UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

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 001-39754

Doma Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**84-1956909**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
101 Mission Street, Suite 1050	
San Francisco, California	**94105**
(Address of Principal Executive Offices)	(Zip Code)

(650) 419-3827
Registrant’s telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0001 per share	DOMA	The New York Stock Exchange
Warrants, 25 whole warrants exercisable for one share of common stock at an exercise price of $287.50 per share	DOMAW	*

* The warrants are trading on the OTC Pink Marketplace under the symbol “DOMAW”.

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The registrant had outstanding 14,012,245 shares of common stock as of May 9, 2024.

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Introductory Note

On March 28, 2024, we entered into an Agreement and Plan of Merger (the “Merger Agreement”), with RE Closing Buyer Corp., a Delaware corporation (“Parent”), and RE Closing Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of Parent (“Merger Sub”). The Merger Agreement provides that, subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company (the “Merger”), with the Company surviving the Merger and becoming a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of Closing Parent Holdco, L.P., a Cayman Islands exempted limited partnership (“Topco”), the indirect parent company of Parent. Parent is part of the Title Resources Group, which operates a title insurance underwriting business. Under the terms of the Merger, among other things, Parent would acquire our outstanding shares for $6.29 per share in cash.

Unless the context otherwise requires, references herein to “company,” “Company,” “Doma,” “we,” “us,” “our” and similar terms refer to Doma Holdings, Inc. (f/k/a Capitol Investment Corp. V) and its consolidated subsidiaries. References to “Capitol” refer to our predecessor company prior to the consummation of the Business Combination. References to “Old Doma” refer to Old Doma prior to the Business Combination and to States Title, the wholly owned subsidiary of Doma, upon the consummation of the Business Combination.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “Quarterly Report”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We have based these forward-looking statements on our current expectations and projections about future events. All statements, other than statements of present or historical fact included in this Quarterly Report, about our plans, strategies and prospects, both business and financial, are forward-looking statements. Any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “continue,” “goal,” “project” or the negative of such terms or other similar expressions. Moreover, the absence of these words does not mean that a statement is not forward-looking. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Quarterly Report. We caution you that these forward-looking statements are subject to numerous risks and uncertainties, most of which are difficult to predict and many of which are beyond our control.

Forward-looking statements contained in this Quarterly Report include, but are not limited to, statements about:

- our projected financial information, anticipated growth rate and market opportunity;
- our ability to maintain the listing of our common stock on the New York Stock Exchange;
- our proposed Merger with Parent, including the likelihood of the satisfaction of the conditions to the completion of the Merger and whether and when the transaction will be consummated;
- our ability to realize the expected benefits of the Merger;
- the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement;
- the outcome of any legal proceedings that may be instituted against us and others relating to the Merger;
- our ability to raise financing in the future and to comply with restrictive covenants related to long-term indebtedness;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors;
- the accounting of our warrants as liabilities and any changes in the value of our warrants having a material effect on our financial results;
- factors relating to our business, operations and financial performance, including:

    - our ability to drive an increasing proportion of orders in our Enterprise channel through the Doma Intelligence platform;
    - changes in the competitive and regulated industries in which we operate, variations in technology and operating performance across competitors, and changes in laws and regulations affecting our business;
    - the current and future health and stability of the economy, financial conditions and residential housing market, including any extended downturn or slowdown;
    - changes in general economic and financial conditions (including federal monetary policy, interest rates, inflation, home price fluctuations, housing inventory, labor shortages and supply chain issues) that may reduce demand for our products and services, lower our profitability or reduce our access to financing;
    - our ability to implement business plans, forecasts and other expectations, and identify and realize additional opportunities;
    - the impact on the real estate finance market from recent macroeconomic events and conditions that have resulted in a significant increase in interest rates largely due to actions of central banks, including the U.S. Federal Reserve; and
- other factors detailed under the section “Risk Factors” in our periodic filings with the Securities and Exchange Commission (the “SEC”).

Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. Additional cautionary statements or discussions of risks and uncertainties that could affect our results or the achievement of the expectations described in forward-looking statements may also be contained in any subsequent periodic report.

Should one or more of the risks or uncertainties described in this Quarterly Report occur, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements.

You should read this Quarterly Report completely and with the understanding that our actual future results, levels of activity and performance as well as other events and circumstances may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Part I - Financial Information
Item 1. Financial Statements

Doma Holdings, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands, except share information)		**March 31, 2024**		**December 31, 2023**
Assets				
Cash and cash equivalents	$	61,467	$	65,939
Restricted cash		3,985		5,228
Investments:				
Fixed maturities				
Held-to-maturity debt securities, at amortized cost (net of allowance for credit losses of $ 123 at March 31, 2024 and $125 at December 31, 2023)		16,582		18,179
Available-for-sale debt securities, at fair value (amortized cost $ 50,800 at March 31, 2024 and $ 58,516 at December 31, 2023)		50,395		58,032
Mortgage loans		45		45
Total investments	$	67,022	$	76,256
Trade and other receivables (net of allowance for credit losses of $ 1,812 at March 31, 2024 and $ 1,802 at December 31, 2023)		21,897		24,452
Prepaid expenses, deposits and other assets		7,113		4,614
Lease right-of-use assets		3,827		4,175
Fixed assets (net of accumulated depreciation of $ 31,287 at March 31, 2024 and $ 26,272 at December 31, 2023)		29,697		30,945
Title plants		2,716		2,716
Goodwill		23,413		23,413
Assets held for disposal		2,062		2,563
Total assets	$	223,199	$	240,301
Liabilities and stockholders' deficit				
Accounts payable	$	1,698	$	1,798
Accrued expenses and other liabilities		12,072		12,700
Lease liabilities		8,078		8,838
Senior secured credit agreement, net of debt issuance costs and original issue discount		160,692		154,087
Liability for loss and loss adjustment expenses		76,155		81,894
Warrant liabilities		29		26
Sponsor Covered Shares liability		321		86
Liabilities held for disposal		5,835		6,783
Total liabilities	$	264,880	$	266,212
Commitments and contingencies (see Note 12)				
Stockholders' deficit:				
Common stock, 0.0001 par value; 80,000,000 shares authorized at March 31, 2024; 13,887,772 and 13,524,203 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	$	1		1
Additional paid-in capital		598,475		593,772
Accumulated deficit		(639,752)		(619,201)
Accumulated other comprehensive income		(405)		(483)
Total stockholders' deficit	$	(41,681)	$	(25,911)
Total liabilities and stockholders' deficit	$	223,199	$	240,301

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

Doma Holdings, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(In thousands, except share and per share information)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Revenues:		
Net premiums written (1)	$ 63,513	$ 66,770
Escrow, other title-related fees and other	1,071	964
Investment, dividend and other income	1,483	1,078
Total revenues	$ 66,067	$ 68,812
Expenses:		
Premiums retained by agents (2)	$ 52,391	$ 54,537
Title examination expense	858	733
Provision for claims	730	3,287
Personnel costs	14,615	25,408
Other operating expenses	10,608	11,968
Total operating expenses	$ 79,202	$ 95,933
Operating loss from continuing operations	$ (13,135)	$ (27,121)
Other (expense) income:		
Change in fair value of Warrant and Sponsor Covered Shares liabilities	(239)	15
Interest expense	(6,604)	(3,971)
Loss from continuing operations before income taxes	$ (19,978)	$ (31,077)
Income tax benefit (expense)	504	(156)
Loss from continuing operations, net of taxes	$ (19,474)	$ (31,233)
Loss from discontinued operations, net of taxes	(1,077)	(10,890)
Net loss	$ (20,551)	$ (42,123)
Earnings per share:		
Net loss from continuing operations per share attributable to stockholders - basic and diluted	$ (1.42)	$ (2.37)
Net loss per share attributable to stockholders - basic and diluted	$ (1.50)	$ (3.19)
Weighted average shares outstanding common stock - basic and diluted	13,736,176	13,194,859

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

(1) Net premiums written includes revenues from a related party of $34.1 million and $30.0 million during the three months ended March 31, 2024 and 2023, respectively (see Note 11).
(2) Premiums retained by agents includes expenses associated with a related party of $27.5 million and $24.1 million during the three months ended March 31, 2024 and 2023, respectively (see Note 11).

Doma Holdings, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three Months Ended March 31,	
(In thousands)	**2024**	**2023**
Net loss	$ (20,551)	$ (42,123)
Other comprehensive loss, net of tax:		
Unrealized gain on available-for-sale debt securities, net of tax	78	334
Comprehensive loss	$ (20,473)	$ (41,789)

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

Doma Holdings, Inc.
Condensed Consolidated Statements of Changes in Stockholders' (Deficit) Equity
(Unaudited)

(In thousands, except share information)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Stockholders' Equity
Balance, January 1, 2023	13,165,919	$ 1	$ 577,515	$ (494,787)	$ (937)	$ 81,792
Exercise of stock options	16,120	—	182	—	—	182
Vesting of RSU awards	37,338	—	—	—	—	—
Stock-based compensation expense	—	—	5,697	—	—	5,697
Net loss	—	—	—	(42,123)	—	(42,123)
Other comprehensive income	—	—	—	—	334	334
Balance, March 31, 2023	13,219,377	$ 1	$ 583,394	$ (536,910)	$ (603)	$ 45,882

(In thousands, except share information)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Stockholders' Deficit
Balance, January 1, 2024	13,524,203	$ 1	$ 593,772	$ (619,201)	$ (483)	$ (25,911)
Vesting of RSU awards	363,569	—	—	—	—	—
Stock-based compensation expense	—	—	4,703	—	—	4,703
Net loss	—	—	—	(20,551)	—	(20,551)
Other comprehensive income	—	—	—	—	78	78
Balance, March 31, 2024	13,887,772	$ 1	$ 598,475	$ (639,752)	$ (405)	$ (41,681)

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

Doma Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
(In thousands)	**2024**	**2023**
Cash flow from operating activities:		
Net loss	$ (20,551)	$ (42,123)
Adjustments to reconcile net loss to net cash used in operating activities:		
Interest expense - paid in kind	5,659	2,604
Depreciation and amortization	2,998	3,075
Stock-based compensation expense	4,703	5,697
Amortization of debt issuance costs and original issue discount	945	816
Provision for doubtful accounts (reduction for expected credit losses)	141	(86)
Deferred income taxes	(525)	147
Loss (gain) on disposal of fixed assets and title plants	(110)	584
Net amortization of premiums and accretion of discounts on fixed maturity securities	(113)	(348)
Change in fair value of Warrant and Sponsor Covered Shares liabilities	239	(15)
Long-lived asset impairment	—	181
Change in operating assets and liabilities, net of effects from sales of discontinued operations:		
Trade and other receivables	2,452	11,583
Prepaid expenses, deposits and other assets	(2,365)	1,182
Lease right-of-use assets and lease liabilities	(897)	(698)
Accounts payable	(247)	7
Accrued expenses and other liabilities	(248)	(5,930)
Liability for loss and loss adjustments expenses	(5,735)	(554)
Net cash used in operating activities	$ (13,654)	$ (23,878)
Cash flow from investing activities:		
Proceeds from calls and maturities of investments: Held-to-maturity	2,600	64,519
Proceeds from calls and maturities of investments: Available-for-sale	7,900	250
Purchases of investments: Held-to-maturity	(1,072)	(35,746)
Proceeds from sales of fixed assets	—	82
Purchases of fixed assets	(1,489)	(2,768)
Proceeds from sale of title plants and dividends from title plants	—	194
Net cash provided by investing activities	$ 7,939	$ 26,531
Cash flow from financing activities:		
Exercise of stock options	—	182
Net cash provided by financing activities	$ —	$ 182
Net change in cash and cash equivalents and restricted cash	(5,715)	2,835
Cash and cash equivalents and restricted cash at the beginning period	71,167	81,383
Cash and cash equivalents and restricted cash at the end of period	$ 65,452	$ 84,218
Supplemental cash flow disclosures:		
Cash paid for interest	$ —	$ 2,084
Supplemental disclosure of non-cash investing activities:		
Unrealized gain on available-for-sale debt securities	$ 78	$ 334

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

Doma Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

(Amounts in thousands, except share and per share information or unless otherwise noted)

1. Organization and business operations

On July 28, 2021 (the “Closing Date”), Capitol Investment Corp. V (“Capitol”) consummated a business combination (the “Business Combination”) with Doma Holdings, Inc., a Delaware corporation (“Old Doma”), pursuant to the agreement and plan of merger, dated March 2, 2021, by and among Capitol, Capitol V Merger Sub, Inc., a wholly owned subsidiary of Capitol (“Merger Sub”), and Old Doma (as amended on March 18, 2021, the “Agreement”). In connection with the closing of the Business Combination, Old Doma changed its name to States Title Holding, Inc. (“States Title”), Capitol changed its name to Doma Holdings, Inc. (“Doma”) and Old Doma became a wholly owned subsidiary of Doma. Doma continues the existing business operations of Old Doma as a publicly traded company. See Note 3 for additional information on the Business Combination.

Unless the context otherwise requires, references herein to “company,” “Company,” “Doma,” “we,” “us,” “our” and similar terms refer to Doma Holdings, Inc. (f/k/a Capitol Investment Corp. V) and its consolidated subsidiaries. References to “Capitol” refer to our legal predecessor company prior to the consummation of the Business Combination. References to “Old Doma” refer to Old Doma prior to the Business Combination and to States Title, the wholly owned subsidiary of Doma, upon the consummation of the Business Combination.

Old Doma was initially formed as a wholly-owned subsidiary of States Title Inc. (“Legacy States Title”) to combine the operations of Legacy States Title and the retail agency and title insurance underwriting business (the “Acquired Business”) of North American Title Group, LLC (“NATG”), a subsidiary of Lennar Corporation (“Lennar”).

Doma is a real estate technology company that is architecting the future of real estate transactions. Using machine intelligence and our proprietary technology solutions, we are creating a vastly more simple, efficient, and affordable real estate closing experience for current and prospective homeowners, lenders, title agents and real estate professionals.

Starting in the second quarter of 2023 and finalized in the third quarter of 2023, the Company sold its assets used in or related to the Company’s title insurance agency business operated through local retail title offices (the Company’s “Local Component”). With the execution of the final agreements in the third quarter of 2023, the Company no longer has operations related to our previous Local retail branch footprint ("Local Component Direct Agents"). The Company determined that the execution of these agreements and the exiting of the Local Component represented a strategic shift that had a major effect on the Company’s operations and financial results, which triggered discontinued operations presentation, in accordance with ASC 205-20-45. We have historically reported our operations in two business segments: "Distribution," which included our divested Local Component as well as our Doma Enterprise channel and corporate support services, and "Underwriting." See Note 3 for additional details on the divestiture.

Subsequent to the finalization of the sale of the Local Component in the third quarter of 2023, our continuing operations continued to be reported as two business segments but whose designations have changed to: “Underwriting” and “Corporate and Other”. Corporate and Other contains our Doma Enterprise channel, our growth area offering technology solutions, and our centralized corporate support services. All current and prior periods reflected in this Form 10-Q have been presented as continuing and discontinued operations, unless otherwise noted. Refer to Note 7 and Note 18 for additional information regarding segment information and discontinued operations, respectively.

Going Concern

We measure liquidity in terms of our ability to fund the cash requirements of our business operations, including our working capital and capital expenditure needs and other commitments. Our recurring working capital requirements relate mainly to our cash operating costs. Our capital expenditure requirements consist mainly of software development related to our Doma Intelligence platform.

We had $65.5 million in cash and cash equivalents and restricted cash, $ 16.6 million in held-to-maturity debt securities, and $50.4 million in available-for-sale debt securities as of March 31, 2024. The restricted net assets of Doma Title Insurance, Inc. (“DTI”), our title insurance subsidiary, are a significant proportion of the Company’s consolidated net assets. DTI and our other insurance subsidiaries are subject to regulations that restrict their ability to pay dividends or make other distributions of cash or property to their immediate parent company without prior approval from the Departments of Insurance of their respective states of domicile. As of December 31, 2023, $49.9 million of our statutory net assets are restricted from dividend payments without prior approval from the Departments of Insurance of their respective states of domicile. During 2024, our title insurance subsidiary can pay or make distributions to us of approximately $5.2 million, without prior approval.

During our financial close and forecasting process for the year ended December 31, 2023, the Company identified conditions and events such as sustained cash outflows, operating losses and insufficient cash balances that, when considered in the aggregate, raised substantial doubt about our ability to continue as a going concern. However, that doubt was alleviated through management's plans, including the HSCM Fourth Amendment and Topco Term Facility as defined in Note 8 "Debt." The Company believes its unrestricted assets and the additional funding provided by the HSCM Fourth Amendment and Topco Term Facility will be sufficient to meet our working capital and capital expenditure requirements for a period of at least 12 months from the date of this Quarterly Report.

Proposed Merger

On March 28, 2024, we entered into an Agreement and Plan of Merger (the “Merger Agreement”), with RE Closing Buyer Corp., a Delaware corporation (“Parent”), and RE Closing Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of Parent (“Merger Sub”). The Merger Agreement provides that, subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company (the “Merger”), with the Company surviving the Merger and becoming a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of Closing Parent Holdco, L.P., a Cayman Islands exempted limited partnership (“Topco”), the indirect parent company of Parent. Under the terms of the Merger, among other things, Parent would acquire our outstanding shares for $6.29 per share in cash.

The Company’s board of directors, acting on the unanimous recommendation of a special committee comprised of independent and disinterested directors formed for the purpose of considering the transaction, unanimously (i) determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, the Voting and Support Agreement (as defined in Note 3) and the other agreements contemplated by the Merger Agreement and the transactions contemplated thereby are fair, advisable and in the best interests of the Company and the disinterested stockholders and (ii) approved the Merger Agreement and the transactions contemplated thereby, including the Merger, and the Voting and Support Agreement and the other agreements contemplated by the Merger Agreement and the transactions contemplated thereby, and (iii) resolved to submit and recommend the Merger Agreement to the Company’s stockholders for approval and adoption thereby.

Assuming the satisfaction of the conditions set forth in the Merger Agreement, the Company expects the transactions contemplated thereby to close in the second half of 2024.

The foregoing description of the Merger Agreement and the transactions contemplated thereunder is not complete and is qualified in its entirety by reference to the Merger Agreement, a copy of which is filed as an exhibit to the Current Report on Form 8-K, filed with the SEC on March 29, 2024, and incorporated herein by reference.

For more information, refer to Note 3 "Business combinations and divestitures."

2. Summary of significant accounting policies

Basis of presentation

The accompanying condensed consolidated balance sheet as of March 31, 2024 and the condensed consolidated statements of operations, condensed consolidated statements of comprehensive loss, and condensed consolidated statements of changes in stockholders' (deficit) equity for the three months ended March 31, 2024 and 2023 and the condensed consolidated statements of cash flows for the three months ended March 31, 2024 and 2023 are unaudited.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the financial information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of the Company's management, the unaudited condensed consolidated financial statements include all adjustments necessary for the fair presentation of the Company's balance sheet as of March 31, 2024 and its results of operations, including its comprehensive loss, and stockholders' (deficit) equity for the three months ended March 31, 2024 and 2023 and cash flows for the three months ended March 31, 2024 and 2023. All adjustments are of a normal recurring nature. The results for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for any subsequent quarter or for the fiscal year ending December 31, 2024. These unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and related notes.

Certain prior year amounts have been reclassified to conform to the current year presentation under Accounting Standard Codification 205-20-45, "Discontinued Operations."

References to the Accounting Standard Codification ("ASC") and Accounting Standard Updates ("ASU") included hereinafter refer to the Accounting Standards Codification and Updates issued by the Financial Accounting Standards Board ("FASB") as the source of authoritative U.S. GAAP. The accompanying condensed consolidated financial statements include the accounts of the Company and the accounts of the Company's wholly-owned subsidiaries. All intercompany balances and transactions related to continuing operations have been eliminated in consolidation.

Reverse stock split

On June 29, 2023, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to its Certificate of Incorporation (the "Charter Amendment") to effect a 1-for-25 reverse stock split of the Company's common stock (the "Reverse Stock Split") and a corresponding adjustment to its authorized capital stock, effective as of 11:59 p.m. Eastern Daylight Time on June 29, 2023 (the "Effective Time"). All share and per share information has been retroactively adjusted to give effect to the Reverse Stock Split for all periods presented, and discussions, in this Quarterly Report, unless otherwise indicated.

As a result of the Reverse Stock Split, every 25 shares of the Company's issued and outstanding common stock were automatically converted into one share of issued and outstanding common stock. No fractional shares were issued as a result of the Reverse Stock Split. Stockholders who otherwise would have been entitled to receive fractional shares of common stock were entitled to receive cash in an amount equal to the product obtained by multiplying (a) the closing price per share of the common stock as reported on the New York Stock Exchange as of the first trading day following the Effective Time, by (b) the fraction of one share owned by the stockholder.

Proportionate adjustments were made to the number of shares issuable upon the exercise or vesting of all stock options, restricted stock awards, restricted stock units, performance restricted stock units or market-based awards (the "Stock-Based Awards") and warrants outstanding at the Effective Time, which resulted in a proportional decrease in the number of shares of the Company's common stock reserved for issuance upon exercise or vesting of such Stock-Based Awards and warrants. In the case of stock options and warrants, proportionate adjustments also included a proportional increase in the exercise price of such stock options and warrants. In addition, the number of shares reserved for issuance under the Company's 2021 Omnibus Incentive Plan were proportionately reduced.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from the estimates made by management. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Significant items subject to such estimates and assumptions include, but are not limited to, reserves for incurred but not reported claims, the useful lives of property and equipment, accrued net premiums written from Third-Party Agent (as defined in Item 2) referrals, the fair value measurements, valuation of goodwill impairment, the valuations of stock-based compensation arrangements and the Sponsor Covered Shares liability (as defined below).

