



NC DEPARTMENT
of INSURANCE
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

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I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina, do hereby certify that: I have caused to Investors Title Insurance Company, as of December 31, 2019, with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 18th day March 2021.



Mike Causey
Commissioner of Insurance

Ke Xu, CPA, CFE
Chief Financial Examiner
Financial Examination Division

Investors Title Insurance Company

Chapel Hill, North Carolina

Report on Examination

As of December 31, 2019

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February 16, 2021

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of the Company.

Investors Title Insurance Company

(hereinafter referred to as the “Company”), at its main administrative and statutory home office located at 121 North Columbia Street, Chapel Hill, North Carolina, 27514.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of the Company. This examination covers the period from January 1, 2015 to December 31, 2019, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Company was as of December 31, 2014.

This was a multi-state coordinated financial examination of two (2) insurance company subsidiaries of Investors Title Company, Inc. (“ITC”), collectively known as the "Investors Title Group". North Carolina served as the Lead State and Texas was a Participating State.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process and the following key functional activities were identified:

Capital and Surplus
Investments
Related Parties
Reserves and Claims Handling
Reinsurance Assuming and Reinsurance Ceding
Premiums and Underwriting

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with Statutory Accounting Principles. This examination does not attest to the fair presentation of the financial statements included herein.

This examination report includes significant findings of fact, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to the Company.

The Company's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. Trial balance reconciliations of the Annual Statements were performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Company's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from the Company's management.

The books and records of the Company are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Dixon Hughes Goodman, LLC of High Point, North Carolina, the designated independent public accountant of the Company, issued an unmodified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2019.

REPORT ABBREVIATIONS

Annual Statement	“AS”
Board of Directors	“Board”
Financial Condition Examiners Handbook	“Handbook”
General Statutes of North Carolina	“GS”
Information Technology General Controls	“ITGCs”
Information Technology Planning Questionnaire	“ITPQ”
Investors Title Commercial Agency, LLC	“ITCA”
Investors Title Company, Inc.	“ITC”
Investors Title Insurance Company	“Company”
Investors Title Insurance Company, LLC	“ITIC, LLC”
Investors Title Management Services	“ITMS”
Investors Trust Company	“INTC”
Investors Title Exchange Corporation	“ITEC”
Investors Title Accommodation Corporation	“ITAC”
National Association of Insurance Commissioners	“NAIC”
National Investors Title Insurance Company	“NITIC”
North Carolina Department of Insurance	“Department”
Stock Appreciation Rights	“SAR”

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings to report as a result of the examination.

ORGANIZATIONAL STRUCTURE AND COMPANY HISTORY

The Company is part of an insurance holding company system as defined in GS § 58-19 and is a wholly owned subsidiary of Investors Title Company, Inc. (“ITC”), a publicly traded insurance holding company incorporated in the State of North Carolina in 1973. ITC is the ultimate controlling party of all entities within the holding company system which operate in four service areas: insurance, trust services, exchange services, and management services.

For the insurance related entities, ITC owns 100% of all outstanding shares of the Company, Investors Title Commercial Agency, LLC (“ITCA”), and National Investors Title Insurance Company (“NITIC”), a title insurance company domiciled in the state of Texas. The Company has been operating since 1972 and was acquired by ITC in 1976. The Company has three wholly owned subsidiaries: United Title Agency, LLC, Resort Holdings, LLC, and Investors Title Insurance Company, LLC (“ITIC, LLC”). NITIC has been operating since 1973 and was acquired by ITC in 1983. NITIC is a primary insurer in Texas and a reinsurer of the Company.

