

INVESTORS TITLE COMPANY

Investors Title Company was founded in 1972 by J. Allen Fine. In the early 1970s, the market for title insurance in North Carolina was small with total premiums of just \$1.7 million. Mr. Fine anticipated increasing demand for title insurance when lenders began to sell mortgages on the secondary market and he played an instrumental role in educating lenders, attorneys, and home buyers regarding the risk of title defects.¹ By 1984, Investors Title was the leading title insurer in North Carolina.²

At the age of 87, Mr. Fine still serves as Chairman and Chief Executive Officer and two of his sons have held executive positions in the company for over three decades. Mr. Fine and his sons own 24.2% of the company.³ Markel Corporation is a long-term shareholder of Investors Title and owns 11.2% of the company.⁴

Investors Title posted \$273.9 million of net written premiums in 2021 which gives it just over 1% of the title insurance market in the United States.⁵ However, the company has a strong second place position in its home state of North Carolina with market share of 23%.⁶ North Carolina, South Carolina, Georgia and Texas accounted for 81% of net written premiums in 2021.

During 2020 and 2021, Investors Title posted cumulative net income of \$106.4 million and returned \$69.3 million to shareholders, primarily via special dividends. The company has benefited from a housing market boom and strong investment returns.

With the company's stock trading at \$152, Investors Title has a market capitalization of \$289 million with total stockholders' equity of \$232.5 million as of March 31, 2022, indicating that the shares trade at ~1.24x book value. The company has an investment portfolio of \$216.4 million, \$37.3 million of cash equivalents, and no debt.

Investors Title, as well as all companies operating in the title insurance industry, are directly exposed to the cyclical nature of the housing market. Housing market conditions are still strong in mid-2022, but higher mortgage interest rates, record high home prices, and low consumer confidence represent strong headwinds going forward.

Long-term investors should not be overly concerned with trends over the next few years, but it is important to examine how companies have performed during previous market cycles. This is particularly true for title insurers. This report provides an overview of Investors Title's performance in recent years and also looks back at how the company and the stock performed during the housing bubble of the mid-2000s, the subsequent housing market crash, and the financial crisis of 2008-09.

Business Model

Investors Title is headquartered in Chapel Hill, North Carolina. All of the company's home office and most branch operations take place in North Carolina. With home and branch operations, the company directly underwrites and issues title insurance policies and retains the entire premium since there are no commissions paid to agents. Over the past decade, home and branch operations have ranged from 20-30% of premiums. In 2021, 25% of premiums originated in home and branch operations.

Note: Readers who are unfamiliar with title insurance will find it useful to read my [recent article](#) explaining how title insurance differs from other types of property/casualty insurance.

The company works with a large number of independent title agencies that are responsible for underwriting and issuing policies. Agencies retain the majority of premium and remit the remainder to Investors Title. Outside of North Carolina, nearly all premiums originate from agencies. In 2021, 75% of premiums originated in agencies.

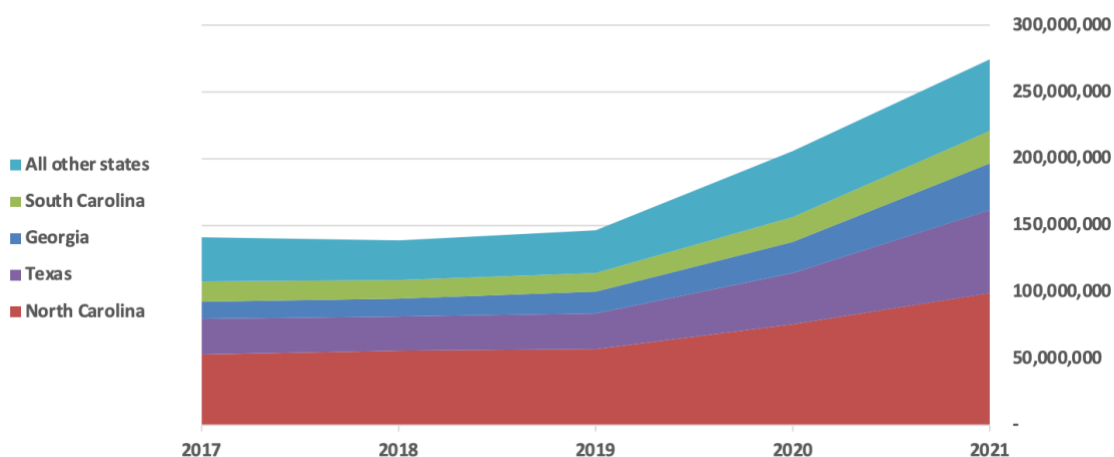
Title insurance is the company's principal business and only reportable operating segment. In addition to title insurance, the company provides ancillary services to clients including tax-deferred real property exchange services (1031 exchanges), investment management and trust services to individuals and organizations, as well as management services to title insurance agencies. For purposes of this article, I focus on title insurance since ancillary services are not drivers of the overall business.

Like all insurance companies, Investors Title is in the business of accepting premiums in exchange for protection against risks. Their goal is to make an underwriting profit and to earn investment returns on policyholder liabilities. These liabilities, often referred to as "float", represent funds that are estimated to be needed to pay out claims in the future. Title insurance claims are relatively rare and can occur many years after a policy is issued. This means that Investors Title's float is long-tail, and the company can benefit from investment income from these funds for many years.

Although the company is licensed to write insurance in 44 states and the District of Columbia, it currently writes in only 23 states and the District of Columbia. However, as noted in the introduction, 81% of premiums in 2021 were attributable to just four states: North Carolina, Texas, Georgia, and South Carolina. The exhibit on the next page shows net written premiums by state over the past five years.

We can see that premium volume increased dramatically in 2020 and 2021 as a result of the booming housing market. The company has benefited from operating in sunbelt states that have been growing in recent decades. All of the company's largest states experienced significant positive net migration during the pandemic.⁷ While these states have seen home price appreciation, it is notable that Investors Title does not have operations in states, such as California, where housing is very unaffordable and possibly subject to larger future price declines.

Net Written Premiums by State



Source: 10-K Annual Reports

Operating History

The following exhibit shows Investors Title's results from operations for the past five years as well as the first quarter of 2022. One point to note is that accounting rule changes starting in 2018 require that unrealized gains and losses on equity investments must be included in net income. A cumulative total of \$20.1 million of unrealized gains on equity investments have been posted since 2018, including a \$5.9 million decline in Q1 2022:

	Q1 2022	Q1 2021	2021	2020	2019	2018	2017
Revenues:							
Title Insurance:							
Home and Branch operations	17,418,000	17,360,000	68,585,000	53,204,000	40,638,000	41,305,000	40,405,000
Agency operations	45,707,000	44,117,000	205,300,000	152,214,000	105,204,000	96,820,000	100,097,000
Total Title Insurance Revenues (net of reinsurance)	63,125,000	61,477,000	273,885,000	205,418,000	145,842,000	138,125,000	140,502,000
Escrow and other title-related fees	5,064,000	2,798,000	13,678,000	8,321,000	7,474,000	7,096,000	6,892,000
Non-title services	2,426,000	2,078,000	9,667,000	8,693,000	9,922,000	7,082,000	6,128,000
Interest and dividends	915,000	1,016,000	3,773,000	4,393,000	4,752,000	4,619,000	4,445,000
Other investment income	1,337,000	941,000	6,920,000	3,723,000	3,191,000	3,107,000	2,159,000
Net Realized Gain/Loss on investments	1,747,000	321,000	1,869,000	333,000	1,340,000	(110,000)	1,041,000
Net unrealized gain (loss) on equity investments	(5,915,000)	3,239,000	14,934,000	4,904,000	10,303,000	(4,130,000)	-
Exchange Services Revenue	-	-	-	-	-	-	-
Other	299,000	208,000	4,772,000	623,000	678,000	470,000	460,000
Total Revenues	68,998,000	72,078,000	329,498,000	236,408,000	183,502,000	156,259,000	161,627,000
Expenses:							
Commissions to agents	29,857,000	30,542,000	142,815,000	106,807,000	72,780,000	65,775,000	68,643,000
Provision for claims	176,000	1,591,000	5,686,000	5,204,000	3,532,000	(332,000)	3,311,000
Personnel expenses	21,254,000	16,153,000	64,193,000	51,929,000	46,058,000	43,552,000	39,937,000
Office and technology expenses	4,368,000	2,742,000	13,059,000	9,951,000	9,254,000	8,813,000	8,172,000
Business development							
Filing fees and taxes, other than payroll or income.							
Premium and retaliatory taxes	5,550,000	3,735,000	18,813,000	12,856,000	12,055,000	11,382,000	11,293,000
Professional and contract labor fees							
Other							
Total Expenses	61,205,000	54,763,000	244,566,000	186,747,000	143,679,000	129,190,000	131,356,000
Earnings (Loss) Before taxes & Noncontrolling interests	7,793,000	17,315,000	84,932,000	49,661,000	39,823,000	27,069,000	30,271,000
Income tax expense (benefit)	1,608,000	3,492,000	17,912,000	10,241,000	8,365,000	5,210,000	4,570,000
Net income attributable to non-controlling interests	-	-	-	-	-	(33,000)	(6,000)
Net Earnings (Loss)	6,185,000	13,823,000	67,020,000	39,420,000	31,458,000	21,892,000	25,707,000
Fully Diluted Shares Outstanding (in thousands)	1,903,000	1,897,000	1,900,000	1,896,000	1,896,000	1,897,000	1,895,871
Earnings Per Share	3.26	7.29	35.28	20.80	16.59	11.54	13.56
Dividends Per Share	0.46	0.44	19.82	16.76	9.60	12.20	3.75

Source: 10-K Annual Reports

The following ratio analysis is helpful when looking at the company's results. In the title insurance industry, claims are relatively rare and are expected to represent a small percentage of revenue. We can see that this has been the case recently with title losses representing just 2.1% of revenue in 2021. The major costs are commissions paid to agencies and employee costs. ~70% of revenue is retained by agencies.

	Q1 2022	Q1 2021	2021	2020	2019	2018	2017
Ratio Analysis:							
Amount Retained by Agencies / Agency revenues	65.3%	69.2%	69.6%	70.2%	69.2%	67.9%	68.6%
Title Losses & Claims / Total Title Insurance Revenues	0.3%	2.6%	2.1%	2.5%	2.4%	-0.2%	2.4%
Employee Costs / Total Revenues	30.8%	22.4%	19.5%	22.0%	25.1%	27.9%	24.7%
All Other operating expenses / Total Revenues	15.7%	10.5%	11.6%	11.1%	14.6%	14.6%	13.9%
Net Earnings/ Total Revenues	9.0%	19.2%	20.3%	16.7%	17.1%	14.0%	15.9%
Pre-tax income / Total Revenues	11.3%	24.0%	25.8%	21.0%	21.7%	17.3%	18.7%
Tax Rate	26.0%	25.3%	26.7%	26.0%	26.6%	23.8%	17.8%
Branch (Direct) Revenues as % of Total Title Revenues	27.6%	28.2%	25.0%	25.9%	27.9%	29.9%	28.8%
Agency Revenues as % of total title revenues	72.4%	71.8%	75.0%	74.1%	72.1%	70.1%	71.2%

Source: 10-K Annual Reports, 10-Q Report for Q1 2022

We can see that the company has benefited from operating leverage as premium volume increased in 2020 and 2021. Employee costs dropped from 25.1% of revenue in 2019 to 19.5% in 2021. All other operating expenses, including overhead spread over a larger revenue base, declined from 14.6% of revenue in 2019 to 11.6% in 2021.

The first quarter has less real estate activity than the peak spring and summer months, but it is still notable to see expenses trending upward as year-over-year title insurance revenue growth has slowed down. The company's first quarter [press release](#) attributes higher expenses to geographic expansion and staffing costs:

"Personnel expenses were 31.6% higher primarily due to expansion of our presence in key markets, overall staff growth to support higher transaction volumes, and increased employee benefit and contract labor costs. Other categories of operating expenses were 7.4% higher than the prior period primarily to support expansion of our geographic footprint as well as ongoing strategic technology initiatives."

One way to evaluate how the company might perform in a housing market slowdown is to look at what happened during the housing bubble and crash which we will examine in some detail after first reviewing the company's balance sheet.

Balance Sheet

In this section, we will take a look at the company's balance sheet with a focus on how management invests shareholders' equity and float. In addition, we will look at how reserves have developed over time. The exhibit on the next page shows the company's balance sheet over the past decade

As we will see in the capital allocation section, the company has been a regular buyer of its shares over the years. Over the past decade, the share count has declined from 2,107,681 on 12/31/11 to 1,897,000 on 3/31/22 as a result of \$21.3 million of repurchases. Over the same period, the company paid \$121.6 million of dividends.

	3/31/22	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
ASSETS											
Investments in securities:											
Fixed maturities:											
Held-to-maturity, at amortized cost	-	-	-	-	-	-	-	-	-	-	-
Available-for-sale, at fair value	67,725,000	79,791,000	117,713,000	104,638,000	88,957,000	103,341,083	101,934,077	106,066,384	109,048,290	91,445,413	81,936,978
Equity securities, at fair value	69,945,000	76,853,000	64,919,000	61,108,000	48,489,000	47,366,826	41,179,259	37,513,464	39,254,981	36,144,065	28,510,933
Short-term investments	58,555,000	45,930,000	15,170,000	13,134,000	32,787,000	23,779,672	6,558,840	6,865,406	2,576,993	7,926,373	13,567,648
Other investments	20,217,000	20,298,000	15,493,000	13,982,000	12,436,000	12,032,426	11,181,531	10,106,828	8,530,929	7,247,831	6,763,100
Total investments	216,442,000	222,872,000	213,295,000	192,862,000	182,669,000	186,520,007	160,853,707	160,552,082	159,411,193	142,763,682	130,778,659
Cash and cash equivalents	37,310,000	37,168,000	13,723,000	25,949,000	18,694,000	20,214,468	27,928,472	21,790,068	15,826,515	23,626,761	20,810,018
Premiums and fees receivable	23,850,000	22,953,000	19,427,000	12,523,000	12,128,000	10,159,519	8,654,161	8,392,697	8,544,183	8,750,224	11,037,714
Accrued interest and dividends	1,000,000	817,000	1,038,000	1,033,000	946,000	1,099,879	1,035,152	1,004,126	1,063,837	1,006,698	1,037,447
Prepaid expenses and other assets	11,618,000	11,721,000	9,418,000	5,519,000	7,288,000	9,003,683	9,456,523	11,413,520	7,732,677	7,466,141	4,651,115
Property acquired in settlement of claims	-	-	-	-	-	-	-	-	-	-	-
Property, net	13,413,000	13,033,000	11,160,000	9,776,000	10,304,000	10,172,904	8,753,466	7,148,951	5,460,805	4,325,538	3,603,323
Goodwill and other intangible assets, net	15,621,000	15,951,000	9,771,000	10,275,000	10,780,000	11,357,290	12,256,641	1,220,585	-	-	-
Operating lease right-of-use assets	7,321,000	5,202,000	3,533,000	4,469,000	-	-	-	-	-	-	-
Other assets	1,822,000	1,771,000	1,560,000	1,487,000	1,459,000	-	-	-	-	-	-
Current income taxes recoverable	-	-	-	-	-	385,109	-	-	-	366,772	-
Deferred income taxes, net	-	-	-	-	-	-	-	-	-	-	-
Total assets	328,397,000	331,488,000	282,925,000	263,893,000	244,268,000	248,912,859	228,938,122	211,522,029	198,039,210	188,305,816	171,918,276
LIABILITIES AND STOCKHOLDERS' EQUITY											
Liabilities:											
Reserves for claims	36,366,000	36,754,000	33,584,000	31,333,000	31,729,000	34,801,000	35,305,000	37,788,000	36,677,000	35,360,000	39,078,000
Accounts payable and accrued liabilities	34,486,000	43,868,000	36,020,000	28,318,000	27,735,000	27,565,660	26,146,480	25,043,588	18,290,819	20,324,190	15,477,545
Commissions and reinsurance payable	-	-	-	-	-	-	-	-	-	-	-
Premium taxes payable	-	-	-	-	-	-	-	-	-	-	-
Operating lease liabilities	7,453,000	5,329,000	3,669,000	4,502,000	-	-	-	-	-	-	-
Current income taxes payable	6,164,000	3,329,000	638,000	1,340,000	4,981,000	-	1,232,432	210,355	92,192	-	1,336,824
Deferred income taxes, net	11,436,000	13,121,000	8,592,000	7,038,000	4,184,000	8,625,759	11,118,256	5,703,006	5,415,493	4,013,983	893,156
Total liabilities	95,905,000	102,401,000	82,503,000	72,531,000	68,629,000	70,992,419	73,802,168	68,744,949	60,475,504	59,698,173	56,785,525
Redeemable non-controlling interest	-	-	-	-	-	-	-	-	-	545,489	493,861
Stockholders' equity:											
Class A Junior Participating preferred stock	-	-	-	-	-	-	-	-	-	-	-
Common stock	-	-	-	-	-	1	1	1	1	1	1
Retained earnings	231,274,000	225,861,000	196,096,000	188,262,000	174,690,000	161,890,660	143,283,621	131,186,866	124,707,196	116,714,749	105,820,459
Accumulated other comprehensive income	1,218,000	3,226,000	4,326,000	3,100,000	949,000	15,944,826	11,761,447	11,483,015	12,856,509	11,347,404	8,818,430
Total stockholders' equity attributable to the Company	232,492,000	229,087,000	200,422,000	191,362,000	175,639,000	177,835,487	155,045,069	142,669,882	137,563,706	128,062,154	114,638,890
Noncontrolling interests	-	-	-	-	-	84,953	90,885	107,198	-	-	-
Total stockholders' equity	232,492,000	229,087,000	200,422,000	191,362,000	175,639,000	177,920,440	155,135,954	142,777,080	137,563,706	128,062,154	114,638,890
Total liabilities and stockholders' equity	328,397,000	331,488,000	282,925,000	263,893,000	244,268,000	248,912,859	228,938,122	211,522,029	198,039,210	188,305,816	171,918,276
Shares outstanding	1,897,000	1,895,000	1,892,000	1,889,000	1,887,000	1,885,993	1,884,283	1,949,797	2,023,270	2,043,359	2,043,359
Book value/share	122.56	120.89	105.93	101.30	93.08	94.29	82.28	73.17	67.99	62.67	56.10
Tangible book value/share	114.32	112.47	100.77	95.86	87.37	88.27	75.78	72.55	67.99	62.67	56.10