Trade and other receivables, net

Trade and other receivables include the following:

	March 31, 2024	December 31, 2023
Trade receivables	$ 6,020	$ 9,170
Accrued net premiums written from Third-Party Agent referrals	2,026	2,418
Trade receivables, gross	$ 8,046	$ 11,588
Allowance for credit losses	(1,812)	(1,802)
Trade receivables, net	$ 6,234	$ 9,786
Local Sales Deferred Earnout receivable	12,676	12,497
Investment trade receivables	1,200	—
Miscellaneous other receivables	1,787	2,169
Other receivables	$ 15,663	$ 14,666
Trade and other receivables, net	$ 21,897	$ 24,452

Trade receivables are generally due within thirty to ninety days and are recorded net of an allowance for credit losses. Our receivables represent premiums, escrow and related fees due to us as a result of the closing of real estate transactions, investment trade receivables, and other miscellaneous receivables. The Company determines the allowance for credit losses by considering a number of factors, including the length of time receivables are past due, previous loss history and a specific customer's ability to pay its obligations to the Company. Amounts deemed uncollectible are expensed in the period in which such determination is made. The Local Sales Deferred Earnout receivable relates to the aggregate earnouts from the Local Sales discussed further in Note 3.

Title plants

Title plants are carried at cost, with costs incurred to maintain, update and operate title plants expensed as incurred. Because properly maintained title plants have indefinite lives and do not diminish in value with the passage of time, no provision has been made for depreciation or amortization. The Company analyzes the title plants for impairment when events or circumstances indicate that the carrying amount may not be recoverable. This analysis includes, but is not limited to, the effects of obsolescence, duplication, demand and other economic factors. There were no impairments of title plants for the three months ended March 31, 2024 and 2023.

Goodwill

Goodwill represents the excess of the acquisition price over the fair value of assets acquired and liabilities assumed in a business combination. Goodwill is assigned to one or more reporting units on the date of acquisition. We review our goodwill for impairment annually on October 1 of each year and between annual tests if events or circumstances arise that would more likely than not reduce the fair value of any one of our reporting units below its respective carrying amount. In performing our annual goodwill impairment test, we first perform a qualitative assessment, which requires that we consider macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, changes in the Company's stock price, changes in management or key personnel, changes in strategy, changes in customers, changes in the composition or carrying amount of a reporting unit or other factors that have the potential to impact fair value. If, after assessing the totality of events and circumstances, we determine that it is more likely than not that the fair values of our reporting units are greater than the carrying amounts, then the quantitative goodwill impairment test is not performed. If the fair value of the reporting unit is less than its carrying amount, a non-cash impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, with the loss not exceeding the total amount of goodwill allocated to that reporting unit. Any impairment is charged to operations in the period that the impairment is identified.

Reinsurance

The Company utilizes reinsurance programs to limit its maximum loss exposure by reinsuring certain risks with other insurers. The Company has three reinsurance programs: the 2024 Excess of Loss Treaty, the Facultative program and the Quota Share Treaty. Previously, the Company had been a party to an excess of loss treaty which expired per its terms on September 30, 2023. Under the former excess of loss treaty, we ceded liability over $15.0 million on all files. The excess of loss treaty provided for ceding liability above the retention of $ 15.0 million for all policies up to a liability cap of $500.0 million.

Effective January 1, 2024, the Company implemented the 2024 Excess of Loss Treaty. Under the 2024 Excess of Loss Treaty, we ceded liability in two layers: 1) $10 million above the retention of $ 10 million up to a liability cap of $ 20.0 million for all policies and 2) $10 million above the retention of $ 20 million in losses up to a liability cap of $30.0 million for all policies. The 2024 Excess of Loss Treaty will be in place through June 30, 2025. Excess of loss reinsurance coverage protects the Company from a large loss from a single loss occurrence.

Effective October 1, 2023, the Company implemented its Facultative program. Under this program, on files above $ 30 million, the Company retains the next $5 million, and thereafter cedes additional liability over $ 35.0 million and up to $ 150.0 million on a facultative basis. This Facultative arrangement protects the Company from a large loss from a single loss occurrence.

Under the Quota Share Treaty, effective February 24, 2021, the Company cedes 25% of the written premium on our instantly underwritten policies.

Payments and recoveries on reinsured losses for the Company's title insurance business were immaterial during the three months ended March 31, 2024 and 2023.

Ceding commission from reinsurance transactions are presented as revenue within the "Escrow, other title-related fees and other" revenue line item in the condensed consolidated statements of operations.

Total premiums ceded in connection with reinsurance are netted against the written premiums in the condensed consolidated statements of operations. Gross premiums earned and ceded premiums are as follows:

	Three Months Ended March 31,	
	2024	2023
Gross premiums earned	63,628	66,915
Ceded premiums	(115)	(145)
Net premiums earned	63,513	66,770
Percentage of amount net to gross	99.8%	99.8%

Income taxes

Our effective tax rate for the three months ended March 31, 2024 and 2023 was 3% as a result of a full valuation allowance recorded against the deferred tax assets. In determining the realizability of the net U.S. federal and state deferred tax assets, we consider numerous factors including historical profitability, estimated future taxable income, prudent and feasible tax planning strategies, and the industry in which we operate. As of March 31, 2024 and December 31, 2023, the Company carried a valuation allowance against deferred tax assets as management believes it is more likely than not that the benefit of the net deferred tax assets covered by that valuation allowance will not be realized. A net deferred tax liability has been recorded as of March 31, 2024 and December 31, 2023 of $0.1 million and $0.8 million, respectively, and is included in accrued expenses and other liabilities within the accompanying condensed consolidated balance sheets. Management reassesses the realization of the deferred tax assets each reporting period. The Company has approximately $0.2 million of pre-2018 federal net operating losses subject to expiration beginning in 2036. The remainder of the federal net operating losses have no expiration. The Company's state net operating losses are subject to various expirations, beginning in 2030. The Company's 2020 through 2022 tax years remain open to federal examinations. The Company's 2019 through 2022 tax years remain open to state tax examinations. The Company believes that as of March 31, 2024 it had no material uncertain tax positions. Interest and penalties related to unrecognized tax expenses (benefits) are recognized in income tax expense, when applicable. There were no material liabilities for interest and penalties accrued as of March 31, 2024.

Leases

The Company determines if a contract contains a lease at inception of the contract. The Company's inventory of leases primarily consists of operating office space and office equipment leases which are recorded as a lease obligation liability and as a lease right-of-use asset on the accompanying condensed consolidated balance sheet. The lease right-of-use asset represents the Company's right to use each underlying asset for the lease term and the lease obligation liability represents the Company's obligation over the lease term. The Company's lease obligation is recorded at the present value of the lease payments based on the term of the lease. The Company applies an incremental borrowing rate of interest as of the effective date of adoption or the lease effective date equivalent to a collateralized borrowing rate with similar terms. The discount rate used to calculate the present value of our future minimum lease payments is based, where appropriate, on the Company's incremental borrowing rate of its current loan and security agreement.

Lease expenses for lease payments, where appropriate, are recognized on a straight-line basis over the lease term. Short-term leases of 12 months or less are recorded in the condensed consolidated balance sheet and lease payments are recognized on the condensed consolidated statement of operations. The Company accounts for agreements with lease and non-lease components as a single lease component. For more information on leases, refer to Note 17 of this Quarterly Report.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in financial institutions and our investment portfolio. The Company has not experienced losses on the cash accounts and management believes the Company is not exposed to significant risks on such accounts.

Additionally, we manage the exposure to credit risk in our investment portfolio by investing in high quality securities and diversifying our holdings. Our investment portfolio is comprised of corporate debt, foreign government securities, certificates of deposit, single-family residential mortgage loans, and U.S. Treasuries.

Emerging Growth Company and Smaller Reporting Company

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's condensed financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Additionally, the Company is a "smaller reporting company" as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements.

Recently issued and adopted accounting pronouncements

No new accounting policies were recently issued and adopted in the three ended March 31, 2024.

Recently issued but not adopted accounting pronouncements

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures, which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. This ASU is effective for public companies with annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company is currently evaluating the impact of the ASU on its disclosures.

In November 2023, the FASB issued ASU No. 2023-07, Improvements to Reportable Segment Disclosures. The ASU includes requirements that an entity disclose the title of the chief operating decision maker (CODM) and on an interim and annual basis, significant segment expenses and the composition of other segment items for each segment's reported profit. The standard also permits disclosure of additional measures of segment profit. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of the ASU on its disclosures.

In August 2018, the FASB issued ASU 2018-12, Financial Services-Insurance (Topic 944), Targeted Improvements to the Accounting for Long-Duration Contracts, effective for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years. In June of 2020, the FASB deferred the effective date of ASU 2018-12 for one-year in response to implementation challenges resulting from COVID-19. This update requires insurance companies to annually review and update the assumptions used for measuring the liability under long-duration contracts. The amendments in this ASU may be early adopted as of the beginning of an annual reporting period for which financial statements have not yet been issued, including interim financial statements. As an emerging growth company, we currently anticipate adopting this standard on January 1, 2025. Although we have long-duration contracts, this specific guidance is not expected to impact our title insurance operations; therefore, we do not expect this standard to have a material impact on our condensed consolidated financial statements.

3. Business combinations and divestitures

Capitol Business Combination

As described in Note 1, on March 2, 2021, Old Doma entered into the Agreement with Capitol, a blank check company incorporated in the State of Delaware and formed for the purpose of effecting a merger. Pursuant to the Agreement, a newly formed subsidiary of Capitol was merged with and into Old Doma, and the Business Combination was completed on July 28, 2021. The Business Combination was accounted for as a reverse recapitalization and Capitol was treated as the acquired company for financial statement reporting purposes. Old Doma was deemed the predecessor for financial reporting purposes and Doma was deemed the successor SEC registrant, meaning that Old Doma's financial statements for periods prior to the consummation of the Business Combination are disclosed in the financial statements included within this Quarterly Report and will be disclosed in Doma's future periodic reports. No goodwill or other intangible assets were recorded, in accordance with GAAP.

Immediately after the Closing Date, 53,026 shares of common stock held by the Sponsor became subject to vesting, contingent upon the price of Doma's common stock, par value $0.0001 ("Doma common stock") exceeding certain thresholds (the "Sponsor Covered Shares"). As of March 31, 2024, there were 13,887,772 and 0 shares of common stock and preferred stock issued and outstanding, which excludes the 53,026 of Sponsor Covered Shares. All share and per share information has been retroactively adjusted to give effect to the Reverse Stock Split for all periods presented, and discussions, in this Quarterly Report, unless otherwise indicated.

On December 4, 2020, Capitol consummated its initial public offering, which included the issuance of 11,500,000 redeemable warrants (the "Public Warrants"). Simultaneously with the closing of the initial public offering, Capitol completed the private sale of 5,833,333 warrants (the "Private Placement Warrants"). These Warrants remain outstanding following the Business Combination and 25 whole warrants entitles the holder to purchase one share of our common stock at a price of $287.50 (see Note 16 for additional information).

Immediately after the Closing Date, 20% of the aggregate of our common stock held by certain investors (collectively, the "Sponsor") became subject to vesting, contingent upon the price of our common stock exceeding certain thresholds. The Sponsor Covered Shares will vest in two tranches: (i) one-half of such shares shall vest if the last reported sale price of the common stock equals or exceeds $375.00 for any 20 trading days within any 30-day trading period ending on or before the tenth anniversary of the Closing Date, and (ii) one-half of such shares shall vest if the last reported sale price of the common stock equals or exceeds $437.50 for any 20 trading days within any 30-day trading period ending on or before the tenth anniversary of the Closing Date. The Sponsor is also entitled to the Sponsor Covered Shares if a covered strategic transaction or change in control, as defined by the sponsor support agreement dated as of March 2, 2021 (the "Sponsor Support Agreement") by and among the sponsors named thereto, Capitol and Old Doma, occurs prior to the ten (10)-year anniversary of the Closing Date. As of March 31, 2024, the Sponsor Covered Shares were legally outstanding; however, since none of the conditions were met, no related shares are included in the Company's condensed consolidated balance sheets and condensed consolidated statement of changes in stockholders' deficit or for the purposes of calculating earnings per share.

Also following the Closing Date, the Sellers have the contingent right to receive up to an additional number of shares equal to 5% of the sum of (i) the aggregate number of outstanding shares of our common stock (including restricted common stock, but excluding Sponsor Covered Shares), plus (ii) the maximum number of shares underlying our options that are vested and the maximum number of shares underlying warrants to purchase shares of Doma common stock issued as replacement warrants for Old Doma warrants, in each case of these clauses (i) and (ii), as of immediately following the Closing Date (the "Seller Earnout Shares"). The Seller Earnout Shares are contingently issuable to the Sellers in two tranches: (i) one-half of such shares shall be issued if the last reported sale price of the common stock equals or exceeds $375.00 for any 20 trading days within any 30-day trading period ending on or before the fifth anniversary of the Closing Date, and (ii) one-half of such shares shall be issued if the last reported sale price of the common stock equals or exceeds $437.50 for any 20 trading days within any 30-day trading period ending on or before the fifth anniversary of the Closing Date. Since none of the conditions of the Seller Earnout Shares were met as of March 31, 2024, no related shares are included in the Company's condensed consolidated balance sheets and condensed consolidated statements of changes in stockholders' deficit as of March 31, 2024 or for purposes of calculating earnings per share.

Unless the context otherwise requires or otherwise indicates, share counts of Doma common stock provided in this Quarterly Report exclude both the Sponsor Covered Shares and the Seller Earnout Shares.

North American Title Acquisition

On January 7, 2019, we acquired from Lennar its subsidiary, North American Title Insurance Company, which operated its title insurance underwriting business, and its third-party title insurance agency business, which was operated under its North American Title Company brand (collectively, the “Acquired Business”), for total stock and deferred cash consideration of $171.7 million (the “North American Title Acquisition”), including $87.0 million in the form of a seller financing note. Goodwill of $ 111.5 million resulted from the North American Title Acquisition.

Local Retail Branch Sales

On May 19, 2023, Doma Title of California, Inc. (the “Seller”) and Doma Corporate LLC, both subsidiaries of the Company, entered into and closed an asset purchase agreement (the “WFG Asset Purchase Agreement”) with Williston Financial Group LLC (“WFG”). Pursuant to the terms and subject to the conditions set forth in the WFG Asset Purchase Agreement, the Seller agreed to sell to WFG certain assets used in or related to the Company’s title insurance agency business operated through retail title offices located in the State of California (the “WFG Asset Sale”) for an aggregate purchase price of up to $24.5 million, subject to certain adjustments set forth in the WFG Asset Purchase Agreement. The gross purchase price for the WFG Asset Sale consists of $10.5 million paid by WFG to the Seller on May 19, 2023 (the “WFG Sale Closing Date”) and a deferred payment of up to $ 14.0 million payable by WFG to the Seller within 30 days after the 12-month anniversary of the WFG Sale Closing Date ("WFG Deferred Payment"). The amount of the WFG Deferred Payment is subject to an earnout based on the retention of specified employees hired by WFG or an affiliate of WFG after the WFG Sale Closing Date. The sale included 22 retail title locations and operations centers in the Northern and Central California regions and 123 total employees. On the WFG Sale Closing Date, the Seller and a WFG affiliate, WFG National Title Insurance Company, entered into a customary transition services agreement.

In separate transactions, on July 14, 2023, the Company entered into and closed asset purchase agreements to sell certain assets used in or related to the Company’s title insurance agency business operated through retail title offices located in the Midwest and Texas to Hamilton National Title LLC d/b/a Near North Title Group and Capital Title of Texas, LLC, respectively. Additionally, on July 28, 2023, the Company closed an asset purchase agreement to sell certain assets used in or related to the Company’s title insurance agency business operated through retail title offices located in Florida to Hamilton National Title LLC d/b/a Near North Title Group. The Company entered into customary transition services agreements in conjunction with these sales.

Unless the context otherwise requires, references herein to “Q3 Local Sales” refers to the transactions entered into with Hamilton National Title LLC d/b/a Near North Title Group and Capital Title of Texas, LLC, and references herein to the “Local Sales” refers to the Q3 Local Sales and the WFG Asset Sale, collectively. References herein to “Deferred Earnout” refers to the WFG Deferred Payment and deferred payments of up to $2.1 million payable by Hamilton National Title LLC d/b/a Near North Title Group to the Company subject to revenue targets over the 12-month period subsequent to the related sales.

In conjunction with the Local Sales, we recognized the following:

	WFG Asset Sale	Q3 Local Sales	Total Local Sales
Pre-tax loss on sale of business	$ 10,313	$ 635	$ 10,948
Cash consideration	$ 10,500	$ 2,645	$ 13,145
Deferred Earnout receivable	10,928	1,556	12,484
Total purchase consideration	$ 21,428	$ 4,201	$ 25,629
Total transaction costs, including legal fees, professional fees and other	$ 3,487	$ 767	$ 4,254

The Deferred Earnout is recorded in trade and other receivables in the condensed consolidated balance sheets. The fair value of the Deferred Earnout is based on historic, Company-specific attrition rates or revenue projections and a discount factor based on the weighted average cost of capital, both Level 3 inputs. During the three ended March 31, 2024, we recognized $ 0.2 million of income in our condensed consolidated statement of operations primarily related to the accretion of the discount recorded for the Deferred Earnout.

The following table presents the net assets sold and the goodwill associated with the Local Sales:

	WFG Asset Sale	Q3 Local Sales	Total Local Sales
Goodwill	$ 19,270	$ 3,597	$ 22,867
Title plants	8,806	—	8,806
Fixed assets	549	717	1,266
Other assets	129	148	277
Total assets	$ 28,754	$ 4,462	$ 33,216
Accrued expenses and other liabilities	$ -	$ 392	$ 392
Total liabilities	$ -	$ 392	$ 392
Net assets	$ 28,754	$ 4,070	$ 32,824

Merger Agreement

On March 28, 2024, the Company entered into the Merger Agreement with Parent and Merger Sub. The Merger Agreement provides that, subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company, with the Company surviving the Merger and becoming a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of Topco, the indirect parent company of Parent. Capitalized terms used but not otherwise defined herein have the meaning set forth in the Merger Agreement, a copy of which is filed as an exhibit to the Current Report on Form 8-K, filed with the SEC on March 29, 2024, and incorporated herein by reference.

The Company Board, acting on the unanimous recommendation of a special committee comprised of independent and disinterested directors formed for the purpose of considering the transaction, unanimously (i) determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, the Voting and Support Agreement (as defined below) and the other agreements contemplated by the Merger Agreement and the transactions contemplated thereby, are fair, advisable and in the best interests of the Company and the Disinterested Stockholders and (ii) approved the Merger Agreement and the transactions contemplated thereby, including the Merger, and the Voting and Support Agreement and the other agreements contemplated by the Merger Agreement and the transactions contemplated thereby, and (iii) resolved to submit and recommend the Merger Agreement to the Company’s stockholders for approval and adoption thereby.

Pursuant to the Merger Agreement, at the effective time of the Merger (the "Effective Time"), and as a result of the Merger:

- each share of common stock, par value $ 0.0001 per share, of the Company ("Common Stock") outstanding immediately prior to the Effective Time (subject to certain exceptions, including for shares of Common Stock owned by stockholders of the Company who have not voted in favor of the adoption of the Merger Agreement and have properly exercised appraisal rights in accordance with Section 262 of the General Corporation Law of the State of Delaware) will, at the Effective Time, be cancelled and extinguished and automatically converted into the right to receive $6.29 in cash (the "Merger Consideration"), subject to applicable withholding taxes;

- each warrant to purchase shares of Common Stock that is outstanding immediately prior to the Effective Time will, in accordance with its terms, automatically and without any required action on the part of the holder thereof, cease to represent a warrant to purchase shares of Common Stock and become a warrant exercisable for Merger Consideration;

- each option to purchase Common Stock (each, a "Company Option") that is outstanding and unexercised immediately prior to the Effective Time, whether vested or unvested, will automatically be cancelled and terminated as of immediately prior to the Effective Time and converted into the right to receive an amount in cash, less applicable tax withholdings, equal to the product obtained by multiplying (i) the aggregate number of shares of Common Stock subject to such Company Option by (ii) the excess, if any, of the Merger Consideration over the exercise price per share of such Company Option;

- each unvested award of restricted shares of Common Stock (each, a "Company RS Award") that is outstanding immediately prior to the Effective Time will automatically be cancelled and terminated as of immediately prior to the Effective Time and converted into the right to receive an amount in cash, less applicable tax withholdings, equal to the product obtained by multiplying (i) the aggregate number of shares subject to such Company RS Award by (ii) the Merger Consideration;

- each award of restricted stock units of the Company (each, a "Company RSU Award") that is outstanding immediately prior to the Effective Time, whether vested or unvested, will automatically be cancelled and terminated as of immediately prior to the Effective Time and converted into the right to receive an amount in cash, less applicable tax withholdings, equal to the product obtained by multiplying (i) the aggregate number of shares subject to such Company RSU Award by (ii) the Merger Consideration; and

- each award of performance-based or market-based restricted stock units of the Company (each, a "Company PRSU Award") that is outstanding immediately prior to the Effective Time, whether vested or unvested, will automatically be cancelled and terminated as of immediately prior to the Effective Time and converted into the right to receive, an amount in cash, less applicable tax withholdings, equal to the product obtained by multiplying (i) the aggregate number of shares subject to such Company PRSU Award (if any) that would satisfy the performance conditions applicable to such Company PRSU Award measured as of immediately prior to the Effective Time (in accordance with the applicable award agreement governing such Company PRSU Award) by (ii) the Merger Consideration.