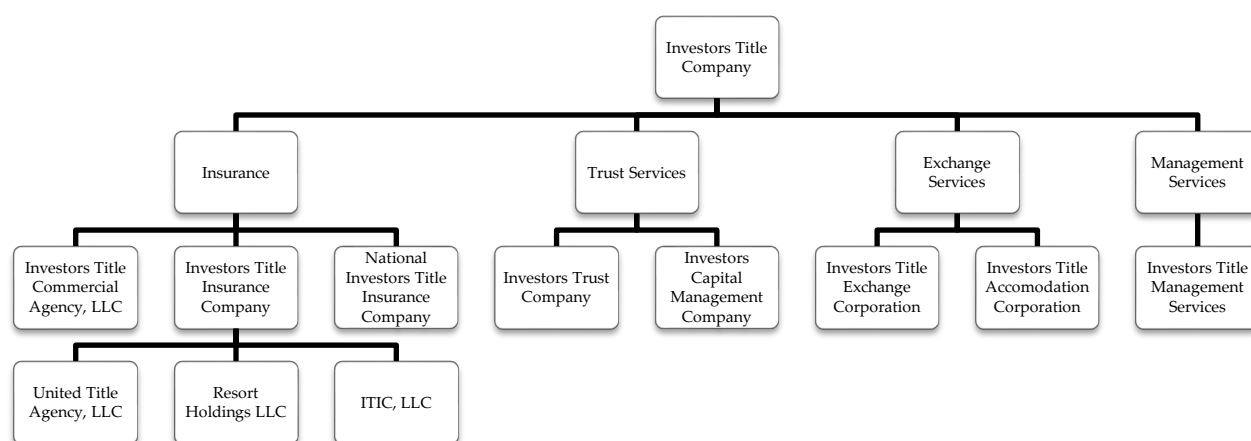
In 1988, Investors Title Exchange Corporation (“ITEC”) was established to provide commercial real estate exchange services and to act as an intermediary in tax-deferred exchanges. Investors Title Accommodation Corporation (“ITAC”) was established in 1994 as an exchange accommodation title holder in safe-harbor

reverse exchanges, which allows a taxpayer to defer capital gains taxes on the exchange of qualifying property.

In 1999, Investors Title Management Services, Inc. (“ITMS”) was established to provide management services to affiliate owned title and real estate providers and, in 2004, Investors Trust Company (“INTC”), was chartered as a North Carolina independent trust company to provide trust and fiduciary services to individuals and entities.

ORGANIZATIONAL CHART

The Company’s 2019 Annual Statement Schedule Y contains a complete organizational chart. The following is a summarized organizational chart of the Company within the holding company group as of December 31, 2019:



CAPITAL STOCK AND DIVIDENDS

CAPITAL STOCK

As of December 31, 2019, capitalization of the Company consisted of the following:

Description	Value
Number of authorized common capital shares	1,100,000
Number of shares issued and outstanding	1,000,000
Total common capital stock	\$2,000,000
Par value per share	\$2

No additional shares were issued during the period under examination. As of December 31, 2019, all outstanding shares are owned by ITC.

At December 31, 2019, the Company reported \$1,509,772 in gross paid-in and contributed surplus and unassigned funds totaling \$101,618,445.

DIVIDENDS TO SHAREHOLDER

Dividends on common stock are paid as declared by the Board of Directors (“Board”) of the Company. Under the insurance regulations of North Carolina, the maximum amount of dividends which the Company may pay to shareholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. The Company paid dividends to ITC totaling \$34,950,000 and \$16,306,934 in 2019 and 2018, respectively.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Shareholders

The bylaws provide that an annual meeting of the shareholders be held in May of each year at the principal office of the corporation, or such other place agreed upon by a majority of shareholders entitled to vote. Special meetings of the shareholders may be called at any time by the President, Secretary or Board of Directors, or by any shareholder pursuant to the written request of the holders of not less than one-tenth of all the shares entitled to vote at the meeting.

Board of Directors

The business and affairs of the corporation shall be managed by the Board or by such Executive Committee as the Board may establish. The bylaws specify that the number of Directors shall be not less than five or more than fifteen. Directors are elected annually, at the annual meeting of shareholders or by the written consent of the stockholders, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors as of December 31, 2019:

Name	Location	Principal Occupation
James Allen Fine	Chapel Hill, NC	Chief Executive Officer and Chairman of the Board
James Allen Fine, Jr.	Chapel Hill, NC	Chief Financial Officer, Treasurer and Executive Vice President
William Morris Fine	Chapel Hill, NC	President and Chief Operating Officer
Lyna Dawn Martin	Chapel Hill, NC	Vice President, Corporate Administration
Christopher Todd Murphy	Chapel Hill, NC	Senior Vice President of Finance

The Board has the authority to establish committees including, but not limited to, an audit committee, compensation committee, disclosure committee, and an investment review committee. These committees have the power and duties deemed appropriate by the Board; however, their power cannot exceed the power

of the Board. The Board has appointed ITC's Audit Committee, Compensation Committee, Investment Review Committee, and Disclosure Committee to act on behalf of the Company.