Source: 10-K Annual Reports, 10-Q Report for Q1 2022

Book value per share increased from \$50.54 on 12/31/11 to \$122.56 on 3/31/22, a compound growth rate of 9%. If we add back the \$64.64 per share of dividends paid during this period, the compound growth rate rises to 13.6%.

The exhibit below shows how the investment portfolio has been allocated. In recent years, management has reduced the fixed income allocation considerably while building up cash and short-term investments (which consist primarily of money-market funds). The allocation to equity investments has increased as well primarily due to market appreciation. As of 3/31/22, the \$69.9 million equity portfolio had a cost basis of \$28.5 million.

	3/31/22	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
Total Investments + Cash	253,752,000	260,040,000	227,018,000	218,811,000	201,363,000	206,734,475	188,782,179	182,342,150	175,237,708	166,390,443	151,588,677
Total Investments + Cash as % shareholders equity	109%	114%	113%	114%	115%	116%	122%	128%	127%	130%	132%
Investment allocation:											
Cash	15%	14%	6%	12%	9%	10%	15%	12%	9%	14%	14%
Fixed income investments	27%	31%	52%	48%	44%	50%	54%	58%	62%	55%	54%
Equity investments	28%	30%	29%	28%	24%	23%	22%	21%	22%	22%	19%
Short term investments	23%	18%	7%	6%	16%	12%	3%	4%	1%	5%	9%
Other investments	8%	8%	7%	6%	6%	6%	6%	6%	5%	4%	4%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
RATIO ANALYSIS AS % OF TOTAL ASSETS											
Cash and Cash Equivalents	11%	11%	5%	10%	8%	8%	12%	10%	8%	13%	12%
Fixed Income Investments	21%	24%	42%	40%	36%	42%	45%	50%	55%	49%	48%
Equity Investments	21%	23%	23%	23%	20%	19%	18%	18%	20%	19%	17%
Loss Reserves	11%	11%	12%	12%	13%	14%	15%	18%	19%	19%	23%
Debt	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Shareholders' Equity	71%	69%	71%	73%	72%	71%	68%	67%	69%	68%	67%
Total Investments (excluding cash)	66%	67%	75%	73%	75%	75%	70%	76%	80%	76%	76%

Source: 10-K Annual Reports, 10-Q Report for Q1 2022

The fixed income portfolio has a relatively short duration with very few maturities past five years. This is a good situation in a rising interest rate environment:

The scheduled maturities of fixed maturity securities at March 31, 2022 are as follows:

(in thousands)	Available-for-Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 15,104	\$ 15,165
Due one year through five years	46,535	47,521
Due five years through ten years	3,747	3,811
Due after ten years	823	1,228
Total	\$ 66,209	\$ 67,725

Source: 10-Q Report for Q1 2022

The company has a debt-free balance sheet with shareholders' equity accounting for 71% of total assets. Reserves for claims of \$36.4 million represent just 11% of assets. By any measure, this is a conservative balance sheet, but let's take a closer look at loss reserves and how they have developed over time.

Reserve for Claims:	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Known title claims	3,317,000	3,585,000	3,799,000	3,007,000	4,646,422	4,405,343	5,066,469	5,364,645	4,670,809	5,166,370
IBNR	33,437,000	29,999,000	27,534,000	28,722,000	30,154,578	30,899,657	32,721,531	31,312,355	30,689,191	33,911,630
Total reserve for claims	36,754,000	33,584,000	31,333,000	31,729,000	34,801,000	35,305,000	37,788,000	36,677,000	35,360,000	39,078,000
Reserve for Claims:										
Balance, beginning of period	33,584,000	31,333,000	31,729,000	34,801,000	35,305,000	37,788,000	36,677,000	35,360,000	39,078,000	37,996,000
Provision related to:										
Current year	11,450,000	8,877,000	8,610,000	6,762,000	7,432,000	6,673,000	7,295,013	6,860,335	7,239,628	7,650,959
Prior years	(5,764,000)	(3,673,000)	(5,078,000)	(7,094,000)	(4,121,000)	(6,430,000)	(2,816,519)	(1,630,619)	(7,811,224)	(1,578,844)
Total provision charged to operations	5,686,000	5,204,000	3,532,000	(332,000)	3,311,000	243,000	4,478,494	5,229,716	(571,596)	6,072,115
Claims paid, net of recoveries, related to:										
Current year	(146,000)	(249,000)	(2,057,000)	(178,000)	(75,000)	(103,000)	(97,116)	(102,947)	(110,240)	(76,288)
Prior years	(2,370,000)	(2,704,000)	(1,871,000)	(2,562,000)	(3,740,000)	(2,623,000)	(3,270,378)	(3,809,769)	(3,036,164)	(4,913,827)
Total claims paid, net of recoveries	(2,516,000)	(2,953,000)	(3,928,000)	(2,740,000)	(3,815,000)	(2,726,000)	(3,367,494)	(3,912,716)	(3,146,404)	(4,990,115)
Balance, end of period	36,754,000	33,584,000	31,333,000	31,729,000	34,801,000	35,305,000	37,788,000	36,677,000	35,360,000	39,078,000
Total Title Insurance Revenues	273,885,000	205,418,000	145,842,000	138,125,000	140,502,000	122,522,000	112,475,686	109,963,556	113,886,266	102,331,102
Total provision for Claims	5,686,000	5,204,000	3,532,000	(332,000)	3,311,000	243,000	4,478,494	5,229,716	(571,596)	6,072,115
Total provision for Claims as a % of title insurance revenues	2%	3%	2%	0%	2%	0%	4%	5%	-1%	6%
Provision for current year	11,450,000	8,877,000	8,610,000	6,762,000	7,432,000	6,673,000	7,295,013	6,860,335	7,239,628	7,650,959
Provision for current year as a % of title insurance revenues	4%	4%	6%	5%	5%	5%	6%	6%	6%	7%

Source: 10-K Annual Reports

The exhibit shows a number of important data points starting with the breakdown of reserves between known title claims and incurred-but-not-reported claims (IBNR). Over 90% of reserves are attributed to claims that management believes could occur in the future. This is the nature of title insurance: claims are rare and unpredictable.