Assuming the satisfaction of the conditions set forth in the Merger Agreement, the Company expects the transactions contemplated thereby to close n the second half of 2024.

The stockholders of the Company will be asked to vote on the adoption of the Merger Agreement and the Merger at a stockholder meeting that will be held on a date to be announced as promptly as reasonably practicable following the customary review process by the SEC. The consummation of the Merger is not subject to a financing condition, but is subject to certain conditions to Closing, including (i) approval of the Company's Disinterested Stockholders, (ii) consent, approval or authorization from relevant insurance regulatory agencies without the imposition of a Burdensome Condition, (iii) absence of any order or injunction prohibiting the consummation of the Merger, (iv) subject in certain cases to customary materiality qualifiers, the accuracy of the representations and warranties contained in the Merger Agreement and compliance with the covenants contained in the Merger Agreement, (v) no Company Material Adverse Effect having occurred since the date of the Merger Agreement that is continuing, (vi) the completion of certain specified transactions as contemplated by the Merger Agreement, (vii) the repayment of the Company's outstanding indebtedness with Hudson pursuant to the terms described below and (viii) the investment by Len FW (defined below) into Topco.

The Merger Agreement contains customary representations, warranties and covenants, including, among others, covenants by the Company to conduct its businesses in the ordinary course between the execution and completion of the Merger Agreement, not to engage in certain kinds of transactions during such period (including payment of dividends outside of the ordinary course or as otherwise permitted under the Merger Agreement), to convene and hold a meeting of its stockholders to consider and vote upon the Merger, to cooperate with Parent in connection with obtaining financing for the transaction, to implement the reorganization of certain assets and liabilities of the Company relating to its technology solutions into a newly formed or selected subsidiary of the Company, to use reasonable best efforts to obtain regulatory consents, and, subject to certain customary exceptions, for the Company Board to recommend that its stockholders approve and adopt the Merger Agreement. The Merger Agreement also contains customary representations, warranties and covenants of Parent and Merger Sub, including a covenant to use reasonable best efforts to obtain the debt financing described below. The Merger Agreement contains a 50-day "go-shop" provision that allows the Company to, among other things, solicit, initiate, propose, induce, encourage, or facilitate discussions or negotiations with respect to Acquisition Proposals. At the end of the "go-shop" period, the Company will cease such activities, and is subject to a customary "no-shop" provision that restricts the Company's ability to, among other things, solicit Acquisition Proposals from third parties and to provide non-public information to, and engage in discussions or negotiations with, third parties regarding Acquisition Proposals after the "go-shop" period. The "no-shop" provision allows the Company, under certain circumstances and in compliance with certain obligations set forth in the Merger Agreement, to provide non-public information to any person and its representatives that has made a bona fide Acquisition Proposal that either constitutes, or would reasonably be expected to lead to, an Acquisition Proposal.

Parent and Merger Sub have represented that they will have sufficient cash at the Closing regardless of third-party financing, though have also secured committed debt financing to be provided by certain lenders (collectively, the "Lenders") on the terms and subject to the conditions set forth in a debt commitment letter. The obligations of the Lenders to provide debt financing under the debt commitment letter are subject to a number of customary conditions.

The Merger Agreement contains certain termination rights for both the Company and Parent. If the Merger Agreement is terminated (1) by Parent as a result of the Company's breach of its representations, warranties or covenants in a manner that would cause the related conditions to Closing to not be met and Company subsequently enters into an Alternative Acquisition Agreement and such transaction is subsequently consummated, or (2) as a result of the Company Board changing its recommendation and entering into an Alternative Acquisition Agreement and such transaction is subsequently consummated, or (3) if the Merger Agreement is terminated by Company in order to enter into an Alternative Acquisition Agreement with respect to a Superior Proposal, the Company will be required to pay Parent a termination fee to Parent of $3,188,734. If the Merger Agreement is terminated by the Company in connection with Company's entry into an Alternative Acquisition Agreement with respect to a Superior Proposal during the "go-shop" period or with an Exempted Person, the Company will be required to pay Parent a lower termination fee of $1,822,134. The Merger Agreement also provides that either party may specifically enforce the other party's obligations under the Merger Agreement. In addition to the foregoing termination rights, and subject to certain limitations, the Company or Parent may terminate the Merger Agreement if the Merger is not consummated by September 28, 2024 (the "End Date"), provided that if all of the conditions to Closing other than the obtainment of the certain specified Insurance Regulatory Approvals have been satisfied or waived on or prior to the End Date, then the End Date shall automatically be extended to October 28, 2024 ("First Extension Date"), provided, further, that if all of the conditions to Closing, other than the receipt of approval from the requisite South Carolina Department of Insurance or requisite approval from the California Department of Insurance, have been satisfied or waived on or prior to the First Extension Date, then the First Extension Date shall automatically be extended to November 28, 2024. In the event that (a) the Agreement is terminated in accordance with the prior sentence and at the time of termination, all of the conditions to Closing have been satisfied or waived except for (i) any condition that is not satisfied due to breach by the Company of any representation, warranty, covenant or agreement in the Merger Agreement, (ii) the completion of certain specified transactions as contemplated by the Merger Agreement and (iii) conditions that by their nature can only be satisfied at or immediately prior to the Closing;

(b) certain specified transactions have not been completed by June 26, 2024; and (c) the Company has not agreed to terminate the Agreement within five (5) days of Parent's written notice to terminate, then the Company shall reimburse Parent for its reasonable and documented out-of-pocket expenses incurred between June 26, 2024 and the date of termination.

If the Merger is consummated, the Common Stock will be delisted from the New York Stock Exchange and deregistered under the Securities Exchange Act of 1934.

As of March 31, 2024, the estimated transaction costs directly attributable to the Merger are approximately $ 3.3 million, of which $0.1 million have been paid, consisting of advisory, legal, and other professional fees. The transactions costs were deferred and are recorded in the prepaid expenses, deposits and other assets line in the condensed consolidated balance sheet.

Voting and Support Agreement

Concurrently with the execution of the Merger Agreement, LENX ST Investor, LLC and Len FW Investor, LLC ("Len FW," and together with LENX ST Investor, LLC, the "Lennar Stockholders"), the Company and Parent entered into a Voting and Support Agreement (the "Voting and Support Agreement"), pursuant to which the Lennar Stockholders have agreed, among other things and subject to the terms and conditions set forth therein, to vote or cause to be voted all shares of Common Stock beneficially owned by the Lennar Stockholders (the "Voting Agreement Shares") in favor of adopting the Merger Agreement and the transactions contemplated thereby, including the Merger.

The Lennar Stockholders hold, collectively, approximately 25% of the voting power of the Common Stock. Under the Voting and Support Agreement, the Lennar Stockholders have agreed to, among other things, (a) vote the Voting Agreement Shares in favor of the Merger, the adoption of the Merger Agreement and the transactions contemplated thereby and (b) vote against any Alternative Acquisition Agreement and any other action or agreement (including, without limitation, any amendment of any agreement), amendment of the Company's organizational documents or other action that is intended or would reasonably be expected to materially prevent or delay the consummation of the Transactions, including the Merger. The Voting and Support Agreement will automatically terminate upon the earliest of (i) written agreement of the parties thereto to terminate the Voting and Support Agreement, (ii) the valid termination of the Merger Agreement in accordance with its terms and (iii) the Effective Time, and each Lennar Stockholder may terminate the Voting and Support Agreement as to itself upon the entry by the Company and Parent without the prior written consent of such Lennar Stockholder into any amendment, waiver or modification to the Merger Agreement that results in (x) a change to the form of consideration to be paid thereunder, (y) a decrease in the amount of Merger Consideration payable to the stockholders of the Company pursuant to the terms of the Merger Agreement as in effect on the date of the Voting and Support Agreement, or (z) an imposition of any material restrictions or additional constraints on the payment of the consideration thereunder.

4. Investments and fair value measurements

Held-to-maturity debt securities

The cost basis, fair values and gross unrealized gains and losses of our held-to-maturity debt securities are as follows:

	March 31, 2024				December 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate debt securities(1)	$ 12,209	$ —	$ (314)	$ 11,895	$ 13,786	$ —	$ (400)	$ 13,386
U.S. Treasury securities	4,058	1	(37)	4,022	4,081	3	(37)	4,047
Certificates of deposit	438	—	—	438	437	—	—	437
Total	16,705	1	(351)	16,355	18,304	3	(437)	17,870
Allowance for credit losses	(123)	—	—	(123)	(125)	—	—	(125)
Total, net of allowance for credit losses	$ 16,582	$ 1	$ (351)	$ 16,232	$ 18,179	$ 3	$ (437)	$ 17,745

(1) Includes both U.S. and foreign corporate debt securities.

The cost basis of held-to-maturity debt securities includes an adjustment for the amortization of premium or discount since the date of purchase. Held-to-maturity debt securities valued at approximately $2.3 million and $2.4 million were on deposit with various governmental authorities at March 31, 2024 and December 31, 2023, respectively, as required by law.

The change in net unrealized gains and losses on held-to-maturity debt securities for the three months ended March 31, 2024 and 2023 was $0.1 million and $0.5 million, respectively.

Net realized gains of held-to-maturity debt securities are computed using the specific identification method and are included in the condensed consolidated statements of operations.

The following table presents certain information regarding contractual maturities of our held-to-maturity debt securities:

Maturity	March 31, 2024			
	Amortized Cost	% of Total	Fair Value	% of Total
One year or less	$ 8,856	53%	$ 8,734	53%
After one year through five years	7,849	47%	7,621	47%
Total	$ 16,705	100%	$ 16,355	100%

There were no held-to-maturity debt securities with contractual maturities after five years. Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Net unrealized losses on held-to-maturity debt securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position are as follows:

	March 31, 2024			December 31, 2023		
	Corporate debt securities	U.S. Treasury securities	Total	Corporate debt securities	U.S. Treasury securities	Total
Less than 12 months						
Fair value	$ —	$ 1,004	$ 1,004	$ —	$ 999	$ 999
Unrealized losses	$ —	$ (2)	$ (2)	$ —	$ (3)	$ (3)
Greater than 12 months						
Fair value	$ 11,396	$ 1,720	$ 13,116	$ 13,386	$ 1,736	$ 15,122
Unrealized losses	$ (314)	$ (35)	$ (349)	$ (400)	$ (34)	$ (434)
Total						
Fair value	$ 11,396	$ 2,724	$ 14,120	$ 13,386	$ 2,735	$ 16,121
Unrealized losses	$ (314)	$ (37)	$ (351)	$ (400)	$ (37)	$ (437)

We believe that any unrealized losses on our held-to-maturity debt securities at March 31, 2024 are temporary based upon our current analysis of the issuers of the securities that we hold and current market conditions. We have no intent to sell, and it is more likely than not that we will not be required to sell, these securities until the fair value recovers to at least equal our cost basis or the securities mature.

Under the CECL model, the Company recognizes credit losses for its held-to-maturity debt securities by setting up an allowance which is remeasured each reporting period, with changes in the allowance recorded in the condensed consolidated statements of operations. The Company establishes an allowance for credit losses based on a number of factors including the current economic conditions, management's expectations of future economic conditions and performance indicators, such as credit agency ratings and payment and default history. As of March 31, 2024, credit agency ratings on our U.S. Treasury and corporate debt securities ranged from AAA through B2.

For our held-to-maturity debt securities, the Company's model estimates expected credit loss by multiplying the exposure at default by both the probability of default and loss given default ("LGD"). The probability of default and LGD percentages are estimated after considering historical experience with global default rates and unsecured bond recovery rates for horizons aligning to the Company's held-to-maturity debt security portfolio. The calculated allowance is recorded as an offset to held-to-maturity debt securities in the condensed consolidated balance sheets and in the investment, dividend and other income line on the condensed consolidated statements of operations.

Rollforward of Credit Loss Allowance for Held-to-Maturity Debt Securities		
Beginning balance, January 1, 2024	$	125
Current-period reduction for expected credit losses		(2)
Ending balance of the allowance for credit losses, March 31, 2024	$	123

Rollforward of Credit Loss Allowance for Held-to-Maturity Debt Securities		
Beginning balance, January 1, 2023	$	440
Current-period reduction for expected credit losses		(142)
Ending balance of the allowance for credit losses, March 31, 2023	$	298

There were neither charges against the allowance nor recoveries of previously written off amounts for the three months ended March 31, 2024 and 2023. The current-period reduction for expected credit losses is due to changes in portfolio composition and the maturity of certain securities.

Available-for-sale debt securities

The cost basis, fair values and gross unrealized gains and losses of our available-for-sale debt securities are as follows:

	March 31, 2024				December 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate debt securities(1)	$ 24,679	$ —	$ (199)	$ 24,480	$ 26,136	$ —	$ (203)	$ 25,933
U.S. Treasury securities	24,612	—	(191)	24,421	30,878	—	(263)	30,615
Foreign government securities	1,509	—	(15)	1,494	1,502	—	(18)	1,484
Total	$ 50,800	$ —	$ (405)	$ 50,395	$ 58,516	$ —	$ (484)	$ 58,032

(1) Includes both U.S. and foreign corporate debt securities.

The cost basis of available-for-sale debt securities includes an adjustment for the amortization of premium or discount since the date of purchase.

The change in net unrealized gains on available-for-sale debt securities for the three months ended March 31, 2024 and 2023 was $0.1 million and $0.3 million, respectively. Any unrealized holding gains or losses on available-for-sale debt securities as of March 31, 2024 are reported as accumulated other comprehensive gain or loss, which is a separate component of stockholders' deficit, net of tax, until realized.

Net realized gains on disposition of available-for-sale debt securities are computed using the specific identification method and are included in the condensed consolidated statements of operations.

The following table presents certain information regarding contractual maturities of our available-for-sale debt securities:

Maturity	March 31, 2024			
	Amortized Cost	% of Total	Fair Value	% of Total
One year or less	$ 45,513	90%	$ 45,148	90%
After one year through five years	5,287	10%	5,247	10%
Total	$ 50,800	100%	$ 50,395	100%

There were no available-for-sale debt securities with contractual maturities after five years. Expected maturities may differ from contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Net unrealized losses on available-for-sale debt securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position are as follows:

	March 31, 2024				December 31, 2023			
	Corporate debt securities	U.S. Treasury securities	Foreign government securities	Total	Corporate debt securities	U.S. Treasury securities	Foreign government securities	Total
Less than 12 months								
Fair value	$ 8,806	$ 1,958	$ —	$ 10,764	$ 8,810	$ 1,953	$ —	$ 10,763
Unrealized losses	$ (64)	$ (14)	$ —	$ (78)	$ (25)	$ (9)	$ —	$ (34)
Greater than 12 months								
Fair value	$ 15,675	$ 22,463	$ 1,494	$ 39,632	$ 17,214	$ 28,662	$ 1,484	$ 47,360
Unrealized losses	$ (135)	$ (177)	$ (15)	$ (327)	$ (178)	$ (254)	$ (18)	$ (450)
Total								
Fair value	$ 24,481	$ 24,421	$ 1,494	$ 50,396	$ 26,024	$ 30,615	$ 1,484	$ 58,123
Unrealized losses	$ (199)	$ (191)	$ (15)	$ (405)	$ (203)	$ (263)	$ (18)	$ (484)

We believe that any unrealized losses on our available-for-sale debt securities at March 31, 2024 are temporary based upon our current analysis of the issuers of the securities that we hold and current market conditions. We have no intent to sell, and it is more likely than not that we will not be required to sell, these securities until the fair value recovers to at least equal our cost basis or the securities mature.

As of March 31, 2024, the Company did not have an allowance for credit losses for available-for-sale debt securities.

Mortgage loans

The mortgage loan portfolio as of March 31, 2024 is comprised entirely of single-family residential mortgage loans. During the three months ended March 31, 2024, the Company did not purchase any new mortgage loans.

Mortgage loans, which include contractual terms to maturity of thirty years, are not categorized by contractual maturity as borrowers may have the right to call or prepay obligations with, or without, call or prepayment penalties. The change in the mortgage loans during the three months ended March 31, 2024 was the result of principal prepayments and maturities.

The cost and estimated fair value of mortgage loans are as follows:

	March 31, 2024		December 31, 2023	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Mortgage loans	$ 45	$ 45	$ 45	$ 45
Total	$ 45	$ 45	$ 45	$ 45

Investment income

Investment income from securities consists of the following:

	Three Months Ended March 31,	
	2024	2023
Available-for-sale debt securities	$ 498	$ 530
Held-to-maturity debt securities	145	757
Mortgage loans	—	4
Other	365	196
Total	$ 1,008	$ 1,487

Accrued interest receivable

Accrued interest receivable from investments is included in trade and other receivables, net in the condensed consolidated balance sheets. The following table reflects the composition of accrued interest receivable for investments:

	March 31, 2024	December 31, 2023
Corporate debt securities	$ 233	$ 423
U.S. Treasury securities	192	262
Foreign government securities	10	5
Accrued interest receivable on investment securities	$ 435	$ 690

The Company does not recognize an allowance for credit losses for accrued interest receivable because the Company writes off accrued investment income after three months by reversing interest income.

Fair value measurement

ASC 820, “Fair Value Measurements and Disclosures” (“ASC 820”) establishes a fair value hierarchy that prioritizes and ranks the level of observability of inputs used to measure financial assets or liabilities at fair value. The observability of inputs is impacted by a number of factors, including the type of asset or liability, characteristics specific to the asset or liability, market conditions and other factors. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical asset or liability at the measurement date are used.

Level 2 Pricing inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Pricing inputs are unobservable and include situations where there is little, if any, market activity for the asset or liability. The inputs used in determination of fair value require significant judgment and estimation.

When fair value inputs fall within different levels of the fair value hierarchy, the level in the fair value hierarchy within which the asset or liability is categorized in its entirety is determined based on the lowest level input that is significant to the asset or liability. Assessing the significance of a particular input to the valuation of an asset or liability in its entirety requires judgment and considers factors specific to the asset or liability. The categorization of an asset or liability within the hierarchy is based upon the pricing transparency of the asset or liability and does not necessarily correspond to the perceived risk of that asset or liability.

The following table summarizes the Company's investments measured at fair value. The Company's available-for-sale securities in the following table are recorded at fair value on the accompanying condensed consolidated balance sheets.

	Assets							
	March 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Held-to-maturity:								
Corporate debt securities	$ —	$ 11,895	$ —	$ 11,895	$ —	$ 13,386	$ —	$ 13,386
U.S. Treasury securities	4,022	—	—	4,022	4,047	—	—	4,047
Foreign government securities	—	—	—	—	—	—	—	—
Certificate of deposits	—	438	—	438	—	437	—	437
Total held-to-maturity debt securities	$ 4,022	$ 12,333	$ —	$ 16,355	$ 4,047	$ 13,823	$ —	$ 17,870
Available-for-sale:								
Corporate debt securities	$ —	$ 24,480	$ —	$ 24,480	$ —	$ 25,933	$ —	$ 25,933
U.S. Treasury securities	24,421	—	—	24,421	30,615	—	—	30,615
Foreign government securities	—	1,494	—	1,494	—	1,484	—	1,484
Total available-for-sale debt securities	$ 24,421	$ 25,974	$ —	$ 50,395	$ 30,615	$ 27,417	$ —	$ 58,032
Mortgage loans	$ —	$ —	$ 45	$ 45	$ —	$ —	$ 45	$ 45
Total	$ 28,443	$ 38,307	$ 45	$ 66,795	$ 34,662	$ 41,240	$ 45	$ 75,947

The Company classifies U.S. Treasury bonds within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets. Corporate debt securities and certificates of deposit are classified within Level 2 because they are valued using inputs other than quoted prices that are directly or indirectly observable in the market, including readily available pricing sources for the identical underlying security which may be actively traded. The Company classifies mortgage loans as Level 3 due to the reliance on significant unobservable valuation inputs.

The Company's liabilities in the following table are recorded at fair value on the accompanying condensed consolidated balance sheets. The following table summarizes the Company's liabilities measured at fair value:

	Liabilities							
	March 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Public Warrants	$ 20	$ —	$ —	$ 20	$ 17	$ —	$ —	$ 17
Private Placement Warrants	—	9	—	9	—	9	—	9
Sponsor Covered Shares	—	—	321	321	—	—	86	86
Total	$ 20	$ 9	$ 321	$ 350	$ 17	$ 9	$ 86	$ 112

The Company considers the Public Warrants to be Level 1 liabilities due to the use of an observable market quote in an active market under the symbol DOMAW. For the Private Placement Warrants, the Company considers the fair value of each Private Placement Warrant to be equivalent to that of each Public Warrant, with an immaterial adjustment for short-term marketability restrictions. As such, the Private Placement Warrants are classified as Level 2.

The fair value of the Sponsor Covered Shares was determined using a Monte Carlo simulation valuation model using a distribution of potential stock price outcomes on a daily basis over the original 10-year vesting period. The unobservable significant inputs to the valuation model were as follows:

	March 31, 2024
Current stock price	$ 4.54
Expected volatility	65.0%
Risk-free interest rate	4.2%
Expected term (years)	7.3
Expected dividend yield	—%

The changes for Level 3 items measured at fair value on a recurring basis using significant unobservable inputs are as follows:

	Sponsor Covered Shares
Fair value as of December 31, 2023	$ 86
Change in fair value of Sponsor Covered Shares	235
Fair value as of March 31, 2024	$ 321

	Sponsor Covered Shares
Fair value as of December 31, 2022	$ 219
Change in fair value of Sponsor Covered Shares	(15)
Fair value as of March 31, 2023	$ 204

	Local Sales Deferred Earnout
Fair value as of December 31, 2023	$ 12,497
Accretion of discount	179
Fair value as of March 31, 2024	$ 12,676

There were no transfers of assets or liabilities between Level 1 and Level 2 during the three months ended March 31, 2024 and the year ended December 31, 2023. There were no transfers involving Level 3 assets or liabilities during the three months ended March 31, 2024 and the year ended December 31, 2023.