The following individuals served on committees as of December 31, 2019:

Audit Committee

James H. Speed Jr.
David L. Francis
Richard M. Hutson

Investment Review Committee

James Allen Fine, Jr.
Robert G. Fontana

Compensation Committee

Richard M. Hutson
James R. Morton
James H. Speed Jr.

Disclosure Committee

James Allen Fine, Jr.
William Morris Fine
Elizabeth B. Lewter
Tim Rodgers
Christopher Todd Murphy

Officers

The bylaws provide that the Board will elect the officers, which shall consist of a Chairman of the Board, President, Secretary, Treasurer, and such Vice Presidents, Assistant Secretaries, Assistant Treasurers, and any other officers deemed necessary. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. Any two offices may be held by the same person, except the offices of president and secretary.

The following individuals served as officers of the Company as of December 31, 2019:

Name	Title
William Morris Fine	President and Chief Operating Officer
David Allen Bennington	Secretary and Senior Vice President
James Allen Fine Jr.	Treasurer, Chief Financial Officer and Executive Vice President
Michael William Aiken	Senior Vice President, Compliance
Kim Renee Dean	Senior Vice President, North Carolina Marketing
Christopher Todd Murphy	Senior Vice President, Finance
Ryan Edward Wainio	Senior Vice President, Title Attorney
Daniel Warren Minto	Senior Vice President, Engineering
Kenneth Hood Mackay III	Senior Vice President, Florida Marketing

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Company has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Company requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed the Company acted in accordance with its policy and procedures for disclosure of conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. Based on our review, it appears that the minutes documented the Company's significant transactions and events, and that the directors approved these transactions and events.

The Company's Articles of Incorporation and bylaws were reviewed and there were no changes during the period under examination.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The 2019 AS Schedule E, Part 3 contains a complete description and listing of the Company's statutory deposits by state.

ACCOUNTS AND RECORDS

The Company utilizes information systems to establish service and maintain customer policies, as well as to gather and report financial data. The environment for internal controls over financial reporting is highly automated and includes application controls and system generated reports supporting its financial reporting functions. Significant applications are hosted on multiple servers at the data center located in Chapel Hill, North Carolina. The Company's financially significant applications were developed internally by its information technology staff as well as externally by third-party vendors.

INFORMATION TECHNOLOGY CONTROLS

The Department performed a risk-based assessment and review of the Investors Title Group's IT General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Company's ITGCs was derived from Exhibit C Part 1 - Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 - Information Technology Work Program (collectively, "Exhibit C"). The Company's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The Department's objectives were to obtain reasonable assurance about whether:

- a. The Company had a process in place to effectively identify, mitigate and manage its IT risks;
- b. The Company's control structure and policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
- c. The Company was complying with those policies and procedures.

The objectives above were achieved through a combination of reviewing the Company's policy and procedures, testing in key areas related to Exhibit C, interviewing Company IT management, reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by Dixon Hughes Goodman, LLC and the Company.

Based upon the risk-based assessment and review, the Company's ITGC's were determined to be effective.

FIDELITY BONDS AND OTHER INSURANCE

The Company is included in a fidelity bond issued to ITC, which provides \$20 million of fidelity coverage in aggregate to ITC and its subsidiaries. In addition to the primary fidelity bond, the Company has a secondary coverage of up to \$10 million in aggregate for a total of \$30 million. The coverage exceeded the minimum amount of fidelity bond coverage recommended by the Handbook for ITC on a consolidated basis.

In addition, the Company is a named insured on various corporate property and liability policies issued to ITC, which appears to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company does not sponsor a defined benefit plan. On November 17, 2003, the Company entered into executive employment agreements with key personnel, which provide for the continuation of employee benefits, including health insurance, dental insurance, vision insurance and life insurance. The plan is unfunded and has no assets. The Company accrued a liability for executive employment agreements at December 31, 2019 and 2018 totaling \$873,837 and \$840,570, respectively.