The obvious question is how good management's track record is when it comes to reserve adequacy. We can get a sense of this by examining the middle section of the exhibit which shows how the reserve balance has changed over time. In general, management has tended to over-reserve, as we can see with the negative numbers in the provision for prior year claims.

Part of this result is likely due to the management's conservatism, but we also should be cognizant of the fact that housing market conditions have been very favorable in recent years. While it is good to strive for accurate

reserving, it is far better to err on the side of redundancy than inadequacy. Management's track record provides some comfort that reserves are adequate for the claims likely to arise in the future.

The Housing Bubble and Crash

As we can see from the prior exhibits, particularly the reserve development spreadsheet, the provision for losses as a percentage of premiums has been quite low in recent years. The natural question to ask is what will happen if the housing market declines for many years or even crashes, as it did in the mid to late 2000s.

The following exhibit shows relevant data from 2005 to 2010:

	2010	2009	2008	2007	2006	2005
Revenues:						
Title Insurance:						
Home and Branch operations	17,961,144	21,474,082	24,312,013	30,093,115	32,360,571	34,128,931
Agency operations	43,501,297	40,681,169	39,350,174	39,890,874	37,835,896	42,393,335
Total Title Insurance Revenues (net of reinsurance)	61,462,441	62,155,251	63,662,187	69,983,989	70,196,467	76,522,266
Escrow and other title-related fees	-	-	-	-	-	-
Non-title services	-	-	-	-	-	-
Interest and dividends	3,671,178	3,783,116	4,558,735	5,197,178	4,326,335	3,355,767
Other investment income	-	-	-	-	-	-
Net Realized Gain/Loss on investments	654,674	(498,089)	(2,922,376)	921,871	551,058	119,015
Net unrealized gain (loss) on equity investments	-	-	-	-	-	-
Exchange Services Revenue	-	910,828	1,166,141	4,340,062	5,980,027	4,543,049
Other	5,521,062	4,957,054	4,658,574	4,499,187	3,607,829	3,343,781
Total Revenues	71,309,355	71,308,160	71,123,261	84,942,287	84,661,716	87,883,878
Expenses:						
Commissions to agents	31,189,207	29,254,311	27,717,807	28,424,960	26,714,784	30,309,405
Provision for claims	4,435,066	8,465,123	15,206,637	10,134,719	7,405,211	8,164,783
Personnel expenses	17,695,956	18,189,483	19,605,500	20,819,094	20,036,079	19,208,112
Office and technology expenses	3,935,563	4,333,579	5,107,843	5,590,827	5,599,382	5,030,412
Business development	1,544,588	1,398,057	2,104,935	2,183,853	2,247,826	2,001,504
Filing fees and taxes, other than payroll or income.	573,075	571,677	587,235	531,777	573,395	513,153
Premium and retaliatory taxes	1,279,400	1,268,301	1,281,297	1,496,448	1,348,850	1,556,529
Professional and contract labor fees	1,511,283	1,362,706	1,731,550	2,789,878	2,659,238	1,937,233
Other	529,591	549,144	997,256	1,146,396	747,517	559,824
Total Expenses	62,693,729	65,392,381	74,340,060	73,117,952	67,332,282	69,280,955
Earnings (Loss) Before taxes & Noncontrolling interests	8,615,626	5,915,779	(3,216,799)	11,824,335	17,329,434	18,602,923
Income tax expense (benefit)	2,243,000	1,087,000	(2,034,000)	3,422,000	4,144,000	5,290,000
Net income attributable to non-controlling interests	-	-	-	-	-	-
Net Earnings (Loss)	6,372,626	4,828,779	(1,182,799)	8,402,335	13,185,434	13,312,923
Fully Diluted Shares Outstanding (in thousands)	2,289,847	2,299,429	2,364,361	2,508,609	2,564,216	2,607,633
Earnings Per Share	2.78	2.10	(0.50)	3.35	5.14	5.11
Dividends Per Share	0.28	0.28	0.28	0.24	0.24	0.16
Shareholders' Equity - Period End	103,928,815	97,259,077	89,857,888	99,275,840	95,275,663	84,297,256
Book Value Per Share - Period End	45.53	42.56	39.18	41.17	38.00	33.07
Tangible Book Value Per Share - Period End	45.53	42.56	39.18	41.17	38.00	33.07

Source: 10-K Annual Reports

We can see that the company posted a net loss in 2008, but otherwise escaped the housing crash relatively unscathed. Notably, the provision for claims in 2007 and 2008 increased significantly as a declining market often provides an incentive for individuals to find title defects. The combination of the decline in title insurance revenue and increased provision for losses led to net income declining from over \$13 million in 2005 and 2006 to a loss in 2008 before partially recovering in 2009 and 2010.

If I had to highlight one feature of the housing boom and crash that sharply contrasts with the recent environment, it would be the much higher reserve for claims that prevailed throughout the 2000s, as we can see from the exhibit below:

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Ratio Analysis:										
Amount Retained by Agencies / Agency revenues	71.7%	71.9%	70.4%	71.3%	70.6%	71.5%	72.5%	74.0%	74.3%	74.7%
Title Losses & Claims / Total Title Insurance Revenues	7.2%	13.6%	23.9%	14.5%	10.5%	10.7%	11.1%	11.1%	10.2%	11.5%
Employee Costs / Total Revenues	24.8%	25.5%	27.6%	24.5%	23.7%	21.9%	20.4%	17.2%	17.3%	16.8%
All Other operating expenses / Total Revenues	15.3%	15.3%	18.6%	19.6%	18.8%	15.2%	15.2%	12.6%	14.4%	16.1%
Net Earnings/ Total Revenues	8.9%	6.8%	-1.7%	9.9%	15.6%	15.1%	13.4%	12.1%	11.1%	9.4%
Pre-tax income / Total Revenues	12.1%	8.3%	-4.5%	13.9%	20.5%	21.2%	19.4%	17.8%	16.0%	13.7%
Tax Rate	35.2%	22.5%	NMF	40.7%	31.4%	39.7%	44.6%	47.5%	43.9%	45.4%
Branch (Direct) Revenues as % of Total Title Revenues	29.2%	34.5%	38.2%	43.0%	46.1%	44.6%	44.0%	37.0%	36.0%	36.1%
Agency Revenues as % of total title revenues	70.8%	65.5%	61.8%	57.0%	53.9%	55.4%	56.0%	63.0%	64.0%	63.9%

Source: 10-K Annual Reports

Even in the boom times, the provision for losses was over 10%. It spiked to nearly 24% in 2008. This loss experience is troubling because it is far in excess of recent trends as we saw earlier. In recent years, the provision for title losses has run between 2-3% per year. Are we in a permanent era of much lower loss experience compared to the decade of the 2000s, or could we expect a spike in claims if the housing market declines or crashes in the years to come?

The difference between a 2% and a 10% provision for losses on \$274 million of premiums is \$22 million. If the loss experience that prevailed in the 2000s appears again in a new housing market crash, it is possible that the loss reserves on the balance sheet could be inadequate.

