferred taxes.

Cyclicality and Seasonality

Real estate activity, home sales and mortgage lending are cyclical in nature. Title insurance premiums are closely related to the level of real estate activity and the average price of real estate sales. Factors directly impacting real estate sales include mortgage interest rates and the availability of funds, consumer confidence, economic conditions, supply and demand and family income levels. The Company's 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 seasons tend to be more active. Refinance activity is generally less seasonal, but is subject to interest rate fluctuations.

Results of Operations

The following table presents certain income statement data for the years ended December 31, 2017, 2016 and 2015:

For the Years Ended December 31,	2017	2016	2015
Revenues:			
Net premiums written	$138,588,877	$120,569,151	$111,909,473
Investment income – interest and dividends	4,444,447	4,684,489	4,531,319
Net realized gain (loss) on investments	1,040,901	768,436	(116,163)
Other	17,575,071	12,470,338	10,875,443
Total Revenues	161,649,296	138,492,414	127,200,072
Operating Expenses:			
Commissions to agents	68,643,220	63,643,321	62,174,301
Provision for claims	3,311,080	242,953	4,478,494
Salaries, employee benefits and payroll taxes	39,012,354	31,372,099	28,041,213
Office occupancy and operations	8,966,623	6,265,908	5,885,336
Business development	3,164,730	2,511,699	2,373,270
Filing fees, franchise and local taxes	1,198,013	907,225	732,985
Premium and retaliatory taxes	2,672,034	2,202,595	2,161,571
Professional and contract labor fees	1,825,598	2,115,754	2,691,411
Other	2,585,074	1,099,408	884,438
Total Operating Expenses	131,378,726	110,360,962	109,423,019

Income before Income Taxes	30,270,570	28,131,452	17,777,053
Provision for Income Taxes	4,570,000	8,616,000	5,228,000
Net Income Attributable to the Company	$25,706,502	$19,523,118	$12,533,905

Insurance and Other Services Revenue

Insurance and other services revenues include net premiums written plus commission income, other fee income, trust income, management services income, exchange services income, and income related to the Company’s equity method investments. Investment income and realized investment gains and losses are not included in insurance and other service revenues and are discussed separately under “Investment-Related Revenues” below. The following is a summary of the Company’s insurance and other services revenues with intersegment eliminations netted with each segment; therefore, the individual segment amounts will not agree to Note 12 in the accompanying Consolidated Financial Statements.

	2017	%	2016	%	2015	%
Title Insurance	$149,716,397	95.9 %	$127,228,426	95.6 %	$117,281,588	95.5 %
All Other	6,447,551	4.1 %	5,811,063	4.4 %	5,503,328	4.5 %
Total	$156,163,948	100.0%	$133,039,489	100.0%	$122,784,916	100.0%

Title Insurance

Net Premiums: Net premiums written increased 14.9% in 2017 to $138,588,877 compared with $120,569,151 in 2016, and increased 7.7% in 2016 compared with $111,909,473 in 2015. The increase in 2017 compared with 2016 was primarily due to higher levels of home sales in our core markets, a continuation of the multi-year trend of increases in the underlying values of real estate, and business from newly-signed agents, partially offset by a decrease in the level of refinance activity. The increase in 2016 net premiums versus the prior year is primarily attributable to growth in average real estate values, coupled with growth in transaction volumes stemming from higher levels of home sales and refinance activity.

Title insurance companies typically issue title insurance policies directly through home and branch offices or through title agencies. Following is a breakdown of premiums generated by branch and agency operations for the years ended December 31:

	2017	%	2016	%	2015	%
Home and Branch	$40,244,394	29.0 %	$33,482,154	27.8 %	$27,834,881	24.9 %
Agency	98,344,483	71.0 %	87,086,997	72.2 %	84,074,592	75.1 %
Total	$138,588,877	100.0%	$120,569,151	100.0%	$111,909,473	100.0%

Home and Branch Office Net Premiums: In the Company’s home and branch operations, the Company issues the 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 20.2% in 2017 to $40,244,394 compared with $33,482,154 in 2016, and increased 20.3% in 2016 compared with $27,834,881 in 2015. The increases in net premiums written for 2017 and 2016 compared with their respective prior years were primarily the result of higher levels of home sales, increases in the values of real estate and revised premium rates filed in North Carolina. The 2017 increase was partially offset by lower refinance activity.

