

INVESTORS TITLE CO
Form 10-Q
November 06, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended September 30, 2014

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-11774

INVESTORS TITLE COMPANY
(Exact name of registrant as specified in its charter)
North Carolina
(State of incorporation)

56-1110199
(I.R.S. Employer Identification
No.)

121 North Columbia Street, Chapel Hill, North Carolina 27514
(Address of principal executive offices) (Zip Code)

(919) 968-2200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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(do not check if a smaller
reporting company)

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

Yes No

As of October 17, 2014, there were 2,028,818 common shares of the registrant outstanding.

INVESTORS TITLE COMPANY
AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Investors Title Company and Subsidiaries

Consolidated Balance Sheets

As of September 30, 2014 and December 31, 2013

(Unaudited)

	September 30, 2014	December 31, 2013
Assets:		
Investments in securities:		
Fixed maturities, available-for-sale, at fair value (amortized cost: 2014: \$90,366,745; 2013: \$87,980,160)	\$94,995,138	\$91,445,413
Equity securities, available-for-sale, at fair value (cost: 2014: \$23,498,121; 2013: \$22,200,369)	37,461,674	36,144,065
Short-term investments	6,154,749	7,926,373
Other investments	7,950,676	7,247,831
Total investments	146,562,237	142,763,682
Cash and cash equivalents	23,622,522	23,626,761
Premium and fees receivable	8,489,096	8,750,224
Accrued interest and dividends	1,151,250	1,006,698
Prepaid expenses and other assets	8,677,087	7,466,141
Property, net	5,369,084	4,325,538
Current income taxes recoverable	1,624,024	366,772
Total Assets	\$ 195,495,300	\$ 188,305,816
Liabilities and Stockholders' Equity		
Liabilities:		
Reserves for claims	\$36,252,000	\$35,360,000
Accounts payable and accrued liabilities	18,683,691	20,324,190
Deferred income taxes, net	5,893,471	4,013,983
Total liabilities	60,829,162	59,698,173
Commitments and Contingencies	—	—
Redeemable Noncontrolling Interest	—	545,489
Stockholders' Equity:		
Preferred stock (1,000,000 authorized shares; no shares issued)	—	—
Common stock - no par value (10,000,000 authorized shares; 2,028,818 and 2,037,135 shares issued and outstanding 2014 and 2013, respectively, excluding 291,676 shares for 2014 and 2013 of common stock held by the Company's subsidiary)	1	1
Retained earnings	122,545,561	116,714,749
Accumulated other comprehensive income	12,120,576	11,347,404
Total stockholders' equity	134,666,138	128,062,154
Total Liabilities and Stockholders' Equity	\$ 195,495,300	\$ 188,305,816

See notes to the Consolidated Financial Statements.

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Investors Title Company and Subsidiaries
Consolidated Statements of Income
For the Three and Nine September 30, 2014 and 2013
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Net premiums written	\$26,356,835	\$30,431,560	\$81,115,940	\$84,787,318
Investment income - interest and dividends	1,064,995	990,338	3,130,846	2,835,870
Net realized gain on investments	8,689	261,938	592,908	333,554
Other	2,077,711	1,921,403	6,344,163	6,190,170
Total Revenues	29,508,230	33,605,239	91,183,857	94,146,912
Operating Expenses:				
Commissions to agents	14,440,264	18,142,697	48,242,923	49,240,917
Provision (benefit) for claims	1,507,814	(3,037,101)	4,177,478	(2,429,289)
Salaries, employee benefits and payroll taxes	6,609,425	7,133,497	19,250,116	19,533,970
Office occupancy and operations	1,257,009	1,165,772	3,683,980	3,266,112
Business development	552,215	606,549	1,581,872	1,487,635
Filing fees, franchise and local taxes	233,079	141,373	648,022	510,893
Premium and retaliatory taxes	491,927	592,717	1,332,492	1,563,764
Professional and contract labor fees	621,305	404,206	1,976,272	1,514,749
Other	196,702	179,006	656,653	560,170
Total Operating Expenses	25,909,740	25,328,716	81,549,808	75,248,921
Income before Income Taxes	3,598,490	8,276,523	9,634,049	18,897,991
Provision for Income Taxes	1,004,000	2,733,000	2,656,000	5,944,000
Net Income	2,594,490	5,543,523	6,978,049	12,953,991
Net Income Attributable to Redeemable Noncontrolling Interest	—	(27,725)	(23,523)	(55,788)
Net Income Attributable to the Company	\$2,594,490	\$5,515,798	\$6,954,526	\$12,898,203
Basic Earnings per Common Share	\$1.28	\$2.67	\$3.42	\$6.26
Weighted Average Shares Outstanding – Basic	2,028,818	2,069,081	2,033,637	2,059,226
Diluted Earnings per Common Share	\$1.28	\$2.66	\$3.41	\$6.19
Weighted Average Shares Outstanding – Diluted	2,032,644	2,074,940	2,038,875	2,083,560
Cash Dividends Paid per Common Share	\$0.08	\$0.08	\$0.24	\$0.24