The Company established a 401(k) savings plan for eligible employees in 2008. The Company makes a safe harbor contribution equal to 3% of each employee's salary each year and has the option to make a discretionary profit share contribution annually. The Company's profit share contribution was 1% in 2019 and 2018. Individuals may elect to make contributions up to the maximum deductible amount as determined by the Internal Revenue Code. The Company incurred expenses related to this plan totaling \$795,661 and \$749,146 in 2019 and 2018, respectively.

ITC has adopted employee stock award plans under which restricted stock and options or Stock Appreciation Rights ("SARS") of the Company's stock may be granted to employees or directors of the Company at a price not less than the market value on the date of the grant. As of December 31, 2019, and 2018, total SARS outstanding were 30,000 and 28,500, respectively. No expense was charged to the Company related to this plan during 2019 or 2018.

RELATED PARTY AGREEMENTS

The Company is the only entity within the holding company system that has employees. Expenses incurred for salaries, insurance benefits, payroll taxes and other operating costs are shared among the affiliated entities based on direct costs under various management services agreements.

Management Services Agreement

The Company has management services agreements with ITC, NITIC, ITCA, ITMS, INTC, ITEC, ITAC, and ITIC, LLC. Under these agreements, the Company provides management services to each of these affiliated companies, including employees to assist with day-to-day operations, and each party agrees to share certain resources, by having employees perform certain functions for the benefit of the parties. The agreements contain a 30-day settlement provision for amounts due. The following related party transactions occurred under these management services agreements:

ITC paid the Company \$896,004 and \$756,915 for salary, payroll tax and insurance expenses in 2019 and 2018, respectively. The Company reported \$192,510 as due from ITC at December 31, 2019.

NITIC paid the Company \$708,191 and \$822,288 for salary, payroll tax, and insurance expenses in 2019 and 2018, respectively. The Company reported \$199,856 as due from NITIC at December 31, 2019.

ITMS paid the Company \$1,681,259 and \$1,387,322 for salary, payroll tax and insurance expenses in 2019 and 2018, respectively. The Company reported \$180,778 as due from ITMS at December 31, 2019.

The Company's liability for amounts due to its parent, subsidiaries and affiliates under these agreements totaled \$1,142,535 and \$918,062 at December 31, 2019 and 2018, respectively.

Asset Management Agreement

The Company has an investment management agreement with INTC, whereby INTC provides investment management services to the Company for a monthly fee based on a percentage of the asset valuation. The Company paid custody fees to INTC totaling \$222,607 and \$213,674 for the years ended December 31, 2019 and 2018, respectively.

The Company has an agreement with INTC where INTC serves as the Directed Trustee, administrative contact and provides periodic enrollment and communication meetings for the Company's 401(k) plan. The Company is to pay INTC for services rendered annually, no later than February 28th, based on the number of plan participants as of December 31st each year.

Tax Allocation Agreement

The Company has an Audit and Federal Income Tax Return Agreement with ITC and its subsidiaries. The agreement provides that the cost of the annual audit and federal tax preparation will be paid as disclosed in the engagement letter with ITC's external auditors. The agreement states that the federal income tax due or recoverable will be paid or reimbursed based upon the actual amount of federal income tax liability or recovery attributed to each party. Each subsidiary is to remit reimbursement 30 days after the end of each calendar year.

Lease Agreement

The Company has a lease agreement with ITC whereby the Company pays leasing fees for the office space utilized for its main administrative office in Chapel Hill, North Carolina. The Company paid rental expenses to ITC totaling \$738,764 in 2019 and 2018.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write title insurance for residential, commercial, industrial, and institutional properties in various states. The Company operates through independent agents and title attorneys to write title insurance.