During the quarter ended March 31, 2016, the North Carolina Title Insurance Rating Bureau, which establishes premium rates for title insurance in North Carolina, and of which Investors Title Insurance Company is a member, filed updated premium rates that took effect on April 1, 2016. The revised rates positively impacted the Company's branch and agency premiums by approximately $3,042,000 and $3,950,000 for 2017 and 2016, respectively.

All of the Company’s home office operations and the majority of 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 12.9% in 2017 to $98,344,483 compared with $87,086,997 in 2016, and increased 3.6% in 2016 compared with $84,074,592 in 2015. The increases in 2017 and 2016 compared with their respective prior years were primarily attributable to the addition of new title insurance agents in the Company's Texas and southeast markets, higher levels of real estate activity from existing agents and overall higher home prices. The increase in 2017 was partially offset by lower refinance activity.
Following is a schedule of net premiums written in select states in which the Company's two insurance subsidiaries, ITIC and NITIC, currently underwrite title insurance:

State	2017	2016	2015
North Carolina	$53,194,503	$42,868,773	$36,407,413
Texas	26,545,852	24,162,213	25,211,496
South Carolina	14,353,567	12,249,382	11,290,945
Georgia	12,790,161	10,981,062	7,682,820
Virginia	5,970,194	6,052,602	5,706,769
All Others	25,996,003	24,378,815	25,791,094
Premiums Written	138,850,280	120,692,847	112,090,537
Reinsurance Assumed	2,756	17,246	33,603
Reinsurance Ceded	(264,159)	(140,942)	(214,667)
Net Premiums Written	$138,588,877	$120,569,151	$111,909,473

Other Revenues
Other revenues primarily include other fee income, commission income, trust income, management services income, exchange services income, and income related to the Company's equity method investments. Other revenues were $17,575,071, $12,470,338 and $10,875,443 in 2017, 2016 and 2015, respectively. Other revenues increased in 2017 compared with 2016 primarily due to increases in title fees, commission income and exchange services income. Other revenues increased in 2016 compared with 2015 primarily due to increases in commission income, title fees, exchange services income and management services income, partially offset by a decrease in earnings of unconsolidated affiliates.

Investment Related Revenues
Investment income and realized gains and losses from investments are included in investment related revenues.

Investment Income
The Company derives a substantial portion of its income from investments in municipal and corporate bonds 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 title insurance subsidiaries are required by statute to maintain minimum levels of investments in order to protect the interests of policyholders. Bonds totaling approximately $7,119,000 and $6,843,000 at December 31, 2017 and 2016, respectively, were deposited with the insurance departments of the states in which business is conducted.

The Company's investment strategy emphasizes after-tax income and principal preservation. The Company's investments are primarily in bonds and, to a lesser extent, equity securities. The average effective maturity of the majority of the bonds 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 bonds, tax-exempt bonds and equity securities. The

Company also invests in short-term investments that include commercial paper, money-market funds and certificates of deposit. In addition, the Company holds other investments that are primarily investments in partnerships structured as limited liability companies. 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.

Investment income was $4,444,447 in 2017 compared with $4,684,489 in 2016 and $4,531,319 in 2015. The decrease in investment income in 2017 compared with 2016 was primarily due to a lower average level of investments in fixed income securities, partially offset by an increase in equity securities. The increase in investment income in 2016 compared with 2015 was primarily due to higher average portfolio balances for both fixed maturities and equity securities compared with the previous year. See Note 3 in the accompanying Consolidated Financial Statements for the major categories of investments, scheduled maturities, amortized cost, fair values of investment securities and earnings by security category.