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three and Nine September 30, 2014 and 2013
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$2,594,490	\$5,543,523	\$6,978,049	\$12,953,991
Other comprehensive (loss) income, before tax:				
Amortization (accretion) related to prior year service cost	554	(380)	1,663	(1,139)
Amortization of unrecognized loss	—	1,573	—	4,720
Unrealized (losses) gains on investments arising during the period	(960,948)	1,115,120	2,023,167	1,864,591
Reclassification adjustment for sales of securities included in net income	(6,534)	(261,938)	(840,170)	(367,624)
Reclassification adjustment for write-downs of securities included in net income	—	—	—	34,070
Other comprehensive (loss) income, before tax	(966,928)	854,375	1,184,660	1,534,618
Income tax expense related to postretirement health benefits	188	415	565	1,228
Income tax (benefit) expense related to unrealized (losses) gains on investments arising during the year	(332,034)	385,115	699,001	645,438
Income tax benefit related to reclassification adjustment for sales of securities included in net income	(2,328)	(89,575)	(288,078)	(126,173)
Income tax expense related to reclassification adjustment for write-downs of securities included in net income	—	—	—	13,134
Net income tax (benefit) expense on other comprehensive (loss) income	(334,174)	295,955	411,488	533,627
Other comprehensive (loss) income	(632,754)	558,420	773,172	1,000,991
Comprehensive Income	\$1,961,736	\$6,101,943	\$7,751,221	\$13,954,982
Comprehensive income attributable to redeemable noncontrolling interest	—	(27,725)	(23,523)	(55,788)
Comprehensive Income Attributable to the Company	\$1,961,736	\$6,074,218	\$7,727,698	\$13,899,194

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Nine Months Ended September 30, 2014 and 2013
(Unaudited)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount			
Balance, January 1, 2013	2,043,359	\$1	\$105,820,459	\$8,818,430	\$114,638,890
Net income attributable to the Company			12,898,203		12,898,203
Dividends (\$0.24 per share)			(494,903)		(494,903)
Shares of common stock repurchased and retired	(26,436)		(1,881,323)		(1,881,323)
Stock options and stock appreciation rights exercised	49,999		75,797		75,797
Share-based compensation expense			62,108		62,108
Amortization related to postretirement health benefits				2,353	2,353
Net unrealized gain on investments				998,638	998,638
Income tax benefit from share-based compensation			938,090		938,090
Balance, September 30, 2013	2,066,922	\$1	\$117,418,431	\$9,819,421	\$127,237,853
Balance, January 1, 2014	2,037,135	\$1	\$116,714,749	\$11,347,404	\$128,062,154
Net income attributable to the Company			6,954,526		6,954,526
Dividends (\$0.24 per share)			(488,127)		(488,127)
Shares of common stock repurchased and retired	(9,824)		(652,657)		(652,657)
Stock options and stock appreciation rights exercised	1,507		27,100		27,100
Share-based compensation expense			88,291		88,291
Amortization related to postretirement health benefits				1,098	1,098
Net unrealized gain on investments				772,074	772,074
Purchase of redeemable noncontrolling interest of subsidiary			(114,320)		(114,320)
Income tax benefit from share-based compensation			15,999		15,999
Balance, September 30, 2014	2,028,818	\$1	\$122,545,561	\$12,120,576	\$134,666,138

