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

FORM 10-K

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from ______to ______

Commission file number 001-34580

First American Financial Corporation

(Exact name of registrant as specified in its charter)

Incorporated in Delaware **(State or other jurisdiction of incorporation or organization)**	**26-1911571** **(I.R.S. Employer Identification No.)**

1 First American Way, Santa Ana, California 92707-5913
(Address of principal executive offices) (Zip Code)

(714) 250-3000
Registrant's telephone number, including area code

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

Common **(Title of each class)**	**New York Stock Exchange** **(Name of each exchange on which registered)**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2015 was $3,981,623,275.

On February 16, 2016, there were 109,086,496 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement with respect to the 2016 annual meeting of the stockholders are incorporated by reference in Part III of this report. The definitive proxy statement or an amendment to this Form 10-K will be filed no later than 120 days after the close of registrant's fiscal year.

FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES

INFORMATION INCLUDED IN REPORT

THIS ANNUAL REPORT ON FORM 10-K CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING O F SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY THE FACT THAT THEY DO NOT RELATE STRICTLY TO HISTORICAL OR CURRENT FACTS AND MAY CONTAIN THE WORDS "BELIEVE," "ANTICIPATE," "EXPECT," "INTEND," "PLAN," "PREDICT," "ESTIMATE," "PROJECT," "WILL BE," "WILL CONTINUE," "WILL LIKELY RESULT," OR OTHER SIMILAR WORDS AND PHRASES OR FUTURE OR CONDITIONAL VERBS SUCH AS "WILL," "MAY," "MIGHT," "SHOULD," "WOULD," OR "COULD." THESE FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION, STATEMENTS REGARDING FUTURE OPERATIONS, PERFORMANCE, FINANCIAL CONDITION, PROSPECTS, PLANS AND STRATEGIES. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON CURRENT E XPECTATIONS AND ASSUMPTIONS THAT MAY PROVE TO BE INCORRECT.

RISKS AND UNCERTAINTIES EXIST THAT MAY CAUSE RESULTS TO DIFFER MATERIALLY FROM THOSE SET FORTH IN THESE FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE THE ANTICIPATED RESULTS TO DIFFER FROM THOSE DESCRIBED IN THE FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION:

- *CHANGES IN ECONOMIC CONDITIONS, INCLUDING INTEREST RATE FLUCTUATIONS AND VOLATILITY IN REAL ESTATE OR CAPITAL MARKETS;*
- *CHANGES IN REGULATORY CONDITIONS IMPACTING THE COMPANY'S BUSINESSES;*
- *CHANGES IN THE MORTGAGE PROCESS, THE ROLE OF TITLE INSURANCE AND OTHER PRODUCTS AND SERVICES OF THE COMPANY IN THAT PROCESS, OR THE ROLE OF GOVERNMENT-SPONSORED ENTERPRISES IN THAT PROCESS;*
- *CHANGES IN RELATIONSHIPS WITH LARGE MORTGAGE LENDERS AND GOVERNMENT-SPONSORED ENTERPRISES;*
- *MATERIAL VARIANCE BETWEEN ACTUAL AND EXPECTED CLAIMS EXPERIENCE;*
- *SYSTEMS DAMAGE, FAILURES, INTERRUPTIONS AND INTRUSIONS, WIRE TRANSFER ERRORS OR UNAUTHORIZED DATA DISCLOSURES; AND*
- *OTHER FACTORS DESCRIBED IN THIS ANNUAL REPORT ON FORM 10-K, INCLUDING UNDER THE CAPTION "RISK FACTORS" IN ITEM 1A OF PART I.*

THE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE THEY ARE MADE. THE COMPANY DOES NOT UNDERTAKE TO UPDATE FORWARD-LOOKING STATEMENTS TO REFLECT CIRCUMSTANCES OR EVENTS THAT OCCUR AFTER THE DATE THE FORWARD-LOOKING STATEMENTS ARE MADE.

PART I

Item 1. Business

The Company

First American Financial Corporation (the "Company") was incorporated in the state of Delaware in January 2008 to hold the financial services businesses of the Company's prior parent. On June 1, 2010, the Company's common stock was listed on the New York Stock Exchange under the ticker symbol "FAF." The businesses operated by the Company's subsidiaries have, in some instances, been in existence since the late 1800s.

The Company has its executive offices at 1 First American Way, Santa Ana, California 92707-5913. The Company's telephone number is (714) 250-3000.

General

The Company, through its subsidiaries, is engaged in the business of providing financial services through its title insurance and services segment and its specialty insurance segment. The title insurance and services segment provides title insurance, closing and/or escrow services and similar or related services domestically and internationally in connection with residential and commercial real estate transactions. It also provides products, services and solutions involving the use of real property related data, including data derived from its proprietary database, which are designed to mitigate risk or otherwise facilitate real estate transactions. It maintains, manages and provides access to title plant records and images and, in addition, provides banking, trust and investment advisory services. The specialty insurance segment issues property and casualty insurance policies and sells home warranty products. In addition, our corporate function consists of certain financing facilities as well as the corporate services that support our business operations. Financial information regarding these business segments and the corporate function is included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" of Part II of this report.

The substantial majority of our business is dependent upon activity in the real estate and mortgage markets, which are cyclical and seasonal. In the current market environment, we are focused on growing our core title insurance and closing services business, building and expanding our data assets to strengthen our core business and offer additional solutions for our customers, and managing complementary businesses in ways that support our core business. We are also focused on continued improvement of our customers' experiences with our products, services and solutions, and we remain committed to efficiently managing our business to market conditions throughout business cycles.

Title Insurance and Services Segment

Our title insurance and services segment issues title insurance policies on residential and commercial property in the United States and offers similar or related products and services internationally. This segment also provides closing and/or escrow services; accommodates tax-deferred exchanges of real estate; provides products, services and solutions involving the use of real property related data designed to mitigate risk or otherwise facilitate real estate transactions; maintains, manages and provides access to title plant records and images; and provides banking, trust and investment advisory services. In 2015, 2014, and 2013 the Company derived 92.5%, 92.0% and 92.9% of its consolidated revenues, respectively, from this segment.

Overview of Title Insurance Industry

In most instances mortgage lenders and purchasers of real estate desire to be protected from loss or damage in the event of defects in the title they acquire. Title insurance is a means of providing such protection.

Title Policies. Title insurance policies insure the interests of owners or lenders against defects in the title to real property. These defects include adverse ownership claims, liens, encumbrances or other matters affecting title. Title insurance policies generally are issued on the basis of a title report, which is typically prepared after a search of one or more of public records, maps, documents and prior title policies to ascertain the existence of easements, restrictions, rights of way, conditions, encumbrances or other matters affecting the title to, or use of, real property. In certain limited instances, a visual inspection of the property is also made. To facilitate the preparation of title reports, copies and/or abstracts of public records, maps, documents and prior title policies may be compiled and indexed to specific properties in an area. This compilation is known as a "title plant."

The beneficiaries of title insurance policies usually are real estate buyers and mortgage lenders . A title insurance policy indemnifies the named insured and certain successors in interest against title defects, liens and encumbrances existing as of the date of the policy and not specifically excepted from its provisions. The policy typically provides coverage for the real property mortgage lender in the amount of its outstanding mortgage loan balance and for the buyer in the amount of the purchase price of the property. In some cases the policy might provide insurance in a greater amount, such as wher e the buyer anticipates constructing improvements on the property. The potential for claims under a title insurance policy issued to a mortgage lender generally ceases upon repayment of the mortgage loan. The potential for claims under a title insurance po licy issued to a buyer generally ceases upon the sale or transfer of the insured property.

Before issuing title policies, title insurers typically seek to limit their risk of loss by accurately performing title searches and examinations and, in many instances, curing title defects identified therein. These searches, examinations and curative efforts distinguish title insurers from other insurers, such as property and casualty insurers. Whereas title insurers generally insure against losses arising out of circumstances existing as of the date of the policy, property and casualty insurers generally insure against losses arising out of events that occur subsequent to policy issuance. As a result of these differences, title insurers typically experience relatively low claims, as a percentage of premiums, when compared to property and casualty insurers, but have relatively high expenses. The primary costs of a title insurer pertain to personnel and other costs associated with the search and examination process, the curative process, the preparation of preliminary reports or commitments, title plant maintenance, and sales, as well as technology and other administrative expenses.

The Closing Process. Title insurance is essential to the real estate closing process in most transactions involving real property mortgage lenders. In a typical residential real estate sale transaction where title insurance is issued, a real estate broker, lawyer, developer, lender, closer or other participant involved in the transaction orders the title insurance on behalf of an insured. Once the order has been placed, a title insurance company or an agent typically conducts a title search to determine the current status of the title to the property. When the search is complete, the title insurer or agent prepares, issues and circulates a commitment or preliminary report to the parties to the transaction. The commitment or preliminary report identifies the conditions, exceptions and/or limitations that the title insurer intends to attach to the policy and identifies items appearing on the title that must be eliminated prior to closing.

The closing or settlement function, sometimes called an escrow in the western United States, is, depending on the local custom in the region, performed by a lawyer, an escrow company or a title insurance company or agent, generally referred to as a “closer.” Once documentation has been prepared and signed, and any required mortgage lender payoff demands are obtained, the transaction closes. The closer typically records the appropriate title documents and arranges the transfer of funds to pay off prior loans and extinguish the liens securing such loans. Title policies are then issued, typically insuring the priority of the mortgage of the real property mortgage lender in the amount of its mortgage loan and the buyer in the amount of the purchase price. The time between the opening of the title order and the issuance of the title policy is usually between 30 and 90 days. Before a closing takes place, however, the closer typically requests that the title insurer or agent provide an update to the commitment to discover any adverse matters affecting title and, if any are found, works with the seller to eliminate them so that the title insurer or agent issues the title policy subject only to those exceptions to coverage which are acceptable to the title insurer, the buyer and the buyer’s lender.

