

Risk Factors Comparison 2024-02-29 to 2023-02-28 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

You should consider the following risk factors, as well as the other information presented in this report and our other filings with the SEC, in evaluating our business and any investment in Stewart. These risks could materially and adversely affect our business, financial condition and results of operations. In that event, the trading price of our Common Stock could decline materially. Strategic Risk Factors Acquisitions or strategic investments we have made or may make could turn out to be unsuccessful. As part of our investment and growth strategy, we frequently monitor and analyze opportunities to acquire or make a strategic investment in new or other businesses where we believe we can have sustained success and improve Stewart's scale and profitability. The negotiation of potential acquisitions or strategic investments as well as the integration of an acquired business or new personnel, could result in a substantial diversion of management resources. Future acquisitions could likewise involve numerous additional risks such as potential losses from unanticipated litigation or levels of claims and inability to generate sufficient revenue to offset acquisition costs. **Additionally, certain of the investments that we frequently make are in regulated entities that are required to comply with various governmental regulatory requirements, which may impose significant costs on such entities or otherwise impact the value of our investments therein.** As we pursue or consummate a strategic transaction or investment, we may value the acquired or funded company or operations incorrectly, fail to integrate the acquired operations appropriately into our own operations, fail to successfully manage our operations as our product and geographical diversity increases, expend unforeseen costs during the acquisition or integration process, or encounter other unanticipated risks or challenges. If we succeed in consummating a strategic investment, we may fail to value it accurately or divest it or otherwise realize the value which we originally invested or have subsequently reflected in our consolidated financial statements. Any failure by us to effectively limit such risks or implement our acquisitions or strategic investment strategies could have a material adverse effect on our business, financial condition or results of operations. Innovations **and title insurance alternatives** introduced by real estate industry participants, including Stewart and our competitors, **lenders and investors** may be potentially disruptive and could adversely affect Stewart. Various initiatives **and alternatives to traditional title insurance and settlement products and services** are **or may be** introduced by real estate industry participants, including Stewart and our competitors, **lenders** ~~utilizing innovative technologies, processes and techniques in order to improve~~ **investors, which may change the demand for our products and services,** the manner **our** ~~and timeliness of delivering~~ **products and services are ordered or fulfilled, and increase efficiency, improve the quality of revenue or profitability derived from our** products and services ~~and customer experience, and enhance risk management.~~ These efforts **Innovation initiatives** include implementing advanced technologies, **processes and techniques** to automate and streamline certain manual processes during ~~title~~, ~~but not limited to, search and examination, title insurance policy issuance, and real estate transaction settlement~~ **to improve the manner and timeliness of delivering products and services, increase efficiency, reduce costs, improve product and service quality and customer experience, and enhance risk management.** Innovations by our competitors **Alternatives to title insurance policies, such as an attorney opinion letter which may change not provide the same level of protection as traditional title policies but may be a more cost-effective option, may become widely used and accepted which can affect** the demand for our products and services, the manner our products and services are ordered or fulfilled, and the revenue or profitability derived from our products and services. Further, in developing and implementing our own innovation initiatives, we have made and will likely continue to make significant investments. Depending on factors relating to our operations, the real estate industry and the macroeconomic environment, these innovative investments may not be successful, may result in increased claims, ~~reputational damage~~ **to our reputation** or other material ~~impact~~ **impacts** on Stewart, or could disrupt our business operations by significantly diverting management's attention. Rapid changes in our industry require secure, timely and cost-effective technological responses. Our earnings may be adversely affected if we are unable to effectively use technology to address regulatory changes and increase productivity. We believe that our future success depends, in part, on our ability to anticipate changes in the industry and to offer products and services that meet evolving standards on a timely and cost-effective basis. To do so requires a flexible and secure technology architecture, **such as title production systems,** which can continuously comply with changing regulations, improve productivity, lower costs, reduce risk and enhance the customer experience. Inability to meet these requirements and any unanticipated downtime in our technology may have a material adverse effect on our earnings. Operational Risk Factors Adverse changes in economic conditions, especially those affecting the levels of real estate and mortgage activity, may reduce our revenues. Our financial condition and results of operations are affected by changes in economic conditions, particularly mortgage interest rates, credit availability, real estate prices and consumer confidence. Our revenues and earnings have fluctuated in the past due to the cyclical nature of the housing industry, and we expect them to continue to fluctuate in the future. The demand for our title insurance-related and real estate solutions offerings is dependent primarily on the volume of residential and commercial real estate transactions. The volume of these transactions historically has been influenced by such factors as mortgage interest rates, inventory, affordability, availability of financing and the overall state of the economy. Typically, when interest rates are increasing or when the economy is experiencing a downturn, real estate activity declines. As a result, the title insurance industry tends to experience decreased revenues and earnings, and potentially increased claims experience. Our revenues and results of operations have been and may in the future be adversely affected by a decline in home prices, real estate activity and the availability of financing alternatives. Deterioration in the macroeconomic environment generally causes weakness or adverse changes in the level of real estate activity, which could have a material adverse effect on our consolidated financial condition or results of operations, including impairment of our goodwill