Net Realized Gain (Loss) on Investments

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 gain (loss) on investments was $1,040,901 for 2017 compared with $768,436 for 2016 and $(116,163) for 2015. The net realized gain (loss) on investments included impairment charges of $208,077, $233,941 and $984,128, on certain investments and other assets that were deemed to be other-than-temporarily impaired in 2017, 2016 and 2015, respectively, offset by a net realized gain on the sales of investments and other assets of $1,248,978, $1,002,377 and $867,965 in 2017, 2016, and 2015, respectively. Management believes unrealized losses on remaining fixed income and equity securities at December 31, 2017 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 hold the equity security until it recovers in value or 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.

Expenses

The Company’s operating expenses consist primarily of agent commissions, salaries, employee benefits and payroll taxes, office occupancy and operations and the provision for claims. Operating expenses increased 19.0% in 2017 compared with 2016 primarily due to increases in payroll expense, agent commissions, claims expense and office occupancy and operations. Operating expenses increased 0.9% in 2016 compared with 2015 primarily due to increases in payroll expense and agent commissions, mostly offset by a decrease in claims.

Following is a summary of the Company’s operating expenses for 2017, 2016 and 2015. Intersegment eliminations have been netted; therefore, the individual segment amounts will not agree to Note 12 in the accompanying Consolidated Financial Statements.

	2017	%	2016	%	2015	%
Title Insurance	$123,558,870	94.0 %	$103,828,173	94.1 %	$102,895,701	94.0 %
All Other	7,819,856	6.0 %	6,532,789	5.9 %	6,527,318	6.0 %
Total	$131,378,726	100.0%	$110,360,962	100.0%	$109,423,019	100.0%

On a combined basis, the after-tax profit margins were 15.9%, 14.1% and 9.9% in 2017, 2016 and 2015, respectively. The Company continually strives to enhance its competitive strengths and market position, including ongoing initiatives to manage its operating expenses.

Total Company
Salaries, Employee Benefits and Payroll Taxes: Personnel costs include base salaries, benefits and payroll taxes and bonuses paid to employees. Salaries, employee benefits and payroll taxes were $39,012,354, $31,372,099 and $28,041,213 for 2017, 2016 and 2015, respectively. Salaries and related costs increased by approximately 24.4% in 2017 from 2016 and 11.9% in 2016 from 2015. The increase in 2017 compared with 2016 primarily related to increases in salaries, benefits and payroll expenses associated with the acquisition of a title agency that was acquired in the fourth quarter of 2016 and other staffing and inflationary increases. The increase in 2016 compared with 2015 was primarily related to higher levels of incentive compensation, inflationary increases in salaries and benefits, payroll expenses associated with the acquisition of a title agency and increases in staffing levels to accommodate higher volume. On a consolidated basis, salaries and employee benefits as a percentage of total revenues were 24.1%, 22.7% and 22.0% in 2017, 2016 and 2015, respectively.
Office Occupancy and Operations: Office occupancy and operations expenses primarily include office rent and utilities, depreciation, maintenance, telecommunications and insurance expenses. Office occupancy and operations expenses were $8,966,623, $6,265,908 and $5,885,336 for 2017, 2016 and 2015, respectively. The increase in office and occupancy and operations expense in 2017 compared with 2016 was primarily related to increases in contract services, office equipment and facilities expenses. The increase in office occupancy and operations expense in 2016 compared with 2015 was primarily related to increases in maintenance and depreciation, partially offset by decreases in printing and telecommunications. Office occupancy and operations expenses as a percentage of total revenues were 5.5%, 4.5% and 4.6% for 2017, 2016 and 2015, respectively.
Business Development: Business development expenses primarily include marketing and travel-related expenses. Business development expenses increased to $3,164,730 in 2017 compared with $2,511,699 in 2016 and $2,373,270 in 2015, primarily due to increases in travel and marketing expenses.
Filing Fees, Franchise and Local Taxes: Filing fees, franchise and local tax expenses include insurance filing and licensing fees, franchise taxes, excise taxes and local taxes. Filing fees, franchise and local tax expenses were $1,198,013 in 2017 compared with $907,225 in 2016 and $732,985 in 2015.
Professional and Contract Labor Fees: Professional and contract labor fees were $1,825,598 in 2017 compared with $2,115,754 in 2016 and $2,691,411 in 2015. The decreases in professional and contract labor fees for 2017 and 2016, compared with the previous years, were primarily attributable to decreases in legal fees and consulting fees associated with the Company's ongoing software initiatives.
Other Expenses: Other operating expenses primarily include amortization of intangible assets, other miscellaneous expenses of the title segment and miscellaneous operating expenses of the trust division. These amounts typically fluctuate with transaction volume of the title segment and the trust division. Other expenses increased to $2,585,074 in 2017, compared with $1,099,408 in 2016 and $884,438 in 2015. Other operating expenses increased in 2017 and 2016 primarily due to the amortization of intangible assets and miscellaneous expenses of the title segment.
Title Insurance
After-Tax Profit Margin: The Company’s title insurance after-tax profit margin varies according to a number of factors, including the volume and type of real estate activity. After-tax profit margins for the title insurance segment were 16.9% 15.0% and 10.9% in 2017, 2016 and 2015, respectively. The increase in after-tax profit margin in 2017 compared with 2016 was primarily related to an increase in operating revenues and a lower provision for taxes, partially offset by increases in salaries, employee benefits and payroll expenses, commissions to agents and the provision for claims. The increase in after-tax profit margin in 2016 compared with 2015 was primarily related to an increase in operating revenues and, a lower provision for claims, partially offset by an increase in salaries, employee benefits and payroll expenses.
Commissions: Agent commissions represent the portion of premiums retained by agents pursuant to the terms of their respective agency contracts. In 2017, commissions to agents increased 7.9% to $68,643,220 compared with $63,643,321 in 2016, and increased 2.4% in 2016 compared with $62,174,301 in 2015. Commission expense as a percentage of net premiums written by agents was 69.8%, 73.1% and 74.0% in 2017, 2016 and 2015, respectively. Commissions expense as a percentage of net premiums written decreased in 2017 compared with 2016 primarily due to the elimination of intercompany commissions for affiliated agents upon consolidation. Commissions expense as a