Issuing the Policy: Direct vs. Agency. A title insurance policy can be issued directly by a title insurer or indirectly on behalf of a title insurer through agents, which usually operate independently of the title insurer and often issue policies for more than one insurer. Where the policy is issued by a title insurer, the search is performed by or on behalf of the title insurer, and the premium is collected and retained by the title insurer. Where the policy is issued by an agent, the agent typically performs the search, examines the title, collects the premium and retains a portion of the premium. The agent remits the remainder of the premium to the title insurer as compensation for the insurer bearing the risk of loss in the event a claim is made under the policy and for other services the insurer may provide. The percentage of the premium retained by an agent varies from region to region. A title insurer is obligated to pay title claims in accordance with the terms of its policies, regardless of whether it issues its policy directly or indirectly through an agent. In addition, as part of the policy, a title insurer may issue a closing protection letter that protects a lender from certain misuse of funds by the title insurer’s agent. When a loss to the title insurer occurs under a policy issued through an agent or a closing protection letter, under certain circumstances the title insurer may seek recovery of all or a portion of the loss from the agent or the agent’s errors and omissions insurance carrier.

Premiums. The premium for title insurance is typically due and earned in full when the real estate transaction is closed. Premiums generally are calculated with reference to the policy amount. The premium charged by a title insurer or an agent is subject to regulation in most areas. Such regulations vary from state to state.

Our Title Insurance Operations

Overview. We conduct our title insurance and closing business through a network of direct operations and agents. Through this network, we issue policies in the 49 states that permit the issuance of title insurance policies and the District of Columbia. We also offer title insurance, closing services and similar or related products and services, either directly or through third parties in other countries, including Canada, the United Kingdom, Australia and various other established and emerging markets as described in the "International Operations" section below.

Customers, Sales and Marketing. The mortgage markets in the United States and Canada are concentrated. We believe that five institutions, Wells Fargo & Company, JPMorgan Chase & Co., U.S. Bancorp, Quicken Loans Inc. and Bank of America Corporation, together with their affiliates, originate or are involved in approximately 34% of the mortgages in the United States. Each of these institutions purchases title insurance policies and other products and services from us. These institutions also benefit from products and services which are purchased for their benefit by others, such as title insurance policies purchased by borrowers as a condition to the making of a loan. The refusal of one or more of these or other significant lending institutions to purchase products and services from us or to accept our products and services that are to be purchased for their benefit could have a material adverse effect on the title insurance and services segment.

We distribute our title insurance policies and related products and services through our direct and agent channels. In our direct channel, the distribution of our policies and related products and services occurs through sales representatives located at numerous offices throughout the United States where real estate transactions are handled. Title insurance policies issued and other products and services delivered through this channel are primarily delivered in connection with sales and refinances of residential and commercial real property.

Within the direct channel, our sales and marketing efforts are focused on the primary sources of business referrals. For residential business referred by local or decentralized customers, we market to real estate agents and brokers, mortgage brokers, real estate attorneys, mortgage originators, homebuilders and escrow service providers. For refinance and default related business referred by customers with centrally managed platforms, we market to mortgage originators, servicers, and governmental sponsored enterprises. For the commercial business we market primarily to commercial real estate investors, including real estate investment trusts, insurance companies and asset managers, as well as to law firms, commercial banks, investment banks, mortgage brokers and the owners of commercial real estate. We also market directly to national homebuilders focused on newly constructed residential property. In some instances we may supplement the efforts of our sales force with general marketing. Our marketing efforts emphasize the quality and timeliness of our services, our financial strength, process innovation and our national presence. We also provide educational information on our website and through other means to help consumers better understand our services and the homebuying/settlement process in general.

Underwriting. Before a title insurance policy is issued, a number of underwriting decisions are made. For example, matters of record revealed during the title search may require a determination as to whether an exception should be taken in the policy. We believe that it is important for the underwriting function to operate efficiently and effectively at all decision-making levels so that transactions may proceed in a timely manner. To perform this function, we have underwriters at the regional, divisional and corporate levels with varying levels of underwriting authority.

Agency Operations. As described above, we also issue title insurance policies through a network of agents. Our agreements with our agents typically state the conditions under which the agent is authorized to issue title insurance policies on our behalf. The agency agreement also typically prescribes the circumstances under which the agent may be liable to us if a policy loss occurs. Such agency agreements typically are terminable without cause after a specified notice period has been met and are terminable immediately for cause. As is standard in our industry, our agents typically operate with a substantial degree of independence from us and frequently act as agents for other title insurers. We evaluate the profitability of our agency relationships on an ongoing basis, including a review of premium splits, deductibles and claims. As a result, from time to time we may terminate or renegotiate the terms of some of our agency relationships.

In determining whether to engage an independent agent, we often obtain information about the agent, including the agent's experience and background. We maintain loss experience records for each agent and also maintain agent representatives and agent auditors. Our agents typically are subject to audit or examination. In addition to routine examinations, other examinations may be triggered if certain "warning signs" are evident. Adverse findings in an agency audit may result in various actions, including, if warranted, termination of the agency relationship.

International Operations. We provide products and services in a number of countries outside of the United States, and our international operations accounted for approximately 6.4% of our title insurance and services segment revenues in 2015. Today we have direct operations and a physical presence in several countries, including Canada, the United Kingdom and Australia. While reliable data are not available, we believe that we have the largest market share for title insurance outside of the United States. The Company's revenues from external customers and long-lived assets are broken down between domestic and foreign operations in Note 21 Segment Financial Infor mation to the consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" of Part II of this report.

Our range of international products and services is designed to lower our clients' risk profiles and reduce their operating costs through enhanced operational efficiencies. In established markets, primarily British Commonwealth countries, we have combined title insurance with customized processing offerings to enhance the speed and efficiency of the mortgage and conveyancing processes. In these markets we also offer products designed to mitigate risk and otherwise facilitate real estate transactions.

Our international operations present risks that may not exist to the same extent in our domestic operations, including those associated with differences in the nature of the products provided, the scope of coverage provided by those products and the manner in which risk is underwritten. Limited claims experience in certain foreign jurisdictions makes it more difficult to set prices and reserve rates. There may also be risks associated with differences in legal systems and/or unforeseen regulatory changes.

Title Plants. Our collection of title plants constitutes one of our principal assets. A title search is typically conducted by searching the abstracted information from public records or utilizing a title plant holding information abstracted from public records. While public title records generally are indexed by reference to the names of the parties to a given recorded document, our title plants primarily arrange their records on a geographic basis. Because of this difference, title plant records generally may be searched more efficiently, which we believe reduces the risk of errors associated with the search. Many of our title plants also index prior policies, adding to searching efficiency. Certain locations utilize jointly owned plants or utilize a plant under a joint user agreement with other title companies. In addition to these ownership interests, we are in the business of maintaining, managing and providing access to title plant records and images that may be owned by us or other parties. We believe that our title plants, whether wholly or partially owned or utilized under a joint user agreement, are among the most comprehensive in the industry.

Reserves for Claims and Losses . We provide for losses associated with title insurance policies, closing protection letters and other risk based products based upon our historical experience and other factors by a charge to expense when the related premium revenue is recognized. The resulting reserve for incurred but not reported claims, together with the reserve for known claims, reflects management's best estimate of the total costs required to settle all claims reported to us and claims incurred but not reported, and are considered to be adequate for such purpose. Each period the reasonableness of the estimated reserves is assessed; if the estimate requires adjustment, such an adjustment is recorded.

Reinsurance and Coinsurance. We plan to continue our practice of assuming and ceding large title insurance risks through reinsurance. In reinsurance arrangements, the primary insurer retains a certain amount of risk under a policy and cedes the remainder of the risk under the policy to the reinsurer. The primary insurer pays the reinsurer a premium in exchange for accepting this risk of loss. The primary insurer generally remains liable to its insured for the total risk, but is reinsured under the terms of the reinsurance agreement. Prior to 2010, our title reinsurance arrangements primarily involved other industry participants. Beginning in January of 2010, we established a global reinsurance program involving treaty reinsurance provided by a global syndicate of highly rated non-industry reinsurers. Subject to the treaty limits and certain other limitations, the program generally covers claims made while the program is in effect.

We also serve as a coinsurer in connection with certain commercial transactions. In a coinsurance scenario, two or more insurers are selected by the insured and each coinsurer is liable for its specified percentage share of the total liability.

Competition. The business of providing title insurance and related products and services is highly competitive. The number of competing companies and the size of such companies vary in the different areas in which we conduct business. Generally, in areas of major real estate activity, such as metropolitan and suburban localities, we compete with many other title insurers and agents. Our major nationwide competitors in our principal markets include Fidelity National Financial, Inc., Stewart Title Guaranty Company, Old Republic International Corporation and their affiliates. In addition to these national competitors, small nationwide, regional and local competitors, as well as numerous agency operations throughout the country, provide aggressive competition on the local level. We are currently the second largest provider of title insurance in the United States, based on the most recent American Land Title Association market share data.

We believe that competition for title insurance, closing services and related products and services is based primarily on the quality, price and timeliness of the preparation and issuance of the insurance policy and the provision of the related products and services. Customer service is an important competitive factor because parties to real estate transactions are usually concerned with time schedules and costs associated with delays in closing transactions. In certain transactions, such as those involving commercial properties, financial strength and scope of coverage are also important. In addition, we regularly evaluate our pricing and agent splits, and based on competitive, market and regulatory conditions and claims history, among other factors, adjust our prices and agent splits as and where appropriate.