From an outside perspective, it is difficult to know what the probability of such an adverse development might be, but the risk should not be ignored given what took place during the last housing crash. Investors Title's strong balance sheet means that the company's solvency isn't likely to be in question even under very adverse conditions, but it is possible that shareholders' equity could take an unpleasant hit.

Capital Allocation

Investors Title is a relatively small player in the title insurance industry and has taken a conservative course when it comes to capital allocation. Although the company has generated significant free cash flow over the years, management has opted to return most of the cash to shareholders rather than to attempt an aggressive expansion within title insurance or pursue opportunities in adjacent industries.

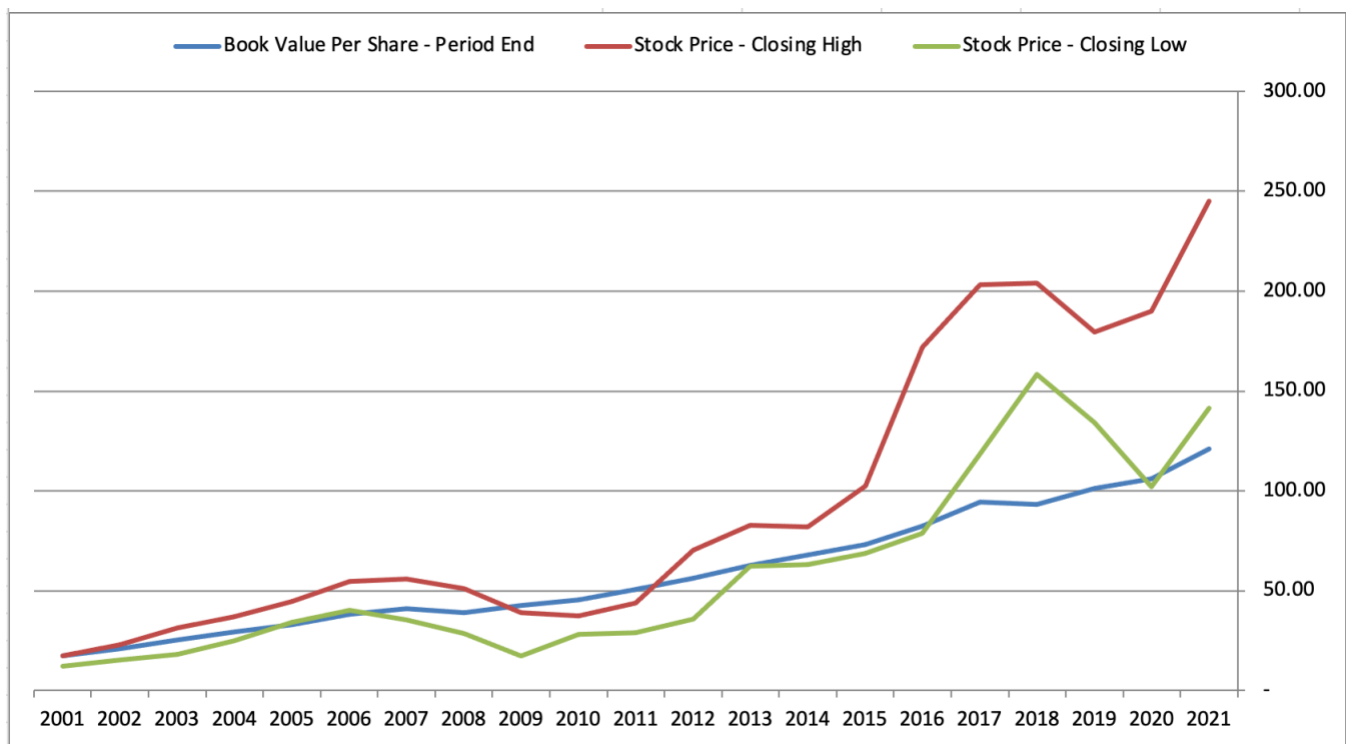
The exhibit below shows the company's track record over the past decade:

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Capital Allocation Statistics:											
Net cash provided by operating activities	51,931,000	34,095,000	20,916,000	24,386,000	19,893,000	22,567,000	16,916,506	9,683,980	15,304,485	8,685,413	9,007,159
Less purchases of property, equipment, and software	6,534,000	3,202,000	1,486,000	1,859,000	2,884,000	2,457,000	2,742,619	2,017,379	1,424,108	568,728	361,207
Estimated Free Cash Flow	45,397,000	30,893,000	19,430,000	22,527,000	17,009,000	20,110,000	14,173,887	7,666,601	13,880,377	8,116,685	8,645,952
Repurchases of common stock	-	6,000	19,000	29,000	246,000	6,220,000	5,483,953	1,055,765	4,262,260	3,975,532	5,940,463
Dividends	37,553,000	31,716,000	18,131,000	23,017,000	7,073,000	1,370,000	789,907	650,433	657,914	603,334	599,241
Total cash returned to shareholders	37,553,000	31,722,000	18,150,000	23,046,000	7,319,000	7,590,000	6,273,860	1,706,198	4,920,174	4,578,866	6,539,704
Cash returned to shareholders as % of FCF	83%	103%	93%	102%	43%	38%	44%	22%	35%	56%	76%

Source: 10-K Annual Reports

The company pays a relatively modest regular quarterly dividend currently set at \$0.46 per share which is equivalent to a yield of 1.2%. However, starting in 2017, several special dividends have returned significant cash to shareholders. From 2017 to 2021, a total of \$117.5 billion of dividends were paid while share repurchases were a modest \$300,000. Prior to 2017, management preferred to return cash to shareholders via share repurchases. From 2012 to 2016, the company used \$21 million to repurchase shares while paying \$4.1 million in dividends.

The exhibit below shows the company's book value over the past two decades along with the low and high closing stock price for each year. Management is obviously opportunistic when it comes to share repurchases and prefers to return cash to shareholders via special cash dividends during times when the shares are trading well above book value. Obviously, this says something about management's view of the attractiveness of the shares. With significant inside ownership, we do not see share repurchases at any price, but only at prices relatively close to book value.



Source: 10-K Annual Reports and Yahoo! Finance data

A similar pattern held during the 2007-2011 period when the stock often traded well below book value. During those years, management used \$17.4 million to repurchase stock and paid out \$3.1 million in regular dividends.

Corporate Governance and Ownership

J. Allen Fine and his sons control 24.2% of shares outstanding and other insiders on the Board of Directors control an additional 2.7%. Markel Corporation holds 11.2% of the company's shares as has been an owner since 2006.⁸ Groveland Capital LLC owns 5.9% of the company and appears to be a long-term shareholder as well.⁹

With 44% of the company owned by insiders and large long-term shareholders, there appears to be significant skin in the game at Investors Title. Due to the Fine family's history with the company and large ownership interest, coupled with the presence of a shareholders' rights ("poison pill") plan that's been in effect since 2002, Investors Title is effectively controlled by the Fine family.

Board compensation is reasonable based on current standards. In 2021, cash fees ranged from \$20,000 to \$25,000 for the company's six outside directors and each received stock option awards of just under \$40,000. Mr. Fine and his sons serve on the board but do not receive additional compensation for board service.

Considering the size of the company and the Fine family's ownership interest, I regard executive compensation to perhaps be on the generous side but not at all egregious given strong operating results over the past two years:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)⁽¹⁾	All Other Compensation (\$)⁽²⁾	Total (\$)
J. Allen Fine Chief Executive Officer and Chairman of the Board	2021	489,167	1,000,000	69,490	1,558,657
	2020	452,500	900,000	63,072	1,415,572
James A. Fine, Jr. President, Chief Financial Officer and Treasurer	2021	418,833	1,000,000	66,514	1,485,347
	2020	385,833	900,000	60,858	1,346,691
W. Morris Fine Executive Vice President & Secretary	2021	418,833	1,000,000	80,153	1,498,986
	2020	385,833	900,000	73,496	1,359,329

(1) Reflects cash bonuses earned in the applicable year.