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2014 and 2013
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
Operating Activities		
Net income	\$6,978,049	\$12,953,991
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	583,979	444,689
Amortization, net	458,635	378,947
Amortization related to postretirement benefits obligation	1,663	3,581
Share-based compensation expense related to stock options	88,291	62,108
Net loss on the disposals of property	6,487	778
Net realized gain on investments	(592,908)	(333,554)
Net earnings from other investments	(990,657)	(1,050,854)
Provision (benefit) for claims	4,177,478	(2,429,289)
Provision for deferred income taxes	1,468,000	3,833,000
Changes in assets and liabilities:		
Decrease in receivables	261,128	1,278,965
Increase in other assets	(1,407,762)	(2,771,634)
Increase in current income taxes recoverable	(1,257,252)	(1,708,257)
(Decrease) increase in accounts payable and accrued liabilities	(1,640,499)	5,853,711
Decrease in current income taxes payable	—	(1,336,824)
Payments of claims, net of recoveries	(3,285,478)	(1,832,711)
Net cash provided by operating activities	4,849,154	13,346,647
Investing Activities		
Purchases of available-for-sale securities	(13,572,217)	(14,833,885)
Purchases of short-term investments	(2,923,269)	(4,886,789)
Purchases of other investments	(1,036,110)	(1,330,327)
Proceeds from sales and maturities of available-for-sale securities	10,321,679	7,321,758
Proceeds from sales and maturities of short-term investments	4,694,893	3,065,790
Proceeds from sales and distributions of other investments	1,050,427	1,761,362
Proceeds from sales of other assets	26,233	22,808
Purchase of redeemable noncontrolling interest of subsidiary	(515,275)	—
Purchases of property	(1,649,412)	(1,063,985)
Proceeds from the sale of property	15,400	17,335
Net cash used in investing activities	(3,587,651)	(9,925,933)
Financing Activities		
Repurchases of common stock	(652,657)	(1,881,323)
Exercises of stock options and SARs	27,100	75,797
Distributions to noncontrolling interest	(168,057)	—
Excess tax benefits related to exercise of stock options and SARs	15,999	938,090
Dividends paid	(488,127)	(494,903)
Net cash used in financing activities	(1,265,742)	(1,362,339)

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Net (Decrease) Increase in Cash and Cash Equivalents	(4,239) 2,058,375
Cash and Cash Equivalents, Beginning of Period	23,626,761	20,810,018
Cash and Cash Equivalents, End of Period	\$23,622,522	\$22,868,393

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Consolidated Statements of Cash Flows, continued

	Nine Months Ended September 30,	
	2014	2013
Supplemental Disclosures:		
Cash Paid During the Year for:		
Income tax payments, net	\$2,443,000	\$4,243,300
Non Cash Investing and Financing Activities		
Non cash net unrealized gain on investments, net of deferred tax provision of \$(410,923) and \$(532,399) for 2014 and 2013, respectively	\$(772,074)	\$(998,638)

See notes to the Consolidated Financial Statements.

INVESTORS TITLE COMPANY
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2014

(Unaudited)

Note 1 - Basis of Presentation and Significant Accounting Policies

Reference should be made to the “Notes to Consolidated Financial Statements” appearing in the Annual Report on Form 10-K for the year ended December 31, 2013 of Investors Title Company (the “Company”) for a complete description of the Company’s significant accounting policies.