Trust and Investment Advisory Services. Our federal savings bank subsidiary offers trust and investment advisory services, deposit services and asset management services. As of December 31, 2015 this company administered fiduciary and custodial assets having a market value in excess of $3.0 billion which includes managed assets of $1.2 billion, had assets of $3.0 billion, deposits of $2.7 billion and stockholder's equity of $244.3 million.

Specialty Insurance Segment

Property and Casualty Insurance. Our property and casualty insurance business provides insurance coverage to residential homeowners and renters for liability losses and typical hazards such as fire, theft, vandalism and other types of property damage. We are licensed to issue policies in all 50 states and the District of Columbia and actively issue policies in 46 states. The majority of policy liability is in the western United States, including approximately 63% in California. In certain markets we also offer preferred risk auto insurance to better compete with other carriers offering bundled home and auto insurance. We market our property and casualty insurance business using both direct distribution channels, including cross-selling through our existing closing-service activities, and through a network of independent brokers. We purchase reinsurance to limit risk associated with large losses from single events.

Home Warranties. Our home warranty business provides residential service contracts that cover residential systems, such as heating and air conditioning systems, and certain appliances against failures that occur as the result of normal usage during the coverage period. Coverage is typically for one year and is renewable annually at the option of the contract holder and upon our approval. Coverage and pricing typically vary by geographic region. Fees for the warranties generally are paid at the closing of the home purchase or directly by the consumer. Renewal premiums may be paid by a number of different options. In addition, under the contract, the holder is responsible for a service fee for each trade call. First year warranties primarily are marketed through real estate brokers and agents, and we also increasingly market directly to consumers. We generally sell renewals directly to consumers. Our home warranty business currently operates in 39 states and the District of Columbia.

Corporate

The Company's corporate function consists primarily of certain financing facilities as well as the corporate services that support our business operations.

Regulation

Many of our subsidiaries are subject to extensive regulation by applicable domestic or foreign regulatory agencies. The extent of such regulation varies based on the industry involved, the nature of the business conducted by the subsidiary (for example, licensed title insurers are subject to a heightened level of regulation compared to underwritten title companies or agencies), the subsidiary's jurisdiction of organization and the jurisdictions in which it operates. In addition, the Company is subject to regulation as both an insurance holding company and a savings and loan holding company.

Our domestic subsidiaries that operate in the title insurance industry or the property and casualty insurance industry are subject to regulation by state insurance regulators. Each of our underwriters, or insurers, is regulated primarily by the insurance department or equivalent governmental body within the jurisdiction of its organization, which oversees compliance with the laws and regulations pertaining to such insurer. For example, our primary title insurance underwriter, First American Title Insurance Company, is a Nebraska corporation and, accordingly, is primarily regulated by the Nebraska Department of Insurance. Insurance regulations pertaining to insurers typically place limits on, among other matters, the ability of the insurer to pay dividends to its parent company or to enter into transactions with affiliates. They also may require approval of the insurance commissioner prior to a third party directly or indirectly acquiring "control" of the insurer.

In addition, our insurers are subject to the laws of other jurisdictions in which they transact business, which laws typically establish supervisory agencies with broad administrative powers relating to issuing and revoking licenses to transact business, regulating trade practices, licensing agents, approving policy forms, accounting practices and financial practices, establishing requirements pertaining to reserves and capital and surplus as regards policyholders, requiring the deferral of a portion of all premiums in a reserve for the protection of policyholders and the segregation of investments in a corresponding amount, establishing parameters regarding suitable investments for reserves, capital and surplus, and approving rate schedules. The manner in which rates are established or changed ranges from states which promulgate rates, to states where individual companies or associations of companies prepare rate filings which are submitted for approval, to a few states in which rate changes do not need to be filed for approval. In addition, each of ou r insurers is subject to periodic examination by regulatory authorities both within its jurisdiction of organization as well as the other jurisdictions where it is licensed to conduct business.

Our foreign insurance subsidiaries are regulated primarily by regulatory authorities in the regions, provinces and/or countries in which they operate and may secondarily be regulated by the domestic regulator of First American Title Insurance Company as a part of the First American insurance holding company system. Each of these regions, provinces and countries has established a regulatory framework with respect to the oversight of compliance with its laws and regulations. Therefore, our foreign insurance subsidiaries are generally subject to regulatory review, examination, investigation and enforcement in a similar manner as our domestic insurance subsidiaries, subject to local variations.

Our underwritten title companies, agencies and property and casualty insurance agencies are also subject to certain regulation by insurance regulatory or banking authorities, including, but not limited to, minimum net worth requirements, licensing requirements, statistical reporting requirements, rate filing requirements and marketing restrictions.

In addition to state-level regulation, our domestic subsidiaries that operate in the insurance business, as well as our home warranty subsidiaries and other subsidiaries, are subject to regulation by federal agencies, including the Consumer Financial Protection Bureau (“CFPB”). The CFPB has broad authority to regulate, among other areas, the mortgage and real estate markets, including our domestic subsidiaries, in matters which impact consumers. This authority includes the enforcement of federal consumer financial laws, including the Real Estate Settlement Procedures Act. The CFPB has been actively utilizing its supervisory powers by bringing enforcement actions against various participants in the mortgage and settlement industries. It has also implemented regulations pertaining to the mortgage and settlement industries, including the TILA-RESPA integrated disclosure (TRID) rule. The TRID rule has required extensive modifications to the process of closing a federally-regulated mortgage loan and the systems that support that process. The full impact of the TRID rule and the extent to which such impact is temporary or permanent is not currently known. Similarly, the full manner in which the CFPB will utilize its rulemaking and supervisory powers in the future is not known. Regulations issued by the CFPB, or the manner in which it interprets and enforces existing consumer protection laws, have impacted and could continue to impact the way in which we conduct our businesses and the profitability of those businesses.

In addition, our home warranty and settlement services businesses are subject to regulation in some states by insurance authorities or other applicable regulatory entities. Our federal savings bank is regulated by the Office of the Comptroller of the Currency, with the Federal Reserve Board supervising its parent holding company, and is subject to regulation by the Federal Deposit Insurance Corporation.

Investment Policies

The Company’s investment portfolio activities such as policy setting, compliance reporting, portfolio reviews, and strategy are overseen by an investment committee made up of certain senior executives. Additionally, certain of the Company’s regulated subsidiaries have established and maintain investment committees to oversee their own investment portfolios. The Company’s investment policies are designed to comply with regulatory requirements and to align the investment portfolio asset allocation with strategic objectives. For example, our federal savings bank is required to maintain at least 65% of its asset portfolio in loans or securities that are secured by real estate. Our federal savings bank currently does not make real estate loans, and therefore fulfills this regulatory requirement through investments in mortgage-backed securities. In addition, applicable law imposes certain restrictions upon the types and amounts of investments that may be made by our regulated insurance subsidiaries.

The Company’s investment policies further provide that investments are to be managed to maximize long-term returns consistent with liquidity, regulatory and risk objectives, and that investments should not expose the Company to excessive levels of market, credit, liquidity, and interest rate risks.

As of December 31, 2015, our debt and equity securities portfolio consisted of 93 % of fixed income securities. As of that date, 65% of our fixed income investments were held in securities that are United States government-backed or rated AAA, and 95 % of the fixed income portfolio were rated or classified as investment grade. Percentages are based on the estimated fair values of the securities. Credit ratings reflect published ratings obtained from Standard & Poor's Rating Services, DBRS, Inc., Fitch Ratings, Inc. and Moody's Investor Services, Inc . If a security was rated differently among the rating agencies, the lowest rating was selected.

In addition to our debt and equity investment securities portfolio, we maintain certain money-market and other short-term investments. We also hold strategic equity investments in companies engaged in our businesses or similar or related businesses.

Employees

As of December 31, 2015, the Company employed 17,955 people on either a part-time or full-time basis.

Available Information

The Company maintains a website, www.firstam.com, which includes financial information and other information for investors, including open and closed title insurance orders (which typically are posted approximately 10 to 12 days after the end of each calendar month). The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge through the "Investors" page of the website as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the Securities and Exchange Commission. The Company's website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K, or any other filing with the Securities and Exchange Commission unless the Company expressly incorporates such materials.

Item 1A. Risk Factors

You should carefully consider each of the following risk factors and the other information contained in this Annual Report on Form 10-K. The Company faces risks other than those listed here, including those that are unknown to the Company and others of which the Company may be aware but, at present, considers immaterial. Because of the following factors, as well as other variables affecting the Company's operating results, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

1. Conditions in the real estate market generally impact the demand for a substantial portion of the Company's products and services and the Company's claims experience

Demand for a substantial portion of the Company's products and services generally decreases as the number of real estate transactions in which its products and services are purchased decreases. The number of real estate transactions in which the Company's products and services are purchased decreases in the following situations:

- when mortgage interest rates are high or rising;
- when the availability of credit, including commercial and residential mortgage funding, is limited; and
- when real estate values are declining.

These circumstances, particularly declining real estate values and the increase in foreclosures that often results therefrom, also tend to adversely impact the Company's title claims experience.

2. Unfavorable economic conditions may have a material adver se effect on the Company

Historically, uncertainty and negative trends in general economic conditions in the United States and abroad, including significant tightening of credit markets and a general decline in the value of real property, have created a difficult operating environment for the Company's businesses and other companies in its industries. In addition, the Company holds investments in entities, such as title agencies and settlement service providers, as well as securities in its investment portfolio, which may be negatively impacted by these conditions. The Company also owns a federal savings bank into which it deposits some of its own funds and some funds held in trust for third parties. This bank invests those funds and any realized losses incurred will be reflected in the Company's consolidated results. The likelihood of such losses, which generally would not occur if the Company were to deposit these funds in an unaffiliated entity, increases when economic conditions are unfavorable. Depending upon the ultimate severity and duration of any economic downturn, the resulting effects on the Company could be materially adverse, including a significant reduction in revenues, earnings and cash flows, challenges to the Company's ability to satisfy covenants or otherwise meet its obligations under debt facilities, difficulties in obtaining access to capital, challenges to the Company's ability to pay dividends at currently anticipated levels, deterioration in the value of its investments and increased credit risk from customers and others with obligations to the Company.