Cash and cash equivalents, restricted cash, trade and other receivables, excluding the Local Sales Deferred Earnout, prepaid expenses and other assets, accounts payable, and accrued expenses and other liabilities approximate fair value and are therefore excluded from the leveling table above. The cost basis is determined to approximate fair value due to the short term duration of these financial instruments.

5. Revenue recognition

Disaggregation of revenue

Our revenue consists of:

Revenue Stream	Statements of Operations Classification	Segment	Three Months Ended March 31, 2024 Total Revenue	Three Months Ended March 31, 2023 Total Revenue
Revenue from insurance contracts:				
Direct Agents title insurance premiums	Net premiums written	Underwriting	$ 249	$ 6,915
Third-Party Agent title insurance premiums	Net premiums written	Underwriting	63,264	59,855
Total revenue from insurance contracts			$ 63,513	$ 66,770
Revenue from contracts with customers:				
Escrow fees	Escrow, title-related and other fees	Corporate and Other	$ 171	$ 339
Other title-related fees and income	Escrow, title-related and other fees	Corporate and Other	866	541
Other title-related fees and income	Escrow, title-related and other fees	Underwriting	493	565
Other title-related fees and income	Escrow, title-related and other fees	Elimination(1)	(459)	(481)
Total revenue from contracts with customers			$ 1,071	$ 964
Other revenue:				
Interest and investment income (2)	Investment, dividend and other income	Corporate and Other	$ 72	$ 519
Interest and investment income (2)	Investment, dividend and other income	Underwriting	1,409	919
Realized gains and losses, net	Investment, dividend and other income	Corporate and Other	2	(358)
Realized gains and losses, net	Investment, dividend and other income	Underwriting	—	(2)
Total other revenues			$ 1,483	$ 1,078
Total revenues			$ 66,067	$ 68,812

(1) Premiums retained by Direct Agents are recognized as income to the Corporate and Other segment, and expense to the Underwriting segment. Upon consolidation, the impact of these internal segment transactions from continuing operations is eliminated. See Note 7. Segment information for additional breakdown.

(2) Interest and investment income consists primarily of interest payments received on held-to-maturity debt securities, available-for-sale debt securities and mortgage loans.

6. Liability for loss and loss adjustment expenses

A summary of the changes in the liability for loss and loss adjustment expenses for the three months ending March 31, 2024 and 2023 is as follows:

	March 31, 2024	
	2024	2023
Balance at the beginning of the year	$ 81,894	$ 81,873
Provision for claims related to:		
Current year	$ 2,659	$ 2,841
Prior years	(1,929)	446
Total provision for claims	$ 730	$ 3,287
Paid losses related to:		
Current year	$ (163)	$ (117)
Prior years	(6,306)	(4,190)
Total paid losses	$ (6,469)	$ (4,307)
Balance at the end of the period	$ 76,155	$ 80,853
Provision for claims as a percentage of net written premiums	1.1%	4.9%

We continually update our liability for loss and loss adjustment expense estimates as new information becomes known, new loss patterns emerge, or as other contributing factors are considered and incorporated into the analysis. Estimating future title loss payments is difficult because of the complex nature of title claims, the long periods of time over which claims are paid, significantly varying dollar amounts of individual claims, and other factors.

Current year incurred and paid losses includes current year reported claims as well as estimated future losses on such claims.

For the three months ended March 31, 2024, the prior year's provision for claims release of $ 1.9 million is due to reported loss emergence which was lower than expected. Historically, this favorable loss experience has resulted in a decrease in the projection of ultimate loss for past policy years. Most recently, our favorable loss experience resulted in a decrease in the projection of ultimate loss for policy years 2022, 2021 and 2020. For the three months ended March 31, 2023, the prior year's provision for claims increase of $ 0.4 million is due to reported loss emergence which was higher than expected, primarily from the 2016, 2019 and 2022 policy years. This was the result of a small number of more severe claims reported in 2023. The actuarial assumptions underlying the Company's selected ultimate loss estimates place more consideration on title insurance industry benchmarks for more recent policy years. These title insurance benchmarks are based on industry long-term average loss ratios. As the Company's claims experience matures, we refine those estimates to put more consideration to the Company's actual claims experience. For the three months ended March 31, 2024, the Company's actual claims experience reflects a lower loss ratio than industry benchmarks from a current positive underwriting cycle and resulted in the favorable development.

7. Segment information

We have historically reported our operations in two business segments: "Distribution," which included our divested Local channel as well as our Doma Enterprise channel and corporate support services, and "Underwriting." As discussed in Note 3, in the second and third quarters of 2023, the Company sold its assets used in or related to the Company's Local Component. With the execution of these agreements, the Company no longer has operations related to our previous Local Component.

Beginning in the third quarter of 2023, we have reflected the results of the Local Component as discontinued operations in the condensed consolidated statements of operations for all periods presented.

Subsequent to the announcement of the Local Sales, the Company's chief operating decision maker reviews financial performance and makes decisions about the allocation of resources for our operations through two reportable segments, (1) "Underwriting" and (2) "Corporate and Other." The Company's reportable segments offer different products and services that are marketed through different channels for real estate closing transactions. They are managed separately because of the unique technology, service requirements and regulatory environment.

A description of each of our reportable segments is as follows.

- Underwriting: our Underwriting segment reflects the results of our title insurance underwriting business, including policies referred primarily through our Third-Party Agents channel. The referring agents retain approximately 82% - 84% of the policy premiums in exchange for their services. These retention rates vary by state and agent.

- Corporate and Other: our Corporate and Other segment includes our operations related to the execution of our title, escrow and settlement services through our Doma Enterprise channel. Our Doma Enterprise channel targets partnerships with national lenders and mortgage originators that maintain centralized lending operations ("Direct Agents"). Once an Enterprise partnership has been established, we integrate our Doma Intelligence platform with the partner's production systems, to enable frictionless order origination and fulfillment. Substantially all Doma Enterprise orders are underwritten by Doma. In addition, Corporate and Other includes investing activity related to our investment portfolio held outside of Underwriting.

We use adjusted gross profit as the primary profitability measure for making decisions regarding ongoing operations. Adjusted gross profit is calculated by subtracting direct costs, such as premiums retained by agents, direct labor, other direct costs, and provision for claims, from total revenue. Our chief operating decision maker evaluates the results of the aforementioned segments on a pre-tax basis. Segment adjusted gross profit excludes certain items which are included in net loss, such as depreciation and amortization, corporate and other expenses, change in the fair value of Warrant and Sponsor Covered Shares liabilities, interest expense, and income tax expense, as these items are not considered by the chief operating decision maker in evaluating the segments' overall operating performance. Our chief operating decision maker does not review nor consider assets allocated to our segments for the purpose of assessing performance or allocating resources. Accordingly, segments' assets are not presented.

The following table summarizes the operating results from continuing operations of the Company's reportable segments:

	Three Months Ended March 31, 2024			
	Underwriting	Corporate and Other	Eliminations	Consolidated total
Net premiums written	63,513	$ —	$ —	$ 63,513
Escrow, other title-related fees and other (1)	493	1,037	(459)	1,071
Investment, dividend and other income	1,409	74	—	1,483
Total revenue	$ 65,415	$ 1,111	$ (459)	$ 66,067
Premiums retained by agents (2)	$ 52,850	$ —	$ (459)	$ 52,391
Direct labor (3)	3,002	412	—	3,414
Other direct costs (4)	2,019	420	—	2,439
Provision for claims	756	(26)	—	730
Adjusted gross profit	$ 6,788	$ 305	$ —	$ 7,093

	Three Months Ended March 31, 2023			
	Underwriting	Corporate and Other	Eliminations	Consolidated total
Net premiums written	$ 66,770	$ —	$ —	$ 66,770
Escrow, other title-related fees and other (1)	565	880	(481)	964
Investment, dividend and other income	917	161	—	1,078
Total revenue	$ 68,252	$ 1,041	$ (481)	$ 68,812
Premiums retained by agents (2)	$ 55,018	$ —	$ (481)	$ 54,537
Direct labor (3)	2,887	921	—	3,808
Other direct costs (4)	1,805	412	—	2,217
Provision for claims	3,160	127	—	3,287
Adjusted gross profit	$ 5,382	$ (419)	$ —	$ 4,963

(1) Includes fee income from closings, escrow, title exams, ceding commission income, as well as premiums retained by Direct Agents.
(2) This expense represents a deduction from the net premiums written for the amounts that are retained by Direct Agents and Third-Party Agents as compensation for their efforts to generate premium income for our Underwriting segment. The impact of premiums retained by our Direct Agents from continuing operations and the expense for reinsurance or co-insurance procured on Direct Agent sourced premiums are eliminated in consolidation.
(3) Includes all compensation costs, including salaries, bonuses, incentive payments, and benefits, for personnel involved in the direct fulfillment of title and/or escrow services. Direct labor excludes severance costs.
(4) Includes title examination expense, office supplies, and premium and other taxes.

The following table provides a reconciliation of the Company's total reportable segments' adjusted gross profit to its total loss from continuing operations before income taxes:

	Three Months Ended March 31,	
	2024	2023
Adjusted gross profit	$ 7,093	$ 4,963
Depreciation and amortization	2,985	2,862
Other indirect expenses (1)	17,243	29,222
Change in fair value of Warrant and Sponsor Covered Shares liabilities	239	(15)
Interest expense	6,604	3,971
Loss from continuing operations before income taxes	$ (19,978)	$ (31,077)

(1) Includes other indirect costs not allocated to segments including corporate support function costs, such as legal, finance, human resources, technology support and certain other indirect operating expenses, such as sales and management payroll, and incentive related expenses.

As of March 31, 2024 and December 31, 2023, the Underwriting segment had allocated goodwill of $ 23.4 million. There were no additions from acquisitions, impairments or adjustments to goodwill resulting from prior year acquisitions in either segment for the three months ended March 31, 2024. There were no additions from acquisitions, impairments or adjustments to goodwill resulting from prior year acquisitions in either segment for the three months ended March 31, 2023. Accumulated impairment losses to goodwill were $65.2 million as of March 31, 2024 which represents goodwill impairment related to discontinued operations.

8. Debt

Senior secured credit agreement

On December 31, 2020, Old Doma executed a loan and security agreement with Hudson Structured Capital Management Ltd. ("HSCM"), providing for a $150.0 million senior secured term loan ("Loan and Security Agreement") that was funded by the lenders, which are affiliates of HSCM, on January 29, 2021 ("Funding Date"). The Loan and Security Agreement matures five years from the Funding Date. Under the agreement, the Loan and Security Agreement will bear interest of 11.25% per annum, 5.0% of which will be paid on a current cash basis and the remainder to accrue and be added to the outstanding principal balance. Interest shall be compounded quarterly. If at any time Old Doma (now known as States Title) is in an event of default under the Loan and Security Agreement, outstanding amounts shall bear interest at the default interest rate of 15.00%. Upon funding, Old Doma issued penny warrants to affiliates of HSCM equal to 1.35% of Old Doma's fully diluted shares. The warrants were net exercised on the Closing Date and such affiliates of HSCM received the right to receive approximately 0.2 million shares of our common stock. The Loan and Security Agreement is secured by a first-priority pledge and security interest in substantially all of the assets (tangible and intangible) of our wholly owned subsidiary States Title (which represent substantially all of our assets) and any of its existing and future domestic subsidiaries (in each case, subject to customary exclusions, including the exclusion of regulated insurance company subsidiaries). States Title is subject to customary affirmative, negative and financial covenants, including, among other things, minimum liquidity of $20.0 million (as of the last day of any month), minimum consolidated annual revenue of $ 130.0 million, limits on the incurrence of indebtedness, restrictions on asset sales outside the ordinary course of business and material acquisitions, limitations on dividends and other restricted payments. States Title was in compliance with the Loan and Security Agreement covenants as of March 31, 2024. The Loan and Security Agreement also includes customary events of default for facilities of this type and provides that, if an event of default occurs and is continuing, the Loan and Security Agreement will amortize requiring regular payments on a straight-line basis over the subsequent 24-month calendar period, but not to extend beyond the maturity date.

Third Amendment to the Loan and Security Agreement

On May 19, 2023, Old Doma and certain subsidiaries of the Company, as guarantors, entered into the third amendment to the Loan and Security Agreement (the "Third Amendment"). The Third Amendment amends certain mandatory prepayment provisions related to the disposition of assets by Old Doma or any of its subsidiaries such that Old Doma is required, within five business days following the receipt of net cash proceeds from dispositions in excess of $750,000 in any fiscal year (other than certain permitted dispositions), to repay the outstanding principal amount of term loan borrowings in an amount equal to 100% of such excess net cash proceeds received by Old Doma or any of its subsidiaries from such dispositions, unless HSCM, as agent, otherwise agrees.

Fourth Amendment to the Loan and Security Agreement

Concurrently with the execution of the Merger Agreement, certain of the Company's subsidiaries, the lenders party thereto and Hudson, as agent for such lenders, entered into the Hudson Fourth Amendment, pursuant to which that certain Loan and Security Agreement, dated as of December 31, 2020 (as amended, the "Company Loan Agreement"), by and among States Title, as the borrower, the guarantors party thereto, the lenders party thereto and Hudson was amended such that, among other things:

a. from the effective date of the Hudson Fourth Amendment through September 30, 2025, interest on the principal amount outstanding of the senior secured term loan under the Company Loan Agreement (the "Term Loan") will accrue and capitalize and be added to the principal balance monthly at a per annum rate equal to 16.25%;
b. beginning October 1, 2025, interest on the Term Loan will accrue at a per annum rate equal to 16.25%, (i) 10% of which shall accrue and be payable in cash monthly and (ii) the remainder of such interest shall accrue and capitalize and be added to the principal balance monthly;
c. States Title will make prepayments on the principal of the Term Loan in an amount up to $ 16 million of net cash proceeds received from contingent payments earned by the Company pursuant to certain previous asset sales (but such payment shall be deferred until October 2025);
d. Subject to certain conditions, States Title will make monthly pre-payments of the principal amount outstanding of the Term Loan under the Company Loan Agreement with cash on hand in excess of $7.5 million after October 1, 2025 in the event the Merger Agreement is terminated prior to the consummation of the Merger;
e. if reasonably requested by Hudson following a termination of the Merger Agreement prior to the consummation of the Merger, States Title would transfer all of its equity interests in Doma Title Insurance, Inc. to a newly formed bankruptcy-remote entity and cause such equity interests to be pledged as collateral under the Company Loan Agreement;
f. the financial covenants in the Company Loan Agreement were modified, including, without limitation, the reduction of the minimum consolidated GAAP revenue financial covenant from $130 million to $50 million; and
g. States Title is permitted to incur indebtedness under the Topco Term Facility (as defined below) which indebtedness shall be senior in respect of payment and liens to the obligations under the Company Loan Agreement.

In connection with the Hudson Fourth Amendment, Hudson was entitled to an amendment fee of $ 1.0 million, which became payable upon execution of the Hudson Fourth Amendment and was paid-in-kind and added to the principal of the Term Loan.

Fifth Amendment to the Loan and Security Agreement

Immediately after the effectiveness of the Hudson Fourth Amendment, Hudson, certain of the Company's subsidiaries, the lenders party thereto and Parent entered into the Hudson Fifth Amendment pursuant to which, at the Closing, Hudson will (a) accept certain consideration (as set forth in the Hudson Fifth Amendment, the "Hudson Payoff") in full satisfaction of all indebtedness under the Company Loan Agreement and (b) release all liens securing the Company Loan Agreement. Pursuant to the Hudson Fifth Amendment, States Title's obligation to make cash interest payments under the Company Loan Agreement shall be suspended until the earliest of (a) the termination of the Merger Agreement, (b) five business days after the End Date (as defined in the Merger Agreement), (c) the consummation of the Merger (without Hudson's receipt of the Hudson Payoff) and (d) March 12, 2025 the ("Standstill Period"). In addition, during the Standstill Period, Hudson and the lenders have agreed not to exercise remedies with respect to certain matters that would otherwise constitute events of default under the Company Loan Agreement. If the Standstill Period ends without the consummation of the Merger (without HSCM's receipt of the HSCM Payoff), the Company's cash interest payment obligations under the Company Loan Agreement will be as described in the HSCM Fourth Amendment.

The Hudson Fourth Amendment and Hudson Fifth Amendment (collectively, the "Amendments") were accounted for as a troubled debt restructuring under ASC 470, "Debt," as 1) the Company was determined to be experiencing financial difficulties as defined by the ASC, and 2) the Amendments were deemed a concession by the creditor. Per ASC 470-60-35-5, a debtor in a troubled debt restructuring involving only modification of terms of a payable (i.e., not involving a transfer of assets or grant of an equity interest) shall account for the effects of the restructuring prospectively from the time of restructuring and shall not change the carrying amount of the payable at the time of the restructuring unless the carrying amount exceeds the total future cash payments specified by the new terms. As the maximum future undiscounted cash flows were greater than or equal to the net carrying value of the original debt, the carrying amount of the debt at the time of the restructuring was not changed.

The estimated fair value of the Company Loan Agreement at March 31, 2024 was $127.6 million. No active or observable market exists for the Company Loan Agreement and, as a result, this is a Level 3 fair value measurement. Therefore, the estimated fair value of the Company Loan

Agreement is based on the income valuation approach, which is a valuation technique that converts future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount.

Topco Commitment Letter

Concurrently with the execution of the Merger Agreement, States Title and Topco, the indirect parent company of Parent, entered into the Topco Commitment Letter, pursuant to which Topco committed to provide the Topco Term Facility to States Title (with certain subsidiaries of States Title guaranteeing the obligations thereunder).

The Topco Term Facility will have two tranches: (a) up to $25 million will be available to be drawn in up to three draws (each draw being for at least $5 million) between closing of the Topco Term Facility and December 31, 2024 and (b) up to $10 million will be available to be drawn in a single draw between January 1, 2025 and June 30, 2025, each tranche being subject to commitment reductions as set forth in the Topco Commitment Letter. Each loan made thereunder will mature three years after it is drawn. The Topco Term Facility will be secured by a first priority lien on substantially all of the assets of States Title and the guarantors (subject to customary exceptions), senior to all existing and future liens securing debt for borrowed money (including the liens securing the Company Loan Agreement) and will be senior in right of payment to all existing and future debt for borrowed money (including the Company Loan Agreement), in each case, subject to certain exceptions. The terms of the subordination of the Company Loan Agreement shall be substantially as set forth in the Topco Commitment Letter and will include certain prohibitions on the exercise of remedies by the lenders under the Company Loan Agreement. Interest on each loan will accrue at a rate of Term SOFR (subject to a 1.0% floor) plus 9.0% per annum and will be payable quarterly in kind. The Topco Term Facility will include a fee of 5.0% per annum on all undrawn commitments, payable quarterly in cash, and an upfront fee of 3.0% of the commitments in respect of the Topco Term Facility at closing of the Topco Term Facility, payable upon the funding or termination of such commitments. Prepayments of the Topco Term Facility (subject to certain exceptions) will be subject to customary prepayment premiums. The Topco Term Facility will also include certain information rights and other customary covenants (including affirmative, negative and financial covenants) and mandatory prepayment provisions.

As of March 31, 2024, the Company incurred $0.3 million of specific incremental costs directly attributed to the issuance of the Topco Term Facility. As of March 31, 2024, prior to funding on the Topco Term Facility, the incremental costs were deferred and are recorded in the prepaid expenses, deposits and other assets line in the condensed consolidated balance sheet.

9. Stock compensation expense

The Company issued stock options (incentive stock options (“ISOs”), non-statutory stock options (“NSOs”) and restricted stock awards (“RSAs”) to employees and key advisors under the Company’s 2019 Equity Incentive Plan, which has been approved by the board of directors. Granted stock options do not expire for 10 years and have vesting periods ranging from 7 to 60 months. The holder of one stock option may purchase one share of common stock at the underlying strike price.

The Company issues restricted stock units (“RSUs”) and performance restricted stock units (“PRSUs”) under the 2021 Omnibus Incentive Plan. The RSUs are subject to time-based vesting, generally with a majority of the RSUs vesting 25% on the first anniversary of the award date and ratably thereafter for twelve quarters, such that the RSUs will be fully vested on the fourth anniversary of their award date. Eligible participants in the PRSUs will receive a number of earned shares based on Company financial results during the performance period, as established by the Company’s board of directors. Earned shares for the PRSUs will fully vest once the continuous employment service condition is met after the performance period. The RSUs and PRSUs are measured at fair market value on the grant date and stock-based compensation expense is recognized as the shares vest with a corresponding offset credited to additional paid-in-capital.

In June 2022, the Company issued stock awards to its Chief Executive Officer under the 2021 Omnibus Incentive Plan that vest upon the satisfaction of a time-based service condition and a market condition (“market-based awards”). Both the service and the market condition must be satisfied for the award to vest. The market condition of the awards is based on the 90-day volume weighted average price of the common stock of the Company reaching a price hurdle of $125.00, $187.50, and $250.00 during a performance period of 4 years. The maximum number of shares that can be earned under the market-based awards is 97,413 shares, with one-third of the total award allocated to each identified average price threshold. The time-based service condition in the market-based awards is satisfied quarterly over sixteen quarters of continuous employment, such that the service condition included in the market-based awards will be fully satisfied on the fourth anniversary of their award date. The Company recognizes compensation expense related to the market-based awards using the accelerated attribution method over the requisite service period.