and long-lived assets. Also, we may not be able to accurately predict the effects of periods or expectations of high or rapidly rising inflation rates, and governmental responses thereto, and may not respond in a timely or adequate manner to mitigate the negative effects of such inflation, such as decreases in the demand for our products and services and higher labor and other expenses. Our claims experience may require us to increase our provision for title losses or to record additional reserves, either of which would adversely affect our earnings. We estimate our future loss payments, and our assumptions about future losses may prove inaccurate. Provisions for policy losses on policies written within a given year are charged to income in the same year the related premium revenues are recognized. The amounts provided are based on reported claims, historical loss payment experience and the current legal and economic environment. Losses that are higher than anticipated are an indication that total losses for a given policy year may be higher than originally calculated. Changes in the total estimated future loss for prior policy years are recorded in the period in which the estimate changes. Claims are often complex and involve uncertainties as to the dollar amount and timing of individual payments. Claims are often paid many years after a policy is issued. From time- to- time, we experience large losses, including losses from independent agency defalcations, wire fraud, title policies that have been issued or worsening loss payment experience, any of which may require us to increase our title loss reserves. These events are unpredictable and may have a material adverse effect on our earnings. The issuance of our title insurance policies and related activities by title agents, which operate with substantial independence from us, could adversely affect our operations. Our title insurance subsidiaries issue a significant portion of their policies through independent title agents. There is no guarantee that these title agents will fulfill their contractual obligations to us as contemplated, although such contracts include limitations that are designed to limit our risk with respect to their activities. In addition, regulators are increasingly seeking to hold title companies responsible for the actions of these title agents and, under certain circumstances, the Company may be held liable directly to third parties for actions (including defalcations) or omissions of these agents. Case law in certain states also suggests that the Company is liable for the actions or omissions of its agents in those states, regardless of contractual limitations. As a result, the Company's use of title agents could result in increased claims on the Company's policies issued through agents and an increase in other costs and expenses. Competition in the title insurance industry may affect our revenues. Competition in the title insurance industry is intense, particularly with respect to price, service and expertise. Larger commercial customers and mortgage originators also look to the size and financial strength of a title insurer. Although we are one of the leading title insurance underwriters based on market share, **FNF Fidelity National Financial**, First American and Old Republic each has substantially greater gross revenues than we do and their holding companies have significantly greater capital. Further, other title insurance companies, collectively, hold a considerable share of the market. Although we are not aware of any current initiatives to reduce regulatory barriers to entering our industry, any such reduction could result in new competitors, including financial services firms or institutions, entering the title insurance business. From time- to- time, new entrants enter the marketplace with alternative products to traditional title insurance, although many of these alternative products have been disallowed by title insurance regulators. Further, advances in technologies could, over time, significantly disrupt the traditional business model of financial services and real estate- related companies, including title insurance. These alternative products or disruptive technologies, if permitted by regulators, could have a material adverse effect on our revenues and earnings.