Principles of Consolidation – The accompanying unaudited Consolidated Financial Statements include the accounts and operations of Investors Title Company and its subsidiaries, and have been prepared in accordance with generally accepted accounting principles for interim financial information, with the instructions to Form 10-Q and with Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. Earnings attributable to the Company's redeemable noncontrolling interest in a majority-owned insurance agency are recorded in the Consolidated Statements of Income. The redeemable noncontrolling interest representing the portion of equity not related to the Company's ownership interest is recorded as redeemable equity in a separate section of the Consolidated Balance Sheets. All intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows of the Company in the accompanying unaudited Consolidated Financial Statements have been included. All such adjustments are of a normal recurring nature. Operating results for the quarter ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

Reclassification – Certain 2013 amounts in the accompanying unaudited Consolidated Financial Statements have been reclassified to conform to the 2014 classifications. These reclassifications had no effect on stockholders’ equity or net income as previously reported.

Immaterial Classification Correction – During the nine months ended September 30, 2013, the Company realized \$938,090 in excess tax benefits associated with the exercise of stock options and stock appreciation rights (“SARs”). Such amounts were mistakenly classified as part of operating activities rather than financing activities. Accordingly, the Consolidated Statements of Cash Flows have been corrected. The correction resulted in a decrease to previously reported operating cash flows and an increase to financing cash flows in the amount of \$938,090 for the nine months ended September 30, 2013. There was no impact to the Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Statements of Stockholders’ Equity or to the Company’s cash position.

Allowance for Doubtful Accounts – Company management continually evaluates the collectability of receivables and provides an allowance for doubtful accounts equal to estimated losses expected to be incurred in the collection of premiums and fees receivable. During the second quarter of 2014, the Company changed its presentation of gross premiums and fees receivable and related allowance for doubtful accounts and now reports them net of certain commitments not expected to result in issued title insurance policies. The change had no impact to net premium and fees receivable, net premiums written, operating expenses or net income.

Use of Estimates and Assumptions – The preparation of the Company’s Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions used.

Subsequent Events – The Company has concluded that there were no material subsequent events requiring adjustment to or disclosure in its Consolidated Financial Statements.

Recently Issued Accounting Standards – In May 2014, the Financial Accounting Standards Board (“FASB”) updated guidance to improve the comparability of revenue recognition practices for entities that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards such as insurance contracts or lease standards. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For public entities, this update becomes effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The Company is currently evaluating the impact that the recently issued accounting standard will have on the Company's financial position and results of operations.

Note 2 - Reserves for Claims

Transactions in the reserves for claims for the nine months ended September 30, 2014 and the year ended December 31, 2013 are summarized as follows:

	September 30, 2014	December 31, 2013
Balance, beginning of period	\$35,360,000	\$39,078,000
Provision (benefit), charged to operations	4,177,478	(571,596)
Payments of claims, net of recoveries	(3,285,478)	(3,146,404)
Ending balance	\$36,252,000	\$35,360,000

The total reserve for all reported and unreported losses the Company incurred through September 30, 2014 is represented by the reserves for claims. The Company's reserves for unpaid losses and loss adjustment expenses are established using estimated amounts required to settle claims for which notice has been received (reported) and the amount estimated to be required to satisfy claims that have been incurred but not yet reported (“IBNR”). Despite the variability of such estimates, management believes that the reserves are adequate to cover claim losses which might result from pending and future claims under title insurance policies issued through September 30, 2014. Management continually reviews and adjusts its reserve estimates to reflect its loss experience and any new information that becomes available. Adjustments resulting from such reviews may be significant.

A summary of the Company's loss reserves, broken down into its components of known title claims and IBNR, follows:

	September 30, 2014	%	December 31, 2013	%
Known title claims	\$5,342,132	14.7	\$4,670,809	13.2
IBNR	30,909,868	85.3	30,689,191	86.8
Total loss reserves	\$36,252,000	100.0	\$35,360,000	100.0

Claims and losses paid are charged to the reserves for claims. Although claims losses are typically paid in cash, occasionally claims are settled by purchasing the interest of the insured or the claimant in the real property. When this event occurs, the Company carries assets at the lower of cost or estimated realizable value, net of any indebtedness on the property.