The Company was licensed in the following states and jurisdictions at December 31, 2019:

Alabama	Arizona	Arkansas	Colorado	Connecticut
District of Columbia	Delaware	Florida	Georgia	Idaho
Illinois	Indiana	Kansas	Kentucky	Louisiana
Maine	Maryland	Massachusetts	Michigan	Minnesota
Mississippi	Missouri	Montana	Nebraska	Nevada
New Hampshire	New Mexico	New York	North Carolina	North Dakota
Ohio	New Jersey	Oklahoma	Pennsylvania	Rhode Island
South Carolina	South Dakota	Tennessee	Texas	Utah
Vermont	Virginia	West Virginia	Wisconsin	Wyoming

GROWTH OF THE COMPANY

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Company for the five-year period ended December 31, 2019:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income(loss)
2019	\$170,414,688	\$105,128,217	\$119,477,267	\$117,856,934	\$18,683,571
2018	\$179,299,807	\$111,684,186	\$112,678,156	\$133,913,058	\$42,546,587
2017	\$181,440,235	\$94,897,163	\$113,331,425	\$109,234,895	\$17,328,143
2016	\$167,031,598	\$84,850,687	\$97,586,100	\$94,899,044	\$15,060,926
2015	\$151,889,540	\$76,075,586	\$87,873,216	\$85,480,600	\$12,171,655

ACTUARIAL OPINION

The statutory reserves and related items for 2019 were reviewed and certified by the Company's Appointed Actuary, Jason Pessel, FCAS, MAAA of Oliver Wyman Actuarial Consulting, Inc. Actuarial opinions regarding the Company's reserves for loss and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Company for reasonableness and consistency of the loss and loss adjustment expense reserve. According to the actuarial opinions, the Company's reserve on the loss and loss adjustment expense met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid loss and loss expense obligations of the Company.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

The Company has an excess of loss reinsurance contract with NITIC effective October 17, 1984, and amended effective July 1, 2012, whereby the Company cedes \$1,000,000 of coverage to NITIC while retaining the first \$6,500,000 of liability on any transaction subject to the treaty. Simultaneously, the Company has a reciprocal treaty with NITIC. (Refer to Reinsurance Assumed)

The Company has an excess of loss contract with Old Republic National Title Insurance Company, effective August 17, 2018, whereby the company cedes risks of loss in excess \$7,500,000 subject to a limit of liability of \$20,000,000 for each loss and a proportionate share of the allocated loss adjustment expenses.

The Company had an excess of loss contract with First American Title Insurance Agency effective October 1, 2004, amended July 12, 2012, whereby the Company ceded risks of loss in excess of \$7,500,000 up to \$20,000,000 per loss. The contract was terminated on July 1, 2019.

REINSURANCE ASSUMED

The Company has an excess of loss reinsurance contract with NITIC, effective October 17, 1984, and amended July 1, 2012. Under this contract, the Company assumes risks of loss in excess of \$1.0 million and up to \$7.5 million per policy.

FINANCIAL STATEMENTS

The financial statements are based on the statutory financial statements filed with the Department and present the financial condition of the Company for the period ending December 31, 2019. The supporting tables and exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statement information related to the prior year is unexamined and is presented for comparative purposes only.

Investors Title Insurance Company
Statutory Statement of Admitted Assets
December 31, 2019

	2019	2018 <i>(unexamined)</i>
Bonds	\$59,255,256	\$63,048,261
Common stocks	68,837,448	58,003,031
Mortgage loans on real estate first liens	127,126	143,056
Real estate properties held for Sale	18,400	18,400
Cash and cash equivalents	16,658,221	33,223,656
Other invested assets	9,300,434	6,550,659
Total cash and invested assets	154,196,885	160,987,063
Investment income due and accrued	626,198	676,471
Uncollected premiums and agents' balances in course of collection	10,957,824	10,689,277
Net deferred tax asset	-	830,139
Electronic data processing equipment and software	163,660	143,663
Receivable from parent, subsidiaries, and affiliates	936,638	853,382
Other assets	3,506,458	5,096,984
Reinsurance receivable	27,025	22,828
Total admitted assets	\$170,414,688	\$179,299,807

Investors Title Insurance Company
Statutory Statement of Liabilities, Surplus, and Other Funds
December 31, 2019