3. Unfavorable economic or other conditions could cause the Company to write off a portion of its goodwill and other intangible assets

The Company performs an impairment test of the carrying value of goodwill and other indefinite-lived intangible assets annually in the fourth quarter, or sooner if circumstances indicate a possible impairment. Finite-lived intangible assets are subject to impairment tests on a periodic basis. Factors that may be considered in connection with this review include, without limitation, underperformance relative to historical or projected future operating results, reductions in the Company's stock price and market capitalization, increased cost of capital and negative macroeconomic, industry and company-specific trends. These and other factors could lead to a conclusion that goodwill or other intangible assets are no longer fully recoverable, in which case the Company would be required to write off the portion believed to be unrecoverable. Total goodwill and other intangible assets reflected on the Company's consolidated balance sheet as of December 31, 2015 are $1.0 billion. Any substantial goodwill and other intangible asset impairments that may be required could have a material adverse effect on the Company's results of operations and financial condition.

4. Failures at financial institutions at which the Company deposits funds could adversely affect the Company

The Company deposits substantial funds in financial institutions. These funds include amounts owned by third parties, such as escrow deposits. Should one or more of the financial institutions at which deposits are maintained fail, there is no guarantee that the Company would recover the funds deposited, whether through Federal Deposit Insurance Corporation coverage or otherwise. In the event of any such failure, the Company also could be held liable for the funds owned by third parties.

5. Changes in government regulation could prohibit or limit the Company's operations, make it more burdensome to conduct such operations or result in decreased demand for the Company's products and services

Many of the Company's businesses, including its title insurance, property and casualty insurance, home warranty, banking, trust and investment businesses, are regulated by various federal, state, local and foreign governmental agencies. These and other of the Company's businesses also operate within statutory guidelines. The industry in which the Company operates and the markets into which it sells its products are also regulated and subject to statutory guidelines. Changes in the applicable regulatory environment, statutory guidelines or interpretations of existing regulations or statutes, enhanced governmental oversight or efforts by governmental agencies to cause customers to refrain from using the Company's products or services could prohibit or limit its future operations or make it more burdensome to conduct such operations or result in decreased demand for the Company's products and services. The impact of these changes would be more significant if they involve jurisdictions in which the Company generates a greater portion of its title premiums, such as the states of Arizona, California, Florida, Michigan, New York, Ohio, Pennsylvania and Texas. These changes may compel the Company to reduce its prices, may restrict its ability to implement price increases or acquire assets or businesses, may limit the manner in which the Company conducts its business or otherwise may have a negative impact on its ability to generate revenues, earnings and cash flows.

6. Scrutiny of the Company's businesses and the industries in which it operates by governmental entities and others could adversely affect its operations and financ ial condition

The real estate settlement services industry, an industry in which the Company generates a substantial portion of its revenue and earnings, is subject to continuous scrutiny by regulators, legislators, the media and plaintiffs' attorneys. Though often directed at the industry generally, these groups may also focus their attention directly on the Company's businesses. In either case, this scrutiny may result in changes which could adversely affect the Company's operations and, therefore, its financial condition and liquidity.

Governmental entities have routinely inquired into certain practices in the real estate settlement services industry to determine whether certain of the Company's businesses or its competitors have violated applicable laws, which include, among others, the insurance codes of the various jurisdictions and the Real Estate Settlement Procedures Act and similar state, federal and foreign laws. Departments of insurance in the various states, federal regulators and applicable regulators in international jurisdictions, either separately or together, also periodically conduct targeted inquiries into the practices of title insurance companies and other settlement services providers in their respective jurisdictions.

Further, from time to time plaintiffs' lawyers may target the Company and other members of the Company's industry with lawsuits claiming legal violations or other wrongful conduct. These lawsuits may involve large groups of plaintiffs and claims for substantial damages. Any of these types of inquiries or proceedings may result in a finding of a violation of the law or other wrongful conduct and may result in the payment of fines or damages or the imposition of restrictions on the Company's conduct which could impact its operations and financial condition. Moreover, these laws and standards of conduct often are ambiguous and, thus, it may be difficult to ensure compliance. This ambiguity may force the Company to mitigate its risk by settling claims or by ending practices that generate revenues, earnings and cash flows.

We increasingly utilize social media to communicate with customers, vendors, current and potential employees and other individuals interested in our Company. Information delivered via social media can be easily accessed and rapidly disseminated, and the use of social media by us and other parties could result in reputational harm, decreased customer loyalty or other issues that could diminish the value of the Company's brand or result in significant liability.

7. The breadth of the Consumer Financial Protection Bureau's rulemaking and supervisory powers may increase our costs and require changes in our business

The Consumer Financial Protection Bureau ("CFPB") has broad authority to regulate, among other areas, the mortgage and real estate markets, including our domestic subsidiaries, in matters which impact consumers. This authority includes the enforcement of federal consumer financial laws, including the Real Estate Settlement Procedures Act. The CFPB has been actively utilizing its supervisory powers by bringing enforcement actions against various participants in the mortgage and settlement industries. It has also actively proposed and implemented regulations pertaining to the mortgage and settlement industries. The full manner in which the CFPB will utilize its rulemaking and supervisory powers in the future is not known. Regulations issued by the CFPB, or the manner in which it interprets and enforces existing consumer protection laws, have impacted and could continue to impact the way in which we conduct our businesses and the profitability of those businesses.

8. The extent and duration of the impact of the CFPB's TILA-RESPA integrated disclosure (TRID) rule is not currently known

Implementation of the CFPB's TRID rule, which applies to certain mortgage loan transactions originated on or after October 3, 2015, has required extensive modifications to the process of closing a federally-regulated mortgage loan. Compliance with the TRID rule also requires heightened coordination among market participants, including by settlement service providers, such as the Company and its agents, with lenders and others. There can be no assurance that the Company, its agents or other market participants will ultimately succeed in their implementation efforts, or that consumers or the CFPB will be satisfied with the manner in which the TRID rule has been implemented. The TRID rule also may impact other areas of the mortgage industry, including the volume of loans being originated, and the extent and duration of the impact of the rule is not currently known. The TRID rule, including the cost of compliance, the ultimate impact on the mortgage industry and any enforcement actions or other proceedings in connection therewith, could adversely impact the Company's profitability and financial condition.

9. Regulation of title insurance rates could adversely affect the Company's results of operations

Title insurance rates are subject to extensive regulation, which varies from state to state. In many states the approval of the applicable state insurance regulator is required prior to implementing a rate change. This regulation could hinder the Company's ability to promptly adapt to changing market dynamics through price adjustments, which could adversely affect its results of operations, particularly in a rapidly declining market.

10. Reform of government-sponsored enterprises could negatively impact the Company

Historically, a substantial proportion of home loans originated in the United States were sold to and, generally, resold in a securitized form by, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). As a condition to the purchase of a home loan, Fannie Mae and Freddie Mac generally required the purchase of title insurance for their benefit and, as applicable, the benefit of the holders of home loans they may have securitized. The federal government currently is considering various alternatives to reform Fannie Mae and Freddie Mac. The role, if any, that these enterprises or other enterprises fulfilling a similar function will play in the mortgage process following the adoption of any reforms is not currently known. The timing of the adoption and, thereafter, the implementation of the reforms is similarly unknown. Due to the significance of the role of these enterprises, the mortgage process itself may substantially change as a result of these reforms and related discussions. It is possible that these entities, as reformed, or the successors to these entities may require changes to the way title insurance is priced or delivered, changes to standard policy terms or other changes which may make the title insurance business less profitable. These reforms may also alter the home loan market, such as by causing higher mortgage interest rates due to decreased governmental support of mortgage-backed securities. These consequences could be materially adverse to the Company and its financial condition.

11. The Company may find it difficult to acquire necessary data

Certain data used and supplied by the Company are subject to regulation by various federal, state and local regulatory authorities. Compliance with existing federal, state and local laws and regulations with respect to such data has not had a material adverse effect on the Company's results of operations, financial condition or liquidity to date. Nonetheless, federal, state and local laws and regulations in the United States designed to protect the public from the misuse of personal information in the marketplace and adverse publicity or potential litigation concerning the commercial use of such information may affect the Company's operations and could result in substantial regulatory compliance expense, litigation expense and a loss of revenue. The suppliers of data to the Company face similar burdens. As a result of these and other factors, the Company may find it financially burdensome to acquire necessary data.

12. Changes in the Company's relationships with large mortgage lenders or government–sponsored enterprises could adversely affect the Company

The mortgage markets in the United States and Canada are concentrated. Due to the consolidated nature of the industry, the Company derives a significant percentage of its revenues from a relatively small base of lenders, and their borrowers, which enhances the negotiating power of these lenders with respect to the pricing and the terms on which they purchase the Company's products and other matters. Similarly, government-sponsored enterprises, because of their significant role in the mortgage process, have significant influence over the Company and other service providers. These circumstances could adversely affect the Company's revenues and profitability. Changes in the Company's relationship with any of these lenders or government-sponsored enterprises, the loss of all or a portion of the business the Company derives from these parties or any refusal of these parties to accept the Company's products and services could have a material adverse effect on the Company.