percentage of net premiums written decreased in 2016 compared with 2015 primarily due to changes in geographic mix. The increases in commission expense for 2017 and 2016 were primarily attributable to higher agent premium volume. Commission rates vary by market due to local practice, competition and state regulations.

Provision for Claims: The provision for claims as a percentage of net premiums written was 2.4%, 0.2% and 4.0% in 2017, 2016 and 2015, respectively. The increase in the provision for claims as a percentage of net premiums written in 2017 compared with 2016 primarily related to higher levels of favorable loss development in 2016. The decrease in the provision for claims in 2016 compared with 2015 primarily related to favorable loss development, as the Company's incurred losses for policy years 2009 through 2015 continued to develop favorably.

The increase in the loss provision rate in 2017 from the 2016 level resulted in approximately $3,032,000 more in reserves than would have been recorded at the lower 2016 level. Loss provision ratios are subject to variability and are reviewed and adjusted as experience develops.

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 $3,815,080, $2,725,953 and $3,367,494 in 2017, 2016 and 2015, respectively.

Reserve for Claims: At December 31, 2017, the total reserve for claims was $34,801,000. Of that total, approximately $4,646,000 was reserved for specific claims, and approximately $30,155,000 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 many claims do 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.

Premium and Retaliatory Taxes: Title insurance companies are generally not subject to state income or franchise taxes. However, in most states they are subject to premium and retaliatory taxes, as defined by statute. Premium and retaliatory tax rates vary from state to state; accordingly, the total premium and retaliatory tax incurred is dependent upon the geographical mix of insurance revenues. Premium and retaliatory taxes as a percentage of net premiums written were 1.9%, 1.8% and 1.9% in 2017, 2016 and 2015, respectively.