Information technology (IT) systems present potential targets for cybersecurity attacks. Our operations are reliant on technology and data. Our IT systems and our vendors' IT systems are used to store and process sensitive information regarding our operations and financial position as well as any information pertaining to our customers and vendors. While we take **strong the utmost** precautions, we cannot guarantee safety from all cyber threats, IT system or software vulnerabilities, wire fraud and attacks to our systems **, or our ability to timely detect cyber incidents**. Any successful breach of security could result in loss of sensitive data, spread of inaccurate or confidential information, disruption of operations, theft of escrowed funds, endangerment of employees, damage to our assets and increased costs to respond. Although we maintain cyber liability insurance to help protect us financially, there is no assurance that the instances noted above would not have a negative impact on cash flows, litigation status and / or our reputation, which could have a material adverse effect on our business, financial condition and results of operations. **In Refer to Part I, Item 1C. Cybersecurity for our policies and procedures in place to address cybersecurity risks. Errors and fraud relating to fund transfers may adversely affect us The Company relies on its systems, employees and banks to transfer its own funds and the funds of third parties. These transfers are susceptible to user input error, fraud, system interruptions and the other event of similar errors that, from time to time, result in lost funds or delayed transactions. Our email and computer systems, and systems used by other parties involved in a transaction have been subject to and are likely to continue to be the target of, fraudulent attacks, including attempts to cause us or the other parties to improperly transfer funds. Funds transferred to a fraudulent recipient are often not recoverable and in certain instances, we may be liable for those unrecovered funds. Our controls and procedures in place to prevent transfer errors and fraud may prove inadequate and may result in financial losses, harm to our reputation, loss of customers or other adverse consequences which could be** material cybersecurity breach, we have an incident response team in place to **Stewart** take immediate actions, work with local and national law enforcement, notify impacted parties as well as appropriate state regulators and the NYSE. Climate change and extreme weather events could adversely affect our operations and financial performance Our operations and financial performance could be adversely impacted by climate change and extreme weather events, especially if these occurrences negatively impact the overall real estate market and the broader economy. With respect to our investment portfolio, both individual corporate securities, as well as securities issued by municipalities could also see their value affected by such events. Given the unpredictable and uncertain nature of climate change and weather with respect to size, severity, frequency, geography, and duration, we are unable to quantify the true impact these events would have on our business and operations. **As part of our emergency response management, we have an enterprise-wide business continuity program and disaster recovery plan to ensure continued operations of critical services in the event of a disruption to regular operations. Also, as** a result of the growing importance that climate change has on both the

Company's operations as well as society in general, Stewart ~~has made a formal statement on its~~ **is commitment committed** to **caaring for** the health of the global environment. The Company will also continue to update investors on the progress it is making to positively contribute to environmental preservation through its annual **ESG sustainability** reports. These and other environmental- related documents can be found in the Investor Relations- Governance section of the Company's website -

~~Errors and fraud relating to fund transfers may adversely affect us~~ The Company relies on its systems, employees and banks to transfer its own funds and the funds of third parties. These transfers are susceptible to user input error, fraud, system interruptions and other similar errors that, from time to time, result in lost funds or delayed transactions. Our email and computer systems, and systems used by other parties involved in a transaction have been subject to and are likely to continue to be the target of, fraudulent attacks, including attempts to cause us or the other parties to improperly transfer funds. Funds transferred to a fraudulent recipient are often not recoverable and in certain instances, we may be liable for those unrecovered funds. Our controls and procedures in place to prevent transfer errors and fraud may prove inadequate and may result in financial losses, reputational harm, loss of customers or other adverse consequences which could be material to Stewart.

Widespread health crises could adversely impact our business operations. Widespread health crises and responses to such events could adversely affect the Company. Although the title insurance industry has been deemed essential in the United States, health crises and measures to address them may cause disruptions in the real estate market and on our business operations. These disruptions, which may include, among others, decreased volume of orders and other business activity, delayed closing of real estate transactions, office closures, and decreased value of investments and other assets, may significantly impact our future results of operations and financial position.