	2019	2018 <i>(unexamined)</i>
Known claims reserve	\$3,451,596	\$2,696,975
Statutory premium reserve	34,364,396	33,068,544
Commissions, brokerage and other charges due or accrued to attorneys, agents, and real estate brokers	337,506	294,627
Other expenses (excluding taxes, licenses and fees)	3,086,237	4,765,604
Taxes, licenses, and fees (excluding federal and foreign income taxes)	1,112,057	1,085,838
Current federal and foreign income taxes	1,911,127	7,264,127
Net deferred tax liability	630,291	-
Payable to parent, subsidiaries and affiliates	1,142,535	918,062
Accrued liabilities for employee benefits	18,991,969	17,407,348
Reinsurance payable	258,757	114,496
Total Liabilities	65,286,471	67,615,621
Common capital stock	2,000,000	2,000,000
Gross paid in and contributed surplus	1,509,772	1,509,772
Unassigned funds (surplus)	101,618,445	108,174,414
Total surplus	105,128,217	111,684,186
Total Liabilities and Surplus	\$170,414,688	\$179,299,807

Investors Title Insurance Company
Statutory Statement of Operations
December 31, 2019

	2019	2018 <i>(unexamined)</i>
Operating Income		
Title insurance premiums earned	\$117,856,934	\$133,913,058
Escrow and settlement services	613,602	398,892
Other title fees and service charges	180,829	179,361
Other operating income	463,690	313,486
Total Operating Income	119,115,055	134,804,797
Expenses		
Losses and loss adjustment expenses incurred	5,286,122	1,820,209
Operating expenses incurred	99,254,080	90,420,672
Total operating expenses	104,540,202	92,240,881
Net underwriting gain	14,574,853	42,563,916
Investment Income		
Net investment income earned	7,770,433	8,687,254
Net realized capital gains	944,573	(194,910)
Net investment gain	8,715,006	8,492,344
Other Income		
Other Income	199,623	171,139
Net income, after capital gains tax	23,489,482	51,227,399
Federal income taxes incurred	4,805,911	8,680,812
Net Income	\$18,683,571	\$42,546,587

Investors Title Insurance Company
Statutory Statement of Capital and Surplus
December 31, 2019

	2019	2018 <i>(unexamined)</i>
Surplus as regards to policyholders, December 31, prior year	\$111,684,186	\$94,897,163
Net Income	18,683,571	42,546,587
Change in net unrealized gains or (losses)	1,903,030	(8,552,571)
Change in net deferred income taxes	317,134	(1,317,160)
Change in non-admitted assets	7,490,296	417,101
Dividends to stockholders	(34,950,000)	(16,306,934)
Change in surplus as regards to policyholders for the year	(6,555,969)	16,787,023
Surplus as regards policyholders, December 31 current year	\$105,128,217	\$111,684,186

Investors Title Insurance Company
Statutory Statement of Cash Flow
December 31, 2019

	2019	2018 <i>(unexamined)</i>
Cash From Operations		
Premiums collected net of reinsurance	\$119,497,841	\$110,815,446
Net investment income	8,455,750	9,473,034
Miscellaneous income	644,519	492,847
Total	128,598,110	120,781,327
Benefit and loss related payments	4,531,500	3,523,428
Commissions, expenses paid and aggregate write-ins	98,910,994	89,985,844
Federal taxes paid	10,410,000	4,790,745
Total	113,852,494	98,300,017
Net cash from operations	14,745,616	22,481,310
Cash from Investments		
Proceeds from investments sold, matured, or repaid	9,505,897	13,908,481
Cost of Investments acquired	7,951,654	12,694,018
Net cash from investments	1,554,243	1,214,463
Cash from Financing and Miscellaneous Sources		
Dividends to stockholders	34,950,000	16,306,934
Other cash provided	2,084,706	1,149,549
Net cash from financing and miscellaneous sources	(32,865,294)	(15,157,385)
Reconciliation of Cash and Short-Term Investment		
Net change in cash and short-term investments	(16,565,435)	8,538,388
Cash and short-term investments, beginning of year	33,223,656	24,685,268
Cash and short-term investments, end of year	\$16,658,221	\$33,223,656

COMMENTS ON FINANCIAL STATEMENTS

There were no changes to the Company's financial statements and there were no proposed adjustments to surplus as a result of this examination.

Basis of Presentation and Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Company are as follows:

Bonds: Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

Common stocks: Carried at fair value except investments in stock of subsidiaries, which are carried at a value determined under equity method.