(2) Amounts set forth as "All Other Compensation" for fiscal 2021 consists of the following:

Name	401(k) Contributions (\$)	Supplemental Retirement Cash Payment (\$)	Life and Health Insurance (\$)	Personal Use of Company Vehicle (\$)	Total (\$)
J. Allen Fine	11,600	45,498	7,354	5,038	69,490
James A. Fine, Jr.	11,600	42,574	11,752	588	66,514
W. Morris Fine	11,600	42,574	11,752	14,227	80,153

Source: [2022 Proxy](#)

Whenever I study a company that is effectively family-controlled, I try to look at the situation from the perspective of the individuals involved. With a total ownership interest valued at close to \$70 million, the Fine family is obviously very financially secure with no need to work in the business.

Through their involvement in running the company, the family collectively earns around \$4.5 million per year which is probably a necessary incentive for them to continue to be interested in operating the business. Presumably, James A. Fine, Jr. and W. Morris Fine will continue to be involved in running the company once J. Allen Fine, who is 87 years old, steps down as CEO.

Does the ownership interest of the Fine family, the presence of a “poison-pill”, and their current compensation make the prospect of a merger or acquisition with a larger title insurer less likely? I suspect that this is the case.¹⁰ Therefore, outside shareholders should evaluate Investors Title as a company that is likely to remain independent for the foreseeable future, even if the stock may sometimes trade at a valuation that could be attractive to larger companies in the industry.¹¹

Conclusion

Title insurance is a non-discretionary component of nearly all real estate transactions and seems unlikely to be “disrupted” in the future.¹² Since title insurance is meant to protect policyholders against past events, skilled operators in this industry should be able to minimize losses. Since there is a great deal of fragmentation in the real estate industry, local knowledge is invaluable when it comes to conducting comprehensive title searches and detecting problems before a sale takes place.

Investors Title might be a small player when it comes to market share in the United States as a whole, but it has higher market share in the states representing the majority of its business and has a proven history of sound and profitable operations. This has been particularly true in recent years with the strong tailwind of a strong housing market showing up in financial results.

When I [first wrote about the company](#) in late 2010, the market capitalization was \$66.5 million while book value was \$102.5 million.¹³ This seemed like an attractive entry point for the stock and I built a position in the company.

In June 2012, with the stock trading at slightly above book value, [I decided to sell out of my position](#).¹⁴ In retrospect, this was not such a great decision given that the stock price has increased from \$54.50 to \$152 over the past decade while paying out over \$64 in dividends, a compound return of ~15%, slightly more than the S&P 500.¹⁵

Investors Title currently trades at a significant premium to book value and the Fine family has been returning capital to shareholders via dividends rather than share repurchases. At times when the stock traded closer to book value, capital was returned primarily through share repurchases.

Given the Fine family's ownership interest, we should take their preference for dividends vs. repurchases seriously. The stock would clearly be a more attractive value closer to book value, and it would have a large margin of safety if it can be purchased significantly below book value. If negative headlines about the housing market begin to appear, it is possible that title insurers will sell off along with other stocks that have real or perceived exposure.

Financial Statements

Balance Sheets

	3/31/22	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13	12/31/12
ASSETS											
Investments in securities:											
Fixed maturities:											
Held-to-maturity, at amortized cost	-	-	-	-	-	-	-	-	-	-	-
Available-for-sale, at fair value	67,725,000	79,791,000	117,713,000	104,638,000	88,957,000	103,341,083	101,934,077	106,066,384	109,048,290	91,445,413	81,936,978
Equity securities, at fair value	69,945,000	76,853,000	64,919,000	61,108,000	48,489,000	47,366,826	41,179,259	37,513,464	39,254,981	36,144,065	28,510,933
Short-term investments	58,555,000	45,930,000	15,170,000	13,134,000	32,787,000	23,779,672	6,558,840	6,865,406	2,576,993	7,926,373	13,567,648
Other investments	20,217,000	20,298,000	15,493,000	13,982,000	12,436,000	12,032,426	11,181,531	10,106,828	8,530,929	7,247,831	6,763,100
Total investments	216,442,000	222,872,000	213,295,000	192,862,000	182,669,000	186,520,007	160,853,707	160,552,082	159,411,193	142,763,682	130,778,659
Cash and cash equivalents	37,310,000	37,168,000	13,723,000	25,949,000	18,694,000	20,214,468	27,928,472	21,790,068	15,826,515	23,626,761	20,810,018
Premiums and fees receivable	23,850,000	22,953,000	19,427,000	12,523,000	12,128,000	10,159,519	8,654,161	8,392,697	8,544,183	8,750,224	11,037,714
Accrued interest and dividends	1,000,000	817,000	1,038,000	1,033,000	946,000	1,099,879	1,035,152	1,004,126	1,063,837	1,006,698	1,037,447
Prepaid expenses and other assets	11,618,000	11,721,000	9,418,000	5,519,000	7,288,000	9,003,683	9,456,523	11,413,520	7,732,677	7,466,141	4,651,115
Property acquired in settlement of claims	-	-	-	-	-	-	-	-	-	-	-
Property, net	13,413,000	13,033,000	11,160,000	9,776,000	10,304,000	10,172,904	8,753,466	7,148,951	5,460,805	4,325,538	3,603,323
Goodwill and other intangible assets, net	15,621,000	15,951,000	9,771,000	10,275,000	10,780,000	11,357,290	12,256,641	1,220,585	-	-	-
Operating lease right-of-use assets	7,321,000	5,202,000	3,533,000	4,469,000	-	-	-	-	-	-	-
Other assets	1,822,000	1,771,000	1,560,000	1,487,000	1,459,000	-	-	-	-	-	-
Current income taxes recoverable	-	-	-	-	-	385,109	-	-	-	366,772	-
Deferred income taxes, net	-	-	-	-	-	-	-	-	-	-	-
Total assets	328,397,000	331,488,000	282,925,000	263,893,000	244,268,000	248,912,859	228,938,122	211,522,029	198,039,210	188,305,816	171,918,276
LIABILITIES AND STOCKHOLDERS' EQUITY											
Liabilities:											
Reserves for claims	36,366,000	36,754,000	33,584,000	31,333,000	31,729,000	34,801,000	35,305,000	37,788,000	36,677,000	35,360,000	39,078,000
Accounts payable and accrued liabilities	34,486,000	43,868,000	36,020,000	28,318,000	27,735,000	27,565,660	26,146,480	25,043,588	18,290,819	20,324,190	15,477,545
Commissions and reinsurance payable											
Premium taxes payable	-	-	-	-	-	-	-	-	-	-	-
Operating lease liabilities	7,453,000	5,329,000	3,669,000	4,502,000	-	-	-	-	-	-	-
Current income taxes payable	6,164,000	3,329,000	638,000	1,340,000	4,981,000	-	1,232,432	210,355	92,192	-	1,336,824
Deferred income taxes, net	11,436,000	13,121,000	8,592,000	7,038,000	4,184,000	8,625,759	11,118,256	5,703,006	5,415,493	4,013,983	893,156
Total liabilities	95,905,000	102,401,000	82,503,000	72,531,000	68,629,000	70,992,419	73,802,168	68,744,949	60,475,504	59,698,173	56,785,525
Redeemable non-controlling interest	-	-	-	-	-	-	-	-	-	545,489	493,861
Stockholders equity:											
Class A Junior Participating preferred stock	-	-	-	-	-	-	-	-	-	-	-
Common stock						1	1	1	1	1	1
Retained earnings	231,274,000	225,861,000	196,096,000	188,262,000	174,690,000	161,890,660	143,283,621	131,186,866	124,707,196	116,714,749	105,820,459
Accumulated other comprehensive income	1,218,000	3,226,000	4,326,000	3,100,000	949,000	15,944,826	11,761,447	11,483,015	12,856,509	11,347,404	8,818,430
Total stockholders' equity attributable to the Company	232,492,000	229,087,000	200,422,000	191,362,000	175,639,000	177,835,487	155,045,069	142,669,882	137,563,706	128,062,154	114,638,890
Noncontrolling interests	-	-	-	-	-	84,953	90,885	107,198	-	-	-
Total stockholders' equity	232,492,000	229,087,000	200,422,000	191,362,000	175,639,000	177,920,440	155,135,954	142,777,080	137,563,706	128,062,154	114,638,890
Total liabilities and stockholders' equity	328,397,000	331,488,000	282,925,000	263,893,000	244,268,000	248,912,859	228,938,122	211,522,029	198,039,210	188,305,816	171,918,276
Shares outstanding	1,897,000	1,895,000	1,892,000	1,889,000	1,887,000	1,885,993	1,884,283	1,949,797	2,023,270	2,043,359	2,043,359
Book value/share	122.56	120.89	105.93	101.30	93.08	94.29	82.28	73.17	67.99	62.67	56.10
Tangible book value/share	114.32	112.47	100.77	95.86	87.37	88.27	75.78	72.55	67.99	62.67	56.10