Regulatory and Compliance Risk Factors A downgrade of our underwriters by rating agencies may reduce our revenues. Ratings are a significant component in determining the competitiveness of insurance companies with respect to commercial title policies. Our domestic underwriters, Guaranty and STIC, have historically been highly rated by the rating agencies that cover us. These ratings are not credit ratings. Instead, the ratings are based on quantitative, and in some cases qualitative, information and reflect the conclusions of the rating agencies with respect to our financial strength, results of operations and ability to pay policyholder claims. Our ratings are subject to continual review by the rating agencies, and we cannot be assured that our current ratings will be maintained. If our ratings are downgraded from current levels by the rating agencies, our ability to retain existing customers and develop new customer relationships may be negatively impacted, which could result in a material adverse impact on our consolidated financial condition or results of operations. Our insurance subsidiaries must comply with extensive government regulations. These regulations and the enforcement environment could adversely affect our ability to increase our revenues and operating results.

The Consumer Financial Protection Bureau (CFPB) is charged with protecting consumers by enforcing federal consumer protection laws and regulations. The CFPB is an independent agency and funded by the United States Federal Reserve System. Its jurisdiction includes banks, credit unions, securities firms, payday lenders, mortgage servicing operations, foreclosure relief services, debt collectors and other financial companies. The nature and extent of these regulations include, but are not limited to: conducting rule- making, supervision, and enforcement of federal consumer protection laws; restricting unfair, deceptive, or abusive acts or practices; marshalling consumer complaints; promoting financial education; researching consumer behavior; monitoring financial markets for new risks to consumers; and enforcing laws that outlaw discrimination and other unfair treatment in consumer finance. Governmental authorities regulate our insurance subsidiaries in the various states and international jurisdictions in which we do business. These regulations generally are intended for the protection of policyholders rather than stockholders. The nature and extent of these regulations vary from jurisdiction to jurisdiction, but typically involve: • approving or setting of insurance premium rates; • **setting** standards of solvency and minimum amounts of statutory capital and surplus that must be maintained; • ~~limitations~~ **placing limits** on types and amounts of investments; • establishing reserves, including statutory premium reserves, for losses and loss adjustment expenses; • regulating underwriting and marketing practices; • regulating dividend payments and other transactions among affiliates; • **approving** ~~prior approval for~~ the acquisition and control of an insurance company or of any company controlling an insurance company; • licensing of insurers, agencies and, in certain states, escrow officers; • ~~regulation~~ **regulating** of reinsurance; • ~~restrictions~~ **restricting on** the size of risks that may be insured by a single company; • **requiring** deposits of securities for the benefit of policyholders; • **approving** approval of policy forms; • **approving and prescribing** methods of accounting; and • filing of annual and other reports with respect to financial condition and other matters. These regulations may impede or impose burdensome conditions on rate increases or other actions that we might want to take to enhance our operating results. In addition, state regulators perform periodic examinations of insurance companies, which could result in increased compliance or legal expenses. We may also be subject to additional state or federal regulations prescribed by legislation such as the Dodd- Frank Act or by regulations issued by the CFPB, Department of Labor, Office of the Comptroller of the Currency, Occupational Safety and Health Administration, Department of the Treasury or other agencies. Additionally, we have in the past and may in the future be subject to investigations or inquiries from regulators, including state attorneys general. We incur costs as a result of such investigations or inquiries, including increased compliance costs, which may impact our operating results. Finally, changes in regulations or new regulations in our industry may be introduced that ~~would~~ **could** have a material adverse effect on our business or result in increased costs of compliance. Dividends from our insurance underwriting subsidiaries are an important source for capital planning. We are a holding company and we receive dividends from our insurance subsidiaries and unregulated subsidiaries to pay our parent company's operating expenses, debt service obligations and dividends to our common stockholders. While we may have adequate cash available in our parent company and unregulated subsidiaries to fund these obligations, we may depend on dividends from our insurance underwriting subsidiaries to meet cash requirements for acquisitions and other strategic investments. In regard to our insurance subsidiaries, which include Guaranty and STIC, the insurance statutes and regulations of some states require us to maintain a minimum amount of statutory capital and restrict the amount of dividends that our insurance subsidiaries may pay to us. Refer to Note 3 to our audited consolidated financial statements and Item 7- MD & A- Liquidity and Capital Resources for details on statutory surplus and dividend restrictions.