Income Taxes

The provision for income taxes was $4,570,000, $8,616,000 and $5,228,000 for the years ended December 31, 2017, 2016 and 2015, respectively. Income tax expense as a percentage of earnings before income taxes was 15.1%, 30.6% and 29.4% for the years ended December 31, 2017, 2016 and 2015, respectively. On December 22, 2017, the TCJA was enacted into law, reducing the federal corporate income tax rate from 35% to 21% effective January 1, 2018. The decrease in the effective rate in 2017 compared with 2016 was primarily due to the revaluation of deferred tax assets and liabilities to the newly enacted tax rate of 21%. The revaluation resulted in a tax benefit of approximately $5,300,000 recognized in the fourth quarter of 2017. The increase in the effective rate in 2016 compared with 2015 was primarily due to a lower proportion of tax-exempt to taxable income. The effective income tax rate for 2017 was below the U.S. federal statutory tax rate (34%) primarily due to the effects of the tax rate deduction and tax-exempt income, while the effective income tax rates for 2016 and 2015 were below the statutory income tax rate primarily due to the effects of tax-exempt income.

The Company believes it is more likely than not that the tax benefits associated with recognized impairments and unrecognized losses recorded through December 31, 2017 will be realized. However, this judgment could be impacted by further market fluctuations. Information regarding the components of income tax expense and the items included in the reconciliation of the effective rate with the federal statutory rate can be found in Note 8 to the accompanying Consolidated Financial Statements.

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 $19,893,180, $22,567,262 and $16,916,506 for 2017, 2016 and 2015, respectively. Cash flows from operating activities decreased in 2017 from 2016 primarily due to a benefit in deferred income taxes, and changes in other assets and income taxes payable, partially offset by increases in net income and the provision for claims. Cash flows from operating activities increased in 2016 from 2015 primarily due to a decrease in other assets and an increase in net income, partially offset by the timing of payable disbursements and a lower 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 issuance of dividends. In 2017, the Company had higher levels of investment purchase activity, proceeds received from investments, and dividends paid and lower levels of subsidiary purchases and repurchases of common stock compared with 2016. In 2016, the Company had a lower level of investment purchase activity, the purchase of a subsidiary, and a higher level of common stock repurchases compared with 2015.

The Company maintains a high degree of liquidity within its investment portfolio, classified as available for sale, in the form of cash, short-term investments, and other readily marketable securities. As of December 31, 2017, the Company held cash and cash equivalents of $20,214,468, short-term investments of $23,779,672, fixed maturity securities of $103,341,083 and equity securities of $47,366,826. The net effect of all activities on total cash and cash equivalents was a decrease of $7,714,004 for 2017, an increase of $6,138,404 for 2016, and an increase of $5,963,553 for 2015.

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 December 31, 2017, both ITIC and NTIIC met the minimum capital, surplus and reserve requirements for each state in which they are licensed.

As of December 31, 2017, approximately $102,082,000 of the consolidated stockholders’ equity represented net assets of the Company’s subsidiaries that cannot be transferred in the form of dividends, loans or advances to the parent company under statutory regulations without prior approval from the respective state insurance department. These regulations require prior regulatory approval of the payment of dividends and other intercompany transfers. The Company believes, however, that amounts available for transfer from the insurance and other subsidiaries are adequate to meet the Company’s current operating needs.

During 2018, the maximum distributions the insurance subsidiaries can make to the Company without prior approval from applicable regulators total approximately $18,960,000.

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 has purchased 1,333 shares in the twelve months ended December 31, 2017, 66,803 shares in the twelve months ended December 31, 2016, and 75,665 shares in the twelve months ended December 31, 2015 at average per share prices of $183.67, $93.10 and $72.48, respectively. 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 $2,883,000, $2,457,000 and $2,743,000 during 2017, 2016 and 2015, respectively. 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. Cash held by the Company for these purposes was approximately $20,880,000 and $18,032,000 as of December 31, 2017 and 2016, 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 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 $184,985,000 and $202,184,000 as of December 31, 2017 and 2016, 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 by the Investors Trust Company totaled approximately $490,000,000 and $440,000,000 for the years ended December 31, 2017 and 2016, respectively. These amounts 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.