In May 2023, the compensation committee of the Company's board of directors approved modifications to the vesting conditions and exercise periods of outstanding equity compensation awards held by certain of the Company's then-current employees who became employees of WFG in the WFG Asset Sale. These modifications became effective upon acceptance of employment with WFG. Pursuant to such modifications, the options and RSUs held by WFG employees vest on May 20, 2024; provided that employment with WFG does not terminate prior to such date. These modified awards vest based on conditions that are not classified as a service, market or performance condition, and as a result, such awards are classified as a liability. In accordance with ASC 718, "Compensation - Stock Compensation," stock-based compensation expense of $2.2 million previously incurred on the original awards was reversed in the personnel costs line in the consolidated statements of operations in the second quarter of 2023, and the Company recorded a liability of $0.3 million for the fair value of the modified awards in the accrued expenses and other liabilities line in the condensed consolidated balance sheet as of March 31, 2024.

On August 3, 2023, the compensation committee of the Company's board of directors granted RSUs totaling approximately 1.0 million shares. The RSUs are subject to time-based vesting, with 50% of the RSUs vesting on the six-month anniversary of the award date, and the remainder vest in four consecutive, equal, quarterly installments such that the award is fully vested on the 18-month anniversary of the award date; provided the awardee is continuously employed through such date as applicable.

Stock-based compensation expense for the three months ended March 31, 2024 and 2023 was $4.7 million and $5.0 million, respectively.

Stock options (ISO and NSO)

During the three months ended March 31, 2024, the Company had the following stock option activity:

	Number of Stock Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (In years)	Aggregate Intrinsic Value ($)
Outstanding as of December 31, 2023	402,028	$ 14.08	5.62	$ 54
Granted	—	—	—	
Exercised	—	—	—	
Cancelled or forfeited	(12,452)	17.70	—	
Outstanding as of March 31, 2024	389,576	$ 13.96	5.55	$ 53
Options exercisable as of March 31, 2024	379,400	$ 13.86	5.53	$ 53

As of March 31, 2024, there was $1.2 million of stock-based compensation expense that had yet to be recognized related to nonvested stock option grants.

RSAs, RSUs and PRSUs

During the three months ended March 31, 2024, the Company had the following non-vested RSA, RSU and PRSU activity:

	Number of RSAs, RSUs and PRSUs	Average Grant Date Fair Value ($)
Non-vested at December 31, 2023	1,807,329	$ 18.59
Granted	11,780	4.49
Vested	(542,895)	11.16
Adjustment for PRSUs expected to vest	—	—
Cancelled or Forfeited	(3,203)	40.53
Non-vested at March 31, 2024	1,273,011	$ 21.57

As of March 31, 2024, there was $21.0 million of stock-based compensation expense that had yet to be recognized related to nonvested RSAs, RSUs and PRSUs.

Market-based awards

The market-based awards were measured at fair market value on the grant date, and stock-based compensation expense is recognized as the shares vest with a corresponding offset credited to additional paid-in-capital. The fair value of the market-based awards was determined using a Monte Carlo simulation valuation model using a distribution of potential stock price outcomes on a daily basis over the original 4-year vesting period. The unobservable significant inputs to the valuation model at the time of award issuance were as follows:

Stock price at issuance	$ 23.00
Expected volatility	75.0%
Risk-free interest rate	3.14%
Expected term	3.9
Expected dividend yield	—%

During the three months ended March 31, 2024, the Company had the following non-vested market-based award activity:

	Number of Market-based awards	Average Grant Date Fair Value ($)
Non-vested at December 31, 2023	97,413	$ 7.92
Granted	—	—
Vested	—	—
Cancelled or Forfeited	—	—
Non-vested at March 31, 2024	97,413	$ 7.92

As of March 31, 2024, there was $0.3 million of stock-based compensation expense that had yet to be recognized related to nonvested market-based awards.

10. Earnings per share

The calculation of the basic and diluted EPS is as follows:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Numerator		
Net loss from continuing operations	$ (19,474)	$ (31,233)
Denominator		
Weighted-average common shares – basic and diluted	13,736,176	13,194,859
Net loss from continuing operations per share - basic and diluted	$ (1.42)	$ (2.37)
Net loss from discontinued operations per share - basic and diluted	$ (0.08)	$ (0.83)
Net loss per share attributable to stockholders - basic and diluted	$ (1.50)	$ (3.19)

As we have reported net loss for each of the periods presented, all potentially dilutive securities are antidilutive. The following potential outstanding shares of common stock and contingently issuable shares were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because the contingent criteria has not been satisfied and/or including them would have been antidilutive:

	As of March 31, 2024	As of March 31, 2023
Outstanding stock options	389,576	661,902
Warrants for common and preferred stock	693,333	720,910
RSA's, RSU's and PRSU's	1,273,011	1,337,329
Market-based awards	97,413	97,413
Sponsor Covered Shares and Seller Earnout Shares	686,190	697,223
Total antidilutive securities	3,139,523	3,514,777

11. Related party transactions

Equity held by Lennar

In connection with the North American Title Acquisition, subsidiaries of Lennar were granted equity in the Company. As of March 31, 2024, Lennar, through its subsidiaries, held 23.7% of the Company on a fully diluted basis.

Transactions with Lennar

In the routine course of its business, Doma Title Insurance, Inc. ("DTI") underwrites title insurance policies for a subsidiary of Lennar. The Company recorded the following revenues and premiums retained by agents from these transactions, which are included within our Underwriting segment:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Revenues	$ 34,131	$ 29,978
Premiums retained by agents	27,523	24,095

	March 31, 2024	December 31, 2023
Net receivables	$ 3,966	$ 7,153

These amounts are included in trade and other receivables, net in the Company's condensed consolidated balance sheets.

On April 27, 2023, the Company entered into a sublease agreement with Lennar. The sublease with Lennar commenced on September 1, 2023 and ends on September 30, 2026. The total sublease income over the term of the agreement is expected to be $ 0.2 million.

Concurrently with the execution of the Merger Agreement, the Lennar Stockholders, the Company and Parent entered into the Voting and Support Agreement. Refer to Note 3 for additional details.

12. Commitments and contingencies

Legal matters

The Company is subject to claims and litigation matters in the ordinary course of business. Management does not believe the resolution of any such matters will have a materially adverse effect on the Company's financial position or results of operations.

Commitments and other contingencies

The Company also administers escrow deposits as a service to customers, a substantial portion of which are held at third-party financial institutions. These escrow deposits amounted to $8.7 million and $11.0 million at March 31, 2024 and December 31, 2023, respectively. Such deposits are not reflected in the condensed consolidated balance sheets, but the Company could be contingently liable for them under certain circumstances (for example, if the Company disposes of escrowed assets). Such contingent liabilities have not materially impacted the results of operations or financial condition to date and are not expected to do so in the future.

See Note 17 in our condensed consolidated financial statements for information on our operating lease obligations.

13. Accrued expenses and other liabilities

Accrued expenses and other liabilities include the following:

	March 31, 2024	December 31, 2023
Employee benefits	$ 850	$ 323
Contract terminations	3,460	3,460
Deferred transaction costs	3,534	—
Premium taxes	1,210	2,700
Employee compensation	755	3,108
Other	2,263	3,109
Total accrued expenses and other liabilities	$ 12,072	$ 12,700

Workforce reduction plans

In 2022, the Company executed three separate workforce reduction plans (the "2022 Reduction Plans") to reduce costs, improve Local branch-level profitability, and focus resources on its instant underwriting capabilities. The Reduction Plans during 2022 included the elimination of approximately 1,076 positions across the Company, or approximately 52% of the Company's workforce as of December 31, 2022. On August 2, 2023, the Company committed to an additional workforce reduction plan (the "2023 Reduction" and collectively with the 2022 Reductions Plans, the "Reduction Plans") to improve cost efficiency and focus on our instant underwriting technology and Underwriting operations. The 2023 Reduction included the elimination of approximately 70 positions across the Company, or approximately 17% of the Company's then current workforce. The execution of the Reduction Plans, including cash payments, was substantially complete as of December 31, 2023.

In the three months ended March 31, 2024 and 2023, forfeited stock-based compensation associated with the Reduction Plans was $0.0 million and $0.8 million, respectively. The charges incurred and forfeited stock-based compensation associated with the Reduction Plans primarily relate to the Company's Corporate and Other reportable segment.

Contract terminations

Associated with the Company's Reduction Plans and vendor management initiatives during the years ended December 31, 2023 and 2022, the Company recorded $1.3 million and $5.2 million, respectively, in accelerated contract charges related to contracts that will continue to be incurred for the contracts' remaining terms without economic benefit to the Company. These contract termination charges were recorded in other operating expenses in the consolidated statements of operations. There were no accelerated contract charges recorded during the three months ended March 31, 2024 or 2023. As of March 31, 2024, total accrued liabilities related to these accelerated contract charges were $ 3.5 million.

14. Employee benefit plan

The Company sponsors a defined contribution 401(k) plan for its employees (the "Retirement Savings Plan"). The Retirement Savings Plan is a voluntary contributory plan under which employees may elect to defer compensation for federal income tax purposes under Section 401(k) of the Internal Revenue Code of 1986. All full-time employees age 18+ are eligible to enroll in the Retirement Savings Plan on their first day of employment. Company matching contributions begin upon employee enrollment in the Retirement Savings Plan. Effective January 1, 2022, the Company provides an employer match up to 100% on the first 1% of elective contributions and 50% on the next 5% of elective contributions. The maximum matching contribution is 3.5% of compensation.

For the three months ended March 31, 2024 and 2023, the Company made contributions for the benefit of employees of $ 0.1 million and $0.4 million, respectively, to the Retirement Savings Plan.

15. Research and development

For the three months ended March 31, 2024 and 2023, the Company recorded the following related to research and development expenses and capitalized internally developed software costs:

	Three Months Ended March 31,	
	2024	2023
Research and development expenses incurred	$ 1,037	$ 1,227
Capitalized internally developed software costs	1,485	2,659
Research and development spend, inclusive of capitalized internally developed software cost	$ 2,522	$ 3,886

Our research and development costs reflect certain payroll-related costs of employees directly associated with such activities and certain software subscription costs, which are included in personnel costs and other operating expenses, respectively, in the condensed consolidated statements of operations. Capitalized internally developed software and acquired software costs are included in fixed assets, net in the condensed consolidated balance sheets.

16. Warrant liabilities

As a result of the Business Combination, the Company assumed, as of the Closing Date, Public Warrants to purchase an aggregate of 460,000 shares of our common stock and Private Placement Warrants to purchase an aggregate of 233,333 shares of our common stock. Twenty five whole warrants entitle the holder to purchase one share of common stock at a price of $ 287.50.

The Warrants became exercisable commencing on December 4, 2021, which is one year from the closing of the initial public offering of Capitol; provided, that we maintain an effective registration statement under the Securities Act of 1934, as amended (the "Securities Act"), covering our common stock.

Redemption of Public Warrants when the price per share of our common stock equals or exceeds $ 450.00

The Company may call the Public Warrants for redemption:

- in whole and not in part;
- at a price of $0.01 per Public Warrant;
- upon not less than 30 days' prior written notice of redemption to each Public Warrant holder; and
- if, and only if, the last reported sale price of our common stock equals or exceeds $ 450.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like and for certain issuances of common stock and equity-linked securities as described above) for any 20 trading days within a 30-trading day period ending three business days before the Company sends to the notice of redemption to the Public Warrant holders.

The Company will not redeem the Public Warrants as described above unless a registration statement under the Securities Act covering the issuance of the shares of common stock issuable upon a cashless exercise of the Public Warrants is then effective and a current prospectus relating to those shares of common stock is available throughout the 30-day redemption period, except if the Public Warrants may be exercised on a cashless basis and such cashless exercise is exempt from registration under the Securities Act.

Redemption of Public Warrants when the price per share of our common stock equals or exceeds $ 250.00

The Company may redeem the outstanding Public Warrants:

- in whole and not in part;
- at $0.10 per Public Warrant upon a minimum of 30 days' prior written notice of redemption; provided that holders will be able to exercise their Public Warrants prior to redemption and receive a number of shares based on the redemption date and the "fair market value" of common stock except as otherwise described below;
- if, and only if, the last reported sale price of our common stock equals or exceeds $ 250.00 per share (as adjusted per stock splits, stock dividends, reorganizations, reclassifications, recapitalizations and the like and for certain issuances of common stock and equity-linked securities as described above) on the trading day prior to the date on which the Company sends the notice of redemption to the Public Warrant holders; and
- if, and only if, the last reported sale price of common stock is less than $ 450.00 per share (as adjusted for stock for stock splits, stock dividends, reorganizations, recapitalizations and the like and for certain issuances of common stock and equity-linked securities), the Private Placement Warrants are also concurrently called for redemption on the same terms as the outstanding Public Warrants, as described above.

Beginning on the date the notice of redemption is given until the Public Warrants are redeemed or exercised, holders may elect to exercise their Public Warrants on a cashless basis. The "fair market value" of our common stock will mean the volume-weighted average price of our common stock for the ten trading days immediately following the date on which the notice of redemption is sent to the holders of Public Warrants. In no event will the Public Warrants be exercisable in connection with this redemption feature for more than 0.014 shares of common stock per Public Warrant (subject to adjustment).

The Private Placement Warrants are identical to the Public Warrants except that the Private Placement Warrants, (i) subject to limited exceptions, are not redeemable by us, (ii) may be exercised for cash or on a cashless basis and (iii) are entitled to registration rights (including the shares of our common stock issuable upon exercise of the Private Placement Warrants), in each case, so long as they are held by the initial purchasers or any of their permitted transferees (as further described in the warrant agreement, dated as of December 1, 2020, between the Company and Continental Stock Transfer & Trust Company, a New York corporation, as warrant agent (the "Warrant Agreement"). If the Private Placement Warrants are held by holders other than the initial purchasers or any of their permitted transferees, they will be redeemable by us and exercisable by the holders on the same basis as the Public Warrants.

On September 3, 2021, the Company filed a Registration Statement on Form S-1 (No. 333-258942), as amended, with the SEC (which was declared effective on September 8, 2021; and the Company subsequently filed a post-effective amendment thereto, which was declared effective on March 30, 2022), which related to, among other things, the issuance of an aggregate of up to 693,333 shares of common stock issuable upon the exercise of the Warrants. As of March 31, 2024 and December 31, 2023, the aggregate values of the Public Warrants were $ 0.0 million and $0.0 million, respectively, representing Public Warrants outstanding to purchase 460,000 shares of our common stock. As of March 31, 2024 and December 31, 2023, the aggregate values of the Private Warrants were $0.0 million and $0.0 million, respectively, representing Private Warrants outstanding to purchase 233,333 shares of our common stock. The Warrants are accounted for as liabilities in accordance with ASC 815-40 and are presented within warrant liabilities in the condensed consolidated balance sheets. The warrant liabilities are measured at fair value at inception and on a recurring basis, with changes in fair value presented within change in fair value of Warrants and Sponsor Covered Shares liabilities in the condensed consolidated statements of operations.

17. Leases

The Company has operating leases consisting of office space and office equipment. Lease terms and options vary in the Company's operating leases dependent upon the underlying leased asset. We exclude options to extend or terminate a lease from our recognition as part of our right-of-use assets and lease liabilities until those options are known and/or executed, as we typically do not exercise options to purchase the underlying leased asset. As of March 31, 2024, we have leases with remaining terms of 1 month to 4 years, some of which may include no options for renewal and others with options to extend the lease terms from 1 year to 5 years. The components of our operating leases were as follows:

	Three Months Ended March 31,	
	2024	2023
Components of lease expense:		
Operating lease expense	$ 577	$ 596
Less sublease income	(282)	—
Net lease expense	295	596
Cash flow information related to leases:		
Operating cash outflow from operating leases during the three months ended March 31, 2024 and 2023	$ 907	$ 990

	March 31, 2024	March 31, 2023
Right-of-use assets obtained during the three months ended March 31, 2024 and 2023 in exchange for new operating lease liabilities	$ —	—
Weighted average remaining lease term (years)	3.40	4.13
Weighted average discount rate	10%	10%

Maturities of lease liabilities:	March 31, 2024 Continuing Operations	March 31, 2024 Discontinued Operations
2024	$ 2,425	$ 1,881
2025	2,579	2,009
2026	2,420	1,777
2027	2,093	620
Total lease payments	9,517	6,287
Less imputed interest	(1,439)	(842)
Lease liabilities	$ 8,078	$ 5,445

We have subleased certain locations vacated as a result of a smaller workforce. As of March 31, 2024, we have subleases with remaining terms of 5 months to 4 years, some of which may include no options for renewal and others with options to extend the lease terms by 1 year. The undiscounted cash flows as of March 31, 2024 related to our subleases on an annual basis were as follows:

	March 31, 2024 Continuing Operations	March 31, 2024 Discontinued Operations
2024	$ 858	$ 493
2025	1,035	326
2026	1,067	131
2027	1,100	24
Total sublease payments	$ 4,060	$ 974

18. Discontinued Operations

In the second and third quarters of 2023, the Company sold its assets used in or related to the Company's Local Component. In conjunction with the sale of the Local Component, on June 9, 2023, the Company sold a title plant in Texas for a total sale price of $ 7.6 million. With the execution of these agreements, the Company no longer has operations related to our previous Local retail branch footprint. With the final execution of these agreements during the third quarter of 2023, the Company determined that this represented a strategic shift that had a major effect on the Company's operations and financial results, which triggered discontinued operations presentation, in accordance with ASC 205-20-45, for the Company's Local Component within its previous Distribution segment. Refer to Note 3 for additional details on the divestiture transactions.

The assets and liabilities associated with discontinued operations, including assets and liabilities sold in the Local Sales, assets separately disposed and remaining Local Component assets and liabilities, have been presented separately in our condensed consolidated balance sheets. The major assets and liability categories were as follows as of the dates indicated:

(In thousands, except share information)	March 31, 2024	December 31, 2023
Assets		
Trade and other receivables (net of allowance for credit losses of $ 110 at March 31, 2024 and $ 110 at December 31, 2023)	$ 22	$ 62
Prepaid expenses, deposits and other assets	107	242
Lease right-of-use assets	1,933	2,108
Fixed assets (net of accumulated depreciation of $ 0 at March 31, 2024 and $ 2,028 at December 31, 2023)	—	151
Assets held for disposal	$ 2,062	$ 2,563
Liabilities		
Accounts payable	$ 160	$ 306
Accrued expenses and other liabilities	93	238
Lease liabilities	5,445	6,107
Liability for loss and loss adjustment expenses	137	132
Liabilities held for disposal	$ 5,835	$ 6,783

Summary operating results of discontinued operations were as follows for the periods indicated:

	Three Months Ended March 31, 2024		
	Local Component	Eliminations (1)	Total
Revenues:			
Escrow, other title-related fees and other	$ 340	$ (21)	$ 319
Investment, dividend and other income	$ (3)	—	(3)
Total revenues	$ 337	$ (21)	$ 316
Operating expenses excluding impairments	$ 1,414	$ (21)	$ 1,393
Goodwill impairment	$ —	—	—
Long-lived asset impairment	$ —	—	—
Total operating expenses	$ 1,414	$ (21)	$ 1,393
Loss from discontinued operations	$ (1,077)	$ —	$ (1,077)
Other (expense) income:			
Interest expense	$ —	$ —	$ —
Gain (loss) on sales of discontinued operations	$ —	—	—
Loss from discontinued operations before income taxes	$ (1,077)	$ —	$ (1,077)
Income tax expense	$ —	—	—
Net loss from discontinued operations	$ (1,077)	$ —	$ (1,077)

	Three Months Ended March 31, 2023		
	Local Component	Eliminations (1)	Total
Revenues:			
Escrow, other title-related fees and other	$ 10,987	$ (5,353)	$ 5,634
Investment, dividend and other income	(78)	—	(78)
Total revenues	$ 10,909	$ (5,353)	$ 5,556
Operating expenses excluding impairments	$ 20,571	$ (5,353)	$ 15,218
Goodwill impairment	—	—	—
Long-lived asset impairment	181	—	181
Total operating expenses	$ 20,752	$ (5,353)	$ 15,399
Loss from discontinued operations	$ (9,843)	$ —	$ (9,843)
Other (expense) income:			
Interest expense	$ (1,018)	$ —	$ (1,018)
Gain (loss) on sales of discontinued operations	—	—	—
Loss from discontinued operations before income taxes	$ (10,861)	$ —	$ (10,861)
Income tax expense	(29)	—	(29)
Net loss from discontinued operations	$ (10,890)	$ —	$ (10,890)

(1) Prior to the Local Sales, the Company’s consolidated statements of operations included premiums retained by Local Component Direct Agents as revenue for the Local Component and a corresponding deduction from the net premiums written for the Underwriting segment, which were presented in the Company’s segment reporting disclosures. As such, these transactions are eliminated for purposes of this disclosure as they will not continue in periods subsequent to the Local Sales.

The depreciation and amortization, sale proceeds and significant noncash operating items associated with the discontinued operations were as follows:

	Three Months Ended March 31,	
	2024	2023
Non-cash discontinued operating activities:		
Impairment charges	$ —	$ 181
Depreciation and amortization	13	213
Cash flows from discontinued investing activities:		
Proceeds from sale of title plants and dividends from title plants	—	194

There were no capital expenditures associated with the discontinued operations for the three months ended March 31, 2024 or 2023.

19. Subsequent Events

Senior Term Facility

On April 30, 2024, pursuant to the Topco Commitment Letter, States Title and certain of its subsidiaries entered into a Senior Loan and Security Agreement (the "Senior Loan Agreement") with the lenders party thereto and Alter Domus (US) LLC as administrative agent and collateral agent. Pursuant to the Senior Loan Agreement, the lenders party thereto have committed, on a several basis, to provide States Title with a $22.5 million senior secured delayed draw term loan facility (the "Senior Term Facility") (with certain subsidiaries of States Title guaranteeing the obligations thereunder).