Cash and cash equivalents: Carried at amortized cost (which approximates fair value) and includes cash on hand and highly liquid investments with original maturities of three months or less.

Premiums: Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. Premiums are earned on a pro rata basis.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are reported for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported as reductions of those items. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus.

Non-admitted assets: Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, and prepaid expenses furniture, equipment, electronic data processing equipment and software, and deferred tax assets are "non-admitted" and are charges against surplus.

Unpaid loss & loss adjustment expense: Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets:

The following represents an analysis of the Company's net admitted assets:

	Assets	Assets not Admitted	Net Admitted Assets
Bonds	\$59,255,256		\$59,255,256
Common stocks	94,005,448	\$25,168,000	68,837,448
Mortgage loans: first liens	127,126		127,126
Real estate: properties held for sale	18,400		18,400
Cash and cash equivalents	16,658,221		16,658,221
Other invested assets	10,379,322	1,078,888	9,300,434
Subtotal cash and invested assets	180,443,773	26,246,888	154,196,885
Investment income due and accrued	626,198		626,198
Uncollected premiums and agents' balances in course of collection	11,387,568	429,744	10,957,824
Electronic data processing equipment and software	5,851,160	5,687,500	163,660
Furniture and equipment	737,293	737,293	
Receivable from parent, subsidiaries and affiliates	936,638		936,638
Other assets	3,506,458		3,506,458
Inventory and prepaids	985,758	985,758	
Reinsurance receivable	27,025		27,025
Total admitted assets	\$204,501,871	34,087,183	\$170,414,688

Reinsurance Activity:

The Company has excess of loss reinsurance to minimize its exposure to losses. Reinsurance contracts do not relieve the Company of its primary obligation to policyholders, and failure of the reinsurers to discharge their obligations could result in losses to the companies.

Direct, assumed, and ceded premiums written and earned are as follows:

Investors Title Insurance Company	2019	2018
Direct written	\$119,477,267	\$112,678,156
Ceded written	(492,548)	(398,043)
Assumed written	168,067	135,631
Net title premiums written	119,152,786	112,415,744
Changes in the statutory premium reserve:		
Reduction due to change in law	-	22,574,660
Additions during the current year	(8,257,873)	(7,830,126)
Withdrawals during the current year	6,962,021	6,752,780
Net changes in the statutory premium reserve	(1,295,852)	21,497,314
Net title premiums earned	\$117,856,934	\$133,913,058

The Company ceded \$81,669 and \$72,864 of premiums in 2019 and 2018, respectively, under its excess of loss reinsurance contract with NITIC. The Company did not cede loss and loss adjustment expenses in 2019 and 2018.

The Company assumed \$166,177 and \$132,110 of premiums in 2019 and 2018, respectively, under its excess of loss reinsurance contract with NITIC.

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described under the Reinsurance Program Overview.

Summary of Loss Reserves:

The following provides a reconciliation of the Company's reserves for losses and loss adjustment expenses:

	2019	2018
Reserve for losses and loss adjustment expenses, beginning of year	\$ 2,696,975	\$4,400,195
Add:		
Provision for losses and loss adjustment expenses, current year	2,152,220	354,812
Change in estimated losses and loss adjustment expenses, prior years	2,365,235	610,245
Total incurred	4,517,455	965,057
Deduct:		
Losses and loss adjustment expenses paid, current year	(2,036,581)	(178,500)
Losses and loss adjustment expenses paid, prior year	(1,726,253)	(2,490,272)
Total paid	3,762,835	2,668,277
Reserve for losses and loss adjustment expenses, end of year	3,451,596	2,696,975
Increase in reserve for losses and loss adjustment expenses	\$754,621	\$(1,703,220)

Statutory Premium Reserve:

Pursuant to GS § 58-26-20, the Company is required to maintain a statutory premium reserve for the unearned portion of original risk premiums. The Company reserves an amount equal to \$0.17 per \$1,000 of net retained liability for each title insurance policy which is defined as the total liability retained for a single risk after taking into account any ceded liability. The reserve is reduced, quarterly, over a period of 20 years, as follows: 30% the first year, 15% the second year, 10% for years three and four, 5% for years five and six, 3% for years seven and eight, 2% in years nine through fifteen, and 1% for years sixteen through twenty. In 2018, the Company recorded an adjustment totaling \$22,754,660 to its statutory premium reserve resulting from a North Carolina amendment to the calculation of statutory premium reserve. The Company's statutory premium reserve totaled \$34,364,396 and \$33,068,544 at December 31, 2019 and 2018, respectively.