Income Statements

	Q1 2022	Q1 2021	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:												
Title Insurance:												
Home and Branch operations	17,418,000	17,360,000	68,585,000	53,204,000	40,638,000	41,305,000	40,405,000	33,664,000	28,400,531	24,057,032	24,811,602	23,762,885
Agency operations	45,707,000	44,117,000	205,300,000	152,214,000	105,204,000	96,820,000	100,097,000	88,858,000	84,075,155	85,906,524	89,074,664	78,568,217
Total Title Insurance Revenues (net of reinsurance)	63,125,000	61,477,000	273,885,000	205,418,000	145,842,000	138,125,000	140,502,000	122,522,000	112,475,686	109,963,556	113,886,266	102,331,102
Escrow and other title-related fees	5,064,000	2,798,000	13,678,000	8,321,000	7,474,000	7,096,000	6,892,000	2,532,000	-	-	-	-
Non-title services	2,426,000	2,078,000	9,667,000	8,693,000	9,922,000	7,082,000	6,128,000	5,651,000	-	-	-	-
Interest and dividends	915,000	1,016,000	3,773,000	4,393,000	4,752,000	4,619,000	4,445,000	4,684,000	4,531,319	4,259,501	3,894,608	3,980,411
Other investment income	1,337,000	941,000	6,920,000	3,723,000	3,191,000	3,107,000	2,159,000	1,894,000	-	-	-	-
Net Realized Gain/Loss on investments	1,747,000	321,000	1,869,000	333,000	1,340,000	(110,000)	1,041,000	768,000	(116,163)	268,294	195,800	1,066,239
Net unrealized gain (loss) on equity investments	(5,915,000)	3,239,000	14,934,000	4,904,000	10,303,000	(4,130,000)	-	-	-	-	-	-
Exchange Services Revenue	-	-	-	-	-	-	-	-	-	-	-	-
Other	299,000	208,000	4,772,000	623,000	678,000	470,000	460,000	437,000	10,309,230	8,627,935	8,274,823	7,701,340
Total Revenues	68,998,000	72,078,000	329,498,000	236,408,000	183,502,000	156,259,000	161,627,000	138,488,000	127,200,072	123,119,286	126,251,497	115,079,092
Expenses:												
Commissions to agents	29,857,000	30,542,000	142,815,000	106,807,000	72,780,000	65,775,000	68,643,000	63,643,000	62,174,301	65,632,353	67,150,810	59,427,070
Provision for claims	176,000	1,591,000	5,686,000	5,204,000	3,532,000	(332,000)	3,311,000	243,000	4,478,494	5,229,716	(571,596)	6,072,115
Personnel expenses	21,254,000	16,153,000	64,193,000	51,929,000	46,058,000	43,552,000	39,937,000	31,479,000	28,041,213	25,218,225	25,386,511	21,877,186
Office and technology expenses	4,368,000	2,742,000	13,059,000	9,951,000	9,254,000	8,813,000	8,172,000	6,446,000	5,885,336	5,049,962	4,430,220	3,936,653
Business development									2,373,270	2,333,491	2,145,639	1,887,398
Filing fees and taxes, other than payroll or income.									732,985	817,909	681,935	846,168
Premium and retaliatory taxes	5,550,000	3,735,000	18,813,000	12,856,000	12,055,000	11,382,000	11,293,000	8,546,000	2,161,571	1,851,767	2,558,227	1,885,760
Professional and contract labor fees									2,691,411	2,676,483	2,171,606	2,487,582
Other									884,438	820,882	755,407	579,253
Total Expenses	61,205,000	54,763,000	244,566,000	186,747,000	143,679,000	129,190,000	131,356,000	110,357,000	109,423,019	109,630,788	104,708,759	98,999,185
Earnings (Loss) Before taxes & Noncontrolling interests	7,793,000	17,315,000	84,932,000	49,661,000	39,823,000	27,069,000	30,271,000	28,131,000	17,777,053	13,488,498	21,542,738	16,079,907
Income tax expense (benefit)	1,608,000	3,492,000	17,912,000	10,241,000	8,365,000	5,210,000	4,570,000	8,616,000	5,228,000	3,816,000	6,746,000	4,889,000
Net income attributable to non-controlling interests	-	-	-	-	-	(33,000)	(6,000)	(8,000)	15,148	23,523	88,528	88,411
Net Earnings (Loss)	6,185,000	13,823,000	67,020,000	39,420,000	31,458,000	21,892,000	25,707,000	19,523,000	12,533,905	9,648,975	14,708,210	11,102,496
Fully Diluted Shares Outstanding (in thousands)	1,903,000	1,897,000	1,900,000	1,896,000	1,896,000	1,897,000	1,895,871	1,915,057	1,989,799	2,037,534	2,076,628	2,116,793
Earnings Per Share	3.26	7.29	35.28	20.80	16.59	11.54	13.56	10.19	6.30	4.74	7.08	5.24
Dividends Per Share	0.46	0.44	19.82	16.76	9.60	12.20	3.75	0.72	0.40	0.32	0.32	0.29