13. A downgrade by ratings agencies, reductions in statutory capital and surplus maintained by the Company's title insurance underwriters or a deterioration in other measures of financial strength may negatively affect the Company's results of operations and competitive position

Certain of the Company's customers use measurements of the financial strength of the Company's title insurance underwriters, including, among others, ratings provided by ratings agencies and levels of statutory capital and surplus maintained by those underwriters, in determining the amount of a policy they will accept and the amount of reinsurance required. Each of the major ratings agencies currently rates the Company's title insurance operations. The Company's principal title insurance underwriter's financial strength ratings are "A3" by Moody's Investor Services, Inc., "A" by Fitch Ratings, Inc., "A-" by Standard & Poor's Ratings Services and "A" by A.M. Best Company, Inc. These ratings provide the agencies' perspectives on the financial strength, operating performance and cash generating ability of those operations. These agencies continually review these ratings and the ratings are subject to change. Statutory capital and surplus, or the amount by which statutory assets exceed statutory liabilities, is also a measure of financial strength. The Company's principal title insurance underwriter maintained $1.1 billion of total statutory capital and surplus as of December 31, 2015. Accordingly, if the ratings or statutory capital and surplus of these title insurance underwriters are reduced from their current levels, or if there is a deterioration in other measures of financial strength, the Company's results of operations, competitive position and liquidity could be adversely affected.

14 . The Company's investment portfolio is subject to certain risks and could experience losses

The Company maintains a substantial investment portfolio, primarily consisting of fixed income securities (including mortgage-backed securities). The investment portfolio also includes money-market and other short-term investments, as well as preferred and common stock. Securities in the Company's investment portfolio are subject to certain economic and financial market risks, such as credit risk, interest rate (including call, prepayment and extension) risk and/or liquidity risk. The risk of loss associated with the portfolio is increased during periods of instability in credit markets and economic conditions. If the carrying value of the investments exceeds the fair value, and the decline in fair value is deemed to be other-than-temporary, the Company will be required to write down the value of the investments, which could have a material adverse effect on the Company's results of operations, statutory surplus and financial condition.

15. The Company's pension plan is currently underfunded and pension expenses and funding obligations could increase significantly as a result of decreases in interest rates or weak performance of financial markets and its effect on plan assets

The Company is responsible for the obligations of its defined benefit pension plan. The plan was closed to new entrants effective December 31, 2001 and amended to "freeze" all benefit accruals as of April 30, 2008. The Company's future funding obligations for this plan depend upon, among other factors, the future performance of assets held in trust for the plan and interest rates. The pension plan was underfunded as of December 31, 2015 by $86.4 million and the Company may need to make significant contributions to the plan. In addition, pension expenses and funding requirements may also be greater than currently anticipated if the market values of the assets held by the pension plan decline or if the other assumptions regarding plan earnings, expenses and interest rates require adjustment. The Company's obligations under this plan could have a material adverse effect on its results of operations, financial condition and liquidity.

16. Actual claims experience could materially vary from the expected claims experience reflected in the Company's reserve for incurred but not reported claims

The Company maintains a reserve for incurred but not reported ("IBNR") claims pertaining to its title, escrow and other insurance and guarantee products. The majority of this reserve pertains to title insurance policies, which are long-duration contracts with the majority of the claims reported within the first few years following the issuance of the policy. Generally, 70% to 80% of claim amounts become known in the first six years of the policy life, and the majority of IBNR reserves relate to the six most recent policy years. Changes in expected ultimate losses and corresponding loss rates for recent policy years are considered likely and could result in a material adjustment to the IBNR reserves. Based on historical experience, management believes a 50 basis point change to the loss rates for recent policy years, positive or negative, is reasonably likely given the long duration nature of a title insurance policy. For example, if the expected ultimate losses for each of the last six policy years increased or decreased by 50 basis points, the resulting impact on the Company's IBNR reserve would be an increase or decrease, as the case may be, of $103.2 million. A material change in expected ultimate losses and corresponding loss rates for older policy years is also possible, particularly for policy years with loss ratios exceeding historical norms. The estimates made by management in determining the appropriate level of IBNR reserves could ultimately prove to be materially different from actual claims experience.

17. The issuance of the Company's title insurance policies and related activities by title agents, which operate with substantial independence from the Company, could adversely affect the Company

The Company's title insurance subsidiaries issue a significant portion of their policies through title agents that operate with a substantial degree of independence from the Company. While these title agents are subject to certain contractual limitations that are designed to limit the Company's risk with respect to their activities, there is no guarantee that the agents will fulfill their contractual obligations to the Company. In addition, regulators are increasingly seeking to hold the Company 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. Recent 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.

18. The Company's risk mitigation efforts may prove inadequate

The Company assumes risks in the ordinary course of its business, including through the issuance of title insurance policies and the provision of other products and services. The Company mitigates these risks through a number of different means, including the implementation of underwriting policies and procedures and other mechanisms for assessing risk. However, underwriting of title insurance policies and other risk-assumption decisions frequently involve a substantial degree of individual judgment. The Company's risk mitigation efforts or the reliability of any necessary judgment may prove inadequate, especially in situations where the Company or individuals involved in risk taking decisions are encouraged by customers or others, or because of competitive pressures, to assume risks or to expeditiously make risk determinations. This circumstance could have an adverse effect on the Company's results of operations, financial condition and liquidity.

19. Systems damage, failures, interruptions and intrusions, wire transfer errors and unauthorized data disclosures may disrupt the Company's business, harm the Company's reputation, result in material claims for damages or otherwise adversely affect the Company

The Company uses computer systems to receive, process, store and transmit business information, including highly sensitive non-public personal information as well as data from suppliers and other information upon which its business relies. It also uses these systems to manage substantial cash, investment assets, bank deposits, trust assets and escrow account balances on behalf of the Company and its customers, among other activities. Many of the Company's products, services and solutions involving the use of real property related data are fully reliant on its systems and are only available electronically. Accordingly, for a variety of reasons, the integrity of the Company's computer systems and the protection of the information that resides on those systems are critically important to its successful operation. The Company's core computer systems are primarily located in two data centers. The Company recently took over management of its primary data center and the secondary data center is maintained and managed by a third party.

The Company's computer systems and systems used by its agents, suppliers and customers have been subject to, and are likely to continue to be the target of, computer viruses, cyber attacks, phishing attacks and other malicious attacks. These attacks have increased in frequency and sophistication in recent years, and could expose the Company to system-related damage, failures, interruptions, and other negative events. Further, certain other potential causes of system damage or other negative system-related events are wholly or partially beyond the Company's control, such as natural disasters, vendor failures to satisfy service level requirements and power or telecommunications failures. These incidents, regardless of their underlying causes, could disrupt the Company's business and could also result in the loss or unauthorized release, gathering, monitoring or destruction of confidential, proprietary and other information pertaining to the Company, its customers, employees, agents or suppliers.

Certain laws and contracts the Company has entered into require it to notify various parties, including consumers or customers, in the event of certain actual or potential data breaches or systems failures. These notifications can result, among other things, in the loss of customers, lawsuits, adverse publicity, diversion of management's time and energy, the attention of regulatory authorities, fines and disruptions in sales. Further, the Company's financial institution customers have obligations to safeguard their computer systems and sensitive information and it may be bound contractually and/or by regulation to comply with the same requirements. If the Company fails to comply with applicable regulations and contractual requirements, it could be exposed to lawsuits, governmental proceedings or the imposition of fines, among other consequences.

The Company also relies on its systems, employees and domestic and international banks to transfer funds. These transfers are susceptible to user input error, fraud, system interruptions, incorrect processing and similar errors that could result in lost funds.

Accordingly, any inability to prevent or adequately respond to the issues described above could disrupt the Company's business, inhibit its ability to retain existing customers or attract new customers and/or result in financial losses, litigation, increased costs or other adverse consequences which could be material to the Company.

20. The Company may not be able to realize the benefits of its offshore operations

The Company utilizes lower cost labor in foreign countries, such as India and the Philippines, among others. These countries are subject to relatively high degrees of political and social instability and may lack the infrastructure to withstand natural disasters. Such disruptions could decrease efficiency and increase the Company's costs in these countries. Weakness of the United States dollar in relation to the currencies used in these foreign countries may also reduce the savings achievable through this strategy. Furthermore, the practice of utilizing labor based in foreign countries is subject to heightened scrutiny in the United States and, as a result, some of the Company's customers may require it to use labor based in the United States. Laws or regulations that require the Company to use labor based in the United States or effectively increase the cost of the Company's foreign labor also could be enacted. The Company may not be able to pass on these increased costs to its customers.

21. Acquisitions may have an adverse effect on our business

The Company has in the past acquired, and is expected to acquire in the future, other businesses. When businesses are acquired, the Company may not be able to integrate or manage these businesses in such a manner as to realize the anticipated synergies or otherwise produce returns that justify the investment. Acquired businesses may subject the Company to increased regulatory or compliance requirements. The Company may not be able to successfully retain employees of acquired businesses or integrate them, and could lose customers, suppliers or other partners as a result of the acquisitions. For these and other reasons, including changes in market conditions, the projections used to value the acquired businesses may prove inaccurate. In addition, the Company might incur unanticipated liabilities from acquisitions. These and other factors related to acquisitions could have a material adverse effect on the Company's results of operations, financial condition and liquidity. The Company's management also will continue to be required to dedicate substantial time and effort to the integration of its acquisitions. These efforts could divert management's focus and resources from other strategic opportunities and operational matters.

22. As a holding company, the Company depends on distributions from its subsidiaries, and if distributions from its subsidiaries are materially impaired, the Company's ability to declare and pay dividends may be adversely affected; in addition, insurance and other regulations limit the amount of dividends, loans and advances available from the Company's insurance subsidiaries

The Company is a holding company whose primary assets are investments in its operating subsidiaries. The Company's ability to pay dividends is dependent on the ability of its subsidiaries to pay dividends or repay funds. If the Company's operating subsidiaries are not able to pay dividends or repay funds, the Company may not be able to fulfill parent company obligations and/or declare and pay dividends to its stockholders. Moreover, pursuant to insurance and other regulations under which the Company's insurance subsidiaries operate, the amount of dividends, loans and advances available is limited. As of December 31, 2015, under such regulations, the maximum amount of dividends, loans and advances available in 2016 from these insurance subsidiaries, without prior approval from applicable regulators, was $547.9 million.