Note 3 - Earnings Per Common Share and Share Awards

Basic earnings per common share is computed by dividing net income attributable to the Company by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per common share is computed by dividing net income attributable to the Company by the combination of dilutive potential common stock, comprised of shares issuable under the Company's share-based compensation plans and the weighted average number of common shares outstanding during the reporting period. Dilutive common share equivalents include the dilutive

effect of in-the-money share-based awards, which are calculated based on the average share price for each period using the treasury stock method. Under the treasury stock method, when share-based awards are exercised, (a) the exercise price of a share-based award; (b) the amount of compensation cost, if any, for future services that the Company has not yet recognized; and (c) the amount of estimated tax benefits that would be recorded in retained earnings, if any, are assumed to be used to repurchase shares in the current period. The number of incremental dilutive potential common shares, calculated using the treasury stock method, was 3,826 and 5,859 for the three months ended September 30, 2014 and 2013, respectively, and 5,238 and 24,334 for the nine months ended September 30, 2014 and 2013, respectively.

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The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income attributable to the Company	\$2,594,490	\$5,515,798	\$6,954,526	\$12,898,203
Weighted average common shares outstanding – Basic	2,028,818	2,069,081	2,033,637	2,059,226
Incremental shares outstanding assuming the exercise of dilutive stock options and SARs (share-settled)	3,826	5,859	5,238	24,334
Weighted average common shares outstanding – Diluted	2,032,644	2,074,940	2,038,875	2,083,560
Basic earnings per common share	\$1.28	\$2.67	\$3.42	\$6.26
Diluted earnings per common share	\$1.28	\$2.66	\$3.41	\$6.19

There were 3,000 potential shares excluded from the computation of diluted earnings per share for the three months ended September 30, 2014. There were no potential shares excluded from the computation of diluted earnings per share for the three months ended September 30, 2013. There were no potential shares excluded from the computation of diluted earnings per share for the nine months ended September 30, 2014. There were 3,000 potential shares excluded from the computation of diluted earnings per share for the nine months ended September 30, 2013. These potential shares were anti-dilutive because the underlying share awards were out-of-the-money.

The Company has adopted employee stock award plans under which restricted stock, and options or SARs to acquire shares (not to exceed 500,000 shares) of the Company's stock, may be granted to key employees or directors of the Company at a price not less than the market value on the date of grant. SARs and options (which have predominantly been incentive stock options) awarded under the plans thus far generally expire in five to ten years from the date of grant and are exercisable and vest: immediately; within one year; or at 10% to 20% per year beginning on the date of grant. All SARs issued to date have been share-settled only.

A summary of share-based award transactions for all share-based award plans follows:

	Number Of Shares	Weighted Average Exercise Price	Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2013	98,150	\$30.74	3.17	\$2,871,710
SARs granted	3,000	71.59		
SARs exercised	(79,500)) 28.77		
Options exercised	(2,650)) 28.63		
Options/SARs canceled/forfeited/expired	—	—		
Outstanding as of December 31, 2013	19,000	\$45.74	3.43	\$669,610
SARs granted	4,500	68.70		
SARs exercised	(1,500)) 49.04		
Options exercised	(1,000)) 27.21		
Options/SARs canceled/forfeited/expired	—	—		
Outstanding as of September 30, 2014	21,000	\$51.30	3.90	\$459,810
Exercisable as of September 30, 2014	18,750	\$49.22	3.57	\$449,685
Unvested as of September 30, 2014	2,250	\$68.70	6.64	\$10,125

During the second quarters of both 2014 and 2013, the Company issued a total of 3,000 share-settled SARs to the directors of the Company. SARs give the holder the right to receive stock equal to the appreciation in the value of shares of stock from the grant date for a specified period of time, and as a result, are accounted for as equity instruments. The fair value of each award is estimated on the date of grant using the Black-Scholes option valuation model with the weighted average assumptions noted in the table shown below. Expected volatilities are based on both the implied and historical volatility of the Company's stock. The Company uses historical data to project SAR exercises and pre-exercise forfeitures within the valuation model. The expected term of awards represents the period of time that SARs granted are expected to be outstanding. The interest rate assumed for the expected life of the award is based on the U.S. Treasury yield curve in effect at the time of the grant. The weighted average fair values for the SARs issued during 2014 and 2013 were \$28.98 and \$27.55, respectively.