The Senior Term Facility will have two tranches: (a) up to $12.5 million will be available to be drawn in up to three draws (each draw being for at least $5 million) between closing of the Senior Term Facility and December 31, 2024 and (b) up to $10 million will be available to be drawn in a single draw between January 1, 2025 and June 30, 2025, each tranche being subject to commitment reductions as set forth in the Senior Loan Agreement. Each loan made under the Senior Term Facility will mature three years after it is drawn.

The Senior Term Facility will be secured by a first priority lien on substantially all of the assets of States Title and the guarantors (subject to customary exceptions), senior to all existing and future liens securing debt for borrowed money (including the liens securing the obligations under the Loan and Security Agreement dated as of December 31, 2020 (as amended, including pursuant to the Sixth Amendment referred to below, the "Subordinated Loan Agreement") by and among States Title and certain of its subsidiaries, the lenders party thereto and HSCM as administrative agent and collateral agent and will be senior in right of payment to all existing and future debt for borrowed money (including the Subordinated Loan Agreement), in each case, subject to certain exceptions. The terms of the subordination of the Subordinated Loan Agreement are set forth in an intercreditor and subordination agreement (the "Subordination Agreement") and include certain prohibitions on the exercise of remedies by the lenders under the Subordinated Loan Agreement.

Interest on each loan will accrue at a rate of Term SOFR (subject to a 1.0% floor) plus 9.0% per annum and will be payable in arrears in kind on the last day of each interest period. The Senior Term Facility will include an undrawn fee of 5.0% per annum on all undrawn commitments, payable quarterly in cash, and an upfront fee of 3.0% of the commitments in respect of the Senior Term Facility as of the date of the Senior Loan Agreement (which upfront fee is reduced to 2.0% for any commitments that are terminated within 30 days after the date of the Senior Loan Agreement), payable upon the funding or termination of such commitments. Prepayments of the Senior Term Facility (subject to certain exceptions) will be subject to customary prepayment premiums. The Senior Term Facility will also include certain information rights and other customary covenants (including affirmative, negative and financial covenants) and mandatory prepayment provisions.

Concurrently with the entry into the Senior Term Facility, States Title and certain of its subsidiaries, the lenders party thereto and HSCM entered into a Sixth Amendment to Loan and Security Agreement (the "Sixth Amendment"), pursuant to which, among other things, HSCM and the lenders party thereto consented to the terms of the Senior Loan Agreement and implemented certain other changes to align with the terms of the Subordination Agreement.

Doma Title Insurance, Inc. Dividend

On April 26, 2024, the South Carolina Department of Insurance approved an extraordinary dividend of $ 17.5 million from Doma Title Insurance, Inc., our title insurance subsidiary, to the Company.

In the preparation of the accompanying condensed consolidated financial statements, the Company has evaluated all material subsequent events or transactions that occurred after the balance sheet date through the date on which the financial statements were issued for potential recognition or disclosure in the Company's financial statements, noting no subsequent events or transactions that require disclosure, aside from those previously discussed.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of operations of Doma should be read together with the unaudited condensed consolidated financial statements as of March 31, 2024 and 2023 and for the three months ended March 31, 2024 and 2023, together with the related notes thereto, contained in this Quarterly Report on Form 10-Q ("Quarterly Report"), as well as the audited consolidated financial statements as of December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022, together with related notes thereto, contained in our annual report on Form 10-K for the year ended December 31, 2023 (the "Annual Report"). This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties and should be read in conjunction with the disclosures and information contained in "Cautionary Note Regarding Forward-Looking Statements" in the Annual Report. Our actual results may differ materially from those projected in these forward-looking statements as a result of various factors, including those set forth under Part I, Item 1A "Risk Factors" or in other parts of the Annual Report. Certain amounts may not foot due to rounding. All forward-looking statements in this Quarterly Report are based on information available to us as of the date hereof, and we assume no obligation to update any such forward-looking statements to reflect future events or circumstances, except as required by law.

Unless the context otherwise requires, references to "company," "Company," "Doma," "we," "us," "our" and similar terms refer to Doma Holdings, Inc. (f/k/a Capitol Investment Corp. V) and its consolidated subsidiaries. References to "Capitol" refer to our predecessor company prior to the consummation of the Business Combination. References to "Old Doma" refer to Old Doma prior to the Business Combination and to States Title Holding, Inc. ("States Title"), the wholly owned subsidiary of Doma, upon the consummation of the Business Combination .

Overview

Doma was founded in 2016 to focus top-tier data scientists, product managers, and engineers on building game-changing technology to completely reimagine the residential real estate closing process. Our approach to the title process is driven by our innovative platform, Doma Intelligence. It provides a revolutionary new real estate closing platform that seeks to eliminate laborious, manual tasks involved in underwriting title insurance, performing core escrow functions, generating closing documentation and getting documents signed and recorded. The platform harnesses the power of data analytics, machine learning and natural language processing, which enables us to deliver a more affordable and faster transaction. Doma's machine intelligence algorithms are being trained and optimized on 30 years of historical anonymized transaction data allowing us to make underwriting decisions in less than a minute and significantly reduce the time, effort and cost of facilitating the entire closing process.

Our Business Model

Our primary business activity is the issuance of residential and commercial title insurance on purchase and refinance transactions. We operate and report our business through two reporting segments, "Underwriting" and "Corporate and Other." See "*—Basis of Presentation*" below.

Our Underwriting segment reflects the sale and execution of our underwriting and insurance services. These services are integrated with non-captive title and escrow agents in the market ("Third-Party Agents") through our captive title insurance carrier. For customers sourced through the Third-Party Agents channel, we retain a portion of the title premium (approximately 16% - 18%) in exchange for underwriting risk to our balance sheet. The Third-Party Agents channel also includes the title underwriting and insurance services we provide to Lennar, a related party, for its home builder transactions.

Our Corporate and Other segment reflects our operations related to the execution of our title, escrow and settlement services through our Doma Enterprise channel. Our Doma Enterprise channel targets partnerships with national lenders and mortgage originators that maintain centralized lending operations ("Direct Agents"). Once an Enterprise partnership has been established, we integrate our Doma Intelligence platform with the partner's production systems, to enable frictionless order origination and fulfillment. In addition, Corporate and Other includes investing activity related to our investment portfolio held outside of Underwriting.

Our expenses generally consist of direct fulfillment expenses related to closing a transaction and insuring the risk, customer acquisition costs related to acquiring new business, and other operating expenses as described below:

- **Direct fulfillment expenses** – comprised of direct labor and direct non-labor expenses. Direct labor expenses refer to payroll costs associated with employees who directly contribute to the issuance of a title insurance policy. Some examples of direct labor expenses include underwriting, escrow and closing services related to our Enterprise channel, and customer service. Direct non-labor expenses refer to non-payroll expenses that are closely linked with underwriting policies, such as provision for claims, title examination expense, office supplies, and premium and other related taxes.

- **Customer acquisition costs** – comprised of sales payroll, sales commissions, customer success payroll, and sales-related travel and entertainment.

- **Other operating expenses** – all other expenses that do not directly contribute to the fulfillment or acquisition of a title insurance policy are considered other operating expenses. This category is predominately comprised of research and development costs, corporate support expenses, occupancy, and other general and administrative expenses.

Basis of Presentation

We report results for our two operating segments:

- **Underwriting** – our Underwriting segment reflects the results of our title insurance underwriting business, including policies referred primarily through our Third-Party Agents channel. The referring agents retain approximately 82% - 84% of the policy premiums in exchange for their services. These retention rates vary by state and agent.

- **Corporate and Other** – our Corporate and Other segment includes our operations related to the execution of our title, escrow and settlement services through our Doma Enterprise channel. Our Doma Enterprise channel targets partnerships with national lenders and mortgage originators that maintain centralized lending operations ("Direct Agents"). Once an Enterprise partnership has been established, we integrate our Doma Intelligence platform with the partner's production systems, to enable frictionless order origination and fulfillment. Substantially all Doma Enterprise orders are underwritten by Doma. In addition, Corporate and Other includes investing activity related to our investment portfolio held outside of Underwriting.

Costs are allocated to the segments to arrive at adjusted gross profit, our segment measure of profit and loss. Our accounting policies for segments are the same as those applied to our consolidated financial statements, except as described below under "*—Key Components of Revenues and Expenses.*" Inter-segment revenues and expenses are eliminated in consolidation. See Note 7 in our condensed consolidated financial statements for a summary of our segment results and a reconciliation between segment adjusted gross profit and our loss from continuing operations before income taxes.

Significant Events and Transactions

The Business Combination

On the Closing Date, Capitol consummated the Business Combination with Old Doma, pursuant to the Agreement. In connection with the closing of the Business Combination, Old Doma changed its name to States Title Holding, Inc., Capitol changed its name to Doma Holdings, Inc. ("Doma") and Old Doma became a wholly owned subsidiary of Doma. Doma continues the existing business operations of Old Doma as a publicly traded company. Refer to Note 3 to the condensed consolidated financial statements for additional details on the Business Combination.

As a result of the Business Combination, we became the operating successor to an SEC-registered and New York Stock Exchange-listed shell company. Becoming public has required us to hire additional personnel and implement procedures and processes to address public company regulatory requirements and practices. Also, we incur annual expenses as a public company for, among other things, directors' and officers' liability insurance, director fees, and additional internal and external accounting, legal, and administrative resources.

Discontinued Operations

Starting in the second quarter of 2023 and finalized in the third quarter of 2023, the Company sold its assets used in or related to the Company's title insurance agency business operated through retail title offices (the Company's 'Local Component'). With the execution of these agreements, the Company no longer has operations related to our previous Local retail branch footprint. The Company determined that the execution of these agreements represented a strategic shift that had a major effect on the Company's operations and financial results, which triggered discontinued operations presentation, in accordance with ASC 205-20-45, for the Company's Local Component within its previous Distribution segment. All periods presented have been revised to show results from continuing and discontinued operations, unless otherwise noted. For more information, refer to Part I, Item 1, Note 18 "Discontinued Operations."

Proposed Merger

On March 28, 2024, the Company entered into the Merger Agreement with Parent and Merger Sub. The Merger Agreement provides that, subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company, with the Company surviving the Merger and becoming a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of Topco, the indirect parent company of Parent.

Under the terms of the Merger, among other things, Parent would acquire all outstanding shares of the Company for $6.29 per share in cash. The Company's board of directors, acting on the unanimous recommendation of a special committee comprised of independent and disinterested directors formed for the purpose of considering the transaction, unanimously (i) determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, the Voting and Support Agreement and the other agreements contemplated by the Merger Agreement and the transactions contemplated thereby are fair, advisable and in the best interests of the Company and the Disinterested Stockholders and (ii) approved the Merger Agreement and the transactions contemplated thereby, including the Merger, and the Voting and Support Agreement and the other agreements contemplated by the Merger Agreement and the transactions contemplated thereby, and (iii) resolved to submit and recommend the Merger Agreement to the Company's stockholders for approval and adoption thereby.

Assuming the satisfaction of the conditions set forth in the Merger Agreement, the Company expects the transactions contemplated thereby to close in the second half of 2024.

The stockholders of the Company will be asked to vote on the adoption of the Merger Agreement and the Merger at a stockholder meeting that will be held on a date to be announced as promptly as reasonably practicable following the customary review process by the Securities and Exchange Commission. The consummation of the Merger is not subject to a financing condition, but is subject to certain conditions to Closing, including (i) approval of the Company's Disinterested Stockholders, (ii) consent, approval or authorization from relevant insurance regulatory agencies without the imposition of a Burdensome Condition, (iii) absence of any order or injunction prohibiting the consummation of the Merger, (iv) subject in certain cases to customary materiality qualifiers, the accuracy of the representations and warranties contained in the Merger Agreement and compliance with the covenants contained in the Merger Agreement, (v) no Company Material Adverse Effect having occurred since the date of the Merger Agreement that is continuing, (vi) the completion of certain specified transactions as contemplated by the Merger Agreement, (vii) the repayment of the Company's outstanding indebtedness with HSCM pursuant to the terms described below and (viii) the investment by Lennar into Topco.

The Merger Agreement contains customary representations, warranties and covenants, including, among others, covenants by the Company to conduct its businesses in the ordinary course between the execution and completion of the Merger Agreement, not to engage in certain kinds of transactions during such period (including payment of dividends outside of the ordinary course or as otherwise permitted under the Merger Agreement), to convene and hold a meeting of its stockholders to consider and vote upon the Merger, to cooperate with Parent in connection with obtaining financing for the transaction, to implement the reorganization of certain assets and liabilities of the Company relating to its technology solutions into a newly formed or selected subsidiary of the Company, to use reasonable best efforts to obtain regulatory consents, and, subject to certain customary exceptions, for the Company's board of directors to recommend that its stockholders approve and adopt the Merger Agreement. The Merger Agreement also contains customary representations, warranties and covenants of Parent and Merger Sub, including a covenant to use reasonable best efforts to obtain the debt financing described below. The Merger Agreement contains a 50-day "go-shop" provision that allows the Company to, among other things, solicit, initiate, propose, induce, encourage, or facilitate discussions or negotiations with respect to Acquisition Proposals (as defined in the Merger Agreement). At the end of the "go-shop" period, the Company will cease such activities, and is subject to a customary "no-shop" provision that restricts the Company's ability to, among other things, solicit Acquisition Proposals from third parties and to provide non-public information to, and engage in discussions or negotiations with, third parties regarding Acquisition Proposals after the "go-shop" period. The "no-shop" provision allows the Company, under certain circumstances and in compliance with certain obligations set forth in the Merger Agreement, to provide non-public information to any person and its representatives that has made a bona fide Acquisition Proposal that either constitutes, or would reasonably be expected to lead to, an Acquisition Proposal.

Parent and Merger Sub have represented that they will have sufficient cash at the Closing regardless of third-party financing, though have also secured committed debt financing to be provided by certain lenders (collectively, the "Lenders") on the terms and subject to the conditions set forth in a debt commitment letter. The obligations of the Lenders to provide debt financing under the debt commitment letter are subject to a number of customary conditions.

The Merger Agreement contains certain termination rights for both the Company and Parent. If the Merger Agreement is terminated (1) by Parent as a result of the Company's breach of its representations, warranties or covenants in a manner that would cause the related conditions to Closing to not be met and Company subsequently enters into an Alternative Acquisition Agreement (as defined in the Merger Agreement) and such transaction is subsequently consummated, or (2) as a result of the Company Board changing its recommendation and entering into an Alternative Acquisition Agreement and such transaction is subsequently consummated, or (3) if the Merger Agreement is terminated by Company in order to enter into an Alternative Acquisition Agreement with respect to a Superior Proposal, the Company will be required to pay Parent a termination fee to Parent of $3,188,734. If the Merger Agreement is terminated by the Company in connection with Company's entry into an Alternative Acquisition Agreement with respect to a Superior Proposal (as defined in the Merger Agreement) during the "go-shop" period or with an Exempted Person (as defined in the Merger Agreement), the Company will be required to pay Parent a lower termination fee of $1,822,134. The Merger Agreement also provides that either party may specifically enforce the other party's obligations under the Merger Agreement. In addition to the foregoing termination rights, and subject to certain limitations, the Company or Parent may terminate the Merger Agreement if the Merger is not consummated by September 28, 2024 (the "End

Date”), provided that if all of the conditions to closing of the Merger other than the obtainment of the certain specified insurance regulatory approvals have been satisfied or waived on or prior to the End Date, then the End Date shall automatically be extended to October 28, 2024 (“First Extension Date”), provided, further, that if all of the conditions to closing of the Merger, other than the receipt of requisite approval from the South Carolina Department of Insurance or requisite approval from the California Department of Insurance, have been satisfied or waived on or prior to the First Extension Date, then the First Extension Date shall automatically be extended to November 28, 2024. In the event that (a) the Agreement is terminated in accordance with the prior sentence and at the time of termination, all of the conditions to closing of the Merger have been satisfied or waived except for (i) any condition that is not satisfied due to breach by the Company of any representation, warranty, covenant or agreement in the Merger Agreement, (ii) the completion of certain specified transactions as contemplated by the Merger Agreement and (iii) conditions that by their nature can only be satisfied at or immediately prior to the closing of the Merger; (b) certain specified transactions have not been completed by June 26, 2024; and (c) the Company has not agreed to terminate the Agreement within five (5) days of Parent’s written notice to terminate, then the Company shall reimburse Parent for its reasonable and documented out-of-pocket expenses incurred between June 26, 2024 and the date of termination.

The foregoing description of the Merger Agreement and the transactions contemplated thereunder is not complete and is qualified in its entirety by reference to the Merger Agreement, a copy of which is filed as an exhibit to the Current Report on Form 8-K, filed with the SEC on March 29, 2024, and incorporated herein by reference.

Macroeconomic Trends

The on-going macroeconomic trends impacting the residential real estate market include a shortage in the supply of homes for sale, increasing home prices, rising mortgage interest rates, inflation, disrupted labor markets and geopolitical uncertainties.

We operate in the real estate industry and our business volumes are directly impacted by market trends for mortgage refinancing transactions, existing real estate purchase transactions, and new real estate purchase transactions, particularly in the residential segment of the market. Our success depends on a high volume of residential and, to a lesser extent, commercial real estate transactions, throughout the markets in which we operate.

Through 2023, to combat inflation, the Federal Reserve raised the benchmark interest rate by a total of 100 basis points. During the three months ended March 31, 2024, the Federal Reserve has held the benchmark interest rate steady. Average interest rates for a 30-year fixed rate mortgage rose to 6.82% as of March 2024 as compared to 6.54% for the corresponding period of 2023. As interest rates rise, the outlook on refinance transactions continues to decline.

Demand for mortgages tends to correlate closely with changes in interest rates, meaning that our order trends have been, and will likely be, impacted by future changes in interest rates. However, we believe that our current, low market share and disruptive approach to title insurance, escrow, and closing services will enable us to gain market share within markets in which we operate, which in turn should mitigate the risk to our revenue growth trends relative to industry incumbents.

We continue to monitor economic and regulatory developments closely as we navigate the volatility and uncertainty created by the pandemic and the subsequent macroeconomic activity.

Reverse stock split

On June 29, 2023, the Company filed with the Secretary of State of the State of Delaware a Certificate of Amendment to its Certificate of Incorporation (the “Charter Amendment”) to effect a 1-for-25 reverse stock split of the Company’s common stock (the “Reverse Stock Split”) and a corresponding adjustment to its authorized capital stock, effective as of 11:59 p.m. Eastern Daylight Time on June 29, 2023 (the “Effective Time”). All share and per share information has been retroactively adjusted to give effect to the Reverse Stock Split for all periods presented, unless otherwise indicated.

As a result of the Reverse Stock Split, every 25 shares of the Company’s issued and outstanding common stock were automatically converted into one share of issued and outstanding common stock. No fractional shares were issued as a result of the Reverse Stock Split. Stockholders who otherwise would have been entitled to receive fractional shares of common stock were entitled to receive cash in an amount equal to the product obtained by multiplying (a) the closing price per share of the common stock as reported on the New York Stock Exchange as of the first trading day following the Effective Time, by (b) the fraction of one share owned by the stockholder.

Proportionate adjustments were made to the number of shares issuable upon the exercise or vesting of all stock options, restricted stock awards, restricted stock units, performance restricted stock units or market-based awards (the “Stock-Based Awards”) and warrants outstanding at the Effective Time, which resulted in a proportional decrease in the number of shares of the Company’s common stock reserved for issuance upon exercise or vesting of such Stock-Based Awards and warrants. In the case of stock options and warrants, proportionate adjustments also included a proportional increase in the exercise price of such stock options and warrants. In addition, the number of shares reserved for issuance under the Company’s 2021 Omnibus Incentive Plan were proportionately reduced.

Key Operating and Financial Indicators

We regularly review several key operating and financial indicators to evaluate our performance and trends and inform management's budgets, financial projections and strategic decisions.

The following table presents our key operating and financial indicators from continuing operations, as well as the relevant generally accepted accounting principles ("GAAP") measures, for the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
GAAP financial data:		
Revenue (1)	$ 66,067	$ 68,812
Gross profit (2)	$ 4,108	$ 2,101
Net loss	$ (19,474)	$ (31,233)
Non-GAAP financial data (3):		
Retained premiums and fees	$ 13,676	$ 14,275
Adjusted gross profit	$ 7,093	$ 4,963
Ratio of adjusted gross profit to retained premiums and fees	52%	35%
Adjusted EBITDA	$ (5,562)	$ (12,785)

(1) Revenue is comprised of (i) net premiums written, (ii) escrow, other title-related fees and other, and (iii) investment, dividend and other income. Net loss is made up of the components of revenue and expenses. For more information about measures appearing in our consolidated income statements, refer to "—*Key Components of Revenue and Expenses —Revenue*" below.

(2) Gross profit, calculated in accordance with GAAP, is calculated as total revenue, minus premiums retained by agents, direct labor expense (including mainly personnel expense for certain employees involved in the direct fulfillment of policies) and direct non-labor expense (including mainly title examination expense, provision for claims, and depreciation and amortization). In our consolidated income statements, depreciation and amortization is recorded under the "other operating expenses" caption.

(3) Retained premiums and fees, adjusted gross profit and adjusted EBITDA are non-GAAP financial measures. Refer to "— *Non-GAAP Financial Measures*" below for additional information and reconciliations of these measures to the most closely comparable GAAP financial measures.

Retained premiums and fees

Retained premiums and fees, a non-GAAP financial measure, is defined as total revenue under GAAP minus premiums retained by agents. See "—*Non-GAAP Financial Measures*" below for a reconciliation of our retained premiums and fees to gross profit, the most closely comparable GAAP measure, and additional information about the limitations of our non-GAAP measures.

Our business strategy is focused on leveraging our Doma Intelligence platform to provide an overall improved customer and referral partner experience and to drive time and expense efficiencies. In our Third-Party Agents channel, we provide our underwriting expertise and balance sheet to insure the risk on policies referred by such Third-Party Agents and, for that service, we typically receive approximately 16% - 18% of the premium for the policy we underwrite. As such, we use retained premiums and fees, which is net of the impact of premiums retained by Third-Party Agents, as an important measure of the earning power of our business and our future growth trends, and believe it is useful to investors for the same reasons.

Adjusted gross profit

Adjusted gross profit, a non-GAAP financial measure, is defined as gross profit (loss) under GAAP, adjusted to exclude the impact of depreciation and amortization. See "—*Non-GAAP Financial Measures*" below for a reconciliation of our adjusted gross profit to gross profit, the most closely comparable GAAP measure and additional information about the limitations of our non-GAAP measures.

Management views adjusted gross profit as an important indicator of our underlying profitability and efficiency. As we generate more business that is serviced through our Doma Intelligence platform, we expect to reduce fulfillment costs as our direct labor expense per order continues to decline, and we expect the adjusted gross profit per transaction to grow faster than retained premiums and fees per transaction over the long term.

Ratio of adjusted gross profit to retained premiums and fees

Ratio of adjusted gross profit to retained premiums and fees, a non-GAAP measure, expressed as a percentage, is calculated by dividing adjusted gross profit by retained premiums and fees. Both the numerator and denominator are net of the impact of premiums retained by Third-Party Agents because that is a cost related to our Underwriting segment over which we have limited control, as Third-Party Agents customarily retain approximately 82% - 84% of the premiums related to a title insurance policy referral pursuant to the terms of long-term contracts.

We view the ratio of adjusted gross profit to retained premiums and fees as an important indicator of our operating efficiency and the impact of our machine-learning capabilities, and believe it is useful to investors for the same reasons.

Adjusted EBITDA

Adjusted EBITDA, a non-GAAP financial measure, is defined as net income (loss) before interest, income taxes and depreciation and amortization, and further adjusted to exclude the impact of net loss from discontinued operations, stock-based compensation, severance and interim salary costs, change in fair value of Local Sales Deferred Earnout, and the change in fair value of Warrant and Sponsor Covered Shares liabilities. See "—*Non-GAAP Financial Measures*" below for a reconciliation of our adjusted EBITDA to net loss, the most closely comparable GAAP measure and additional information about the limitations of our non-GAAP measures.

We review adjusted EBITDA as an important measure of our recurring and underlying financial performance, and believe it is useful to investors for the same reason.

Key Components of Revenues and Expenses

Revenues

Net premiums written

We generate net premiums by underwriting title insurance policies and recognize premiums in full upon the closing of the underlying transaction. For some of our Third-Party Agents, we also accrue premium revenue for title insurance policies we estimate to have been issued in the current period but reported to us by the Third-Party Agent in a subsequent period. See "—*Critical Accounting Policies and Estimates — Accrued net premiums written from Third-Party Agent referrals*" below for further explanation of this accrual. For the three months ended March 31, 2024 and 2023, the average time lag between the issuing of these policies by our Third-Party Agents and the reporting of these policies or premiums to us has been approximately three months. Net premiums written is inclusive of the portion of premiums retained by Third-Party Agents, which is recorded as an expense, as described below.

To reduce the risk associated with our underwritten insurance policies, we utilize reinsurance programs to limit our maximum loss exposure. Under our reinsurance treaties, we cede the premiums on the underlying policies in exchange for a ceding commission from the reinsurer and our net premiums written exclude such ceded premiums.

Our principal reinsurance quota share agreement covers instantly underwritten policies from refinance and home equity line of credit transactions. Under this contract we cede 25% of the written premium on such instantly underwritten policies, up to a total reinsurance coverage limit of $80.0 million in premiums reinsured, after which we retain 100% of the written premium on instantly underwritten policies. Refer to Note 2 to the condensed consolidated financial statements above for additional details on our reinsurance programs.

Escrow, other title-related fees and other

Escrow fees and other title-related fees are charged for managing the closing of real estate transactions, including the processing of funds on behalf of the transaction participants, gathering and recording the required closing documents, providing notary services, and other real estate or title-related activities. Other fees relate to various ancillary services we provide, including fees for rendering a cashier's check, document preparation fees, homeowner's association letter fees, inspection fees, lien letter fees and wire fees. We also recognize ceding commissions received in connection with reinsurance treaties, to the extent the amount of such ceding commissions exceeds reinsurance-related costs.

For segment-level reporting, agent premiums retained by our Enterprise channel in our Corporate and Other segment are recorded as revenue under the "Escrow, other title-related fees and other" caption of our segment income statements, while our Underwriting segment records a corresponding expense for insurance policies issued by us. The impact of these internal transactions is eliminated upon consolidation.

Investment, dividends and other income

Investment, dividends and other income are mainly generated from our investment portfolio. We invest in fixed income securities, mainly composed of corporate debt obligations, certificates of deposit, U.S. Treasuries, foreign government securities and mortgage loans.

Expenses

Premiums retained by agents

When customers are referred to us and we underwrite a policy, the referring agent retains a significant portion of the premium, which typically amounts to approximately 82% - 84% of the premium. The portion of premiums retained by agents is recorded as an expense. These referral expenses relate exclusively to our Underwriting segment.

For segment-level reporting, premiums retained by our Direct Agents (which are recorded as Corporate and Other segment revenue) are recorded as part of “premiums retained by agents” expense for our Underwriting segment. The impact of these internal transactions is eliminated upon consolidation.

Title examination expense

Title examination expense is incurred in connection with the search and examination of public information prior to the issuance of title insurance policies.

Provision for claims

Provision for claims expense is comprised of three components: IBNR losses, known claims loss and loss adjustment expenses and escrow-related losses.

IBNR is a loss reserve that primarily reflects the sum of expected losses for unreported claims. The expense is calculated by applying a rate (the loss provision rate) to total title insurance premiums. The loss provision rate is determined throughout the year based in part upon an assessment performed by an independent actuarial firm utilizing generally accepted actuarial methods. The assessment also takes account of industry trends, the regulatory environment and geographic considerations and is updated during the year based on developments. This loss provision rate is set to provide for losses on current year policies. Due to our long claim exposure, our provision for claims periodically includes amounts of adverse or positive claims development on policies issued in prior years, when claims on such policies are higher or lower than initially expected.

Based on the risk profile of premium vintages over time and based upon the projections of an independent actuarial firm, we build or release reserves related to our older policies. Our IBNR may increase as a proportion of our revenue as we continue to increase the proportion of our business serviced through our Doma Intelligence platform, though we believe it will decrease over the long term as our predictive machine intelligence technology produces improved results.

Known claims loss and loss adjustment expense reserves is an expense that reflects the best estimate of the remaining cost to resolve a claim, based on the information available at the time. In practice, most claims do not settle for the initial known claims provision; rather, as new information is developed during the course of claims administration, the initial estimates are revised, sometimes downward and sometimes upward. This additional development is provided for in the actuarial projection of IBNR, but it is not allocable to specific claims. Actual costs that are incurred in the claims administration are booked to loss adjustment expense, which is primarily comprised of legal expenses associated with investigating and settling a claim.

Escrow-related losses are primarily attributable to clerical errors that arise during the escrow process and caused by the settlement agent.

Personnel costs

Personnel costs include base salaries, employee benefits, bonuses paid to employees, stock-based compensation, payroll taxes and severance. This expense is primarily driven by the average number of employees and our hiring activities in a given period.

In our presentation and reconciliation of segment results and our calculation of gross profit, we classify personnel costs as either direct or indirect expenses, reflecting the activities performed by each employee. Direct personnel costs relate to employees whose job function is directly related to our fulfillment activities, including underwriters, closing agents, escrow agents, funding agents, and title and curative agents, and are included in the calculation of our segment adjusted gross profit. Indirect personnel costs relate to employees whose roles do not directly support our transaction fulfillment activities, including sales agents, training specialists and customer success agents, segment management, research and development and other information technology personnel, and corporate support staff.

Other operating expenses

Other operating expenses are comprised of occupancy, maintenance and utilities, product taxes (for example, state taxes on premiums written), professional fees (including legal, audit and other third-party consulting costs), software licenses and sales tools, travel and entertainment costs, and depreciation and amortization, among other costs.

Loss from discontinued operations

Loss from discontinued operations consists of the operating loss from the discontinued Local Component and the excess carrying amount of the Local Component sold business's assets and liabilities over the fair value of any consideration received less costs to sell.

Change in fair value of Warrant and Sponsor Covered Shares liabilities

Change in fair value of Warrant and Sponsor Covered Shares liabilities consists of unrealized gains and losses as a result of recording our Warrants and Sponsor Covered Shares to fair value at the end of each reporting period.

Income tax expense

Although we are in a consolidated net loss position and report our federal income taxes as a consolidated tax group, we incur state income taxes in certain jurisdictions where we have profitable operations. Additionally, we incur mandatory minimum state income taxes in certain jurisdictions. Also, we have recognized deferred tax assets but have offset them with a full valuation allowance, reflecting substantial uncertainty as to their recoverability in future periods. Until we report at least three years of profitability, we may not be able to realize the tax benefits of these deferred tax assets.

Results of Operations

We discuss our historical results of operations below, on a continuing operations basis. Past financial results are not indicative of future results.

Three Months Ended March 31, 2024 Compared to the Three Months Ended March 31, 2023

The following table sets forth a summary of our consolidated results from continuing operations for the periods indicated, and the changes between periods.

	Three Months Ended March 31,			
	2024	**2023**	**$ Change**	**% Change**
	(in thousands, except percentages)			
Revenues:				
Net premiums written	$ 63,513	$ 66,770	$ (3,257)	(5)%
Escrow, other title-related fees and other	1,071	964	107	11%
Investment, dividend and other income	1,483	1,078	405	38%
Total revenues	$ 66,067	$ 68,812	$ (2,745)	(4)%
Expenses:				
Premiums retained by agents	$ 52,391	$ 54,537	$ (2,146)	(4)%
Title examination expense	858	733	125	17%
Provision for claims	730	3,287	(2,557)	(78)%
Personnel costs	14,615	25,408	(10,793)	(42)%
Other operating expenses	10,608	11,968	(1,360)	(11)%
Total operating expenses	$ 79,202	$ 95,933	$ (16,731)	(17)%
Operating loss from continuing operations	(13,135)	(27,121)	13,986	(52)%
Other (expense) income:				
Change in fair value of Warrant and Sponsor Covered Shares liabilities	(239)	15	(254)	(1693)%
Interest expense	(6,604)	(3,971)	(2,633)	66%
Loss from continuing operations before income taxes	(19,978)	(31,077)	11,099	(36)%
Income tax expense	504	(156)	660	(423)%
Net loss from continuing operations	$ (19,474)	$ (31,233)	$ 11,759	(38)%

Revenue

Net premiums written. Net premiums written decreased by $ 3.3 million, or 5%, in the three months ended March 31, 2024 compared to the same period in the prior year, driven by a 96% decrease in premiums from our Direct Agents channel and partially offset by a 6% increase in premiums from our Third-Party Agents channel.

For the three months ended March 31, 2024 , Direct Agents premium decline was driven by the discontinuing of the Local Component. For the three months ended March 31, 2024, the increase in premiums from our Third-Party Agents channel was driven by an increase in premiums associated with new home buildings that closed during the periods.

Escrow, other title-related fees and other. Escrow, other title-related fees and other increased $ 0.1 million, or 11%, in the three months ended March 31, 2024 compared to the same period in the prior year, driven by rental income on subleases.

Investment, dividend and other income. Investment, dividend and other income increased $ 0.4 million, or 38%, in the three months ended March 31, 2024, compared to the same period in the prior year, primarily due to the higher interest rate environment creating higher returns on invested assets.

Expenses

Premiums retained by agents. Premiums retained by agents decreased by $ 2.1 million, or 4%, in the three months ended March 31, 2024 compared to the same period in the prior year. These movements were driven principally by decreases in premium. There was no material change in the average commissions paid to our Third-Party Agents.

Title examination expense. Title examination expense increased by $0.1 million, or 17% in the three months ended March 31, 2024 , compared to the same period in the prior year, due to increases in title search data provider fees.

Provision for claims. Provision for claims decreased by $ 2.6 million, or 78%, in the three months ended March 31, 2024 compared to the same period in the prior year, primarily due to a reduction in the reserve releases related to prior period policies of $1.9 million compared to reserve increases related to prior period policies of $0.4 million for the corresponding period in the prior year. Additionally, the provision for claims related to the current year decreased due to the corresponding decrease in premiums written. The provision for claims, expressed as a percentage of net premiums written, was 1.1% and 4.9% for the three months ended March 31, 2024 and 2023, respectively.

Personnel costs. Personnel costs decreased by $10.8 million, or 42%, in the three months ended March 31, 2024compared to the same period in the prior year, due to decreases in direct and indirect labor, corporate support and customer acquisition expenses from previously disclosed workforce reduction plans and the overall declines in revenue. The Company's personnel costs benefited during the quarter as a result of the workforce reduction plans.

Other operating expenses. Other operating expenses decreased by $ 1.4 million, or 11%, in the three months ended March 31, 2024compared to the same period in the prior year, primarily due to declines in IT hardware and software and insurance expenses and partially offset by increases in outside professional service fees and amortization.

Change in fair value of Warrant and Sponsor Covered Shares liabilities. The change in fair value of Warrant and Sponsor Covered Shares liabilities (as defined in Note 3) decreased by $0.3 million in the three months ended March 31, 2024 compared to the same period in the prior year, due to changes in the inputs to the valuation of the liabilities and consideration of the proposed Merger.

Interest expense. Interest expense increased by $2.6 million, or 66%, in the three months ended March 31, 2024 compared to the same period in the prior year, due to a higher amount of average debt outstanding, which is a result of the paid in kind interest expense on the $150.0 million Term Loan, and due to the amendment fee of $1.0 million, which became payable upon execution of the Hudson Fourth Amendment and was paid-in-kind and added to the principal of the Term Loan.

Supplemental Key Operating and Financial Indicators Results Discussion – Three Months Ended March 31, 2024 Compared to the Three Months Ended March 31, 2023

The following table presents our key operating and financial indicators for our continuing operations, including our non-GAAP financial measures, for the periods indicated, and the changes between periods. This discussion should be read only as a supplement to the discussion of our GAAP results above. See "—*Non-GAAP Financial Measures*" below for important information about the non-GAAP financial measures presented below and their reconciliation to the respective most closely comparable GAAP measures.

	Three Months Ended March 31,			
	2024	**2023**	**$ Change**	**% Change**
	(in thousands, except percentages)			
Retained premiums and fees	$ 13,676	$ 14,275	$ (599)	(4)%
Adjusted gross profit	7,093	4,963	2,130	43%
Ratio of adjusted gross profit to retained premiums and fees	52%	35%	17%	49%
Adjusted EBITDA	$ (5,562)	$ (12,785)	$ 7,223	(56)%

Retained premiums and fees

Retained premiums and fees decreased by $0.6 million, or 4%, during the three months ended March 31, 2024 compared to the same period in the prior year, driven by title policy declines across the Direct Agent channel and partially offset by an increase in premiums associated with new home buildings that closed during the periods.

Adjusted gross profit

Adjusted gross profit increased by $2.1 million, or 43%, during the three months ended March 31, 2024, compared to the same period in the prior year, primarily due to a decrease in the provision for claims ratio and partially offset by d eclines in retained premiums and fees.

Ratio of adjusted gross profit to retained premiums and fees

The ratio of adjusted gross profit to retained premiums and fees increased 17 percentage points during the three months ended March 31, 2024 compared to the same period in the prior year due to the decrease in the provision for claims ratio and lower direct labor as a result of the workforce reduction actions taken during the second half of 2022 and in the third quarter of 2023. An offsetting impact to the ratio of adjusted gross profit to retained premiums and fees during the three months ended March 31, 2024 was increased title examination expenses as a percentage of retained premiums and fees.

Adjusted EBITDA

Adjusted EBITDA improved by $7.2 million to negative $5.6 million for the three months ended March 31, 2024 due to the reduction in personnel and other operating expenses that are a direct result of the workforce reduction actions taken during the second half of 2022 and the third quarter of 2023 and due to decreases in provision for claims.

Non-GAAP Financial Measures

The non-GAAP financial measures described in this Quarterly Report should be considered only as supplements to results prepared in accordance with GAAP and should not be considered as substitutes for GAAP results. These measures, retained premiums and fees, adjusted gross profit, and adjusted EBITDA, have not been calculated in accordance with GAAP and are therefore not necessarily indicative of our trends or profitability in accordance with GAAP. These measures exclude or otherwise adjust for certain cost items that are required by GAAP. Further, these measures may be defined and calculated differently than similarly-titled measures reported by other companies, making it difficult to compare our results with the results of other companies. We caution investors against undue reliance on our non-GAAP financial measures as a substitute for our results in accordance with GAAP.

Management uses these non-GAAP financial measures, in conjunction with GAAP financial measures to: (i) monitor and evaluate the growth and performance of our business operations; (ii) facilitate internal comparisons of the historical operating performance of our business operations; (iii) facilitate external comparisons of the results of our overall business to the historical operating performance of other companies that may have different capital structures or operating histories; (iv) review and assess the performance of our management team and other employees; and (v) prepare budgets and evaluate strategic planning decisions regarding future operating investments.

Retained premiums and fees

The following presents our continuing operations retained premiums and fees and reconciles the measure to our gross profit, the most closely comparable GAAP financial measure, for the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Revenue	$ 66,067	$ 68,812
Minus:		
Premiums retained by agents	52,391	54,537
Retained premiums and fees	$ 13,676	$ 14,275
Minus:		
Direct labor	3,414	3,808
Provision for claims	730	3,287
Depreciation and amortization	2,985	2,862
Other direct costs (1)	2,439	2,217
Gross Profit	$ 4,108	$ 2,101

(1) Includes title examination expense, office supplies, and premium and other taxes.

Adjusted gross profit

The following table reconciles our continuing operations adjusted gross profit to our gross profit, the most closely comparable GAAP financial measure, for the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Gross Profit	$ 4,108	$ 2,101
Adjusted for:		
Depreciation and amortization	2,985	2,862
Adjusted Gross Profit	$ 7,093	$ 4,963

Adjusted EBITDA

The following table reconciles our continuing operations adjusted EBITDA to our net loss, the most closely comparable GAAP financial measure, for the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Net loss (GAAP)	$ (20,551)	$ (42,123)
Adjusted for:		
Depreciation and amortization	2,985	2,862
Interest expense	6,604	3,971
Income taxes	(504)	156
EBITDA	$ (11,466)	$ (35,134)
Adjusted for:		
Loss from discontinued operations, net of taxes	1,077	10,890
Stock-based compensation	4,703	4,993
Severance and interim salary costs	64	6,481
Change in fair value of Warrant and Sponsor Covered Shares liabilities	239	(15)
Change in fair value of Local Sales Deferred Earnout	(179)	—
Adjusted EBITDA	$ (5,562)	$ (12,785)

Liquidity and Capital Resources

We measure liquidity in terms of our ability to fund the cash requirements of our business operations, including our working capital and capital expenditure needs and other commitments. Our recurring working capital requirements relate mainly to our cash operating costs. Our capital expenditure requirements consist mainly of software development related to our Doma Intelligence platform.

We had $65.5 million in cash and cash equivalents and restricted cash, $16.6 million in held-to-maturity debt securities, and $50.4 million in available-for-sale debt securities as of March 31, 2024. The restricted net assets of Doma Title Insurance, Inc. (“DTI”), our title insurance subsidiary, are a significant proportion of the Company’s consolidated net assets. DTI and our other insurance subsidiaries are subject to regulations that restrict their ability to pay dividends or make other distributions of cash or property to their immediate parent company without prior approval from the Departments of Insurance of their respective states of domicile. As of December 31, 2023, $49.9 million of our statutory net assets are restricted from dividend payments without prior approval from the Departments of Insurance of their respective states of domicile. During 2024, our title insurance subsidiary can pay or make distributions to us of approximately $5.2 million, without prior approval.

During our financial close and forecasting process for the year ended December 31, 2023, the Company identified conditions and events such as sustained cash outflows, operating losses and insufficient cash balances that, when considered in the aggregate, raised substantial doubt about our ability to continue as a going concern. However, that doubt was alleviated through management's plans, including the HSCM Fourth Amendment and Topco Term Facility as defined in Part I, Item I Note 8 "Debt." The Company believes its unrestricted assets and the additional funding provided by the HSCM Fourth Amendment and Topco Term Facility will be sufficient to meet our working capital and capital expenditure requirements for a period of at least 12 months from the date of this Quarterly Report.

Additionally, on April 26, 2024, the South Carolina Department of Insurance approved an extraordinary dividend of $17.5 million from Doma Title Insurance, Inc., our title insurance subsidiary, to the Company.

We may need additional cash due to changing business conditions or other developments, including unanticipated regulatory developments and competitive pressures. To the extent that our current resources are insufficient to satisfy our cash requirements, we may need to seek additional equity or debt financing.

Debt

Senior secured credit agreement

In December 2020, Old Doma entered into a loan and security agreement with Hudson Structured Capital Management Ltd. (“HSCM”), providing for a $150.0 million senior secured term loan (“Loan and Security Agreement”), which was fully funded by the lenders, which are affiliates of HSCM, at its principal face value on January 29, 2021 (the “Funding Date”) and matures on the fifth anniversary of the Funding Date. The Loan and Security Agreement bears interest at a rate of 11.25% per annum, of which 5.0% is payable in cash in arrears and the remaining 6.25% accrues to the outstanding principal balance on a PIK basis. Interest is payable or compounded, as applicable, quarterly.

The Loan and Security Agreement is secured by a first-priority pledge and security interest in substantially all of the assets of our wholly owned subsidiary States Title (which represents substantially all of our assets), including the assets of any of its existing and future domestic subsidiaries (in each case, subject to customary exclusions, including the exclusion of regulated insurance company subsidiaries). The Loan and Security Agreement is subject to customary affirmative and negative covenants, including limits on the incurrence of debt and restrictions on acquisitions, sales of assets, dividends and certain restricted payments. The Loan and Security Agreement is also subject to two financial maintenance covenants, related to liquidity and revenues. The liquidity covenant requires States Title to have at least $20.0 million of liquidity, calculated as of the last day of each month, as the sum of (i) our unrestricted cash and cash equivalents and (ii) the aggregate unused and available portion of any working capital or other revolving credit facility. The revenue covenant, which is tested as of the last day of each fiscal year, requires that States Title’s consolidated GAAP revenue for the year to be greater than $130.0 million. The Loan and Security Agreement is subject to customary events of default and cure rights. As of the date of this Quarterly Report, States Title is in compliance with all Loan and Security Agreement covenants.

Upon funding, Old Doma issued penny warrants to affiliates of HSCM equal to 1.35% of Old Doma’s fully diluted shares. The warrants were net exercised on the Closing Date and such affiliates of HSCM received the right to receive approximately 0.2 million shares of our common stock.

Third Amendment to the Loan and Security Agreement

On May 19, 2023, Old Doma and certain subsidiaries of the Company, as guarantors, entered into the third amendment to the Loan and Security Agreement (the “Third Amendment”). The Third Amendment amends certain mandatory prepayment provisions related to the disposition of assets by Old Doma or any of its subsidiaries such that Old Doma is required, within five business days following the receipt of net cash proceeds from dispositions in excess of $750,000 in any fiscal year (other than certain permitted dispositions), to repay the outstanding principal amount of term loan borrowings in an amount equal to 100% of such excess net cash proceeds received by Old Doma or any of its subsidiaries from such dispositions, unless HSCM, as agent, otherwise agrees.

Fourth Amendment to the Loan and Security Agreement

Concurrently with the execution of the Merger Agreement, certain of the Company’s subsidiaries, the lenders party thereto and Hudson, as agent for such lenders, entered into the HSCM Fourth Amendment such that, among other things: (a) from the effective date of the HSCM Fourth Amendment through September 30, 2025, interest on the principal amount outstanding of the Loan and Security Agreement will accrue and capitalize and be added to the principal balance monthly at a per annum rate equal to 16.25%; (b) beginning October 1, 2025, interest on the Loan and Security Agreement will accrue at a per annum rate equal to 16.25%, (i) 10% of which shall accrue and be payable in cash monthly and (ii) the remainder of such interest shall accrue and capitalize and be added to the principal balance monthly; (c) the Company will make prepayments on the Loan and Security Agreement in an amount up to $16 million of net cash proceeds received from contingent payments earned by the Company pursuant to certain previous asset sales (but such payment shall be deferred until October 2025); (d) Subject to certain conditions, the Company will make monthly pre-payments of the Loan and Security Agreement under the Company Loan Agreement with cash on hand in excess of $7.5 million after October 1, 2025 in the event the Merger Agreement is terminated prior to the consummation of the Merger; (e) if reasonably requested by HSCM following a termination of the Merger Agreement prior to the consummation of the Merger, the Company would transfer all of its equity interests in Doma Title Insurance, Inc to a newly formed bankruptcy-remote entity and cause such equity interests to be pledged as collateral under the Company Loan Agreement; (f) the financial covenants in the Company Loan Agreement were modified, including, without limitation, the reduction of the minimum consolidated GAAP revenue financial covenant from $130 million to $50 million; and (g) the Company is permitted to incur indebtedness under the Topco Term Facility (as defined below) which indebtedness shall be senior in respect of payment and liens to the obligations under the Company Loan Agreement. In connection with the HSCM Fourth Amendment, HSCM shall be entitled to an amendment fee of $1.0 million, which fee became payable upon execution of the HSCM Fourth Amendment and was paid-in-kind and added to the Loan and Security Agreement.

Fifth Amendment to the Loan and Security Agreement

Immediately after the effectiveness of the HSCM Fourth Amendment, HSCM, certain of the Company’s subsidiaries, the lenders party thereto and Parent entered into the HSCM Fifth Amendment pursuant to which, at the closing of the Merger, HSCM will (a) accept certain consideration (as set forth in the HSCM Fifth Amendment, the “HSCM Payoff”) in full satisfaction of all indebtedness under the Company Loan Agreement and (b) release all liens securing the Company Loan Agreement. Pursuant to the HSCM Fifth Amendment, the Company’s obligation to make cash interest payments under the Company Loan Agreement shall be suspended until the earliest of (a) the termination of the Merger Agreement, (b) five business days after the End Date (as defined in the Merger Agreement), (c) the consummation of the Merger (without HSCM’s receipt of the HSCM Payoff) and (d) March 12, 2025 the (“Standstill Period”). In addition, during the Standstill Period, HSCM and the lenders have agreed not to exercise remedies with respect to certain matters that would otherwise constitute events of default under the Company Loan Agreement. If the Standstill Period ends without the consummation of the Merger (without HSCM’s receipt of the HSCM Payoff), the Company’s cash interest payment obligations under the Company Loan Agreement will be as described in the HSCM Fourth Amendment.

Topco Commitment Letter

Concurrently with the execution of the Merger Agreement, States Title and Topco, the indirect parent company of Parent, entered into the Topco Commitment Letter, pursuant to which Topco committed to provide the Topco Term Facility to States Title (with certain subsidiaries of States Title guaranteeing the obligations thereunder). The Topco Term Facility will have two tranches: (a) up to $25 million will be available to be drawn in up to three draws (each draw being for at least $5 million) between closing of the Topco Term Facility and December 31, 2024 and (b) up to $10 million will be available to be drawn in a single draw between January 1, 2025 and June 30, 2025, each tranche being subject to commitment reductions as set forth in the Topco Commitment Letter. Each loan made thereunder will mature three years after it is drawn. The Topco Term Facility will be secured by a first priority lien on substantially all of the assets of States Title and the guarantors (subject to customary exceptions), senior to all existing and future liens securing debt for borrowed money (including the liens securing the Company Loan Agreement) and will be senior in right of payment to all existing and future debt for borrowed money (including the Company Loan Agreement), in each case, subject to certain exceptions. The terms of the subordination of the Company Loan Agreement shall be substantially as set forth in the Topco Commitment Letter and will include certain prohibitions on the exercise of remedies by the lenders under the Company Loan Agreement. Interest on each loan will accrue at a rate of Term SOFR (subject to a 1.0% floor) plus 9.0% per annum and will be payable quarterly in kind. The Topco Term Facility will include a fee of 5.0% per annum on all undrawn commitments, payable quarterly in cash, and an upfront fee of 3.0% of the commitments in respect of the Topco Term Facility at closing of the Topco Term Facility, payable upon the funding or termination of such commitments. Prepayments of the Topco Term Facility (subject to certain exceptions) will be subject to customary prepayment premiums. The Topco Term Facility will also include certain information rights and other customary covenants (including affirmative, negative and financial covenants) and mandatory prepayment provisions.

For more information on the HSCM Fourth Amendment, HSCM Fifth Amendment and Topco Term Facility, refer to Part I, Item 1, Note 8 "Debt."

Other commitments and contingencies

Our commitments for leases, related to our office space and equipment, related to continuing and discontinued operations amounted to $15.8 million as of March 31, 2024 of which $4.3 million is payable in 2024. Refer to Note 17 to our condensed consolidated financial statements for a summary of our future commitments. Our headquarters lease expires in 2024. As of March 31, 2024, we did not have any other material commitments for cash expenditures.

We also administer escrow deposits as a service to customers, a substantial portion of which are held at third-party financial institutions. Such deposits are not reflected on our balance sheet, but we could be contingently liable for them under certain circumstances (for example, if we dispose of escrowed assets). Such contingent liabilities have not materially impacted our results of operations or financial condition to date and are not expected to do so in the near term.

Cash flows

The following table summarizes our cash flows for the periods indicated:

	Three Months Ended March 31,	
	2024	**2023**
	(in thousands)	
Net cash used in operating activities	$ (13,654)	$ (23,878)
Net cash provided by (used in) investing activities	7,939	26,531
Net cash provided by (used in) financing activities	—	182

Operating activities

In the first three months of 2024, net cash used in operating activities was $13.7 million driven by the net loss of $20.6 million, cash paid for liability for loss and loss adjustments expenses of $5.7 million and $2.4 million for prepaid expenses, deposits and other assets. This was offset by changes in receivables of $2.5 million and non-cash costs including stock-based compensation expense of $4.7 million, paid in kind interest expense of $5.7 million and depreciation and amortization of $3.0 million.

In the first three months of 2023, net cash used in operating activities was $23.9 million driven by the net loss of $42.1 million and cash paid for accrued expenses of $5.9 million. This was offset by changes in receivables of $11.6 million and non-cash costs including stock-based compensation expense of $5.7 million and depreciation and amortization of $3.1 million.

Investing activities

Our capital expenditures have historically consisted mainly of costs incurred in the development of the Doma Intelligence platform. Our other investing activities generally consist of transactions in fixed maturity investment securities to provide regular interest payments.

In the first three months of 2024, net cash provided by investing activities was $7.9 million, and reflected $1.1 million of purchases of investments offset by $10.5 million of proceeds from the maturity of held-to-maturity and available-for-sale investments. Cash paid for fixed assets was $1.5 million in the same period, largely consisting of technology development costs related to the Doma Intelligence platform.

In the first three months of 2023, net cash provided by investing activities was $26.5 million, and reflected $35.7 million of purchases of investments offset by $64.5 million of proceeds from the maturity of held-to-maturity investments. Cash paid for fixed assets was $2.8 million in the same period, largely consisting of technology development costs related to the Doma Intelligence platform.

Financing activities

Net cash provided by financing activities was immaterial in the first three months of 2024 and 2023.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with GAAP. Preparation of the financial statements requires management to make several judgments, estimates and assumptions relating to the reported amount of revenue and expenses, assets and liabilities and the disclosure of contingent assets and liabilities. We evaluate our significant estimates on an ongoing basis, including, but not limited to, liability for loss and loss adjustment expenses, goodwill and accrued net premiums written from Third-Party Agent referrals. We consider an accounting judgment, estimate or assumption to be critical when (1) the estimate or assumption is complex in nature or requires a high degree of judgment and (2) the use of different judgments, estimates and assumptions could have a material impact on our consolidated financial statements. Our significant accounting policies are described in Note 2 to our annual audited consolidated financial statements. Our critical accounting estimates are described below.

Liability for loss and loss adjustment expenses

Our liability for loss and loss adjustment expenses include mainly reserves for known claims as well as reserves for IBNR claims. Each known claim is reserved based on our estimate of the costs required to settle the claim.

We estimate the loss provision rate at the beginning of each year and reassess the rate at midyear as of June 30 of every year to ensure that the resulting sum of the known claim reserves, IBNR loss, and loss adjustment expense reserves included in our balance sheet together reflect our best estimate of the total costs required to settle all IBNR and known claims. However, our estimates could prove to be inadequate. Changes in expected ultimate losses and corresponding loss rates for recent policy years are considered likely and could result in a material adjustment to the IBNR reserves.

IBNR is a loss reserve that primarily reflects the sum of expected losses for unreported claims. Our IBNR reserves generally relate to the five most recent policy years. For policy years at the early stage of development (generally the last five years), IBNR is generally estimated using a combination of expected loss rate and multiplicative loss development factor calculations. For more mature policy years, IBNR generally is estimated using multiplicative loss development factor calculations. The expected loss rate method estimates IBNR by applying an expected loss rate to total title insurance premiums and escrow fees, and adjusting for policy year maturity using estimated loss development patterns. Multiplicative loss development factor calculations estimate IBNR by applying factors derived from loss development patterns to losses realized to date. The expected loss rate and loss development patterns are based on historical experience. Due to our long claim exposure, our provision for claims periodically includes amounts of adverse or positive claims development on policies issued in prior years, when claims on such policies are higher or lower than initially expected. The provision rate on prior year policies will continue to change as actual experience on those specific policy years develop. Changes in the loss provision rate for recent policy years are considered likely and could result in a material adjustment to the IBNR reserves.

The estimates used require considerable judgment and are established as management's best estimate of future outcomes, however, the amount of IBNR reserved based on these estimates could ultimately prove to be inadequate to cover actual future claims experience. We continually monitor for any events and/or circumstances that arise during the year which may indicate that the assumptions used to record the provision for claims estimate requires reassessment.

Our total loss reserve as of March 31, 2024 amounted to $76.2 million, which we believe, based on historical claims experience and actuarial analyses, is adequate to cover claim losses resulting from pending and future claims for policies issued through March 31, 2024.

A summary of the Company's loss reserves is as follows:

	March 31, 2024		December 31, 2023	
	($ in thousands)			
Known title claims	$ 3,753	5%	$ 7,139	9%
IBNR title claims	72,402	95%	74,755	91%
Total loss reserves	$ 76,155	100%	$ 81,894	100%

We continually review and adjust our reserve estimates to reflect loss experience and any new information that becomes available.

Goodwill

We have significant goodwill on our balance sheet related to acquisitions, as goodwill represents the excess of the acquisition price over the fair value of net assets acquired and liabilities assumed in a business combination. Goodwill is tested and reviewed annually for impairment on October 1 of each year, and between annual tests if events or circumstances arise that would more likely than not reduce the fair value of any one of our reporting units below its respective carrying amount. In addition, an interim impairment test may be completed upon a triggering event or when there is a reorganization of reporting structure or disposal of all or a portion of a reporting unit. As of March 31, 2024, we had $23.4 million of goodwill, relating to the North American Title Acquisition, which related to the Underwriting reporting unit.

In performing our annual goodwill impairment test, we first perform a qualitative assessment, which requires that we consider significant estimates and assumptions regarding macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, changes in management or key personnel, changes in strategy, changes in customers, changes in the composition or carrying amount of a reporting unit or other factors that have the potential to impact fair value. If, after assessing the totality of events and circumstances, we determine that it is more likely than not that the fair values of our reporting units are greater than the carrying amounts, then the quantitative goodwill impairment test is not performed, as goodwill is not considered to be impaired. However, if we determine that the fair value of a reporting unit is more likely than not to be less than its carrying value, then a quantitative assessment is performed. For the quantitative assessment, the determination of estimated fair value of our reporting units requires us to make assumptions about future discounted cash flows, including profit margins, long-term forecasts, discount rates and terminal growth rates and, if possible, a comparable market transaction model. The Company believes that its procedures for estimating future cash flows for each reporting unit are reasonable and consistent with market conditions as of the testing date. If the markets that impact the Company's business continue to deteriorate, the Company could recognize further goodwill impairment. If, based upon the quantitative assessment, the reporting unit fair value is less than the carrying amount, a goodwill impairment is recorded equal to the difference between the carrying amount of the reporting unit's goodwill and its fair value, not to exceed the carrying value of goodwill allocated to that reporting unit, and a corresponding impairment loss is recorded in the consolidated statements of operations.

We did not identify any events, changes in circumstances, or triggering events since the performance of our last goodwill impairment test as of October 1, 2023 that would require us to perform an interim goodwill impairment test during the quarter.

Accrued net premiums written from Third-Party Agent referrals

We recognize revenues on title insurance policies issued by Third-Party Agents when notice of issuance is received from Third-Party Agents, which is generally when cash payment is received. In addition, we estimate and accrue for revenues on policies sold but not reported by Third-Party Agents as of the relevant balance sheet closing date. This accrual is based on historical transactional volume data for title insurance policies that have closed and were not reported before the relevant balance sheet closing, as well as trends in our operations and in the title and housing industries. There could be variability in the amount of this accrual from period to period and amounts subsequently reported to us by Third-Party Agents may differ from the estimated accrual recorded in the preceding period. If the amount of revenue subsequently reported to us by Third-Party Agents is higher or lower than our estimate, we record the difference in revenue in the period in which it is reported. The time lag between the closing of transactions by Third-Party Agents and the reporting of policies, or premiums from policies issued by Third-Party Agents to us has been approximately three months. In addition to the premium accrual, we also record accruals for the corresponding direct expenses related to this revenue, including premiums retained by Third-Party Agents, premium taxes, and provision for claims.

New Accounting Pronouncements

For information about recently issued accounting pronouncements, refer to Note 2 to our condensed consolidated financial statements included elsewhere in this filing.

Emerging Growth Company Accounting Election

Section 102(b)(1) of the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's condensed financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

Our principal market risk is interest rate risk because our results of operations can vary due to changes in interest rates. In a declining interest rate environment, we would expect our results of operations to be positively impacted by higher loan refinancing activity. However, in a rising interest rate environment, we would expect our results of operations to be negatively impacted by lower loan refinancing activity. We would expect both of these scenarios to be mitigated by home purchase loan activity. Fluctuations in interest rates may also impact the interest income earned on floating-rate investments and the fair value of our fixed-rate investments. An increase in interest rates decreases the market value of fixed-rate investments. Conversely, a decrease in interest rates increases the fair market value of fixed-rate investments.

Additionally, we analyze potential changes in the value of our investment portfolio due to the market risk factors noted above within the overall context of asset and liability management. A technique we use in the management of our investment portfolio is the calculation of duration. Our actuaries estimate the payout pattern of our reserve liabilities to determine their duration, which is the present value of the weighted average payments expressed in years. We then establish a target duration for our investment portfolio so that at any given time the estimated cash generated by the investment portfolio will closely match the estimated cash required for the payment of the related reserves or for operations. We structure the investment portfolio to meet the target duration to achieve the required cash flow, based on liquidity and market risk factors.

The Company's debt security portfolio is subject to credit risk. For further information on the credit quality of the Company's investment portfolio at March 31, 2024, see Note 4 to the consolidated financial statements.

The Company also has credit risk related to the ability of reinsurance counterparties to honor their obligations to pay the contract amounts under our reinsurance programs and the ability of sublessees to honor their obligations to pay the contract amounts under our subleases. For information on our reinsurance programs, see Note 2 and Note 17 to the consolidated financial statements.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of March 31, 2024. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2024, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter covered by this Quarterly Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

In the ordinary course of business, the Company is, or may become, involved in various pending or threatened litigation matters related to our operations, some of which may include claims for punitive or exemplary damages. For our business, customary litigation includes, but is not limited to, cases related to title and escrow claims, for which we make provisions through our loss reserves. Further, ordinary course litigation may include class action and purported class action lawsuits.

For additional information regarding legal proceedings, see Part I, Item 3. “Legal Proceedings” in our annual report on Form 10-K for the year ended December 31, 2023 (the “Annual Report”). See also the information set forth in Note 12 “Legal Matters” contained in Part I, Item 1 “Financial Information” of this Quarterly Report.

Item 1A. Risk Factors

Factors that could cause our actual results to differ materially from those in this Quarterly Report include the risk factors described in Part I, Item 1A “Risk Factors” in our Annual Report. As of the date of this Quarterly Report, there have been no material changes to the risk factors disclosed in the Annual Report. We may face additional risks and uncertainties that are not presently known to us or that we currently deem immaterial, which may also impair our business or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Equity Securities

None

Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None of the Company’s directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company’s fiscal quarter ended March 31, 2024, as such terms are defined under Item 408(a) of Regulation S-K.

Item 6. Exhibits.

The exhibits listed on the Exhibit Index to this Quarterly Report on Form 10-Q are filed herewith or incorporated by reference herein:

Exhibit	Description
2.3	Agreement and Plan of Merger, dated March 28, 2024, by and among Doma Holdings, Inc., RE Closing Buyer Corp. and RE Closing Merger Sub Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on March 29, 2024).
10.1	Voting and Support Agreement, dated March 28, 2024, by and among RE Closing Buyer Corp., Doma Holdings, Inc., LENX ST Investor, LLC and Len FW Investor, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 29, 2024).
10.2	Agreement and Fourth Amendment to Loan and Security Agreement, dated March 28, 2024, by and among by States Title Holding, Inc., the Guarantors party thereto, the Lenders party thereto, and Hudson Structured Capital Management Ltd. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 29, 2024).
10.3	Agreement and Fifth Amendment to Loan and Security Agreement, dated March 28, 2024, by and among by States Title Holding, Inc., the Guarantors party thereto, the Lenders party thereto, Hudson Structured Capital Management Ltd. and RE Closing Buyer Corp. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on March 29, 2024).
10.4	Commitment Letter, dated March 28, 2024, by and between States Title Holding, Inc. and Closing Parent Holdco, L.P. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on March 29, 2024).
31.1*	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.
** Furnished herewith.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DOMA HOLDINGS, INC.

By: /s/ Max Simkoff

Name: Max Simkoff

Date: May 13, 2024

Title: Chief Executive Officer

(Principal Executive Officer)

DOMA HOLDINGS, INC.

By: /s/ Mike Smith

Name: Mike Smith

Date: May 13, 2024

Title: Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Max Simkoff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Doma Holdings, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 13, 2024

By: /s/ Max Simkoff
Max Simkoff
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Mike Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Doma Holdings, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 13, 2024

By: /s/ Mike Smith
Mike Smith
Chief Financial Officer
(Principal Financial Officer &
Principal Accounting Officer)

Exhibit 32.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Doma Holdings, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Max Simkoff, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 13, 2024

By: /s/ Max Simkoff
Max Simkoff
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Doma Holdings, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mike Smith, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

May 13, 2024

By: /s/ Mike Smith
Mike Smith
Chief Financial Officer
*(Principal Financial Officer &
Principal Accounting Officer)*