23. Certain provisions of the Company's bylaws and certificate of incorporation may reduce the likelihood of any unsolicited acquisition proposal or potential change of control that the Company's stockholders might consider favorable

The Company's bylaws and certificate of incorporation contain provisions that could be considered "anti-takeover" provisions because they make it harder for a third-party to acquire the Company without the consent of the Company's incumbent board of directors. Under these provisions:

- election of the Company's board of directors is staggered such that only one-third of the directors are elected by the stockholders each year and the directors serve three year terms prior to reelection;
- stockholders may not remove directors without cause, change the size of the board of directors or, except as may be provided for in the terms of preferred stock the Company issues in the future, fill vacancies on the board of directors;
- stockholders may act only at stockholder meetings and not by written consent;
- stockholders must comply with advance notice provisions for nominating directors or presenting other proposals at stockholder meetings; and
- the Company's board of directors may without stockholder approval issue preferred shares and determine their rights and terms, including voting rights, or adopt a stockholder rights plan.

While the Company believes that they are appropriate, these provisions, which may only be amended by the affirmative vote of the holders of approximately 67% of the Company's issued voting shares, could have the effect of discouraging an unsolicited acquis ition proposal or delaying, deferring or preventing a change of control transaction that might involve a premium price or otherwise be considered favorably by the Company's stockholders.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We maintain our executive offices at MacArthur Place in Santa Ana, California. This office campus consists of five office buildings, a technology center and a two-story parking structure, totaling approximately 490,000 square feet. Three office buildings, totaling approximately 210,000 square feet, and the fixtures thereto and underlying land, are subject to a deed of trust and security agreement securing payment of a promissory note evidencing a loan made in October 2003, to our principal title insurance subsidiary in the original sum of $55.0 million. This loan is payable in monthly installments of principal and interest, is fully amortizing and matures November 1, 2023. The outstanding principal balance of this loan was $28.8 million as of December 31, 2015.

One of our subsidiaries in the title insurance and services segment leases an aggregate of approximately 188,000 square feet of office space in three buildings of the International Technology Park in Bangalore, India pursuant to various lease agreements. All of the space is leased pursuant to agreements that expire no later than 2017.

The office facilities we occupy are, in all material respects, in good condition and adequate for their intended use.

Item 3. Legal Proceedings

The Company and its subsidiaries are parties to a number of non-ordinary course lawsuits. These lawsuits frequently are similar in nature to other lawsuits pending against the Company's competitors.

For those non-ordinary course lawsuits where the Company has determined that a loss is both probable and reasonably estimable, a liability representing the best estimate of the Company's financial exposure based on known facts has been recorded. Actual losses may materially differ from the amounts recorded.

For a substantial majority of these lawsuits, however, it is not possible to assess the probability of loss. Most of these lawsuits are putative class actions which require a plaintiff to satisfy a number of procedural requirements before proceeding to trial. These requirements include, among others, demonstration to a court that the law proscribes in some manner the Company's activities, the making of factual allegations sufficient to suggest that the Company's activities exceeded the limits of the law and a determination by the court—known as class certification—that the law permits a group of individuals to pursue the case together as a class. In certain instances the Company may also be able to compel the plaintiff to arbitrate its claim on an individual basis. If these procedural requirements are not met, either the lawsuit cannot proceed or, as is the case with class certification or compelled arbitration, the plaintiffs lose the financial incentive to proceed with the case (or the amount at issue effectively becomes de minimis). Frequently, a court's determination as to these procedural requirements is subject to appeal to a higher court. As a result of, among other factors, ambiguities and inconsistencies in the myriad laws applicable to the Company's business and the uniqueness of the factual issues presented in any given lawsuit, the Company often cannot determine the probability of loss until a court has finally determined that a plaintiff has satisfied applicable procedural requirements.

Furthermore, because most of these lawsuits are putative class actions, it is often impossible to estimate the possible loss or a range of loss amounts, even where the Company has determined that a loss is reasonably possible. Generally class actions involve a large number of people and the effort to determine which people satisfy the requirements to become plaintiffs—or class members—is often time consuming and burdensome. Moreover, these lawsuits raise complex factual issues which result in uncertainty as to their outcome and, ultimately, make it difficult for the Company to estimate the amount of damages which a plaintiff might successfully prove. In addition, many of the Company's businesses are regulated by various federal, state, local and foreign governmental agencies and are subject to numerous statutory guidelines. These regulations and statutory guidelines often are complex, inconsistent or ambiguous, which results in additional uncertainty as to the outcome of a given lawsuit—including the amount of damages a plaintiff might be afforded—or makes it difficult to analogize experience in one case or jurisdiction to another case or jurisdiction.

Most of the non-ordinary course lawsuits to which the Company and its subsidiaries are parties challenge practices in the Company's title insurance business, though a limited number of cases also pertain to the Company's other businesses. These lawsuits include, among others, cases alleging, among other assertions, that the Company, one of its subsidiaries and/or one of its agents:

- charged an improper rate for title insurance in a refinance transaction, including
  - Lewis v. First American Title Insurance Company, filed on November 28, 2006 and pending in the United States District Court for the District of Idaho.

  A court has granted class certification in Lewis. For the reasons stated above, the Company has been unable to assess the probability of loss or estimate the possible loss or the range of loss.
- purchased minority interests in title insurance agents as an inducement to refer title insurance underwriting business to the Company or gave items of value to title insurance agents and others for referrals of business in violation of the Real Estate Settlement Procedures Act, including
  - Edwards v. First American Financial Corporation, filed on June 12, 2007 and pending in the United States District Court for the Central District of California.

  In Edwards a narrow class has been certified. The Company believes the estimate of the possible loss or range of loss is not material to the consolidated financial statements as a whole.
- engaged in the unauthorized practice of law, including
  - Gale v. First American Title Insurance Company, et al., filed on October 16, 2006 and pending in the United States District Court of Connecticut.

  The class originally certified in Gale was subsequently decertified. For the reasons described above, the Company has not yet been able to assess the probability of loss or estimate the possible loss or the range of loss.
- misclassified certain employees, including
  - Sager v. Interthinx, Inc., filed on January 23, 2015 and pending in the Superior Court of the State of California, County of Los Angeles, and
  - Weber v. Interthinx, Inc., et al., filed on April 17, 2015 and pending in the United States District Court for the Eastern District of Missouri.

  These lawsuits are putative class actions for which a class has not been certified. For the reasons described above, as well as the applicability of certain indemnification rights the Company may have, the Company has not yet been able to assess the probability of loss or estimate the possible loss or the range of loss.
- overcharged or improperly charged fees for products and services, denied home warranty claims, failed to timely file certain documents, and gave items of value to developers, builders, brokers and others as inducements to refer business in violation of certain laws, such as consumer protection laws and laws generally prohibiting unfair business practices, and certain obligations, including
  - Chassen v. First American Financial Corporation, et al., filed on January 22, 2009 and pending in the United States District Court of New Jersey,
  - Downing v. First American Title Insurance Company, et al., filed on October 2, 2015 and pending in the United States District Court for the Northern District of Georgia,
  - Kaufman v. First American Financial Corporation, et al., filed on December 21, 2007 and pending in the Superior Court of the State of California, County of Los Angeles,
  - Kirk v. First American Financial Corporation, et al., filed on June 15, 2006 and pending in the Superior Court of the State of California, County of Los Angeles,
  - McCormick v. First American Real Estate Services, Inc., et al., filed on December 31, 2015 and pending in the Superior Court of the State of California, County of Orange,
  - Sjobring v. First American Financial Corporation, et al., filed on February 25, 2005 and pending in the Superior Court of the State of California, County of Los Angeles,

- Wilmot v. First American Finan cial Corporation, et al., filed on April 20, 2007 and pending in the Superior Court of the State of California, County of Los Angeles, and
- In re First American Home Buyers Protection Corporation, consolidated on October 9, 2014 and pending in the United States District Court for the Southern District of California.

All of these lawsuits, except Kaufman and Kirk, are putative class actions for which a class has not been certified. In Kaufman a class was certified but that certification was subsequently vacated. A trial of the Kirk matter has concluded, plaintiff has filed a notice of appeal and the Company filed a cross appeal. For the reasons described above, the Company has not yet been able to assess the probability of loss or estimate the possible loss or the range of loss or, where the Company has been able to make an estimate, the Company believes the amount is not material to the consolidated financial statements as a whole.

While some of the lawsuits described above may be material to the Company's operating results in any particular period if an unfavorable outcome results, the Company does not believe that any of these lawsuits will have a material adverse effect on the Company's overall financial condition or liquidity.

The Company also is a party to non-ordinary course lawsuits other than those described above. With respect to these lawsuits, the Company has determined either that a loss is not reasonably possible or that the estimated loss or range of loss, if any, is not material to the consolidated financial statements as a whole.

The Company's title insurance, property and casualty insurance, home warranty, banking, thrift, trust and investment advisory businesses are regulated by various federal, state and local governmental agencies. Many of the Company's other businesses operate within statutory guidelines. Consequently, the Company may from time to time be subject to examination or investigation by such governmental agencies. Currently, governmental agencies are examining or investigating certain of the Company's operations. These exams or investigations include inquiries into, among other matters, pricing and rate setting practices in the title insurance industry, competition in the title insurance industry, real estate settlement service customer acquisition and retention practices and agency relationships. With respect to matters where the Company has determined that a loss is both probable and reasonably estimable, the Company has recorded a liability representing its best estimate of the financial exposure based on known facts. While the ultimate disposition of each such exam or investigation is not yet determinable, the Company does not believe that individually or in the aggregate they will have a material adverse effect on the Company's financial condition, results of operations or cash flows. These exams or investigations could, however, result in changes to the Company's business practices which could ultimately have a material adverse impact on the Company's financial condition, results of operations or cash flows.