Capital and Surplus:

The following, in conjunction with the Statutory Statement Capital and Surplus represents the changes in capital and surplus since the Department's last examination:

Investors Title Insurance Company	<i>(in thousands)</i>		
	2017	2016	2015
Surplus as regards policyholders, December 31 prior year	\$84,850,687	\$76,075,586	\$72,514,932
Capital and surplus increases (decreases):			
Net income	17,328,143	15,060,926	12,171,655
Change in net unrealized capital gains	16,720,440	18,396,850	6,746,422
Change in net deferred income tax	(3,412,956)	719,437	267,608
Change in non-admitted assets	(6,599,875)	(8,490,060)	(8,373,538)
Dividends to stockholders	(14,330,164)	(16,048,255)	(7,251,493)
Change in prior year surplus based on premium reclass and non-admitted assets	340,888	(863,797)	-
Change in surplus as regards policyholders for the year	10,046,476	8,775,101	3,560,654
Surplus as regards to policyholders, December 31 current year	\$94,897,163	\$84,850,687	\$76,075,586

Contingencies and Commitments:

The Company's total investments in subsidiary, controlled, and affiliated entities, as well as joint ventures, partnerships, and limited liability company contingent liabilities are \$2,693,955 for the year ended December 31, 2019.

The Company routinely holds customers' assets in trust, pending completion of real estate transactions. Such amounts are maintained in segregated bank accounts and have not been included in the accompanying statutory financial statements. At December 31, 2019 and 2018, the Company held segregated funds in

trust totaling \$21,809,608 and \$31,847,199, respectively, and has a contingent liability relating to proper disposition of these assets for customers.

The Company has seven (7) investments in unaffiliated limited liability companies which have capital commitments that can be called at the discretion of the limited liability company.

The Company is involved in routine legal and administrative proceedings incidental to the conduct of its business. While the outcome of these matters cannot be estimated with certainty, it is the opinion of management that the resolution of these matters will not have a material effect on the financial position of the Company.

SUBSEQUENT EVENTS

An outbreak of a coronavirus (“COVID-19”) has emerged and in March 2020 the World Health Organization declared it a pandemic. The pandemic continues to impact economic activity and financial markets. The Department will continue to monitor how the pandemic might impact the Company.

Investors Title Insurance Company
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2019

C. Todd Murphy, Senior Vice President, Finance
121 North Columbia Street
Chapel Hill, North Carolina, 27514

William M. Fine, President
121 North Columbia Street
Chapel Hill, North Carolina, 27514

James A. Fine, Jr., Chief Financial Officer
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CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that the Company compiles with the minimum capital and surplus requirements of GS § 58-26-1(b1) and 58-7-75 for the kinds of insurance that the Company has been authorized to write, which is \$1,250,000.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Respectfully submitted,



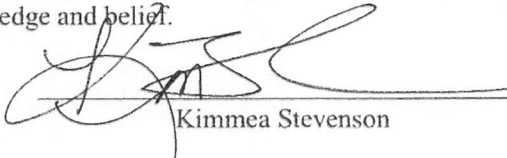
Ke Xu, CPA, CFE
Chief Financial Examiner
North Carolina Department of Insurance

February 16, 2021

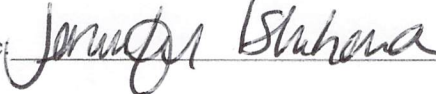
STATE OF NORTH CAROLINA

COUNTY OF WAKE

Kimmea Stevenson, Supervising Examiner, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by her, is true and correct to the best of her knowledge and belief.

Signature:  Date: 2/16/2021
Kimmea Stevenson

Sworn and subscribed before me this 16th day of February, 2021.

Notary Public Signature:  Notary Public Seal:

