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

FORM 8-K/A

(Amendment No. 1)
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 28, 2021

DOMA HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	001-39754	84-1956909
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

101 Mission Street, Suite 740
San Francisco, California 94105
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **650-419-3827**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 to purchase common stock	**DOMA.WS**	**The New York Stock Exchange**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Introductory Note

On August 3, 2021, Doma Holdings, Inc., a Delaware corporation ("New Doma") (f/k/a Capitol Investment Corp. V), filed a Current Report on Form 8-K (the "Original Report") to report, among other events, the Closing and related matters under Items 1.01, 2.01, 3.02, 3.03, 4.01, 5.01, 5.02, 5.03, 5.05, 5.06 and 9.01 of Form 8-K.

This Amendment No. 1 to Form 8-K is being filed to amend the Original Report to include additional matters related to the Transactions under Item 9.01 of Form 8-K, including (i) to amend the information provided under Item 9.01(a) in the Original Report to include the unaudited consolidated financial statements of Doma for the three and six months ended June 30, 2021 and 2020 and the related notes thereto and the related Management's Discussion and Analysis of Financial Condition and Results of Operations for Doma as of June 30, 2021 and for the three and six months ended June 30, 2021 and 2020, and (ii) to include the unaudited pro forma condensed combined financial information of the Company as of and for the six months ended June 30, 2021 and the year ended December 31, 2020 under Item 9.01(b).

This Amendment No. 1 does not amend any other item of the Original Report or purport to provide an update or a discussion of any developments at the Company or its subsidiaries subsequent to the filing date of the Original Report. The information previously reported in or filed with the Original Report is hereby incorporated by reference to this Form 8-K/A. Capitalized terms used but not defined herein have the meanings given to such terms in the Original Report.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The unaudited consolidated financial statements of Doma as of June 30, 2021 and December 31, 2020 and for the three and six months ended June 30, 2021 and 2020 are filed as Exhibit 99.1 to this Amendment No. 1 and are incorporated herein by reference.

Management's Discussion and Analysis of Financial Condition and Results of Operations for Doma for the three and six months ended June 30, 2021 and 2020 is filed as Exhibit 99.2 to this Amendment No. 1 and is incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed combined financial information of New Doma as of and for the six months ended June 30, 2021 and for the year ended December 31, 2020 is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

(d) Exhibits.

Exhibit	Description
99.1	Unaudited condensed consolidated financial statements of Doma as of June 30, 2021 and December 31, 2020 and for the three and six months ended June 30, 2021 and 2020.
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for Doma as of June 30, 2021 and for the three and six months ended June 30, 2021 and 2020.
99.3	Unaudited Pro Forma Condensed Combined Financial Information.

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 hereunto duly authorized.

DOMA HOLDINGS, INC.

By: /s/ Noaman Ahmad

Name: Noaman Ahmad

Title: Chief Financial Officer

Date: August 12, 2021

DOMA HOLDINGS, INC.

INDEX TO FINANCIAL STATEMENTS

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

(In thousands, except share information)	June 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 158,542	$ 111,893
Restricted cash	1,707	129
Investments:		
Fixed maturities		
Held-to-maturity debt securities, at amortized cost	84,181	65,406
Available-for-sale debt securities, at fair value (amortized cost $7,139 at December 31, 2020)	—	8,057
Equity securities, at fair value (cost $2,000 at December 31, 2020)	—	2,119
Mortgage loans	2,936	2,980
Total Investments	$ 87,117	$ 78,562
Receivables, net	13,386	15,244
Prepaid expenses, deposits and other assets	18,988	7,365
Fixed assets, net	29,303	21,661
Title plants	13,952	14,008
Goodwill	111,487	111,487
Trade names	—	2,684
Total Assets	$ 434,482	$ 363,033
Liabilities and Stockholders' Equity		
Accounts payable	$ 8,013	$ 6,626
Accrued expenses and other liabilities	38,407	33,044
Senior first lien note, net of debt issuance costs and original issue discount	135,730	—
Loan from a related party	—	65,532
Liability for loss and loss adjustment expenses	74,706	69,800
Total Liabilities	$ 256,856	$ 175,002
Commitments and contingencies (see Note 11)		
Stockholders' Equity:		
Series A preferred stock, 0.0001 par value; 7,295,759 shares authorized; 7,295,759 shares issued and outstanding as of June 30, 2021 and December 31, 2020	$ 1	$ 1
Series A-1 preferred stock, 0.0001 par value; 12,975,006 shares authorized; 12,975,006 and 8,159,208 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	1	1
Series A-2 preferred stock, 0.0001 par value; 2,335,837 shares authorized; 2,335,837 shares issued and outstanding as of June 30, 2021 and December 31, 2020	—	—
Series B preferred stock, 0.0001 par value; 2,642,036 shares authorized; 2,642,036 shares issued and outstanding as of June 30, 2021 and December 31, 2020	—	—
Series C preferred stock, 0.0001 par value; 10,755,377 shares authorized; 10,119,484 shares issued and outstanding as of June 30, 2021 and December 31, 2020	1	1
Common stock, 0.0001 par value; 54,000,000 shares authorized; 11,010,181 and 10,480,902 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	1	1
Additional paid-in capital	291,802	266,464
Accumulated deficit	(114,180)	(79,123)
Accumulated other comprehensive income	—	686
Total Stockholders' Equity	$ 177,626	$ 188,031
Total Liabilities and Stockholders' Equity	$ 434,482	$ 363,033

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

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

(In thousands, except share and per share information)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenues:				
Net premiums written [(1)]	$ 109,271	$ 86,334	$ 217,263	$ 143,151
Escrow, other title-related fees and other	20,065	13,382	38,640	26,556
Investment, dividend and other income	650	707	1,879	1,525
Total revenues	$ 129,986	$ 100,423	$ 257,782	$ 171,232
Expenses:				
Premiums retained by third-party agents [(2)]	$ 65,181	$ 56,006	$ 135,519	$ 89,108
Title examination expense	5,500	3,322	10,353	7,187
Provision for claims	6,807	3,040	10,055	4,823
Personnel costs	53,954	32,737	97,419	68,455
Other operating expenses	17,181	10,286	31,347	20,926
Total operating expenses	$ 148,623	$ 105,391	$ 284,693	$ 190,499
Loss from operations	$ (18,637)	$ (4,968)	$ (26,911)	$ (19,267)
Interest expense	4,451	1,123	7,810	3,235
Loss before income taxes	$ (23,088)	$ (6,091)	$ (34,721)	$ (22,502)
Income tax expense	211	241	336	416
Net loss	$ (23,299)	$ (6,332)	$ (35,057)	$ (22,918)
Earnings Per Share:				
Net loss per share attributable to Doma Holdings, Inc. shareholders - basic and diluted	$ (2.00)	$ (0.64)	$ (3.06)	$ (2.24)
Weighted average shares outstanding Doma Holdings, Inc. common stock - basic and diluted	11,667,266	9,950,920	11,457,724	10,231,489

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

---

(1) Net premiums written includes revenues from a related party of $27.0 million and $24.3 million during the three months ended June 30, 2021 and 2020, respectively. Net premiums written includes revenues from a related party of $51.6 million and $41.3 million during the six months ended June 30, 2021 and 2020, respectively (see Note 10).

(2) Premiums retained by third-party agents includes expenses associated with a related party of $22.0 million and $19.7 million during the three months ended June 30, 2021 and 2020, respectively. Premiums retained by third-party agents includes expenses associated with a related party of $41.8 million and $33.6 million during the six months ended June 30, 2021 and 2020, respectively (see Note 10).

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

(In Thousands)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Net loss	$ (23,299)	$ (6,332)	$ (35,057)	$ (22,918)
Other comprehensive income, net of tax				
Unrealized loss on available-for-sale debt securities, net of tax	—	(505)	(179)	(496)
Reclassification adjustment for realized gain on sale of available-for-sale debt securities, net of tax	—	—	(507)	—
Comprehensive loss	$ (23,299)	$ (6,837)	$ (35,743)	$ (23,414)

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

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

(In thousands, except share information)	Preferred Stock Series A		Preferred Stock Series A-1		Preferred Stock Series A-2		Preferred Stock Series B		Preferred Stock Series C		Common Stock		Additional Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, January 1, 2020	7,295,759	$ 1	8,159,208	$ 1	2,335,837	$ —	2,642,036	$ —	4,270,182	$ —	10,374,044	$ 1	$ 192,852	$ (44,020)	$ 510	$ 149,345
Issuance of Series C preferred stock, net of financing costs	—	—	—	—	—	—	—	—	5,849,302	1	—	—	70,701	—	—	70,702
Exercise of stock options	—	—	—	—	—	—	—	—	—	—	63,089	—	24	—	—	24
Stock-based compensation expenses	—	—	—	—	—	—	—	—	—	—	—	—	308	—	—	308
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(16,586)	—	(16,586)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	9	9
Balance, March 31, 2020	7,295,759	$ 1	8,159,208	$ 1	2,335,837	$ —	2,642,036	$ —	10,119,484	$ 1	10,437,133	$ 1	$ 263,885	$ (60,606)	$ 519	$ 203,802
Exercise of stock options	—	—	—	—	—	—	—	—	—	—	(98,468)	—	27	—	—	27
Stock based compensation expense	—	—	—	—	—	—	—	—	—	—	—	—	282	—	—	282
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(6,332)	—	(6,332)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(505)	(505)
Balance, June 30, 2020	7,295,759	$ 1	8,159,208	$ 1	2,335,837	$ —	2,642,036	$ —	10,119,484	$ 1	10,338,665	$ 1	$ 264,194	$ (66,938)	$ 14	$ 197,274

(In thousands, except share information)	Preferred Stock Series A		Preferred Stock Series A-1		Preferred Stock Series A-2		Preferred Stock Series B		Preferred Stock Series C		Common Stock		Additional Paid-in-Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, January 1, 2021	7,295,759	$ 1	8,159,208	$ 1	2,335,837	$ —	2,642,036	$ —	10,119,484	$ 1	10,480,902	$ 1	$ 266,464	$ (79,123)	$ 686	$ 188,031
Exercise of stock options	—	—	—	—	—	—	—	—	—	—	439,945	—	1,267	—	—	1,267
Stock-based compensation expenses	—	—	—	—	—	—	—	—	—	—	—	—	2,289	—	—	2,289
Original issue discount on Hudson debt	—	—	—	—	—	—	—	—	—	—	—	—	18,519	—	—	18,519
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(11,758)	—	(11,758)
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(686)	(686)
Balance, March 31, 2021	7,295,759	$ 1	8,159,208	$ 1	2,335,837	$ —	2,642,036	$ —	10,119,484	$ 1	10,920,847	$ 1	$ 288,539	$ (90,881)	$ —	$ 197,662
Exercise of stock options	—	—	—	—	—	—	—	—	—	—	89,334	—	109	—	—	109
Stock based compensation expense	—	—	—	—	—	—	—	—	—	—	—	—	2,967	—	—	2,967
Exercise of stock warrants	—	—	4,815,798	—	—	—	—	—	—	—	—	—	187	—	—	187
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(23,299)	—	(23,299)
Balance, June 30, 2021	7,295,759	$ 1	12,975,006	$ 1	2,335,837	$ —	2,642,036	$ —	10,119,484	$ 1	11,010,181	$ 1	$ 291,802	$ (114,180)	$ —	$ 177,626

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

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

(In thousands)	Six months ended June 30, 2021	2020
Cash flow from operating activities:		
Net loss	$ (35,057)	$ (22,918)
Adjustments to reconcile net loss to net cash used in operating activities:		
Interest expense - paid in kind	3,929	3,602
Depreciation and amortization	5,727	2,016
Stock-based compensation expenses	5,256	590
Amortization of debt issuance costs and original issue discount	899	—
Provision for doubtful accounts	477	267
Deferred income taxes	250	349
Realized gain on available for sale debt securities	(678)	—
Net unrealized loss on equity securities	119	150
Loss (gain) on disposal of fixed assets and title plants	8	(382)
Accretion of discounts on held-to-maturity securities	506	201
Change in operating assets and liabilities:		
Accounts receivable	1,142	2,579
Prepaid expenses, deposits and other assets	(11,626)	(1,849)
Accounts payable	1,387	3,060
Accrued expenses and other liabilities	5,346	(7,030)
Liability for loss and loss adjustments expenses	4,906	(109)
Net cash used in operating activities	$ (17,409)	$ (19,474)
Cash flow from investing activities:		
Proceeds from sales and maturities of investments: Held-to-maturity	$ 14,149	$ 8,898
Proceeds from sales and maturities of investments: Available-for-sale	7,817	—
Proceeds from sales of investments: Equity securities	2,000	—
Proceeds from sales and maturities of investments: Mortgage loans	45	365
Purchases of investments: Held-to-maturity	(33,430)	(53,198)
Purchases of investments: Equity securities	—	(1,000)
Proceeds from sales of fixed assets	307	123
Purchases of fixed assets	(10,944)	(7,687)
Proceeds from sale of title plants and dividends from title plants	239	1,183
Net cash used in investing activities	$ (19,817)	$ (51,316)
Cash flow from financing activities:		
Proceeds from issuance of Series C preferred stock, net of financing costs	$ —	$ 70,701
Proceeds from issuance of senior first lien note	150,000	—
Payments on loan from a related party	(65,532)	(27,622)
Debt issuance costs	(579)	—
Exercise of stock warrants	49	—
Exercise of stock options	1,515	51
Net cash provided by financing activities	$ 85,453	$ 43,130
Net change in cash and cash equivalents and restricted cash	48,227	(27,660)
Cash, cash equivalents and restricted cash at the beginning period	112,022	141,668
Cash and cash equivalents and restricted cash at the end of period	$ 160,249	$ 114,008
Supplemental cash flow disclosures:		
Cash paid for interest	$ 3,407	$ —
Supplemental disclosure of non-cash investing activities:		
Unrealized loss on available-for-sale debt securities	$ (179)	$ (496)
Supplemental disclosure of non-cash financing activities:		
Issuance of penny warrants related to the senior first lien note	$ 18,519	$ —

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

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

(Amounts in thousands, unless otherwise noted)

1. Organization and business operations

Doma Holdings, Inc. (the “Company,” “Doma,” “we,” “us” or “our”) was referred to as States Title, Inc. prior to the North American Title Acquisition and as States Title Holding, Inc. (which changed its name to Doma Holdings, Inc. on March 1, 2021) after the North American Title Acquisition.

Headquartered in San Francisco, CA, 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. We are licensed to underwrite title insurance in 39 states and the District of Columbia.

The Company 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”). We completed the acquisition of the Acquired Business on January 7, 2019 (the "Close Date"), which we refer hereinafter as the “North American Title Acquisition.” Doma survived the North American Title Acquisition as the parent company and now wholly owns the businesses operated by Legacy States Title and the Acquired Business.

We conduct our operations through two reportable segments, (1) Distribution and (2) Underwriting. See further discussion in Note 6 for additional information regarding segment information.

2. Summary of significant accounting policies

Basis of presentation

The accompanying condensed consolidated balance sheet as of June 30, 2021 and the condensed consolidated statements of operations, condensed consolidated statements of comprehensive loss, and condensed consolidated statements of changes in stockholders’ equity for the three and six months ended June 30, 2021 and 2020 and the condensed consolidated statements of cash flows for the six months ended June 30, 2021 and 2020 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 June 30, 2021 and its results of operations, including its comprehensive income, and stockholders’ equity for the three and six months ended June 30, 2021 and 2020 and cash flows for the three months ended June 30, 2021 and 2020. All adjustments are of a normal recurring nature. The results for the three and six months ended June 30, 2021 are not necessarily indicative of the results to be expected for any subsequent quarter or for the fiscal year ending December 31, 2021. These unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and related notes.

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 referrals and the valuations of stock-based compensation arrangements.

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 or six months ended June 30, 2021 and 2020. In February 2020, we sold a title plant for a total sale price of $3.2 million, including a realized gain of $0.2 million.

Reinsurance

The Company utilizes excess of loss and quota share reinsurance programs to limit its maximum loss exposure by reinsuring certain risks with other insurers. The Company has two reinsurance treaties: Excess of Loss Treaty and Quota Share Treaty.

Under the Excess of Loss Treaty, we cede liability over $15 million on all files. Excess of loss reinsurance coverage protects the Company from a large loss from a single loss occurrence. The Excess of Loss Treaty provides for ceding liability above the retention of $15 million for all policies up to a liability cap of $500 million.

Under the Quota Share Treaty, during the period from January 1, 2021 to February 23, 2021 the Company ceded 100% of its instant underwriting policies. Effective February 24, 2021, the Company cedes 25% of the written premium on our instantly underwritten policies, instead of 100%. During the three months ended June 30, 2020, the Company ceded 100% of its instant underwriting policies.

Payments and recoveries on reinsured losses for the Company’s title insurance business were immaterial during the three and six month periods ended June 30, 2021 and 2020.

Income taxes

Our effective tax rate for the six months ended June 30, 2021 and 2020 was (1)% as a result of our recording a full valuation allowance 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 December 31, 2020, 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 June 30, 2021 and December 31, 2020 of $1.0 million and $1.0 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 2017 through 2019 tax years remain open to federal and state tax examinations. The Company believes that as of June 30, 2021 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 June 30, 2021.

Concentration of credit risk

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

Coronavirus outbreak

The COVID-19 global pandemic has caused national and global economic and financial market disruptions. On the onset of the pandemic, the Company braced and anticipated uncertain disruption to our business. Our results from operations for the three and six months ended June 30, 2021, show that the Company's performance from operations was not adversely impacted in a material manner. The Company continues to monitor and react to business disruptions caused by the pandemic but we cannot predict with certainty the duration of the pandemic or its impact on the Company's financial condition and results of operations, as well as business operations and workforce.

Emerging Growth Company and Smaller Reporting Company

Subsequent to the Business Combination described in Note 15, 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, subsequent to the Business Combination described in Note 15, 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 or six months ended June 30, 2021.

Recently issued but not adopted accounting pronouncements

In June 2016, the FASB issued ASU No. 2016-13 Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326). The amendments in this and the related ASUs introduce broad changes to accounting for credit impairment of financial instruments. The primary updates include the introduction of a new current expected credit loss ("CECL") model that is based on expected rather than incurred losses and amendments to the accounting for impairment of held-to-maturity securities and available-for-sale securities. The amendments in this update are effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For all other entities, the amendment is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We are finalizing the effect this new guidance will have on our consolidated financial statements and related disclosures. Based on our implementation analysis performed, we have concluded that the overall effect of Topic 326 is not expected to be material to the consolidated financial statements upon adoption. We have not early adopted this standard.

In February 2016, the FASB issued ASU 2016-02, Leases ("ASU 2016-02"), which provides guidance for accounting for leases. ASU 2016-02 requires lessees to classify leases as either finance or operating leases and to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of the lease classification. The lease classification will determine whether the lease expense is recognized based on an effective interest rate method or on a straight-line basis over the term of the lease. The amendments in this update are effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. In June 2020, the FASB issued ASU 2020-05, Revenue From Contracts With Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, which extended the adoption date of ASU 2016-02 for all other entities. Under ASU 2020-05, the effective date for adoption of ASU 2016-02 is fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Accounting for lessors remains largely unchanged from current U.S. GAAP. ASU 2016-02 will be effective for the Company’s fiscal year beginning January 1, 2022 and subsequent interim periods. The Company is currently evaluating the impact the adoption of ASU 2016-02 will have on the Company's financial statements, however management currently believes that the adoption will not have a significant impact on the Company's financial position and results of operations.

3. 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:

	June 30, 2021				December 31, 2020			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate debt securities[1]	$ 77,355	$ 995	$ (51)	$ 78,299	$ 57,651	$ 994	$ (53)	$ 58,592
U.S. Treasury securities	6,589	16	(1)	6,604	7,519	54	—	7,573
Certificates of deposit	237	—	—	237	236	—	—	236
Total	$ 84,181	$ 1,011	$ (52)	$ 85,140	$ 65,406	$ 1,048	$ (53)	$ 66,401

(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 $4.9 million and $5.1 million were on deposit with various governmental authorities at June 30, 2021 and December 31, 2020, respectively, as required by law.

The change in net unrealized gains and losses on held-to-maturity debt securities for the six months ended June 30, 2021 and 2020 was $(0.1) million and $0.2 million, respectively.

The following table reflects the composition of net realized gains or losses and corresponding proceeds for the sales of the securities for each of the periods shown below:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Realized gains (losses):				
Held-to-maturity debt securities:				
Gains	$ —	$ —	$ 65	$ 15
Losses	—	—	(11)	—
Net	$ —	$ —	$ 54	$ 15
Proceeds from sales	$ —	$ —	$ 3,048	$ 1,504

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

	June 30, 2021			
Maturity	Amortized Cost	% of Total	Fair Value	% of Total
One year or less	$ 17,239	20 %	$ 17,330	20 %
After one year through five years	$ 66,942	80 %	$ 67,810	80 %
	$ 84,181	100 %	$ 85,140	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:

	June 30, 2021				December 31, 2020			
	Corporate debt securities	U.S. Treasury securities	Certificate of deposits	Total	Corporate debt securities	U.S. Treasury securities	Certificate of deposits	Total
Less than 12 months								
Fair value	$ 4,717	$ 1,458	$ —	$ 6,175	$ 8,464	$ 5,181	$ —	$ 13,645
Unrealized losses	$ (43)	$ (1)	$ —	$ (44)	$ (53)	$ —	$ —	$ (53)
Greater than 12 months								
Fair value	$ 658	$ —	$ —	$ 658	$ —	$ —	$ —	$ —
Unrealized losses	$ (8)	$ —	$ —	$ (8)	$ —	$ —	$ —	$ —
Total								
Fair value	$ 5,375	$ 1,458	$ —	$ 6,833	$ 8,464	$ 5,181	$ —	$ 13,645
Unrealized losses	$ (51)	$ (1)	$ —	$ (52)	$ (53)	$ —	$ —	$ (53)

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:

	December 31, 2020			
	Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Corporate debt securities(1)	$ 7,139	$ 918	$ —	$ 8,057
Total	$ 7,139	$ 918	$ —	$ 8,057

(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 six months ended June 30, 2021 and 2020 was $(0.9) million and $(0.7) million, respectively. The Company disposed all available-for-sale debt securities in the three months ended March 31, 2021 and therefore had no unrealized gain or loss as of June 30, 2021 and no change in net unrealized gains on available-for-sale debt securities for the three months ended June 30, 2021. The change in net unrealized gains on available-for sale debt securities for the three months ended June 30, 2020 was $(0.6) million. Any unrealized holding gains or losses on available-for-sale debt securities as of December 31, 2020 are reported as accumulated other comprehensive gain or loss, which is a separate component of stockholders' equity, net of tax, until realized.

The following table reflects the composition of net realized gains or losses and corresponding proceeds for the sales of the securities:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Realized gains (losses):				
Available-for-sale debt securities:				
Gains	$ —	$ —	$ 768	$ —
Losses	$ —	$ —	$ (90)	$ —
Net	$ —	$ —	$ 678	$ —
Proceeds from sales	$ —	$ —	$ 7,817	$ —

Equity securities

The cost and estimated fair value of equity securities are as follows:

	June 30, 2021		December 31, 2020	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Preferred stocks	$ —	$ —	$ 2,000	$ 2,119
Total	$ —	$ —	$ 2,000	$ 2,119

The Company disposed of all equity securities in the three months ended March 31, 2021.

Mortgage loans

The mortgage loans portfolio as of June 30, 2021 is comprised entirely of standard residential mortgage loans. During the six months ended June 30, 2021, the Company did not purchase any new mortgage loans.

Mortgage loans, which include contractual terms to maturity, 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 cost and estimated fair value of mortgage loans are as follows:

	June 30, 2021		December 31, 2020	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Mortgage loans	$ 2,936	$ 2,936	$ 2,980	$ 2,980
Total	$ 2,936	$ 2,936	$ 2,980	$ 2,980

Investment income

Investment income from securities, inclusive of realized gains (losses), consists of the following:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Available-for-sale debt securities	$ —	$ 91	$ 773	$ 204
Held-to-maturity debt securities	570	252	964	522
Equity investments	—	111	(89)	(110)
Mortgage loans	45	46	91	102
Other	1	22	61	153
Total	$ 616	$ 522	$ 1,800	$ 871

Accrued interest receivable

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

	June 30, 2021	December 31, 2020
Corporate debt securities	$ 1,055	$ 641
U.S. Treasury securities	35	45
Accrued interest receivable on investment securities	$ 1,090	$ 686
Mortgage loans	21	43
Accrued interest receivable on investments	$ 1,111	$ 729

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 investments at fair value. The observability of inputs is impacted by a number of factors, including the type of investment, characteristics specific to the investment, 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).

Investments with readily available quoted prices or for which fair value can be measured from quoted prices in active markets will typically have a higher degree of input observability and a lesser degree of judgment applied in determining fair value.

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

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

Level 2 Pricing inputs are other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. Level 2 pricing inputs include quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, inputs other than quoted prices that are observable for the investment, 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 investment. The inputs used in determination of fair value require significant judgment and estimation.

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

The following table summarizes the Company's investments that were measured at fair value:

	Assets					
	Corporate debt securities	U.S Treasury securities	Mortgage loans	Preferred stocks	Certificate of deposits	Total
June 30, 2021						
Level 1	$ —	$ 6,604	$ —	$ —	$ —	$ 6,604
Level 2	78,299	—	—	—	237	78,536
Level 3	—	—	2,936	—	—	2,936
Total	$ 78,299	$ 6,604	$ 2,936	$ —	$ 237	$ 88,076
December 31, 2020						
Level 1	$ —	$ 7,573	$ —	$ 2,119	$ —	$ 9,692
Level 2	66,649	—	—	—	236	66,885
Level 3	—	—	2,980	—	—	2,980
Total	$ 66,649	$ 7,573	$ 2,980	$ 2,119	$ 236	$ 79,557

There were no transfers of investments between Level 1 and Level 2 during the three or six months ended June 30, 2021 and the year ended December 31, 2020. There were no transfers involving Level 3 assets during the three or six months ended June 30, 2021 and the year ended December 31, 2020.

Cash and cash equivalents, restricted cash, receivables, 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 the financial instruments.

4. Revenue recognition

Disaggregation of revenue

Our revenue consists of:

Revenue Stream	Statement of Operations Classification	Segment	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
			Total Revenue			
Revenue from insurance contracts:						
Direct Agent title insurance premiums	Net premiums written	Underwriting	$ 31,281	$ 19,022	$ 55,854	$ 36,253
Direct Agent title insurance premiums	Net premiums written	Elimination	(110)	—	(880)	—
Third-Party Agent title insurance premiums	Net premiums written	Underwriting	78,100	67,312	162,289	106,898
Total revenue from insurance contracts			$ 109,271	$ 86,334	$ 217,263	$ 143,151
Revenue from contracts with customers:						
Escrow fees	Escrow, title-related and other fees	Distribution	$ 15,755	$ 9,245	$ 29,135	$ 17,875
Other title-related fees and income	Escrow, title-related and other fees	Distribution	30,533	20,138	54,798	39,075
Other title-related fees and income	Escrow, title-related and other fees	Underwriting	389	293	1,798	598
Other title-related fees and income	Escrow, title-related and other fees	Elimination(1)	(26,612)	(16,294)	(47,091)	(30,992)
Total revenue from contracts with customers			$ 20,065	$ 13,382	$ 38,640	$ 26,556
Other revenue:						
Interest and investment income (2)	Investment, dividend and other income	Distribution	37	149	87	272
Interest and investment income (2)	Investment, dividend and other income	Underwriting	540	386	991	853
Realized gains and losses, net	Investment, dividend and other income	Distribution	—	166	(4)	382
Realized gains and losses, net	Investment, dividend and other income	Underwriting	73	6	805	18
Total other revenues			650	707	1,879	1,525
Total revenues			$ 129,986	$ 100,423	$ 257,782	$ 171,232

(1) Premiums retained by Direct Agents are recognized as income to the Distribution segment, and expense to the Underwriting segment. Upon consolidation, the impact of these internal segment transactions is eliminated. See Note 6. 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.

5. Liability for loss and loss adjustment expenses

A summary of the changes in the liability for loss and loss adjustment expenses for the six months ending June 30, 2021 and 2020 is as follows:

	June 30, 2021	June 30, 2020
Beginning balance	$ 69,800	$ 62,758
Provision for claims related to:		
Current year	$ 14,516	$ 8,533
Prior years	(4,461)	(3,710)
Total provision for claims	$ 10,055	$ 4,823
Paid losses related to:		
Current year	$ (1,554)	$ (1,139)
Prior years	(3,595)	(3,794)
Total paid losses	$ (5,149)	$ (4,933)
Ending balance	$ 74,706	$ 62,648
Provision for claims as a percentage of net written premiums	4.6 %	3.4 %

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.

For the six months ended June 30, 2021, the provision for claims reserve release related to prior years of $4.5 million is due to expected loss emergence being lower than prior expectations. Historically, our 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 2017-2020. For the six months ended June 30, 2020, the provision for claims reserve release related to prior years of $3.7 million is due to reported loss emergence which was lower than expected. This resulted in a decrease in the projection of ultimate loss primarily for policy years 2017-2019. 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 six months ended June 30, 2021 and 2020, the Company’s actual claims experience reflects lower loss ratios than industry benchmarks from a current positive underwriting cycle and resulted in the favorable development.

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

The liability for loss and loss adjustment expenses of $74.7 million and $69.8 million, as of June 30, 2021 and December 31, 2020, respectively, includes $0.2 and $0.7 million, respectively, of reserves for the settlement of claims which the Company has deemed to be directly related to its escrow or agent related activities. The reserves for the settlement of claims related to escrow or agent related activities are not actuarially determined.

6. Segment information

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

- Distribution: Our Distribution segment reflects our Direct Agents operations of acquiring customer orders and providing title and escrow services for real estate closing transactions. We acquire customers through our partnerships with realtors, attorneys and non-centralized loan originators via an 89-branch footprint across ten states ("Local") and our partnerships with national lenders and mortgage originators that maintain centralized lending operations representing our strategic and enterprise accounts ("S&EA").

- Underwriting: Our Underwriting segment reflects the results of our title insurance underwriting business, including policies referred through our Direct Agents and Third-Party Agents channels. The referring agents typically retain approximately 84% of the policy premiums in exchange for their services. The retention varies by state and agent.

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, 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 of the Company's reportable segments:

	Three months ended June 30, 2021			
	Distribution	Underwriting	Eliminations	Consolidated total
Net premiums written	$ —	$ 109,381	$ (110)	$ 109,271
Escrow, other title-related fees and other (1)	46,288	389	(26,612)	20,065
Investment, dividend and other income	37	613	—	650
Total revenue	$ 46,325	$ 110,383	$ (26,722)	$ 129,986
Premiums retained by agents (2)	$ —	$ 91,903	$ (26,722)	$ 65,181
Direct labor (3)	18,986	1,916	—	20,902
Other direct costs (4)	5,881	1,680	—	7,561
Provision for claims	(25)	6,832	—	6,807
Adjusted gross profit	$ 21,483	$ 8,052	$ —	$ 29,535

	Six months ended June 30, 2021			
	Distribution	Underwriting	Eliminations	Consolidated total
Net premiums written	$ —	$ 218,143	$ (880)	$ 217,263
Escrow, other title-related fees and other (1)	83,933	1,798	(47,091)	38,640
Investment, dividend and other income	83	1,796	—	1,879
Total revenue	$ 84,016	$ 221,737	$ (47,971)	$ 257,782
Premiums retained by agents (2)	$ —	$ 183,490	$ (47,971)	$ 135,519
Direct labor (3)	35,093	3,788	—	38,881
Other direct costs (4)	11,197	3,473	—	14,670
Provision for claims	534	9,521	—	10,055
Adjusted gross profit	$ 37,192	$ 21,465	$ —	$ 58,657

	Three months ended June 30, 2020			
	Distribution	Underwriting	Eliminations	Consolidated total
Net premiums written	$ —	$ 86,334	$ —	$ 86,334
Escrow, other title-related fees and other (1)	29,383	293	(16,294)	13,382
Investment, dividend and other income	315	392	—	707
Total revenue	$ 29,698	$ 87,019	$ (16,294)	$ 100,423
Premiums retained by agents (2)	$ —	$ 72,300	$ (16,294)	$ 56,006
Direct labor (3)	12,575	1,323	—	13,898
Other direct costs (4)	3,494	1,404	—	4,898
Provision for claims	153	2,887	—	3,040
Adjusted gross profit	$ 13,476	$ 9,105	$ —	$ 22,581

	Six months ended June 30, 2020			
	Distribution	Underwriting	Eliminations	Consolidated total
Net premiums written	$ —	$ 143,151	$ —	$ 143,151
Escrow, other title-related fees and other (1)	56,950	598	(30,992)	26,556
Investment, dividend and other income	654	871	—	1,525
Total revenue	$ 57,604	$ 144,620	$ (30,992)	$ 171,232
Premiums retained by agents (2)	$ —	$ 120,100	$ (30,992)	$ 89,108
Direct labor (3)	27,027	3,185	—	30,212
Other direct costs (4)	7,718	2,317	—	10,035
Provision for claims	388	4,435	—	4,823
Adjusted gross profit	$ 22,471	$ 14,583	$ —	$ 37,054

(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 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.
(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 before income taxes:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Adjusted gross profit	$ 29,535	$ 22,581	$ 58,657	$ 37,054
Depreciation and amortization	3,021	899	5,727	2,016
Corporate and other expenses (1)	45,151	26,650	79,841	54,305
Interest expense	4,451	1,123	7,810	3,235
Loss before income taxes	$ (23,088)	$ (6,091)	$ (34,721)	$ (22,502)

(1) Includes corporate and other 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 June 30, 2021 and December 31, 2020 the Distribution segment had allocated goodwill of $88.1 million and the Underwriting segment had allocated goodwill of $23.4 million.

7. Debt

Senior first lien note

On December 31, 2020, the Company executed an agreement with Hudson Structured Capital Management Ltd. ("HSCM") to secure a $150 million Senior First Lien Note ("Senior Debt"). On January 14, 2021 the Company executed a notice of borrowing, committing the Company to borrow $150 million under the terms and conditions of the Senior Debt. The Senior Debt was funded, by the lenders, which are affiliates of HSCM on January 29, 2021 ("Funding Date"). The Senior Debt matures 5 years from the Funding Date. Under the agreement, the Senior Debt 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 the Company is in an event of default under the Senior Debt, outstanding amounts shall bear interest at the default interest rate of 15.00%. Upon funding, the Company issued penny warrants to affiliates of HSCM equal to 1.35% of the Company' fully diluted shares. The warrants have a 10-year duration, subject to customary anti-dilution provisions, and include a cashless exercise option. The Senior Debt is secured by a first-priority pledge and security interest in all of the assets (tangible and intangible) of the Company and any of its existing and future domestic subsidiaries. The Company is subject to customary affirmative, negative and financial covenants, including, among other things, minimum liquidity at all times of $20 million, minimum consolidated revenue of $130 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. The Senior Debt also includes customary events of default for facilities of this type and provides that, if an event of default occurs and is continuing, the Senior Debt will amortize requiring regular payments on a straight-line basis over the proceeding 24-month calendar period, but not to extend beyond the maturity date.

Loan from a related party

As part of the North American Title Acquisition, Lennar issued the Company a note for $87.0 million at the Close Date (the "Loan"). As of December 31, 2020, the Loan had an outstanding balance of $65.5 million. The Loan was paid in full in January 2021. Upon repayment of the Loan, Lennar forfeited its seat on the board of directors that was associated with the Loan.

8. Stock compensation expense

The Company issues stock options (incentive stock options ("ISOs") and 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 the stock option may purchase one share of common stock.

Stock-based compensation expense for the three months ended June 30, 2021 and 2020 was $3.7 million and $0.3 million, respectively. Stock-based compensation expense for the six months ended June 30, 2021 and 2020 was $6.0 million and $0.6 million, respectively.

Stock options (ISO and NSO)

During the six months ended June 30, 2021, 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, 2020	4,447,546	$ 3.17	8.5	$ 51,186
Granted	769,500	4.25	9.5	
Exercised	(524,875)	2.61	7.52	
Cancelled or forfeited	(119,643)	3.79	8.5	
Outstanding as of June 30, 2021	4,572,528	$ 3.40	8.25	$ 237,993
Options exercisable as of June 30, 2021	1,430,618	$ 2.67	7.73	$ 75,505

Restricted stock awards (RSAs)

During the six months ended June 30, 2021, the Company had the following nonvested RSA activity:

	Number of RSAs	Average Grant Date Fair Value ($)
Nonvested at December 31, 2020	258,862	$ 3.12
Granted	—	—
Exercised	(71,761)	2.19
Cancelled or Forfeited	—	—
Nonvested at June 30, 2021	187,101	$ 3.48

9. Earnings per share

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Numerator				
Net loss attributable to Doma Holdings, Inc.	$ (23,299)	$ (6,332)	$ (35,057)	$ (22,918)
Denominator				
Weighted-average common shares – basic and diluted	11,667,266	9,950,920	11,457,724	10,231,489
Net loss per share attributable to Doma Holdings, Inc. shareholders				
Basic and diluted	$ (2.00)	$ (0.64)	$ (3.06)	$ (2.24)

10. 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 June 30, 2021, Lennar, through its subsidiaries, held a 26.1% equity stake in the Company on a fully diluted basis.

Loan from Lennar

In connection with the North American Title Acquisition, the Company received the Loan from Lennar. The Loan was repaid in full in January 2021 (see Note 7 for additional information).

Shared services agreements between the Company and Lennar

In connection with the North American Title Acquisition, the Company and Lennar entered into a transition services agreement ("TSA") that provided for certain shared services provided by Lennar to the Company as it incorporated the Acquired Business into its operations, and also for the sharing of expenses in office locations that would contain both Company and Lennar personnel until such time one entity or the other, depending on the location, established separate office space for its personnel and operations.

During the three and six months ended June 30, 2020, the Company paid Lennar $0.3 million in settlement of the TSA services arrangement. Additionally, during the six months ended June 30, 2021 and 2020, the Company paid Lennar approximately $0.1 million for rent associated with shared spaces.

Transactions with Lennar

In the routine course of its business, North American Title Insurance Company ("NATIC") underwrites title insurance policies for a subsidiary of Lennar. During the three months ended June 30, 2021 and 2020, the Company recorded revenues of $27.0 million and $24.3 million, respectively, from these transactions, which are included within our Underwriting segment. During the three months ended June 30, 2021 and 2020, the Company recorded premiums retained by third-party agents of $22.0 million and $19.7 million, respectively from these transactions. During the six months ended June 30, 2021 and 2020, the Company recorded revenues of $51.6 million and $41.3 million, respectively, from these transactions. During the six months ended June 30, 2021 and 2020, the Company recorded premiums retained by third-party agents of $41.8 million and $33.6 million, respectively from these transactions. As of June 30, 2021 and December 31, 2020, the Company had net receivables related to these transactions of $3.4 million and $4.4 million, respectively. These amounts are included in receivables, net on the Company's condensed consolidated balance sheets.

11. 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 leases office space and equipment under non-cancellable lease agreements that expire at various points through 2025. For the three months ended June 30, 2021 and 2020, rental expense under these leases was $2.3 million and $2.5 million, respectively. For the six months ended June 30, 2021 and 2020, rental expense under these leases was $4.6 million and $5.1 million, respectively.

As of June 30, 2021, total future commitments on non-cancelable operating leases with a minimum remaining term in excess of one year are as follows:

2021	$	4,129
2022		6,985
2023		5,722
2024		4,336
2025		2,721
2026		709
Total	$	24,602

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 $418.7 million and $290.9 million at June 30, 2021 and December 31, 2020, respectively. Such deposits are not reflected on 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 near term.

12. Accrued expenses and other liabilities

Accrued expenses and other liabilities include the following:

	June 30, 2021		December 31, 2020	
Employee compensation and benefits	$	23,168	$	23,899
Other		15,239		9,145
Total accrued expenses and other liabilities	$	38,407	$	33,044

13. Employee benefit plan

The Company sponsors a defined contribution 401(k) plan for its employees. The 401(k) 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 (the code). All employees age 18+ are eligible to enroll in the plan on their first day of employment. The Company provides an employer match up to 50% of the first 6% of elective contributions. There are no matching contributions in excess of 3% of compensation. Company matching contributions begin upon employee enrollment in the Retirement Savings Plan.

For the year ended December 31, 2020, the Company made contributions for the benefit of employees of $0.9 million from January 1, 2020 through May 15, 2020. The Company suspended the employer match effective May 16, 2020 and made no contributions for the benefit of employees to the Retirement Savings Plan for the rest of the year through December 31, 2020. The temporary suspension was due to the COVID-19 pandemic and its potential impact on the business, which was not estimable at the time. On January 1, 2021, the Company reinstated matching contributions to the Retirement Savings Plan, according to the aforementioned terms, rates, and limitations. For the three months ended June 30, 2021 and 2020, the Company made contributions for the benefit of employees of $0.6 million and $0.3 million to the 401(k) plan. For the six months ended June 30, 2021 and 2020, the Company made contributions for the benefit of employees of $1.3 million and $0.9 million to the 401(k) plan.

14. Research and development

For the three months ended June 30, 2021 and 2020, research and development expenses were $3.1 million and $1.2 million, respectively. The Company also had capitalized internally developed software costs of $4.7 million and $2.8 million in the three months ended June 30, 2021 and 2020, respectively. Inclusive of capitalized internally developed software costs, our research and development spend was $7.8 million and $4.0 million for the three months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021 and 2020, research and development expenses were $5.5 million and $2.8 million, respectively. The Company also had capitalized internally developed software costs of $8.8 million and $5.2 million in the six months ended June 30, 2021 and 2020, respectively. Inclusive of internally developed software costs, our research and development spend was $14.3 million and $8.0 million for the six months ended June 30, 2021 and 2020, respectively. Our research and development costs reflect certain payroll-related costs of employees directly associated with such activities, which are included in personnel costs on the condensed consolidated statements of operations. Capitalized internally developed software and acquired software costs are included in fixed assets, net on the condensed consolidated balance sheets.

15. Recent developments – Transaction with Capitol Investment Corp. V

On March 2, 2021, the Company entered into a merger agreement with Capitol Investment Corp. V (“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 Doma (“the Business Combination”). Pursuant to a special meeting in lieu of an annual meeting, on July 27, 2021 Capitol’s stockholders approved the business combination. On July 28, 2021 (the “Closing Date”) the Business Combination was consummated and Doma survived the merger and became a wholly-owned subsidiary of Capitol, which was renamed Doma Holdings, Inc. The Business Combination was accounted for as a reverse recapitalization and Capitol will be treated as the acquired company for financial statement reporting purposes. Doma was deemed the predecessor and New Doma will be the successor SEC registrant, meaning that Doma’s financial statements for periods prior to the consummation of the Business Combination will be disclosed in Doma’s future periodic reports. No goodwill or other intangible assets were recorded, in accordance with GAAP. The Business Combination will have a significant impact on Doma’s future reported financial position and results as a consequence of the reverse capitalization.

The most significant change in Doma’s future reported financial position and results is an estimated net increase in cash (as compared to our consolidated balance sheet at June 30, 2021) of approximately $266.5 million. The increase in cash includes approximately $50.2 million in proceeds from Capitol, net of redemptions, and $300.0 million in proceeds from the private investment in public equity (“PIPE Investment”) that was consummated substantially simultaneously with the Business Combination. These increases in cash were offset by additional transaction costs incurred in connection with the Business Combination. The total estimated transaction costs directly attributable to the Business Combination are approximately $65.7 million, of which $12.1 million represents deferred underwriter fees related to Capitol’s initial public offering.

16. Subsequent events

The Company has evaluated subsequent events through August 12, 2021, the date the condensed consolidated financial statements were available to be issued, noting no subsequent events or transactions aside from the aforementioned transaction with Capitol discussed in Note 15 that require disclosure.

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 June 30, 2021 and 2020 and for the three and six months ended June 30, 2021 and 2020, together with the related notes thereto as well as the audited consolidated financial statements as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, together with related notes thereto. The discussion and analysis should also be read together with our pro forma financial information as of June 30, 2021 and for the three and six months ended June 30, 2021 and the year ended December 31, 2020. See "Unaudited Pro Forma Condensed Combined Financial Information." This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. 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 "Risk Factors" or in other parts of the Proxy Statement/Prospectus filed on July 2, 2021. Certain amounts may not foot due to rounding. Unless the context otherwise requires, references herein to "Doma," "Company," "us," "our" or "we" refer to States Title, Inc. prior to the North American Title Acquisition, to States Title Holding, Inc. (which changed its name to Doma Holdings, Inc. in March 2021) after the North American Title Acquisition, and to New Doma following 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 and escrow process is driven by our innovative full stack platform, Doma Intelligence. Doma Intelligence is the result of significant investment in research and development over more than four years across a team of more than 100 data scientists and engineers, creating a revolutionary new end-to-end closing platform that seeks to eliminate all of the latent, 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 will enable us to deliver a cheaper and faster closing transaction with a seamless customer experience at every point in the process. Doma's machine intelligence algorithms are being trained and optimized on 30 years of historical anonymized closing transaction data allowing us to make underwriting decisions in less than a minute and significantly reduce the time, effort and cost of the entire process.

Our Business Model

Today, we primarily originate, underwrite, and provide title, escrow and settlement services for the two most prevalent transaction types in the residential real estate market: purchase/resale and refinance transactions. We operate and report our business through two complementary reporting segments, Distribution and Underwriting. See "—*Basis of Presentation*" below.

Our Distribution segment reflects the sale of our products and services, other than underwriting and insurance services reflected in our Underwriting segment, that we provide through our captive title agents and agencies ("Direct Agents"). We market our products and services through two channels to appeal to our referral partners and ultimately reach our end customers, the borrowers or home buyers/sellers:

- **Strategic and Enterprise Accounts ("S&EA" or "Doma Enterprise")** – we target partnerships with national lenders and mortgage originators that maintain centralized lending operations. Once a partnership has been established, we integrate our Doma Intelligence platform with the client's production systems, to enable frictionless order origination and fulfillment. Substantially all S&EA orders are underwritten by Doma.
- **Local Markets ("Local")** – we target partnerships with realtors, attorneys and non-centralized loan originators via an 89-branch footprint across ten states (as of June 30, 2021). For the quarter ended June 30, 2021, over 90% of our lender and owner policies from our Local channel were underwritten by Doma, while the remaining share was underwritten by third-party underwriters.

Our Underwriting segment reflects the sale of our underwriting and insurance services. These services are integrated with our Direct Agents channel and are also provided to other non-captive title and escrow agents in the market ("Third-Party Agents" or "Independent 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%) in exchange for underwriting risk to our balance sheet. The Third-Party Agents channel includes the title underwriting and insurance services we provide to Lennar, a related party, for its home builder transactions.

The financial results of our Direct Agents channel impact both our Distribution and Underwriting reporting segments, whereas the results from the Third-Party Agents channel impact only the Underwriting reporting segment.

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 opening and closing of an order. Some examples of direct labor expenses include title & escrow services, closing services, and customer service. Direct non-labor expenses refer to non-payroll expenses that are closely linked with order volume, such as provision for claims, title examination expense, office supplies, and premium and other related taxes.

- **Customer acquisition costs** – this expense category is the summation of sales payroll, sales commissions, sales related travel & entertainment, and an allocated portion of corporate marketing.

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

We expect to continue to invest in our Doma Intelligence platform as well as organic and inorganic growth opportunities in order to remain competitive with existing large-scale industry incumbents who are well financed and have significant resources to defend their existing market positions. Over time, we plan to use our cash flows to invest in customer acquisition, research and development, and new product offerings, to further improve revenue growth and accelerate the elimination of the friction and expense of closing a residential real-estate transaction.

Basis of Presentation

We report results for our two operating segments:

- **Distribution** – our Distribution segment reflects our Direct Agents operations of acquiring customer orders and providing title and escrow services for real estate closing transactions. We acquire customers through our Local and S&EA customer referral channels.

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

Costs are allocated to the segments to arrive at adjusted gross profit, our segment measure of profit and loss pursuant to Accounting Standards Codification ("ASC") Topic 280. 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 6 in our condensed consolidated financial statements for a summary of our segment results and a reconciliation between segment adjusted gross profit and our consolidated loss before income taxes.

Significant Events and Transactions

The North American Title Acquisition

On January 7, 2019, we acquired from the Lennar Corporation ("Lennar") its subsidiary, North American Title Insurance Company ("NATIC"), 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 $172 million (the "North American Title Acquisition"), including $87 million in the form of a seller financing note.

The North American Title Acquisition provided us with insurance licenses and an agency network across the United States, as well as a substantial data set to accelerate our machine intelligence technology. This acquisition marked a significant milestone for Doma in achieving national scale and licensure in pursuit of our long-term growth strategy. Whereas we generated minimal revenue prior to the North American Title Acquisition, following its consummation we began to operate our business with a broad distribution footprint and data that enabled us to accelerate the rollout of our Doma Intelligence platform. The North American Title Acquisition also resulted in our recording of $111 million in goodwill and $61 million in acquired marketable securities. Accordingly, our results of operations for 2018 are not comparable to those for other periods presented herein.

Since the North American Title Acquisition, we have implemented several initiatives to integrate and realign the operations of the Acquired Business. This includes transforming the Acquired Business's retail agency operations by streamlining our physical branch footprint, consolidating branch back office functions into a common corporate operation, and implementing a common production platform across all our branches. We continue to invest in the development and rollout of Doma Intelligence across our Local branch footprint. We expect to realize significant cost savings over time as manual processes are replaced with our proprietary machine learning platform and data science-driven approach to title and closing services. The benefits of this effort, particularly on margin growth, are likely to be realized gradually in future reporting periods. As a result, our recent results of operations, including for the years ended December 31, 2020 and 2019 and the three and six months ended June 30, 2021 and 2020, may not be indicative of our results for future periods.

The Business Combination

On March 2, 2021, the Company entered into a merger agreement with Capitol Investment Corp. V ("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 Doma ("the Business Combination"). Pursuant to a special meeting in lieu of an annual meeting, on July 27, 2021 Capitol's stockholders approved the business combination. On July 28, 2021 (the "Closing Date") the Business Combination was consummated and Doma survived the merger and became a wholly-owned subsidiary of Capitol, which was renamed Doma Holdings, Inc. The Business Combination was accounted for as a reverse recapitalization and Capitol will be treated as the acquired company for financial statement reporting purposes. Doma was deemed the predecessor and New Doma will be the successor SEC registrant, meaning that Doma's financial statements for periods prior to the consummation of the Business Combination will be disclosed in Doma's future periodic reports. No goodwill or other intangible assets were recorded, in accordance with GAAP. The Business Combination will have a significant impact on Doma's future reported financial position and results as a consequence of the reverse capitalization.

The most significant change in Doma's future reported financial position and results is an estimated net increase in cash (as compared to our consolidated balance sheet at June 30, 2021) of approximately $266.5 million. The increase in cash includes approximately $50.2 million in proceeds from Capitol, net of redemptions, and $300.0 million in proceeds from the private investment in public equity ("PIPE Investment") that was consummated substantially simultaneously with the Business Combination. The increases in cash were offset by additional transaction costs incurred in connection with the Business Combination. The total estimated transaction costs for the Business Combination are approximately $65.7 million, of which $12.1 million represents deferred underwriter fees related to Capitol's initial public offering. See "*Unaudited Pro Forma Condensed Combined Financial Information.*"

As a result of the Business Combination, we became the operating successor to an SEC-registered and New York Stock Exchange-listed shell company, which will require us to hire additional personnel and implement procedures and processes to address public company regulatory requirements and practices. As is typical, we expect to incur additional 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.

Impact of COVID-19 and Other Macroeconomic Trends

On March 11, 2020, the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a pandemic. COVID-19 has resulted in significant macroeconomic impacts and market disruptions, particularly as federal, state, and local governments enacted emergency measures intended to combat the spread of the virus, including shelter-in-place orders, travel limitations, quarantine periods and social distancing. In response, we took appropriate measures to ensure the health and safety of our employees, clients and partners, including work-from-home policies and limits to physical contact between our employees and our customers and partners.

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. Responses to the COVID-19 pandemic initially led to a material decline in purchase transactions, and, for a period of time, the future performance of the U.S. economy was perceived to be in peril. As a result, Doma management made the difficult decision to reduce our workforce by approximately 12%, resulting in approximately $1 million of severance costs. Subsequent U.S. federal stimulus measures, including interest rate reductions by the Federal Reserve, and local regulatory initiatives, such as permitting remote notarization, led to an increase in mortgage refinancing and purchase volumes, which we believe benefited our business model. While real estate transactions have largely returned to or exceeded pre-pandemic levels, we continue to monitor economic and regulatory developments closely as we navigate the final stages of the pandemic.

Demand for mortgages tends to correlate closely with changes in interest rates, meaning that our order trends are likely to 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, which in turn should mitigate the risk to our revenue growth trends relative to industry incumbents. See "—*The Business of Doma—Industry Background*" for additional information on our industry and the competitive landscape.

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, as well as the relevant GAAP measures, for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands, except for open and closed order numbers)			
Key operating data:				
Opened orders	41,491	30,432	82,575	63,589
Closed orders	31,436	21,885	64,086	39,668
GAAP financial data:				
Revenue[(1)]	$ 129,986	$ 100,423	$ 257,782	$ 171,232
Gross profit[(2)]	$ 26,514	$ 21,682	$ 52,930	$ 35,038
Net loss	$ (23,299)	$ (6,332)	$ (35,057)	$ (22,918)
Non-GAAP financial data[(3)]:				
Retained premiums and fees	$ 64,805	$ 44,417	$ 122,263	$ 82,124
Adjusted gross profit	$ 29,535	$ 22,581	$ 58,657	$ 37,054
Ratio of adjusted gross profit to retained premiums and fees	46 %	51 %	48 %	45 %
Adjusted EBITDA	$ (11,903)	$ (2,402)	$ (15,182)	$ (15,276)

n.m. = not meaningful

(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 third-party 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.

Opened and closed orders

Opened orders represent the number of orders placed for title insurance and/or escrow services (which includes the disbursement of funds, signing of documents and recording of the transaction with the county office) through our Direct Agents, typically in connection with a home purchase or mortgage refinancing transaction. An order may be opened upon an indication of interest in a specific property from a customer and may be cancelled by the customer before or after the signing of a purchase or loan agreement. Closed orders represent the number of opened orders for title insurance and/or escrow services that were successfully fulfilled in each period with the issuance of a title insurance policy and/or provision of escrow services. Opened and closed orders do not include orders or referrals for title insurance from our Third-Party Agents. For avoidance of doubt, a closed order for a home purchase or resale transaction typically results in the issuance of two title insurance policies, whereas a refinance transaction typically results in the issuance of one title insurance policy.

We review opened orders as a leading indicator of our Direct Agents revenue pipeline and closed orders as a direct indicator of Direct Agents revenue for the concurrent period, and believe these measures are useful to investors for the same reasons. We believe that the relationship between opened and closed orders will remain relatively consistent over time, and that opened order growth is generally a reliable indicator of future financial performance. However, degradation in the ratio of opened orders to closed orders may be a leading indicator of adverse macroeconomic or real estate market trends.

Retained premiums and fees

Retained premiums and fees, a non-GAAP financial measure, is defined as total revenue under GAAP minus premiums retained by third-party 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 Doma Intelligence to drive time and expense efficiencies principally in our Direct Agents channel. In our Third-Party Agents channel in contrast, 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% 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.

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 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.

We expect improvement to our ratio of adjusted gross profit to retained premiums and fees over time, reflecting the continued reduction in our average fulfillment costs per order.

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 stock-based compensation, change in fair market value of convertible notes, transaction-related costs, and COVID-related severance costs. 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— Net premiums written from Third-Party Agent referrals" below for further explanation on this accrual. For the three and six month periods ended June 30, 2021 and 2020, 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.

We entered into our principal reinsurance quota share agreement in 2017, covering instantly underwritten policies from refinance and home equity line of credit transactions under which we historically ceded 100% of the written premium of each covered policy. Pursuant to the renewed agreement, which became effective in February 2021, we cede only 25% of the written premium on such instantly underwritten policies, instead of 100%, up to a total reinsurance coverage limit of $80 million in premiums reinsured, after which we retain 100% of the written premium on instantly underwritten policies. This change has resulted in higher net premiums written per transaction when compared to prior period results.

Escrow, other title-related fees and other

Escrow fees and other title-related fees are charged in association with 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.

This revenue item is most directly associated with our Distribution segment. For segment-level reporting, agent premiums retained by our Distribution 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 is generated mainly by income on our investment portfolio, which consists mainly of our statutory reserves and excess statutory capital. We primarily invest in fixed income securities, mainly composed of corporate debt obligations, U.S. government agency obligations, certificates of deposit, U.S. Treasuries and mortgage loans. We expect our investment portfolio and therefore our investment, dividend and other income to increase as we issue more insurance policies.

Expenses

Premiums retained by third-party agents

When customers are referred to us to underwrite a policy, the referring Third-Party Agent retains a significant portion, typically approximately 84% of the premium. The portion of premiums retained by Third-Party Agents is recorded as an expense. These referral expenses relate exclusively to our Underwriting segment. As we continue to grow our Direct Agents channel relative to our Third-Party Agents channel, we expect that premiums retained by third-party agents will decline as a percentage of revenue over time.

For segment-level reporting, premiums retained by our Direct Agents (which are recorded as Distribution 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. As we continue to increase the portion of title policies we issue that are instantly underwritten through our Doma Intelligence platform, we expect that such costs will decline as a percentage of revenue over time.

Provision for claims

Provision for claims expense is viewed by management to be comprised of three components: incurred but not reported ("IBNR") reserves, known claims loss and loss adjustment expense reserves, 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 at the beginning of each 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. As the proportion of our orders processed through our Doma Intelligence platform continues to increase, we expect escrow-related losses to decline over time.

Personnel costs

Personnel costs include base salaries, employee benefits, bonuses paid to employees, and payroll taxes. 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, 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 gross premiums written), professional fees (including legal, audit and other third-party consulting costs), software licenses and sales tools (for example, to access public records and title-related data), travel and entertainment costs, and depreciation and amortization, among other costs.

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. 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 consolidated basis and by segment. Past financial results are not indicative of future results.

Three and Six Months Ended June 30, 2021 Compared to the Three and Six Months Ended June 30, 2020

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

	Three Months Ended June 30,			
	2021	2020	$ Change	% Change
	(in thousands, except percentages)			
Revenues:				
Net premiums written	$ 109,271	$ 86,334	$ 22,937	27 %
Escrow, other title-related fees and other	20,065	13,382	6,683	50 %
Investment, dividend and other income	650	707	(57)	(8)%
Total revenues	$ 129,986	$ 100,423	$ 29,563	29 %
Expenses:				
Premiums retained by third-party agents	$ 65,181	$ 56,006	$ 9,175	16 %
Title examination expense	5,500	3,322	2,178	66 %
Provision for claims	6,807	3,040	3,767	124 %
Personnel costs	53,954	32,737	21,217	65 %
Other operating expenses	17,181	10,286	6,895	67 %
Total operating expenses	$ 148,623	$ 105,391	$ 43,232	41 %
Loss from operations	(18,637)	(4,968)	(13,669)	275 %
Interest expense	4,451	1,123	3,328	296 %
Loss before income taxes	(23,088)	(6,091)	(16,997)	279 %
Income tax expense	$ 211	$ 241	$ (30)	(12)%
Net loss	$ (23,299)	$ (6,332)	$ (16,967)	268 %

	Six Months Ended June 30,			
	2021	2020	$ Change	% Change
	(in thousands, except percentages)			
Revenues:				
Net premiums written	$ 217,263	$ 143,151	$ 74,112	52 %
Escrow, other title-related fees and other	38,640	26,556	12,084	46 %
Investment, dividend and other income	1,879	1,525	354	23 %
Total revenues	$ 257,782	$ 171,232	$ 86,550	51 %
Expenses:				
Premiums retained by third-party agents	$ 135,519	$ 89,108	$ 46,411	52 %
Title examination expense	10,353	7,187	3,166	44 %
Provision for claims	10,055	4,823	5,232	108 %
Personnel costs	97,419	68,455	28,964	42 %
Other operating expenses	31,347	20,926	10,421	50 %
Total operating expenses	$ 284,693	$ 190,499	$ 94,194	49 %
Loss from operations	(26,911)	(19,267)	(7,644)	40 %
Interest expense	7,810	3,235	4,575	141 %
Loss before income taxes	(34,721)	(22,502)	(12,219)	54 %
Income tax expense	$ 336	$ 416	$ (80)	(19)%
Net loss	$ (35,057)	$ (22,918)	$ (12,139)	53 %

Revenue

Net premiums written. Net premiums written increased by $23 million, or 27%, in the three months ended June 30, 2021 compared to the same period in the prior year, driven by a 64% increase in premiums from our Direct Agents channel and a 16% increase in premiums from our Third-Party Agents channel. Net premiums written increased by $74 million, or 52%, in the six months ended June 30, 2021 compared to the same period in the prior year, driven by a 52% increase in premiums from our Direct Agents channel and a 52% increase in premiums from our Third-Party Agents channel.

For the three and six month periods ended June 30, 2021, Direct Agents premium growth was driven by closed order growth of 44% and 62%, respectively. For the three month period ended June 30, 2021, higher average premium per order of 14% resulting from a higher share of purchase orders contributed to the increase in premiums. For the six month period ended June 30, 2021, closed order growth was offset by lower average premiums per order of 6%, due to a higher share of refinance orders.

Third-Party Agent growth reflects the results of management's continued efforts to increase wallet share capture from existing Third-Party Agents as well as efforts to generate new agent relationships to accelerate growth. The rise in premiums was also driven by an overall increase in market activity due to the low interest rate environment.

Escrow, other title-related fees and other. Escrow, other title-related fees and other increased $7 million, or 50%, in the three months ended June 30, 2021 and $12 million, or 46%, in the six months ended June 30, 2021 compared to the same periods in the prior year, driven by the corresponding closed order growth.

Investment, dividend and other income. Investment, dividend and other income increased $0.4 million or 23% in the six months ended June 30, 2021 compared to the same period in the prior year, primarily due to one-time realized gains on investments from portfolio rebalancing.

Expenses

Premiums retained by third-party agents. Premiums retained by third-party agents increased by $9 million, or 16%, in the three months ended June 30, 2021 and $46 million, or 52%, for the six months ended June 30, 2021 compared to the same periods in the prior year. The increases were driven principally by the growth in underwritten policies referred by Third-Party Agents, and there was no material change in average commissions paid to our Third-Party Agents.

Title examination expense. Title examination expense increased by $2 million, or 66%, in the three months ended June 30, 2021 and $3 million, or 44%, for the six months ended June 30, 2021 compared to the same periods in the prior year, principally due to growth in Direct Agent opened orders and premiums written.

Provision for claims. Provision for claims increased by $4 million, or 124%, in the three months ended June 30, 2021 and $5 million, or 108%, for the six months ended June 30, 2021 compared to the same periods in the prior year. The current-year provision for claims for policies written in the current year increased by $3 million and $6 million in the three and six months ended June 30, 2021 compared to the same periods in the prior year, due to the increase in net premiums written between the corresponding periods. The provision for claims release related to prior years decreased by $1 million for the three months ended June 30, 2021 and increased by $1 million for the six months ended June 30, 2021 as compared to the same periods in the prior year. The reported loss emergence in both periods on policies issued in prior years was lower than expected.

Personnel costs. Personnel costs increased by $21 million, or 65%, in the three months ended June 30, 2021 and $29 million, or 42%, for the year-to-date period ended June 30, 2021 compared to the same periods in the prior year, due to the expansion of our corporate support functions to enhance public company readiness, and an increase in operations and management staff supporting the direct agents channel as the organization invests in driving growth of Doma Intelligence-enabled closings.

Other operating expenses. Other operating expenses increased by $7 million, or 67%, in the three months ended June 30, 2021 and $10 million, or 50%, in the six months ended June 30, 2021 compared to the same periods in the prior year, driven by higher operating expenses to support revenue growth, higher amortization expenses related to investments in the development of our Doma Intelligence software, and higher amortization of intangibles related to our rebranding to "Doma." Depreciation and amortization increased by $2 million, or 236%, and $4 million, or 184%, in the three and six months ended June 30, 2021 compared to the same period in the prior year due to these factors.

Interest expense. Interest expense increased by $3 million, or 296%, in the three months ended June 30, 2021 and $5 million, or 141%, for the six months ended June 30, 2021 compared to the same periods in the prior year, due to a higher amount of debt outstanding as well as a higher effective interest rate in 2021, which is a result of the funding of the new $150 million Senior Debt facility during the first quarter of 2021.

Supplemental Segment Results Discussion – Three and Six Months Ended June 30, 2021 Compared to the Three and Six Months Ended June 30, 2020

The following table sets forth a summary of the results of operations for our Distribution and Underwriting segments for the years indicated. See "—*Basis of Presentation*" above.

	Three Months Ended June 30, 2021				Three Months Ended June 30, 2020			
	Distribution	**Underwriting**	**Eliminations**	**Consolidated**	**Distribution**	**Underwriting**	**Eliminations**	**Consolidated**
	(in thousands)							
Net premiums written	$ —	$ 109,381	$ (110)	$ 109,271	$ —	$ 86,334	$ —	$ 86,334
Escrow, other title-related fees and other [1]	46,288	389	(26,612)	20,065	29,383	293	(16,294)	13,382
Investment, dividend and other income	37	613	—	650	315	392	—	707
Total revenue	$ 46,325	$ 110,383	$ (26,722)	$ 129,986	$ 29,698	$ 87,019	$ (16,294)	$ 100,423
Premiums retained by agents [2]	—	91,903	(26,722)	65,181	—	72,300	(16,294)	56,006
Direct labor [3]	18,986	1,916	—	20,902	12,575	1,323	—	13,898
Other direct costs [4]	5,881	1,680	—	7,561	3,494	1,404	—	4,898
Provision for title claim losses	(25)	6,832	—	6,807	153	2,887	—	3,040
Adjusted gross profit [5]	$ 21,483	$ 8,052	$ —	$ 29,535	$ 13,476	$ 9,105	$ —	$ 22,581

	Six Months Ended June 30, 2021				Six Months Ended June 30, 2020			
	Distribution	**Underwriting**	**Eliminations**	**Consolidated**	**Distribution**	**Underwriting**	**Eliminations**	**Consolidated**
	(in thousands)							
Net premiums written	$ —	$ 218,143	$ (880)	$ 217,263	$ —	$ 143,151	$ —	$ 143,151
Escrow, other title-related fees and other [1]	83,933	1,798	(47,091)	38,640	56,950	598	(30,992)	26,556
Investment, dividend and other income	83	1,796	—	1,879	654	871	—	1,525
Total revenue	$ 84,016	$ 221,737	$ (47,971)	$ 257,782	$ 57,604	$ 144,620	$ (30,992)	$ 171,232
Premiums retained by agents [2]	—	183,490	(47,971)	135,519	—	120,100	(30,992)	89,108
Direct labor [3]	35,093	3,788	—	38,881	27,027	3,185	—	30,212
Other direct costs [4]	11,197	3,473	—	14,670	7,718	2,317	—	10,035
Provision for title claim losses	534	9,521	—	10,055	388	4,435	—	4,823
Adjusted gross profit [5]	$ 37,192	$ 21,465	$ —	$ 58,657	$ 22,471	$ 14,583	$ —	$ 37,054

(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 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.
(4) Includes title examination expense, office supplies, and premium and other taxes.
(5) See "—*Non-GAAP Financial Measures—Adjusted gross profit*" below for a reconciliation of consolidated adjusted gross profit, which is a non-GAAP measure, to our gross profit, the most closely comparable GAAP financial measure.

Distribution segment revenue increased by $17 million, or 56%, and $26 million, or 46%, for the three and six months ended June 30, 2021, respectively, compared to the same periods in the prior year driven by the closed order growth discussed above. For the three months ended June 30, 2021, higher average revenue per order of 10% contributed to the increase in Distribution segment revenue, while for the six month period ended June 30, 2021, lower average revenue per order of 8% offset the increase. Underwriting segment revenue increased by $23 million, or 27%, and $77 million, or 53%, for the three and six months ended June 30, 2021, respectively, as compared to the same periods in the prior year, reflecting significant growth in title policies underwritten from both Direct and Third-Party Agents.

Distribution segment adjusted gross profit improved $8 million, or 59%, and $15 million, or 66%, for the three and six months ended June 30, 2021 compared to the same periods in the prior year, driven by closed order growth and efficiency improvements in direct expenses per order. Underwriting segment adjusted gross profit decreased by $1 million, or 12%, during the three months ended June 30, 2021 compared to the same period in the prior year, due to the increase in the provision for claims as a percentage of net premiums written from 3.5% in the second quarter of 2020 to 6.3% in the second quarter of 2021. Underwriting segment adjusted gross profit increased by $7 million, or 47%, during the six months ended June 30, 2021 compared to the same period in the prior year, reflecting increased demand across all channels of the business, and improvements realized in direct expenses that more than offset the increase in provision for title claims losses for the period.

Supplemental Key Operating and Financial Indicators Results Discussion – Three and Six Months Ended June 30, 2021 Compared to the Three and Six Months Ended June 30, 2020

The following table presents our key operating and financial indicators, 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 June 30,			
	2021	2020	$ Change	% Change
	(in thousands, except percentages and open and closed order numbers)			
Opened orders	41,491	30,432	11,059	36 %
Closed orders	31,436	21,885	9,551	44 %
Retained premiums and fees	$ 64,805	$ 44,417	20,388	46 %
Adjusted gross profit	29,535	22,581	6,954	31 %
Ratio of adjusted gross profit to retained premiums and fees	46 %	51 %	(5) p.p	(10)%
Adjusted EBITDA	$ (11,903)	$ (2,402)	(9,501)	396 %

	Six Months Ended June 30,			
	2021	2020	$ Change	% Change
	(in thousands, except percentages and open and closed order numbers)			
Opened orders	82,575	63,589	18,986	30 %
Closed orders	64,086	39,668	24,418	62 %
Retained premiums and fees	$ 122,263	$ 82,124	40,139	49 %
Adjusted gross profit	58,657	37,054	21,603	58 %
Ratio of adjusted gross profit to retained premiums and fees	48 %	45 %	3 p.p	7 %
Adjusted EBITDA	$ (15,182)	$ (15,276)	94	(1)%

Opened and closed orders

For the three months ending June 30, 2021, we opened 41,491 orders and closed 31,436 orders, an increase of 36% and 44%, respectively, over the same period in the prior year. Closed orders increased 519% for the three months ended June 30, 2021 as compared to the same period in the prior year in our S&EA channel due to new customer acquisitions and increased wallet share with existing customers. Closed order growth was 4% in our Local channel in the second quarter of 2021 compared to the same period in the prior year.

For the six months ending June 30, 2021, we opened 82,575 orders and closed 64,086 orders, an increase of 30% and 62%, respectively, over the same period in the prior year. Closed orders increased 528% year over year in our S&EA channel due to new customer acquisitions and increased wallet share with existing customers. Closed order growth was 18% in our Local channel in the six months ended June 30, 2021 compared to the same period in the prior year.

Retained premiums and fees

Retained premiums and fees increased by $20 million, or 46%, and $40 million, or 49%, during the three and six months ended June 30, 2021 compared to the same periods in the prior year, driven by strong closed order and title policy growth across Direct and Third-Party Agents.

Adjusted gross profit

Adjusted gross profit increased by $7 million, or 31%, and $22 million, or 58%, during the three and six months ended June 30, 2021 compared to the same periods in the prior year, due to growth in retained premiums and fees of $20 million and $40 million in the same periods. The growth in retained premiums and fees was partially offset by $15 million and $22 million of higher direct expenses during the three and six months ended June 30, 2021, respectively.

Ratio of adjusted gross profit to retained premiums and fees

The ratio of adjusted gross profit to retained premiums and fees decreased 5 percentage points during the three months ended June 30, 2021 compared to the same period in the prior year due to a reduced benefit from provision for claims releases in the second quarter related to prior year premiums. The ratio of adjusted gross profit to retained premiums and fees increased 3 percentage points during the six months ended June 30, 2021 compared to the same period in the prior year, reflecting continued improvement in productivity and the impact of Doma Intelligence which more than offset the increase in provision for claims.

Adjusted EBITDA

Adjusted EBITDA decreased by $10 million, or 396%, to negative $12 million for the three months ended June 30, 2021, driven by $18 million of higher operating costs from investments in corporate support functions to enhance public company readiness, operations and management staff to support the direct agent channel to drive growth of Doma Intelligence-enabled closings, and research and development. This was offset by a $7 million improvement in adjusted gross profit. Adjusted EBITDA remained consistent at negative $15 million for the six months ended June 30, 2021 and 2020, driven by a $22 million increase in adjusted gross profit and a $5 million decrease in other operating costs, offset by $25 million of higher operating costs from the investments in corporate support functions to enhance public company readiness, operations and management staff to support the direct agent channel to drive growth of Doma Intelligence-enabled closings, and research and development.

Non-GAAP Financial Measures

The non-GAAP financial measures described herein 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 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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)		(in thousands)	
Revenue	$ 129,986	$ 100,423	$ 257,782	$ 171,232
Minus:				
Premiums retained by third-party agents	65,181	56,006	135,519	89,108
Retained premiums and fees	$ 64,805	$ 44,417	$ 122,263	$ 82,124
Minus:				
Direct labor	20,902	13,898	38,881	30,212
Provision for claims	6,807	3,040	10,055	4,823
Depreciation and amortization	3,021	899	5,727	2,016
Other direct costs[(1)]	7,561	4,898	14,670	10,035
Gross Profit	$ 26,514	$ 21,682	$ 52,930	$ 35,038

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

Adjusted gross profit

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)		(in thousands)	
Gross Profit	$ 26,514	$ 21,682	$ 52,930	$ 35,038
Adjusted for:				
Depreciation and amortization	3,021	899	5,727	2,016
Adjusted Gross Profit	$ 29,535	$ 22,581	$ 58,657	$ 37,054

Adjusted EBITDA

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in thousands)		(in thousands)	
Net loss (GAAP)	$ (23,299)	$ (6,332)	$ (35,057)	$ (22,918)
Adjusted for:				
Depreciation and amortization	3,021	899	5,727	2,016
Interest expense	4,451	1,123	7,810	3,235
Income taxes	211	241	336	416
EBITDA	$ (15,616)	$ (4,069)	$ (21,184)	$ (17,251)
Adjusted for:				
Stock-based compensation	3,713	282	6,002	590
COVID-related severance costs	—	1,385	—	1,385
Adjusted EBITDA	$ (11,903)	$ (2,402)	$ (15,182)	$ (15,276)

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 $160 million in cash and cash equivalents as of June 30, 2021. We believe our operating cash flows, together with our cash on hand, and the cash proceeds from the Business Combination and the related private placement, 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 Current Report on Form 8-K. On a pro forma basis, assuming the Business Combination closed on that date, our cash and cash equivalents would have amounted to $427 million at June 30, 2021 based on the proceeds received.

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

Lennar seller financing note

As part of the North American Title Acquisition, Lennar issued us a note for $87 million on January 7, 2019 with a maturity date of January 7, 2029. Cash interest on the note accrued at the LIBOR one-month rate, plus a fixed rate of 8.5% per annum on a “pay-in-kind,” ("PIK"), basis. We repaid the note in full in January 2021, after making several principal prepayments in 2019 and 2020. See “—*Certain Relationships and Related Party Transactions.*”

Senior Debt

In December 2020, we entered into a credit agreement with Hudson Structured Capital Management Ltd. (“HSCM”) for a $150 million Senior First Lien Note (“Senior Debt”), 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 Senior Debt 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. Principal prepayments on the Senior Debt are permitted, subject to a premium, which declines from 8% of principal today to 4% in 2023 and to zero in 2024.

The Senior Debt is secured by a first-priority pledge and security interest in substantially all of our assets, including the assets of any of our existing and future domestic subsidiaries. The Senior Debt 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 Senior Debt is also subject to two financial maintenance covenants, related to our liquidity and revenues. The liquidity covenant requires us to have at least $20 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 our consolidated GAAP revenue for the year to be greater than $130 million. The Senior Debt is subject to customary events of default and cure rights. As of the date of this Current Report on Form 8-K, we complied with all Senior Debt covenants.

Upon funding, we issued penny warrants to affiliates of HSCM equal to 1.35% of our fully diluted shares. The warrants have a ten-year duration, subject to customary anti-dilution provisions, and include a cashless exercise option. The value of the warrants has been determined in the first quarter of 2021 and has been recorded as a discount to the debt and it is accreted through interest expense over the five-year term of the facility using the effective interest method.

Other commitments and contingencies

Our commitments for leases, related to our office space and equipment, amounted to $25 million as of June 30, 2021 of which $4 million is payable in 2021. Refer to Note 11 to our condensed consolidated financial statements for a summary of our future commitments. Our headquarters lease expires in 2024. As of the date of this Current Report on Form 8-K, 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:

	Six Months Ended June 30,	
	2021	2020
	(in thousands)	
Net cash used in operating activities	$ (17,409)	$ (19,474)
Net cash used in investing activities	(19,817)	(51,316)
Net cash provided by financing activities	85,453	43,130

Operating Activities

In the first six months of 2021, net cash used in operating activities was $17 million driven by the net loss of $35 million and cash paid for prepaid expenses of $12 million associated the anticipated Business Combination. This was offset by increases of accrued expenses and other liabilities of $5 million and the liability for loss and loss adjustment expenses of $5 million and non-cash costs including depreciation and amortization of $6 million and stock-based compensation expense of $5 million.

In the first six months of 2020, net cash used in operating activities was $19 million driven by the net loss of $23 million and payment of accrued expenses and other liabilities of $7 million offset by non-cash costs including paid in kind interest of $4 million and depreciation and amortization of $2 million.

Investing Activities

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

In the first six months of 2021, net cash used in investing activities was $20 million, and reflected $33 million of purchases of investments offset by $24 million of proceeds from the sale of investments. Cash paid for fixed assets was $11 million in the same period, largely consisting of technology development costs related to Doma Intelligence.

In the first six months of 2020, net cash used in investing activities was $51 million and reflected $54 million of purchases of investments offset by $9 million of proceeds from the sale of investments. In the same period, cash paid for fixed assets was $8 million, largely consisting of technology development costs related to Doma Intelligence. We also received $1 million from the sale of a title plant in the same period.

Financing Activities

Net cash provided by financing activities was $85 million in the first six months of 2021, reflecting $150 million of proceeds from the Senior Debt, offset by the $66 million repayment of the Lennar seller financing note.

Net cash provided by financing activities was $43 million in the six months of 2020, reflecting $71 million in proceeds from the issuance of Series C Preferred Stock, offset by a $28 million payment on the Lennar seller financing note.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with GAAP. Preparation of the financial statements requires our 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 the unaudited consolidated condensed financial statements included elsewhere in this Current Report on Form 8-K. 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 incurred but not reported ("IBNR") claims. Each known claim is reserved based on our estimate of the costs required to settle the claim.

IBNR is a loss reserve that primarily reflects the sum of expected losses for unreported claims. The expense is calculated by applying the loss provision rate to total title insurance premiums. With the assistance of a third-party actuarial firm, we determine the loss provision rate for the policies written in the current year. This assessment considers factors such as historical experience and other factors, including industry trends, claim loss history, legal environment, geographic considerations and the types of title insurance policies written (i.e., real estate purchase or refinancing transactions). The loss provision rate is set to provide for losses on current year policies, but due to development of prior years and our long claim duration, it periodically includes amounts of estimated adverse or positive development on prior years' policies.

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 June 30, 2021 amounted to $75 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 June 30, 2021. 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 fiscal 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 June 30, 2021, we had $111 million of goodwill, relating to the North American Title Acquisition, of which $88 million and $23 million was allocated to our Distribution and Underwriting reporting units, respectively.

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. 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 completed our annual goodwill impairment test on October 1, 2020. We determined, after performing a qualitative review of each reporting unit, that the fair value of each reporting unit exceeded its respective carrying value. Accordingly, there was no indication of impairment and the quantitative goodwill impairment test was not performed. We did not identify any events, changes in circumstances, or triggering events since the performance of our annual goodwill impairment test that would require us to perform an interim goodwill impairment test during the fiscal year.

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. For the three and six months ended June 30, 2021 and 2020, 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. Although the impact of the difference between the estimated and reported amounts did not have a material impact on our financial statements for the periods presented in this Current Report on Form 8-K, it could have a more substantial impact in future periods as our business continues to grow.

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 (“JOBS Act”) exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect not to take advantage of the extended transition period and comply with the requirements that apply to non-emerging growth companies, and any such election to not take advantage of the extended transition period is irrevocable. Capitol is an “emerging growth company” as defined in Section 2(a) of the Securities Act and has elected to take advantage of the benefits of this extended transition period. Following the consummation of the Business Combination, we expect to remain an emerging growth company at least through the end of 2021 and will have the benefit of the extended transition period. This may make it difficult to compare our financial results with the financial results of other public companies that are either not emerging growth companies or emerging growth companies that have chosen not to take advantage of the extended transition period.

Quantitative and Qualitative Disclosures About Market Risks

Interest rate risk is our primary market risk. Our results of operations are directly exposed to changes in interest rates, among other macroeconomic conditions. See “—*Our Business Model—Industry trends and uncertainties*” above. 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. Our exposure to interest rate risk correlates to our portfolio of fixed income securities.

Our exposure to interest rate risk has not, to date, materially impacted our financial condition. As of June 30, 2021, we held investments with a value of $84 million, of which $84 million were in debt and mortgage securities, a majority of which bear interest at fixed rates and are held to maturity. Our investment portfolio is comprised of corporate debt, certificates of deposit, mortgages, U.S. government agency obligations and U.S. Treasuries, and we believe that our exposure to credit quality risk is currently immaterial.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The unaudited pro forma condensed combined financial information is prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 “Amendments to Financial Disclosures about Acquired and Disposed Businesses” to give effect to the acquisition of Doma Holdings, Inc. (“Doma”), by Capitol Investment Corp. V (“Capitol”) consummated on July 28, 2021 (the “Business Combination”) and the related proposed financing transactions.

The following unaudited pro forma condensed combined financial information is based on the audited financial statements (as restated) of Capitol and the audited financial statements of Doma, as well as the unaudited condensed combined financial statements of Capitol and Doma, as adjusted to give effect to the Business Combination and the related proposed financing transactions. The unaudited pro forma condensed combined balance sheet as of June 30, 2021 assumes that the Business Combination and the related proposed financing transactions were completed on June 30, 2021. The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2021 and for the year ended December 31, 2020 give effect to the Business Combination and the related proposed financing transactions as if they had occurred on January 1, 2020.

The assumptions and estimates underlying the transaction accounting adjustments to the unaudited pro forma condensed combined financial information are described in the accompanying notes, which should be read in conjunction with, the following:

- Capitol’s unaudited condensed financial statements and related notes as of and for the six months ended June 30, 2021 included in Capitol’s Form 10-Q filed with the SEC on July 27, 2021.
- Capitol’s audited financial statements (as restated) and related notes as of and for the year ended December 31, 2020 included in the Proxy Statement/Prospectus.
- Doma’s unaudited condensed consolidated financial statements and related notes as of and for the six months ended June 30, 2021 included in this Form 8-K/A.
- Doma’s audited consolidated financial statements and related notes as of and for the year ended December 31, 2020 included in the Proxy Statement/Prospectus.

The unaudited pro forma condensed combined financial information is not necessarily indicative of what the combined company’s balance sheet or statement of operations actually would have been had the Business Combination and the related proposed financing transactions been completed as of the dates indicated, nor do they purport to project the future financial position or operating results of the combined company. The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not reflect the costs of any integration activities or cost savings or synergies that may be achieved as a result of the Business Combination.

The transaction accounting adjustments reflecting the consummation of the Business Combination and related proposed financing transactions are based on certain currently available information and certain assumptions and methodologies that Doma believes are reasonable under the circumstances. The transaction accounting adjustments, which are described in the accompanying notes, may be revised as additional information becomes available. Therefore, it is likely that the actual adjustments will differ from the transaction accounting adjustments, and it is possible that the difference may be material. Doma believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Business Combination and the related proposed financing transactions based on information available to management at this time.

The following describes the above entities:

Capitol

Capitol is a Delaware blank check company, formed for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses. The registration statement for Capitol’s Initial Public Offering (“IPO”) was declared effective on December 1, 2020. On

December 4, 2020, Capitol consummated its IPO of 34,500,000 units (each, a “Unit” and collectively, the “Units”), including the issuance of 4,500,000 Units as a result of the underwriter’s exercise in full of its over-allotment option, at $10.00 per Unit, generating gross proceeds of $345,000,000. Simultaneously with the closing of the IPO, Capitol consummated the private placement of 5,833,333 warrants (“Private Placement Warrant”), at a price of $1.50 per Private Placement Warrant to Capitol Acquisition Management V LLC, Capitol Acquisition Founder V LLC and the directors of Capitol (collectively the “Sponsors”), generating proceeds of $8,750,000. Each Private Placement Warrant is exercisable to purchase one share of Class A Common Stock at $11.50 per share. As of June 30, 2021, there was approximately $345.0 million held in the Trust Account.

Doma

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. Doma’s approach to the title and escrow process is driven by its innovative full stack platform, Doma Intelligence. Doma Intelligence is the result of significant investment in research and development over more than four years across a team of more than 100 data scientists and engineers, creating a revolutionary new end-to-end closing platform that seeks to eliminate all of the latent, 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 will enable Doma to deliver a cheaper and faster closing transaction with a seamless customer experience at every point in the process. Doma’s machine intelligence algorithms are being trained and optimized on 30 years of historical anonymized closing transaction data allowing Doma to make underwriting decisions in less than a minute and significantly reduce the time, effort and cost of the entire process.

Description of the Business Combination

Pursuant to the Merger Agreement, Capitol agreed to acquire all of the outstanding equity interests from Doma’s equity holders (the “Sellers”) for $2,917 million, which consists of cash payments (at the election of cash eligible Doma equity holders) of $20.1 million (“Cash Consideration”) and equity consideration in the form of (i) the issuance of shares of New Doma Common Stock (“Share Consideration”) and (ii) rollover of certain of Doma’s outstanding options and warrants, upon the closing of the Business Combination (the “Closing”). Concurrently with the signing of the Merger Agreement, Capitol entered into a subscription agreement to sell 30.0 million shares of New Doma Common Stock to investors, for an aggregate of $300.0 million of proceeds, referred to as the “PIPE Financing.” The Cash Consideration was funded with Capitol’s available cash as of the Closing. To the extent not used to pay the Cash Consideration, the redemption price for any properly redeemed shares of Capitol’s Class A Common Stock, or fees and expenses related to the Business Combination and the related proposed financing transactions, the proceeds from Capitol’s Trust Account and the PIPE Financing will be used as working capital and for general corporate purposes by the combined company. The number of shares of New Doma Common Stock issued as Share Consideration was based on a $10.00 per share value. For additional information regarding the consideration payable in the Business Consideration, see the section in the Proxy Statement/Prospectus entitled “*Proposal No. 1—The Business Combination Proposal.*”

Upon Closing, Doma became a wholly-owned subsidiary of Capitol, which was renamed Doma Holdings, Inc. The Sellers have, as a group, the largest voting interest of New Doma’s Common Stock after close of the Business Combination and the PIPE Financing.

Following the Closing, the Sellers also have the contingent right to receive up to an additional number of shares equal to 5% of the Earnout Fully Diluted Shares as of the Closing (“Sellers Earnout Shares”). The Sellers 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 New Doma Common Stock equals or exceeds $15.00 for any 20 trading days within any 30-day trading period ending on or before the fifth anniversary of the Closing, and (ii) one-half of such shares shall be issued if the last reported sale price of the New Doma Common Stock equals or exceeds $17.50 for any 20 trading days within any 30-day trading period ending on or before the fifth anniversary of the Closing. Refer to the Merger Agreement and Amendment No. 1 to the Merger Agreement included as Exhibit 2.1and Exhibit 2.2, respectively, of the registration statement of which the Proxy Statement/Prospectus forms a part for additional details. The contingently issuable Sellers Earnout Shares are treated as an equity classified contract because all settlement scenarios including those under fundamental change events are indexed to New Doma's own Common Stock. The Sellers Earnout Shares have been excluded from the expected capitalization and pro forma per share calculations as more fully explained in Note 4.

Capitol, Doma and the Sponsors have also entered into a Sponsor Support Agreement, pursuant to which 20% of the Sponsors' shares of Capitol's Class B Common Stock as of the Closing became subject to vesting, contingent upon the price of New Doma's Common Stock exceeding certain thresholds (the "Sponsor Covered Shares"). 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 New Doma Common Stock equals or exceeds $15.00 for any 20 trading days within any 30-day trading period ending on or before the tenth anniversary of the Closing, and (ii) one-half of such shares shall vest if the last reported sale price of the New Doma Common Stock equals or exceeds $17.50 for any 20 trading days within any 30-day trading period ending on or before the tenth anniversary of the Closing. Refer to the Sponsor Support Agreement included as Exhibit 10.1 of the registration statement of which the Proxy Statement/Prospectus forms a part for additional details. The Sponsor Covered Shares are accounted for as a derivative due to the settlement adjustments upon change in control transactions that are not deemed to be indexed to New Doma's own Common Stock, resulting in the derivative to be fair-valued upon Closing and subsequent to the Business Combination.

The following represents the aggregate consideration, exclusive of Sellers Earnout Shares as of Closing ($ in thousands):

	Consideration
Cash Consideration[(1)]	$ 20,064
Rollover of Doma's outstanding vested options and warrants	85,467
Share Consideration	2,811,433
Total consideration, exclusive of Sellers Earnout Shares	$ 2,916,964

(1) Doma had sole discretion to waive the Minimum Cash Condition at the Closing. Upon the Closing, Doma decided to waive the Minimum Cash Condition and the Sponsors forfeited their Capitol Class B Common Stock proportionately in accordance with the Sponsor Support Agreement, and the cash paid to the Sellers (the "Secondary Available Cash Consideration" or the "Cash Consideration") was reduced to $20.1 million.

The following table summarizes the pro forma common stock outstanding of Doma Holdings, Inc. as of the Closing:

In thousands	Shares	Ownership %
Doma stockholders	281,143	87.5 %
Capitol public stockholders	5,016	1.6 %
Sponsors[(1)]	5,303	1.6 %
PIPE investors	30,000	9.3 %
Total	321,462	100.0 %

(1) The Sponsor forfeited a proportionate number of shares upon Closing due to waiving of the Minimum Cash Condition. The number of shares to be forfeited is calculated as 20% of the Minimum Cash minus Available PubCo Cash divided by $10.00. The New Doma Common Stock held by the Sponsors was calculated as 8.6 million shares of Class B Common Stock outstanding as of June 30, 2021 minus the 2.0 million Class B Common Stock forfeited and minus the 1.3 million Class B Common Stock subject to vesting post Business Combination, converted on a one-for-one basis into New Doma Common Stock.

The Business Combination will be accounted for as a reverse recapitalization because Doma has been determined to be the accounting acquirer under Financial Accounting Standards Board's Accounting Standards Codification Topic 805, Business Combinations ("ASC 805"). The determination is primarily based on the evaluation of the following facts and circumstances taking into consideration:

- The Sellers hold the majority of voting rights in New Doma;

- Doma appointed eight out of ten members of New Doma’s initial board of directors; the Sponsors appointed one member of New Doma’s board of directors; and the Sponsors and Doma mutually agreed on one member of New Doma’s board of directors;
- New Doma’s senior management is comprised of all key management of Doma;
- Operations of Doma prior to the Business Combination comprise the only ongoing operations of New Doma; and
- Doma is larger in relative size than Capitol based on total assets and total revenue.

Given that the transaction is treated as a reverse recapitalization, the Business Combination will be treated as the equivalent of Doma issuing stock for the net assets of Capitol, accompanied by a recapitalization. The net assets of Doma and Capitol will be stated at historical cost. No goodwill or intangible assets will be recorded in connection with the Business Combination.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET JUNE 30, 2021 ($ in thousands, except per share data)

	Capitol (Historical)	Doma (Historical)	Transaction Accounting Adjustments	Note	Pro Forma Combined
Assets					
Cash and cash equivalents	$ —	$ 158,542	$ 345,014	**2a**	$ 425,084
			300,000	**2b**	
			(294,856)	**2c**	
			(20,064)	**2d**	
			(63,552)	**2e**	
Marketable securities held in Trust Account	345,014	—	(345,014)	**2a**	
Restricted cash	—	1,707	—		1,707
Investments:					
Fixed maturities					
Held-to-maturity debt securities, at amortized cost	—	84,181	—		84,181
Available-for-sale debt securities, at fair value	—	—	—		—
Equity securities, at fair value	—	—	—		—
Mortgage loans	—	2,936	—		2,936
Total Investments	—	87,117	—		87,117
Receivables, net	—	13,386	—		13,386
Prepaid expenses, deposits and other assets	648	18,988	(6,155)	**2e**	13,481
Fixed assets, net	—	29,303	—		29,303
Title plants	—	13,952	—		13,952
Goodwill	—	111,487	—		111,487
Trade names	—	—	—		—
Total Assets	345,662	434,482	(84,627)		695,517
Liabilities and Stockholders' Equity					
Accounts payable	—	8,013	—		8,013
Accrued expenses and other liabilities	680	38,407	(3,966)	**2e**	35,121
Senior first lien note, net of debt issuance costs and original issue discount	—	135,730	—		135,730
Loan from a related party	—	—	—		—
Liability for loss and loss adjustment expenses	—	74,706	—		74,706
Advances from related parties	2	—	(2)	**2f**	—
Promissory note - related party	700	—	(700)	**2g**	—
Deferred underwriting payable	12,075	—	(12,075)	**2e**	—
Warrant liabilities	22,880	—	—		22,880
Sponsor Covered Shares liability	—	—	9,333	**2h**	9,333
Total Liabilities	36,337	256,856	(7,410)		285,783
Temporary Equity					
Class A common stock subject to possible redemption 34,500,000 shares at redemption value	345,000	—	(345,000)	**2i**	—
Stockholders' Equity:					
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; no shares issued and outstanding	—	—	—		—

Class A common stock, $0.0001 par value 400,000,000 shares authorized; 0 issued and outstanding (excluding 34,500,000 shares subject to possible redemption)	—	—	32	**2b, 2c 2i, 2j, 2k**	32
Class B common stock, $0.0001 par value; 50,000,000 shares authorized; 8,625,000 shares issued and outstanding	1	—	(1)	**2k**	—
Series A preferred stock, 0.0001 par value; 7,295,759 shares authorized; 7,295,759 shares issued and outstanding	—	1	(1)	**2l**	—
Series A-1 preferred stock, 0.0001 par value; 12,975,006 shares authorized; 12,975,006 shares issued and outstanding	—	1	(1)	**2l**	—
Series A-2 preferred stock, 0.0001 par value; 2,335,837 shares authorized; 2,335,837 shares issued and outstanding	—	—	—		—
Series B preferred stock, 0.0001 par value; 2,642,036 shares authorized; 2,642,036 shares issued and outstanding	—	—	—		—
Series C preferred stock, 0.0001 par value; 10,755,377 shares authorized; 10,119,484 shares issued and outstanding	—	1	(1)	**2l**	—
Common stock, 0.0001 par value; 54,000,000 shares authorized; 11,010,181 shares issued and outstanding	—	1	(1)	**2l**	—
Additional paid-in capital	—	291,802	299,997	**2b**	591,799
	—	—	(294,853)	**2c**	(294,853)
	—	—	(20,064)	**2d**	(20,064)
	—	—	(53,666)	**2e**	(53,666)
	—	—	2	**2f**	2
	—	—	700	**2g**	700
	—	—	(9,333)	**2h**	(9,333)
	—	—	344,997	**2i**	344,997
	—	—	(28)	**2j**	(28)
	—	—	4	**2l**	4
	—	—	(35,676)	**2m**	(35,676)
Accumulated deficit	(35,676)	(114,180)	35,676	**2m**	(114,180)
Accumulated other comprehensive income	—	—	—		—
Total Stockholders' Equity	(35,675)	177,626	267,783		409,734
Total Liabilities and Stockholders' Equity	345,662	434,482	(84,627)		695,517

(1) Class A Common Stock will become New Doma Common Stock upon consummation of the Business Combination.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2021
($ in thousands, except share and per share amounts)

	Capitol (Historical)	Doma (Historical)	Transaction Accounting Adjustments	Note	Pro Forma Combined
Revenues:					
Net premiums written	$ —	$ 217,263	$ —		$ 217,263
Escrow, other title-related fees and other	—	38,640	—		38,640
Investment, dividend and other income	—	1,879	—		1,879
Total revenues	—	257,782	—		257,782
Expenses:					
Premiums retained by third-party agents	—	135,519	—		135,519
Title examination expense	—	10,353	—		10,353
Provision for claims	—	10,055	—		10,055
Personnel costs	—	97,419	—		97,419
Other operating expenses	—	31,347	—		31,347
Formation and operating costs	1,998	—	—		1,998
Total operating expenses	1,998	284,693	—		286,691
Loss from operations	(1,998)	(26,911)	—		(28,909)
Interest expense	—	(7,810)	—		(7,810)
Interest earned on marketable securities held in Trust Account	53	—	(53)	**3a**	—
Change in fair value of warrant liabilities	7,800	—	—		7,800
Unrealized loss on marketable securities held in Trust Account	—	—	—	**3a**	—
Loss before income taxes	5,855	(34,721)	(53)		(28,919)
Income tax expense	—	336	—	**3b**	336
Net loss	5,855	(35,057)	(53)		(29,255)
Net loss attribute to noncontrolling interest	—	—	—		—
Net loss attribute to Doma Holdings, Inc.	5,855	(35,057)	(53)		(29,255)
Net loss per share:					
Net loss per share, Class A common stock subject to possible redemption - basic and diluted	0.45	n/a			n/a
Weighted average shares outstanding , Class A common stock subject to possible redemption - basic and diluted	12,967,016	n/a			n/a
Net loss per share - basic and diluted	—	(3.06)			(0.09)
Weighted average shares outstanding - basic and diluted	30,157,984	11,457,724			321,462,000

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2020
($ in thousands, except share and per share amounts)

	Capitol Historical (As Restated)	Doma (Historical)	Transaction Accounting Adjustments	Note	Pro Forma Combined
Revenues:					
Net premiums written	$ —	$ 345,608	$ —		$ 345,608
Escrow, other title-related fees and other	—	61,275	—		$ 61,275
Investment, dividend and other income	—	2,931	—		$ 2,931
Total revenues	—	409,814	—		409,814
Expenses:					
Premiums retained by third-party agents	—	220,143	—		$ 220,143
Title examination expense	—	16,204	—		$ 16,204
Provision for claims	—	15,337	—		$ 15,337
Personnel costs	—	143,526	—		$ 143,526
Other operating expenses	—	43,285	—		$ 43,285
Formation, transaction and operating costs	1,031	—	—		$ 1,031
Total operating expenses	1,031	438,495	—		439,526
Loss from operations	(1,031)	(28,681)	—		(29,712)
Interest expense	—	(5,579)	—		$ (5,579)
Interest earned on marketable securities held in Trust Account	15	—	(15)	**3a**	$ —
Change in fair value of warrant liabilities	(7,627)	—	—		(7,627)
Unrealized loss on marketable securities held in Trust Account	(2)	—	2	**3a**	$ —
Loss before income taxes	(8,645)	(34,260)	(13)		(42,918)
Income tax expense	—	843	—	**3b**	$ 843
Net loss	(8,645)	(35,103)	(13)		(43,761)
Net loss attribute to noncontrolling interest	—	—	—		$ —
Net loss attribute to Doma, Inc.	(8,645)	(35,103)	(13)		(43,761)
Net loss per share					
Net loss per share, Class A common stock subject to possible redemption - basic and diluted	0.00	n/a			n/a
Weighted average shares outstanding , Class A common stock subject to possible redemption - basic and diluted	29,846,985	n/a			n/a
Net loss per share - basic and diluted	(1.10)	(3.38)			(0.14)
Weighted average shares outstanding - basic and diluted	7,868,993	10,390,006			321,462,000

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

(in thousands, except share and per share amounts)

Note 1 — Basis of pro forma presentation

The accompanying unaudited pro forma condensed combined financial information were prepared under the conclusion that the Business Combination is accounted for as a reverse recapitalization, with no goodwill or other intangible assets recorded, in accordance with U.S. GAAP. Under this method of accounting, Capitol will be treated as the "acquired" company for financial reporting purposes. Accordingly, for accounting purposes, the reverse recapitalization will be treated as the equivalent of Doma issuing stock for the net assets of Capitol, accompanied by a recapitalization. Operations prior to the reverse recapitalization will be those of Doma.

The historical financial statements have been adjusted in the unaudited pro forma condensed combined financial information to reflect transaction accounting adjustments in connection with the Business Combination. Given that the Business Combination is accounted for as a reverse recapitalization, the direct and incremental transaction costs related to the Business Combination and related proposed financing transactions are deferred and offset against the additional paid-in-capital. Transaction costs that are incurred and expensed by Capitol upon Closing will be recognized against additional paid-in-capital as a reduction of Capitol's net assets recorded in the reverse recapitalization.

The pro forma basic and diluted loss per share amounts presented in the unaudited pro forma condensed combined statement of operations are based upon the number of shares of New Doma Common Stock outstanding, assuming the Business Combination and related proposed financing transactions occurred on January 1, 2020.

Note 2 — Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

The transaction accounting adjustments included in the unaudited pro forma condensed combined balance sheet as of June 30, 2021 are as follows:

a) Reflects the reclassification of $345.0 million marketable securities held in the Trust Account that becomes available for transaction consideration, transaction expense, redemption of public shares and the operating activities following the Business Combination to cash and cash equivalents.

b) Reflects the gross cash proceeds of $300.0 million generated from the PIPE Financing through the issuance of 30.0 million shares of New Doma Common Stock to the PIPE investors. Of the $300.0 million, $3.0 thousand is recorded under Class A Common Stock at par and the remaining is recorded under additional paid-in-capital.

c) Reflects $294.9 million withdrawal of funds from the Trust Account to fund the redemption of 29.5 million shares of Capitol Class A Common Stock at approximately $10.00 per share.

d) Reflects the payment of $20.1 million of Cash Consideration to the Sellers in connection with the Business Combination.

e) Reflects the payment at Closing of $63.6 million transaction costs incurred and accrued by Capitol and Doma. Of that amount, $12.1 million relates to the cash settlement of deferred underwriting payable incurred as part of Capitol's IPO paid upon the consummation of a Business Combination. Of the remaining $51.5 million, $4.0 million relates to the payment of direct and incremental transaction costs accrued on the historical balance sheet of Doma as of June 30, 2021 and $47.5 million relates to transaction costs incurred concurrently with the Business Combination by Capitol and Doma, such as legal, third-party advisory, investment banking, other miscellaneous fees. The costs are direct and incremental to the Business Combination, accounted for as a reverse recapitalization and thus will be reflected as a reduction to additional paid-in-capital and cash and cash equivalents. Additionally, given that Doma capitalized $6.2 million of transaction costs that were incurred and paid under prepaid expenses, deposits and other assets, they are reclassified to additional paid-in-capital upon the consummation of the Business Combination.

f) Reflects the settlement of Capitol's advances from related parties upon the consummation of the Business Combination, which will be recognized against additional paid-in-capital.

g) Reflects the settlement of Capitol's related-party promissory note upon the consummation of the Business Combination, which will be recognized against additional paid-in-capital.

h) Reflects the fair value of $9.3 million of the Sponsor Covered Shares subject to vesting, contingent upon the price of New Doma Common Stock exceeding certain thresholds. The fair value was determined using the most reliable information currently available. Refer to Note 5 for more information.

i) Represents the reclassification of $345.0 million of 34.5 million historical Class A Common Stock that was subject to possible redemption to permanent equity.

j) Reflects the issuance of 281.1 million shares to the Sellers at 0.0001 par value as consideration for the Business Combination.

k) Reflects the reclassification of $1.0 thousand par value of Capitol Class B Common Stock to Class A Common Stock at par value to account for the conversion of 5.3 million Class B Common Stock to Class A Common Stock on a one-for-one basis (refer to Note 4 herein).

l) Reflects the contractual conversion of the preferred stock triggered by the Business Combination and the reclassification of the Sellers stockholders' equity to additional paid-in-capital, in connection with Doma's recapitalization.

m) Reflects the elimination of Capitol's historical accumulated deficit.

Note 3 — Adjustments to Unaudited Pro Forma Condensed Combined Statement of Operations

The pro forma adjustments included in the unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2021 and for the year ended December 31, 2020 are as follows:

a) Represents the elimination of $53.0 thousand of interest income on Capitol's Trust Account for the six months ended June 30, 2021 and $15.0 thousand of interest income and $2.0 thousand of unrealized loss for the year ended December 31, 2020.

b) Subsequent to the Business Combination, the net operating losses ("NOLs") from Doma could be used to offset taxable income. Any income tax liability is expected to be fully offset by the deferred tax assets. The pro forma combined provision for income taxes does not necessarily reflect the amounts that would have resulted had Capitol and Doma filed consolidated income tax returns during the periods presented.

Note 4 — Loss per Share Information

The pro forma weighted average shares calculations have been performed for the six months ended June 30, 2021 and the year ended December 31, 2020 using New Doma Common Stock outstanding upon the consummation of the Business Combination, assuming the transaction occurred on January 1, 2020. The unaudited pro forma condensed combined loss per share ("LPS"), basic and diluted, are computed by dividing the pro forma net loss by the weighted average shares of New Doma Common Stock during the period.

Capitol has a total of 17,333,333 warrants outstanding to purchase Class A Common Stock, 11,500,000 of which were issued as part of the units sold in the IPO and 5,833,333 warrants of which were sold in a private placement simultaneously with the IPO. The warrants are exercisable at $11.50 per share amounts which exceeds the current market price of Capitol's Class A Common Stock. These warrants are considered anti-dilutive and excluded from the loss per share calculation when the exercise price exceeds the average market value of the common stock price during the applicable period.

As a result, pro forma diluted LPS is the same as pro forma basic LPS for the periods presented.

	Pro Forma Combined	
	For the six months ended June 30, 2021	**For the year ended December 31, 2020**
In thousands, except per share data		
Pro forma net loss	$ (29,255)	$ (43,761)
Basic and diluted weighted average shares outstanding	321,462	321,462
Pro forma basic and diluted loss per share	$ (0.09)	$ (0.14)
Pro forma basic and diluted weighted average shares		
Doma stockholders	281,143	281,143
Capitol public stockholders	5,016	5,016
Sponsors	5,303	5,303
PIPE investors	30,000	30,000
Total pro forma basic and diluted weighted average shares	321,462	321,462

Note 5 — Sponsor Covered Shares

The Sponsor Covered Shares are expected to be accounted for as a derivative. These shares will become vested contingent upon the price of New Doma Common Stock exceeding certain thresholds or upon some strategic events, which include events that are not indexed to New Doma Common Stock. The fair value of the Sponsor Covered Shares is $9.3 million as of Closing. The fair value of the Sponsor Covered Shares was determined by using a Monte Carlo simulation valuation model using a distribution of potential stock price outcomes on a daily basis over the 10-year vesting period. Assumptions used in the valuation were as follows:

Current stock price: The current stock price was set at $7.95 per share based on the closing stock price for New Doma Common Stock as of July 28, 2021.

Expected volatility: The expected volatility of 53.3% was calculated based on the average of (i) the New Doma implied volatility calculated using longest term stock option and (ii) median leverage adjusted (asset) volatility calculated using a set of 13 Guideline Public Companies (“GPCs”). The GPCs’ interquartile asset volatility was 22.0% to 27.7% with a median of 23.4%. Volatility for the GPCs was calculated over a lookback period of 10 year (or longest available data for GPCs whose trading history was shorter than 10 years), commensurate with the contractual term of the earnout shares.

Risk-free interest rate: The risk-free interest rate of 1.26% was determined based on the 10-year U.S. Constant Maturity.

Expected term: The expected term is the 10-year term of the vesting period.

Expected dividend yield: The expected dividend yield is zero as we have never declared or paid cash dividends and have no current plans to do so during the expected term.