Financial Risk Factors Availability **and cost** of credit may reduce our liquidity and negatively impact our ability to fund operations. We expect that cash flows from operations and cash available from our underwriters, subject to regulatory restrictions, will be sufficient to fund our operations, pay our claims and fund operational initiatives. To the extent that these funds are not sufficient, we may be required to borrow funds on less than favorable terms or seek funding from the equity market, which may be on terms that are dilutive to existing shareholders. **Increases in interest rates also increase the costs associated with borrowing on our floating rate line of credit facility. As of December 31, 2023, we have an available \$ 197.5 million borrowing capacity on our existing line of credit facility.** Unfavorable economic or other business conditions could cause us to record an impairment of all or a portion of our goodwill, other intangible assets and other long-lived assets. We perform annual impairment tests of the carrying values of our goodwill, other intangible assets and other long-lived assets. We may also perform an evaluation whenever events may indicate an impairment has occurred. In assessing whether an impairment has occurred, we consider whether the performance of our reporting units may be below projections, unexpected declines in our market capitalization, negative macroeconomic trends or negative industry and company-specific trends. We also perform reviews, at the asset group level, if carrying values of our long-lived assets are not recoverable. If we conclude that the carrying values of these assets exceed the fair value or are not recoverable, we may be required to record a noncash impairment of these assets. Any substantial impairment that may be required in the future could have a material adverse effect on our results of operations or financial condition. Our investment portfolio is subject to interest rate and other risks and could experience losses. We maintain a substantial investment portfolio, primarily consisting of fixed income debt securities and, to a lesser extent, equity securities. Our portfolio holdings are subject to certain economic and financial market risks, including credit risk, interest rate risk, foreign exchange rate risk and liquidity risk. Instability in credit markets and economic conditions can increase the risk of loss in our portfolio. Periodically, we assess the recoverability of the amortized cost of our debt securities investments. If the amortized cost of such investments exceeds the fair value, and we conclude the decline is other-than-temporary, we are required to record an impairment. The impairment could have a material adverse effect on our results of operations or financial condition. Claims by large classes of claimants may impact our financial condition or results of operations. We are involved in litigation arising in the ordinary course of business. In addition, we may be, and have been in the past, subject to claims and litigation from large classes of claimants seeking substantial damages not arising in the ordinary course of business. Material pending legal proceedings not in the ordinary course of business, if any, would be disclosed in Part I, Item 3 — Legal Proceedings. To date, the impact of the outcome of these proceedings has not been material to our consolidated financial condition or results of operations. However, an unfavorable outcome in any litigation, claim or investigation against us could have a material adverse effect on our consolidated financial condition or results of operations. Failures at financial institutions at which we deposit funds could adversely affect us. We deposit substantial fiduciary funds, which are third-party funds, and operating funds in many financial institutions in excess of insured deposit limits. **In relation to fiduciary funds, we perform appropriate account titling and management which leaves the majority of accounts within insured limits. Those above the limits, which typically relate to large residential or commercial settlement transactions, are generally placed in well-capitalized financial institutions.** In the event that one or more of these financial institutions fail, there is no guarantee that we could recover the deposited funds in excess of federal deposit insurance, and, as such, we could be held liable for the funds owned by third parties. Under these circumstances, our liability could have a material adverse effect on our results of operations or financial condition. General Risk Factor Our business could be disrupted as a result of a threatened proxy contest and other actions of activist stockholders. We have previously been the subject of actions taken by activist stockholders. When activist activities occur, our business could be adversely affected because we may have difficulty in attracting and retaining customers, agents, mortgage lenders, servicers, employees and board members due to perceived uncertainties as to our future direction and negative public statements about our business; such activities may materially harm our relationships with current and potential customers, investors, lenders, and others; may otherwise materially harm our business, may adversely affect our operating results and financial condition; responding to proxy contests and other similar actions by stockholders is likely to result in our incurring substantial additional costs, including, but not limited to, legal fees, fees for financial advisors, fees for investor relations advisors, and proxy solicitation fees; significantly divert the attention of management, our Board of Directors and our employees; and changes in the composition of our Board of Directors due to activist campaigns may adversely affect our current strategic plan. We cannot predict, and no assurances can be given as to, the outcome or timing of any matters relating to actions by activist stockholders or the ultimate impact on our business, liquidity, financial condition or results of operations.