The weighted average fair values for SARs issued during 2014 and 2013 were estimated using the weighted average assumptions shown in the table below:

	2014	2013		
Expected life in years	6.9	5.0		
Volatility	39.9	% 44.6	%	
Interest rate	2.1	% 1.3	%	
Yield rate	0.4	% 0.5	%	

There was approximately \$88,000 and \$62,000 of compensation expense relating to SARs or options vesting on or before September 30, 2014 and 2013, respectively, included in salaries, employee benefits and payroll taxes in the Consolidated Statements of Income. As of September 30, 2014, there was approximately \$65,000 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Company's stock award plans. That cost is expected to be recognized over a weighted average period of approximately 5 months.

There have been no stock options or SARs granted where the exercise price was less than the market price on the date of grant.

Note 4 – Segment Information

The Company has one reportable segment, title insurance services. The remaining immaterial segments have been combined into a group called "All Other."

The title insurance segment primarily issues title insurance policies through approved attorneys from underwriting offices and through independent issuing agents. Title insurance policies insure titles to real estate.

Provided below is selected financial information about the Company's operations by segment for the periods ended September 30, 2014 and 2013:

Three Months Ended September 30, 2014	Title Insurance	All Other	Intersegment Eliminations	Total
Insurance and other services revenues	\$27,381,759	\$1,517,927	\$(465,140)	\$28,434,546
Investment income	956,894	131,435	(23,334)	1,064,995
Net realized gain on investments	5,781	2,908	—	8,689
Total revenues	\$28,344,434	\$1,652,270	\$(488,474)	\$29,508,230
Operating expenses	24,940,774	1,416,685	(447,719)	25,909,740
Income before income taxes	\$3,403,660	\$235,585	\$(40,755)	\$3,598,490
Total assets	\$152,813,417	\$42,681,883	\$—	\$195,495,300
Three Months Ended September 30, 2013				Total

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	Title	All	Intersegment	
	Insurance	Other	Eliminations	
Insurance and other services revenues	\$31,343,108	\$1,396,309	\$(386,454)	\$32,352,963
Investment income	919,819	93,854	(23,335)	990,338
Net realized gain on investments	250,600	11,338	—	261,938
Total revenues	\$32,513,527	\$1,501,501	\$(409,789)	\$33,605,239
Operating expenses	24,212,255	1,485,494	(369,033)	25,328,716
Income before income taxes	\$8,301,272	\$16,007	\$(40,756)	\$8,276,523
Total assets	\$151,795,001	\$37,362,629	\$—	\$189,157,630

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Nine Months Ended September 30, 2014	Title	All	Intersegment	Total
	Insurance	Other	Eliminations	
Insurance and other services revenues	\$84,257,427	\$4,418,659	\$(1,215,983)	\$87,460,103
Investment income	2,823,098	377,750	(70,002)	3,130,846
Net realized gain on investments	536,309	56,599	—	592,908
Total revenues	\$87,616,834	\$4,853,008	\$(1,285,985)	\$91,183,857
Operating expenses	78,256,239	4,457,289	(1,163,720)	81,549,808
Income before income taxes	\$9,360,595	\$395,719	\$(122,265)	\$9,634,049
Total assets	\$152,813,417	\$42,681,883	\$—	\$195,495,300
Nine Months Ended September 30, 2013	Title	All	Intersegment	Total
	Insurance	Other	Eliminations	
Insurance and other services revenues	\$88,063,272	\$4,004,766	\$(1,090,550)	\$90,977,488
Investment income	2,626,642	279,231	(70,003)	2,835,870
Net realized gain (loss) on investments	341,674	(8,120)	—	333,554
Total revenues	\$91,031,588	\$4,275,877	\$(1,160,553)	\$94,146,912
Operating expenses	71,657,966			