The following table summarizes the Company's future estimated cash payments under existing contractual obligations at December 31, 2017, including, payments due by period:

	Payments due by period				
Contractual Obligations Including Off-Balance Sheet Arrangements	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Reserve for claims	$34,801,000	$5,881,369	$9,744,280	$6,612,190	$12,563,161
Obligations under executive employment plans and agreements	9,992,442	115,665	28,256	40,751	9,807,770
Operating lease obligations	4,766,948	1,190,734	1,880,447	1,355,305	340,462
Other obligations	1,118,359	838,013	225,346	55,000	—
Total	$50,678,749	$8,025,781	$11,878,329	$8,063,246	$22,711,393

As of December 31, 2017, the Company had a claims reserve totaling $34,801,000. The amounts and timing of these obligations are estimated and not set contractually. Nonetheless, based on historical insurance claims experience, the Company anticipates the payments shown in the Contractual Obligations table. Events such as fraud, defalcation, and multiple property title defects can substantially and unexpectedly cause increases in both the amount and timing of estimated title insurance loss payments and loss cost trends whereby increases or decreases in inflationary factors (including the value of real estate) will influence the ultimate amount of title insurance loss payments and could increase total obligations and influence claim payout patterns. Due to the length of time over which claim payments are made and regularly occurring changes in underlying economic and market conditions, claim estimates are subject to variability and future payments could increase or decrease from these estimated amounts in the future.

Recently Issued 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 TCJA. Under the ASU, entities will have the option to reclassify tax effects 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 upon issuance of the standard, and the Company expects to adopt the standard during 2018. 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 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 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 is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. None of these amendments will have a material impact on the Company’s financial position or results of operations.

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 is 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 available-for-sale securities. The Company does not believe that the risk of credit losses, based on current available-for-sale security holdings, is material to the Company's financial statements as a whole. Please refer to Note 3 for further information about the Company's investments.

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718). ASU 2016-09 updated guidance to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The update is effective for annual periods beginning after December 15, 2016, and interim periods within that reporting period. The Company adopted this update on January 1, 2017 with no material impact to the Company's financial position or results of operations. All excess tax benefits and tax deficiencies are now recognized as income tax expense or benefit in the Consolidated Statements of Income. In addition, a reclassification was made on the Consolidated Statements of Cash Flows, as companies are now required to present excess tax benefits as an operating activity on the Consolidated Statements of Cash Flows rather than as a financing activity. The Company began recording all excess tax benefits and tax deficiencies as an income tax expense or benefit on a prospective basis. The amendments relating to the presentation of excess tax benefits within the Consolidated Statements of Cash Flows were adopted by the Company retrospectively.

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.

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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: 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; 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 that an entity is required to measure the investment at fair value; eliminate the requirement to disclose methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost; require entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; 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 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 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for the provision requiring entities to recognize the fair value change from instrument-specific credit risk in other comprehensive income for financial liabilities measured using the fair value option in Accounting Standards Codification ("ASC") 825, and can be early adopted for financial statements of annual or interim periods that have not yet been issued or made available for issuance. The Company will be required to apply the update by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, with the amendments related to equity securities without readily determinable fair values being applied prospectively to equity investments that exist as of the date of adoption. While the Company expects the guidance to have an impact on the Company's financial condition and results of operations once effective, the materiality of this impact will depend upon the level of volatility experienced within the Company's equity portfolio.

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. 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. Based on the Company's evaluation of ASU 2014-09, there will be no significant changes to revenue recognition practices upon adoption.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary exposure to market risk relates to the impact of adverse changes in the fair value of financial instruments as a result of changes in interest rates and equity market prices of its investment portfolio. Increases in interest rates diminish the value of fixed income securities and preferred stock, and decreases in stock market values diminish the value of common stocks held. The fair value of the majority of marketable securities is determined based on quoted market prices.

Although the Company monitors its risks associated with fluctuations in interest rates, it does not currently use derivative financial instruments to hedge these risks.

There were no material changes in the Company’s market risk or market strategy during the year ended December 31, 2017.

Credit Risk

Credit risk is the risk that the Company will incur economic losses due to an issuer’s inability to repay a contractual obligation. The Company’s investment portfolio, primarily municipal and corporate bonds, and to a lesser extent, equity securities, is subject to credit risk. The Company mitigates this risk by actively monitoring changes in credit ratings, security pricing and financial reports.

The Company’s average credit quality for fixed maturity securities is A+, determined by using the lower rating reported by the credit reporting agencies.