The Company and its subsidiaries also are involved in numerous ongoing routine legal and regulatory proceedings related to their operations. With respect to each of these proceedings, the Company has determined either that a loss is not reasonably possible or that the estimated loss or range of loss, if any, is not material to the consolidated financial statements as a whole.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Common Stock Market Prices and Dividends

The Company's common stock trades on the New York Stock Exchange (ticker symbol FAF). The approximate number of record holders of common stock on February 16, 2016, was 2,568.

High and low stock prices and dividends declared for 2015 and 2014 are set forth in the table below.

	2015		2014	
Period	**High-low range**	**Cash dividends**	**High-low range**	**Cash dividends**
Quarter Ended March 31	$ 32.59-37.75	$ 0.25	$ 24.81-28.19	$ 0.12
Quarter Ended June 30	$ 34.50-38.19	$ 0.25	$ 25.45-28.92	$ 0.24
Quarter Ended September 30	$ 36.88-43.16	$ 0.25	$ 26.82-28.67	$ 0.24
Quarter Ended December 31	$ 34.39-40.72	$ 0.25	$ 26.20-34.51	$ 0.24

In January 2016, the Company's board of directors declared a cash dividend of $0.26 per share. We expect that the Company will continue to pay quarterly cash dividends at or above the current level. The timing, declaration and payment of future dividends, however, falls within the discretion of the Company's board of directors and will depend upon many factors, including the Company's financial condition and earnings, the capital requirements of our businesses, industry practice, restrictions imposed by applicable law and any other factors the board of directors deems relevant from time to time. In addition, the ability to pay dividends also is potentially affected by the restrictions described in Note 2 Statutory Restrictions on Investments and Stockholders' Equity to the consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" of Part II of this report.

Unregistered Sales of Equity Securities

During the year ended December 31, 2015, the Company did not issue any unregistered common stock.

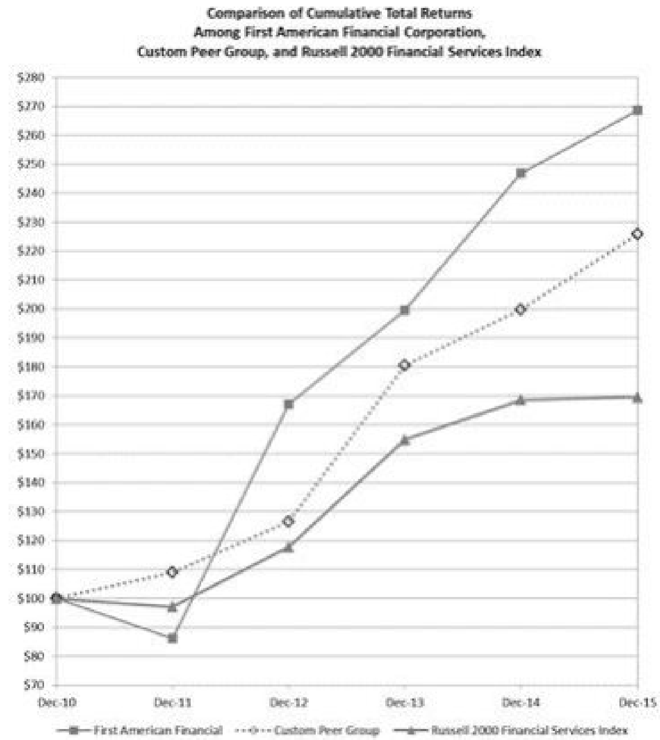
Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Pursuant to the share repurchase program initially announced by the Company on March 16, 2011 and expanded on March 11, 2014, which program has no expiration date, the Company may repurchase up to $250.0 million of the Company's issued and outstanding common stock. The Company did not repurchase any shares under this plan during the quarter ended December 31, 2015. In January 2016, the Company repurchased 14,200 shares at an average price of $31.97 per share. Cumulatively the Company has repurchased $67.6 million (including commissions) of its shares and has the authority to repurchase an additional $182.4 million (including commissions) under the plan.

Stock Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent that it is specifically incorporated by reference into such filing.

The following graph compares the cumulative total stockholder return on the Company's common stock with the corresponding cumulative total returns of the Russell 2000 Financial Services Index and a peer group i ndex for the period from December 31, 2010 through December 31, 2015. The comparison assumes an investment of $100 on December 31, 2010 and reinvestment of dividends. This historical performance is not indicative of future performance.



Comparison of Cumulative Total Return

	First American Financial Corporation (FAF) (1)	Custom Peer Group (1)(2)	Russell 2000 Financial Services Index (1)
December 31, 2010	$ 100	$ 100	$ 100
December 31, 2011	$ 86	$ 109	$ 97
December 31, 2012	$ 167	$ 127	$ 118
December 31, 2013	$ 199	$ 181	$ 155
December 31, 2014	$ 247	$ 200	$ 169
December 31, 2015	$ 269	$ 226	$ 170

(1) As calculated by Bloomberg Financial Services, to include reinvestment of dividends.

(2) The peer group consists of the following companies: American Financial Group, Inc.; Assurant, Inc.; Cincinnati Financial Corporation; Fidelity National Financial, Inc. (not including its FNFV tracking stock); The Hanover Insurance Group, Inc.; Kemper Corporation; Mercury General Corporation; Old Republic International Corp.; White Mountains Insurance Group Ltd.; and W.R. Berkley Corporation each of which operates in a business similar to a business operated by the Company. The compensation committee of the Company utilizes the compensation practices of these companies as benchmarks in setting the compensation of its executive officers.

Item 6. Selected Financial Data

The selected historical consolidated financial data for First American Financial Corporation (the "Company") as of and for each of the five years in the period ended December 31, 2015, have been derived from the Company's consolidated financial statements. The selected historical consolidated financial data should be read in conjunction with "Item 8. Financial Statements and Supplementary Data,""Item 1—Business," and "Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations."

First American Financial Corporation and Subsidiary Companies

	Year Ended December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
	(in thousands, except percentages, per share amounts and employee data)				
Revenues	$ 5,175,456	$ 4,677,949	$ 4,956,077	$ 4,541,821	$ 3,820,574
Net income	$ 288,870	$ 234,215	$ 187,064	$ 301,728	$ 78,579
Net income attributable to noncontrolling interests	$ 784	$ 681	$ 697	$ 687	$ 303
Net income attributable to the Company	$ 288,086	$ 233,534	$ 186,367	$ 301,041	$ 78,276
Total assets	$ 8,254,351	$ 7,666,100	$ 6,559,183	$ 6,077,626	$ 5,371,655
Notes and contracts payable	$ 585,102	$ 587,337	$ 310,285	$ 229,760	$ 299,975
Stockholders' equity	$ 2,758,502	$ 2,572,917	$ 2,453,049	$ 2,348,065	$ 2,028,600
Return on average stockholders' equity	10.8%	9.3%	7.8%	13.8%	3.9%
Dividends on common shares	$ 108,524	$ 89,939	$ 51,324	$ 37,612	$ 24,784
Per share of common stock *(Note A)—*					
Net income attributable to the Company:					
Basic	$ 2.65	$ 2.18	$ 1.74	$ 2.83	$ 0.74
Diluted	$ 2.62	$ 2.15	$ 1.71	$ 2.77	$ 0.73
Stockholders' equity	$ 25.28	$ 23.93	$ 23.16	$ 21.90	$ 19.24
Cash dividends declared	$ 1.00	$ 0.84	$ 0.48	$ 0.36	$ 0.24
Number of common shares outstanding					
Weighted average during the year:					
Basic	108,427	106,884	106,991	106,307	105,197
Diluted	109,826	108,688	109,102	108,542	106,914
End of year	109,098	107,541	105,900	107,239	105,410
Other Operating Data (unaudited):					
Title orders opened *(Note B)*	1,262	1,156	1,385	1,635	1,249
Title orders closed *(Note B)*	882	816	1,103	1,192	913
Number of employees *(Note C)*	17,955	17,103	17,292	17,312	16,117

Note A—Per share information relating to net income is based on weighted-average number of shares outstanding for the years presented. Per share information relating to stockholders' equity is based on shares outstanding at the end of each year.

Note B—Title order volumes are those processed by the direct domestic title operations of the Company and do not include orders processed by agents.

Note C—Number of employees is based on actual employee headcount.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

CERTAIN STATEMENTS IN THIS ANNUAL REPORT ON FORM 10-K ARE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE FORWARD-LOOKING STATEMENTS MAY CONTAIN THE WORDS "BELIEVE," "ANTICIPATE," "EXPECT," "PLAN," "PREDICT," "ESTIMATE," "PROJECT," "WILL BE," "WILL CONTINUE," "WILL LIKELY RESULT," OR OTHER SIMILAR WORDS AND PHRASES.

RISKS AND UNCERTAINTIES EXIST THAT MAY CAUSE RESULTS TO DIFFER MATERIALLY FROM THOSE SET FORTH IN THESE FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE THE ANTICIPATED RESULTS TO DIFFER FROM THOSE DESCRIBED IN THE FORWARD-LOOKING STATEMENTS INCLUDE THE FACTORS SET FORTH ON PAGE 3 OF THIS ANNUAL REPORT. THE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE THEY ARE MADE. THE COMPANY DOES NOT UNDERTAKE TO UPDATE FORWARD-LOOKING STATEMENTS TO REFLECT CIRCUMSTANCES OR EVENTS THAT OCCUR AFTER THE DATE THE FORWARD-LOOKING STATEMENTS ARE MADE.