Key Supplemental Data

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating Data:										
Total title insurance revenues	273,885,000	205,418,000	145,842,000	138,125,000	140,502,000	122,522,000	112,475,686	109,963,556	113,886,266	102,331,102
Total revenues	329,498,000	236,408,000	183,502,000	156,259,000	161,627,000	138,488,000	127,200,072	123,119,286	126,251,497	115,079,092
Net income	67,020,000	39,420,000	31,458,000	21,892,000	25,707,000	19,523,000	12,533,905	9,648,975	14,708,210	11,102,496
Earnings per share	35.28	20.80	16.59	11.54	13.56	10.19	6.30	4.74	7.08	5.24
Dividends per share	19.82	16.76	9.60	12.20	3.75	0.72	0.40	0.32	0.32	0.29
Retained by agencies as % of agency revenue	70%	70%	69%	68%	69%	72%	74%	76%	75%	76%
Title losses & claims as % of title revenue	2%	3%	2%	0%	2%	0%	4%	5%	-1%	6%
Employee costs as % of total revenues	19%	22%	25%	28%	25%	23%	22%	20%	20%	19%
Other operating expenses as % of total revenues	12%	11%	15%	15%	14%	12%	13%	12%	11%	11%
Net Earnings as % of total revenues	20.3%	16.7%	17.1%	14.0%	15.9%	14.1%	9.9%	7.8%	11.6%	9.6%
Tax Rate	27%	26%	27%	24%	18%	44%	42%	40%	46%	44%
Branch (Direct) Revenues as % of title revenues	25%	26%	28%	30%	29%	27%	25%	22%	22%	23%
Agency Revenues as % of total title revenues	75%	74%	72%	70%	71%	73%	75%	78%	78%	77%
Balance Sheet Data:										
Total stockholders equity	229,087,000	200,422,000	191,362,000	175,639,000	177,835,487	155,045,069	142,669,882	137,563,706	128,062,154	114,638,890
Shares outstanding (end of year)	1,895,000	1,892,000	1,889,000	1,887,000	1,885,993	1,884,283	1,949,797	2,023,270	2,043,359	2,043,359
Tangible book value per share	120.89	105.93	101.30	93.08	94.29	82.28	73.17	67.99	62.67	56.10
Reserves for claims	36,754,000	33,584,000	31,333,000	31,729,000	34,801,000	35,305,000	37,788,000	36,677,000	35,360,000	39,078,000
Investments:										
Total investments	222,872,000	213,295,000	192,862,000	182,669,000	186,520,007	160,853,707	160,552,082	159,411,193	142,763,682	130,778,659
<i>Investment allocation:</i>										
Cash	14%	6%	12%	9%	10%	15%	12%	9%	14%	14%
Fixed income investments	31%	52%	48%	44%	50%	54%	58%	62%	55%	54%
Equity investments	30%	29%	28%	24%	23%	22%	21%	22%	22%	19%
Short term investments	18%	7%	6%	16%	12%	3%	4%	1%	5%	9%
Other investments	8%	7%	6%	6%	6%	6%	6%	5%	4%	4%
Reserve for Claims:										
Known title claims	3,317,000	3,585,000	3,799,000	3,007,000	4,646,422	4,405,343	5,066,469	5,364,645	4,670,809	5,166,370
IBNR	33,437,000	29,999,000	27,534,000	28,722,000	30,154,578	30,899,657	32,721,531	31,312,355	30,689,191	33,911,630
Total reserve for claims	36,754,000	33,584,000	31,333,000	31,729,000	34,801,000	35,305,000	37,788,000	36,677,000	35,360,000	39,078,000
Reserve for Claims:										
Balance, beginning of period	33,584,000	31,333,000	31,729,000	34,801,000	35,305,000	37,788,000	36,677,000	35,360,000	39,078,000	37,996,000
Provision related to:										
Current year	11,450,000	8,877,000	8,610,000	6,762,000	7,432,000	6,673,000	7,295,013	6,860,335	7,239,628	7,650,959
Prior years	(5,764,000)	(3,673,000)	(5,078,000)	(7,094,000)	(4,121,000)	(6,430,000)	(2,816,519)	(1,630,619)	(7,811,224)	(1,578,844)
Total provision charged to operations	5,686,000	5,204,000	3,532,000	(332,000)	3,311,000	243,000	4,478,494	5,229,716	(571,596)	6,072,115
Claims paid, net of recoveries, related to:										
Current year	(146,000)	(249,000)	(2,057,000)	(178,000)	(75,000)	(103,000)	(97,116)	(102,947)	(110,240)	(76,288)
Prior years	(2,370,000)	(2,704,000)	(1,871,000)	(2,562,000)	(3,740,000)	(2,623,000)	(3,270,378)	(3,809,769)	(3,036,164)	(4,913,827)
Total claims paid, net of recoveries	(2,516,000)	(2,953,000)	(3,928,000)	(2,740,000)	(3,815,000)	(2,726,000)	(3,367,494)	(3,912,716)	(3,146,404)	(4,990,115)
Balance, end of period	36,754,000	33,584,000	31,333,000	31,729,000	34,801,000	35,305,000	37,788,000	36,677,000	35,360,000	39,078,000

Terms of Use

© Copyright 2022 by The Rational Walk LLC. All rights reserved.

This report is part of a series of business profiles published by The Rational Walk, LLC.

The purpose of a business profile is to provide readers with information regarding a company's business model and financial results. Business profiles do not provide intrinsic value estimates regarding whether the securities related to the business are attractive investments. Reports are meant to provide background information for educational purposes.

The Rational Walk LLC is not a registered investment advisor. Please consult with your own investment advisor before buying or selling any securities discussed in this report. This report is not investment advice nor is it a recommendation to buy or sell securities. Past performance of securities discussed in this report is not a good indication of future performance.

All content is strictly protected by United States copyright laws. Unlawful reproduction is prohibited. This publication may not be photocopied, electronically redistributed, or quoted without written permission, except for brief quotations in compliance with the fair use doctrine when accompanied by an acknowledgement of the original source.

The information contained in this report is based on sources considered to be reliable, but no guarantees are made regarding accuracy. No warranties are given as to the accuracy or completeness of this analysis. All links to internet sites listed in this publication were valid at the time of publication but may change or become invalid in the future. No assurance can be given regarding the reliability of data contained on these websites.

Opinions and conclusions contained within this report are effective at the date of the report and future circumstances could cause the publisher of the report to arrive at different conclusions. No duty exists to provide updates to readers of this report at a later date if future developments change the publisher's opinions or conclusions.

At the date of this report, individuals associated with The Rational Walk LLC do not own shares of Investors Title Company but may buy or sell shares at any time, in any quantity, and for any reason without any disclosure to readers of this report.

The Rational Walk

The Rational Walk was founded in 2009. Over a thousand articles have been published over the past thirteen years primarily on topics related to investing and personal finance. In addition, over [one hundred books have been reviewed](#) on the website. The Rational Walk's [extensive coverage of Berkshire Hathaway](#) has been mentioned in several news articles. The Rational Walk website and full archive may be accessed at rationalwalk.com.

Rational Reflections

Rational Reflections is a newsletter published by The Rational Walk LLC. The [Weekly Digest](#) contains original content and curated links to articles, podcasts, videos, and other content with a high signal-to-noise ratio. Weekly Digest is free. In addition, Rational Reflections publishes [profiles of businesses](#) which are distributed to paying subscribers. While there is no set publication schedule for business profiles, subscribers should expect to receive at least ten profiles per year.

The subscription price for Rational Reflections is \$12 per month or \$120 per year. Subscriptions are available for purchase at rationalreflections.substack.com/subscribe. Subscriptions are meant to be accessed by a single individual. Please do not redistribute this report or other subscriber-only materials to non-subscribers. Please direct any inquiries regarding this publication to administrator@rationalwalk.com.

Notes

¹ [Profile of J. Allen Fine](#), Triangle Business Journal, December 16, 2005.

² Investors Title has published a brief [history](#) of the company on its website.

³ According to the [2022 proxy](#), J. Allen Fine owns 196,475 shares. W. Morris Fine individually owns 83,804 shares and James A. Fine, Jr. individually owns 83,491 shares. W. Morris Fine and James A. Fine, Jr. jointly own an additional 95,000 shares. In total, the Fine family controls 458,770 shares, or ~24.2% of the 1,897,255 shares outstanding as of April 1, 2022.

⁴ According to the [2022 proxy](#), Markel Corporation owned 213,300 shares as of April 1, 2022.

⁵ Source: National Association of Insurance Commissioners (NAIC) Report: [U.S. Property & Casualty and Title Insurance Industries – 2021 Full Year Results](#), p. 17.

⁶ Market share by state can be found at [Demotech market share report by Jurisdiction and NAIC Group - Q1 2022](#).

⁷ There is an [interactive map](#) that shows net migration within the United States since the start of the pandemic which I found useful for visualizing these patterns.

⁸ These figures are taken from the company's [2022 proxy statement](#).

⁹ See Groveland Capital's [13D filing](#) dated October 7, 2015.

¹⁰ On the other hand, there are many family-run companies that eventually seek a buyer and many care about selling to a long-term minded new owner. With Markel's significant ownership interest, it would not be shocking if Markel acquires Investors Title, but I have no reason to suspect that this might occur soon, if ever.

¹¹ It should be noted that the shares are quite illiquid which could present an additional impediment for any unfriendly acquirer.

¹² Of course, there are "fintech" startups that will try to [disrupt the industry](#). It is possible that they will succeed, but the real estate industry as a whole has proven very resilient in the past.

¹³ [Investors Title Company Represents Value in Midst of Housing Turmoil](#), November 29, 2010.

¹⁴ [Investors Title Company Approaches Intrinsic Value](#), June 21, 2012.

¹⁵ The S&P 500 has a total return of [13.05% annualized](#) over the past ten years according to S&P Global.