Interest Rate Risk

Interest rate risk is the risk that the Company will incur economic losses due to adverse changes in interest rates. This risk arises from the Company’s investments in interest-sensitive debt securities. These securities are primarily fixed-rate municipal bonds and corporate bonds. The Company typically does not purchase such securities for trading purposes. At December 31, 2017, the Company had approximately $103.3 million in fixed maturities. The Company manages the interest rate risk inherent in its assets by monitoring its liquidity needs and by targeting a specific range for the portfolio’s duration or weighted average maturity.

To determine the potential effect of interest rate risk on interest-sensitive assets, the Company calculates the effect of a 100 basis point shock in prevailing interest rates (“rate shock”) on the fair market value of these securities considering stated interest rates and time to maturity. Based upon the information and assumptions the Company uses in its calculation, management estimates that a 100 basis point increase in prevailing interest rates would decrease the net fair market value of its fixed-rate debt securities by approximately $4.7 million. The selection of a 100 basis point increase in prevailing interest rates should not be construed as a prediction by the Company’s management of future market events, but rather, to illustrate the potential impact of such an event. To the extent that actual results differ from the assumptions utilized, the Company’s rate shock measures could be significantly impacted. Additionally, the Company’s calculation assumes that the current relationship between short-term and long-term interest rates (the term structure of interest rates) will remain constant over time. As a result, these calculations may not fully capture the impact of nonparallel changes in the term structure of interest rates and/or large changes in interest rates.

Equity Price Risk

The Company also holds investments in marketable equity securities, which exposes it to market volatility, as discussed in Note 3 to the accompanying Consolidated Financial Statements. The sensitivity analysis presented does not consider the effects that such adverse changes may have on overall economic activity, nor does it consider additional actions the Company may take to mitigate its exposure. Equity price risk is the risk that the Company will incur economic losses due to adverse changes in a particular common stock or stock index. The Company had approximately $47.4 million in equity securities at December 31, 2017. Equity price risk is addressed in part by varying the specific allocation of equity investments over time pursuant to management’s assessment of market and business conditions and ongoing liquidity needs analysis. The Company’s equity exposure is a decline in market prices. Based upon the information and assumptions the Company used in its calculation, management estimates that an immediate decrease in market prices of 10% would decrease the net fair value of the Company’s assets identified above by approximately $4.7 million at December 31, 2017.

The selection of a 10% immediate decrease should not be construed as a prediction by the Company’s management of future market events, but rather, to illustrate the potential impact of such an event. The Company’s exposure will change as a result of changes in its mix of common stocks. Since this calculation is based on historical performance, projecting future price volatility using this method involves an inherent assumption that historical volatility and correlation relationships will remain stable. Therefore, the results noted above may not reflect the Company’s actual experience if future volatility and correlation relationships differ from such historical relationships.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statement schedules meeting the requirements of Regulation S-X are attached hereto as Schedules I, II, III, IV and V.

Selected Quarterly Financial Data (unaudited)

2017	March 31	June 30	September 30	December 31
Net premiums written	$32,298,596	$34,168,504	$36,941,189	$35,180,588
Net income	4,466,180	5,674,023	5,926,615	9,633,752
Net income attributable to the Company	4,476,055	5,675,192	5,926,457	9,628,798
Basic earnings per common share	2.37	3.01	3.14	5.11
Diluted earnings per common share	2.36	2.99	3.13	5.08

2016	March 31	June 30	September 30	December 31
Net premiums written	$21,430,397	$29,621,053	$36,306,522	$33,211,179
Net income	1,804,461	4,530,047	8,129,167	5,051,777
Net income attributable to the Company	1,814,040	4,529,380	8,126,939	5,052,759
Basic earnings per common share	0.94	2.36	4.30	2.68
Diluted earnings per common share	0.93	2.35	4.29	2.67

2015	March 31	June 30	September 30	December 31
Net premiums written	$24,811,813	$30,309,705	$30,845,991	$25,941,964
Net income	1,726,124	4,120,497	4,495,498	2,206,934
Net income attributable to the Company	1,726,124	4,120,497	4,490,962	2,196,322
Basic earnings per common share	0.86	2.06	2.28	1.13
Diluted earnings per common share	0.86	2.05	2.28	1.12

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Investors Title Company
Chapel Hill, North Carolina

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Investors Title (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017 and the related consolidated notes and schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 12, 2018 expressed an unqualified opinion.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/S/ DIXON HUGHES GOODMAN, LLP

We have served as the Company's auditor since 2004.

High Point, North Carolina
March 12, 2018

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Investors Title Company and Subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rules 13a-15(f) and 15(d)-15(f). The Company's internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's Consolidated Financial Statements.

Because of its inherent limitation, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and concluded that the Company's internal control over financial reporting was effective as of December 31, 2017.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Investors Title Company
Chapel Hill, North Carolina

Opinion on Internal Control Over Financial Reporting

We have audited Investors Title Company's (the Company's) internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework (2013) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements of the Company as of December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017, and our report dated March 12, 2018, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/S/ DIXON HUGHES GOODMAN, LLP

High Point, North Carolina
March 12, 2018

Investors Title Company and Subsidiaries
Consolidated Balance Sheets

As of December 31,	2017	2016
Assets:		
Investments in securities:		
Fixed maturities, available-for-sale, at fair value (amortized cost: December 31, 2017: $100,314,085; December 31, 2016: $100,162,357)	$103,341,083	$101,934,077
Equity securities, available-for-sale, at fair value (cost: December 31, 2017: $26,002,619; December 31, 2016: $24,836,032)	47,366,826	41,179,259
Short-term investments	23,779,672	6,558,840
Other investments	12,032,426	11,181,531
Total investments	186,520,007	160,853,707
Cash and cash equivalents	20,214,468	27,928,472
Premium and fees receivable	10,159,519	8,654,161
Accrued interest and dividends	1,099,879	1,035,152
Prepaid expenses and other assets	9,003,683	9,456,523
Property, net	10,172,904	8,753,466
Goodwill and other intangible assets, net	11,357,290	12,256,641
Current income taxes receivable	385,109	—
Total Assets	$248,912,859	$228,938,122
Liabilities and Stockholders’ Equity		
Liabilities:		
Reserve for claims	$34,801,000	$35,305,000
Accounts payable and accrued liabilities	27,565,660	26,146,480
Current income taxes payable	—	1,232,432
Deferred income taxes, net	8,625,759	11,118,256
Total liabilities	70,992,419	73,802,168
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; 1,885,993 and 1,884,283 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively, excluding in each period 291,676 shares of common stock held by the Company)	1	1
Retained earnings	161,890,660	143,283,621
Accumulated other comprehensive income	15,944,826	11,761,447
Total stockholders’ equity attributable to the Company	177,835,487	155,045,069
Noncontrolling interests	84,953	90,885
Total stockholders’ equity	177,920,440	155,135,954
Total Liabilities and Stockholders’ Equity	$248,912,859	$228,938,122

See notes to the Consolidated Financial Statements.

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Investors Title Company and Subsidiaries			
Consolidated Statements of Income			
For the Years Ended December 31,	2017	2016	2015
Revenues:			
Net premiums written	$138,588,877	$120,569,151	$111,909,473
Investment income – interest and dividends	4,444,447	4,684,489	4,531,319
Net realized gain (loss) on investments	1,040,901	768,436	(116,163)
Other	17,575,071	12,470,338	10,875,443
Total Revenues	161,649,296	138,492,414	127,200,072
Operating Expenses:			
Commissions to agents	68,643,220	63,643,321	62,174,301
Provision for claims	3,311,080	242,953	4,478,494
Salaries, employee benefits and payroll taxes	39,012,354	31,372,099	28,041,213
Office occupancy and operations	8,966,623	6,265,908	5,885,336
Business development	3,164,730	2,511,699	2,373,270
Filing fees, franchise and local taxes	1,198,013	907,225	732,985
Premium and retaliatory taxes	2,672,034	2,202,595	2,161,571
Professional and contract labor fees	1,825,598	2,115,754	2,691,411
Other	2,585,074	1,099,408	884,438
Total Operating Expenses	131,378,726	110,360,962	109,423,019