This Management's Discussion and Analysis contains certain financial measures that are not presented in accordance with generally accepted accounting principles ("GAAP"), including adjusted information and other revenues, adjusted personnel costs, adjusted other operating expenses and adjusted depreciation and amortization expense, in each case excluding the effects of recent acquisitions. The Company is presenting these non-GAAP financial measures because they provide the Company's management and readers of this Annual Report on Form 10-K with additional insight into the operational performance of the Company relative to earlier periods. The Company does not intend for these non-GAAP financial measures to be a substitute for any GAAP financial information. In this Annual Report on Form 10-K, these non-GAAP financial measures have been presented with, and reconciled to, the most directly comparable GAAP financial measures. Readers of this Annual Report on Form 10-K should use these non-GAAP financial measures only in conjunction with the comparable GAAP financial measures.

Principles of Consolidation

The consolidated financial statements have been prepared in accordance with GAAP and reflect the consolidated operations of the Company. The consolidated financial statements include the accounts of First American Financial Corporation and all controlled subsidiaries. All significant intercompany transactions and balances have been eliminated. Investments in affiliates in which the Company exercises significant influence, but does not control and is not the primary beneficiary, are accounted for using the equity method. Investments in affiliates in which the Company does not exercise significant influence over the investee are accounted for under the cost method.

Reportable Segments

The Company consists of the following reportable segments and a corporate function:

- The Company's title insurance and services segment issues title insurance policies on residential and commercial property in the United States and offers similar or related products and services internationally. This segment also provides closing and/or escrow services; accommodates tax-deferred exchanges of real estate; provides products, services and solutions involving the use of real property related data designed to mitigate risk or otherwise facilitate real estate transactions; maintains, manages and provides access to title plant records and images; and provides banking, trust and investment advisory services. The Company, through its principal title insurance subsidiary and such subsidiary's affiliates, transacts its title insurance business through a network of direct operations and agents. Through this network, the Company issues policies in the 49 states that permit the issuance of title insurance policies and the District of Columbia. The Company also offers title insurance and other insurance and guarantee products, as well as related settlement services in foreign countries, including Canada, the United Kingdom, Australia and various other established and emerging markets.

- The Company's specialty insurance segment issues property and casualty insurance policies and sells home warranty products. The property and casualty insurance business provides insurance coverag e to residential homeowners and renters for liability losses and typical hazards such as fire, theft, vandalism and other types of property damage. This business is licensed to issue policies in all 50 states and the District of Columbia and actively issue s policies in 46 states. In certain markets it also offers preferred risk auto insurance to better compete with other carriers offering bundled home and auto insurance. The home warranty business provides residential service contracts that cover residentia l systems, such as heating and air conditioning systems, and appliances against failures that occur as the result of normal usage during the coverage period. This business currently operates in 39 states and the District of Columbia.

The corporate function consists primarily of certain financing facilities as well as the corporate services that support the Company's business operations.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires the application of accounting policies that often involve a significant degree of judgment. The Company's management considers the accounting policies described below to be the most dependent on the application of estimates and assumptions in preparing the Company's consolidated financial statements. See Note 1 Description of the Company to the consolidated financial statements for a more detailed description of the Company's significant accounting policies.

Provision for policy losses. The Company provides for title insurance losses by a charge to expense when the related premium revenue is recognized. The amount charged to expense is generally determined by applying a rate (the loss provision rate) to total title insurance premiums and escrow fees. The Company's management estimates the loss provision rate at the beginning of each year and reassesses the rate quarterly to ensure that the resulting incurred but not reported ("IBNR") loss reserve and known claims reserve included in the Company's consolidated balance sheets together reflect management's best estimate of the total costs required to settle all IBNR and known claims. If the ending IBNR reserve is not considered adequate, an adjustment is recorded.

The process of assessing the loss provision rate and the resulting IBNR reserve involves evaluation of the results of an in-house actuarial review. The Company's in-house actuary performs a reserve analysis utilizing generally accepted actuarial methods that incorporate cumulative historical claims experience and information provided by in-house claims and operations personnel. Current economic and business trends are also reviewed and used in the reserve analysis. These include conditions in the real estate and mortgage markets, changes in residential and commercial real estate values, and changes in the levels of defaults and foreclosures that may affect claims levels and patterns of emergence, as well as any company-specific factors that may be relevant to past and future claims experience. Results from the analysis include, but are not limited to, a range of IBNR reserve estimates and a single point estimate for IBNR as of the balance sheet date.

For recent policy years at early stages of development (generally the last three years), IBNR is estimated using a combination of expected loss rate and multiplicative loss development factor calculations. For more mature policy years, IBNR generally is estimated using multiplicative loss development factor calculations. The expected loss rate method estimates IBNR by applying an expected loss rate to total title insurance premiums and escrow fees, and adjusting for policy year maturity using estimated loss development patterns. Multiplicative loss development factor calculations estimate IBNR by applying factors derived from loss development patterns to losses realized to date. The expected loss rate and loss development patterns are based on historical experience and the relationship of the history to the applicable policy years.

The Company's management uses the IBNR point estimate from the in-house actuary's analysis and other relevant information it may have concerning claims to determine what it considers to be the best estimate of the total amount required for the IBNR reserve.

The volume and timing of title insurance claims are subject to cyclical influences from real estate and mortgage markets. Title policies issued to lenders constitute a large portion of the Company's title insurance volume. These policies insure lenders against losses on mortgage loans due to title defects in the collateral property. Even if an underlying title defect exists that could result in a claim, often, the lender must realize an actual loss, or at least be likely to realize an actual loss, for title insurance liability to exist. As a result, title insurance claims exposure is sensitive to lenders' losses on mortgage loans, and is affected in turn by external factors that affect mortgage loan losses, particularly macroeconomic factors.

A general decline in real estate prices can expose lenders to greater risk of losses on mortgage loans, as loan-to-value ratios increase and defaults and foreclosures increase. Title insurance claims exposure for a given policy year is also affecte d by the quality of mortgage loan underwriting during the corresponding origination year. The Company believes that sensitivity of claims to external conditions in real estate and mortgage markets is an inherent feature of title insurance's business econom ics that applies broadly to the title insurance industry.

Title insurance policies are long-duration contracts with the majority of the claims reported to the Company within the first few years following the issuance of the policy. Generally, 70% to 80% of claim amounts become known in the first six years of the policy life, and the majority of IBNR reserves relate to the six most recent policy years. Changes in expected ultimate losses and corresponding loss rates for recent policy years are considered likely and could result in a material adjustment to the IBNR reserves. Based on historical experience, management believes a 50 basis point change to the loss rates for the most recent policy years, positive or negative, is reasonably likely given the long duration nature of a title insurance policy. For example, if the expected ultimate losses for each of the last six policy years increased or decreased by 50 basis points, the resulting impact on the Company's IBNR reserve would be an increase or decrease, as the case may be, of $103.2 million. A material change in expected ultimate losses and corresponding loss rates for older policy years is also possible, particularly for policy years with loss ratios exceeding historical norms. The estimates made by management in determining the appropriate level of IBNR reserves could ultimately prove to be materially different from actual claims experience.

The Company provides for property and casualty insurance losses when the insured event occurs. The Company provides for claims losses relating to its home warranty business based on the average cost per claim as applied to the total of new claims incurred. The average cost per home warranty claim is calculated using the average of the most recent 12 months of claims experience adjusted for estimated future increases in costs.

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

(in thousands, except percentages)	December 31, 2015		December 31, 2014	
Known title claims	$ 87,543	8.9%	$ 165,330	16.3%
Incurred but not reported claims	844,364	85.8%	802,069	79.3%
Total title claims	931,907	94.7%	967,399	95.6%
Non-title claims	51,973	5.3%	44,381	4.4%
Total loss reserves	$ 983,880	100.0%	$ 1,011,780	100.0%

Activity in the reserve for known title claims is summarized as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
		(in thousands)	
Balance at beginning of year	$ 165,330	$ 135,478	$ 133,070
Provision transferred from IBNR title claims related to:			
Current year	13,569	29,939	17,720
Prior years	184,473	274,481	280,373
	198,042	304,420	298,093
Payments, net of recoveries, related to:			
Current year	11,258	22,272	15,355
Prior years	243,519	249,851	280,627
	254,777	272,123	295,982
Other	(21,052)	(2,445)	297
Balance at end of year	$ 87,543	$ 165,330	$ 135,478

"Other" for 2015 included recoveries of $23.8 million on reinsured losses related to a large commercial title claim.

The provision transferred from IBNR title claims related to current year decreased by $16.4 million in 2015 from 2014 and increased by $12.2 million in 2014 from 2013 and payments, net of recoveries, related to current year decreased by $11.0 million in 2015 from 2014 and increased by $6.9 million in 2014 from 2013, reflecting variability in claims volumes characteristic of a policy year during its first year of development. In addition, 2014 experienced a higher level of fraud losses when compared to 2015 and 2013.

The provision transferred from IBNR title claims related to prior years decreased by $90.0 million, or 32.8%, in 2015 from 2014 and decreased $5.9 million, or 2.1%, in 2014 from 2013. Payments, net of recoveries , related to prior years decreased by $6.3 million, or 2.5%, in 2015 from 2014 and decreased $30.8 million, or 11.0%, in 2014 from 2013. Generally, the provision transferred from IBNR title claims and payments are expected to decline with the runoff of ol der policy years that have higher expected ultimate losses, particularly policy years 2005 through 2008. This trend was partially impacted by the timing of the provision transferred from IBNR title claims and payments associated with certain large claims. During 2014, the Company transferred provision of $56.0 million from IBNR title claims related to these large claims, and the Company paid $35.0 million, net of $21.0 million recovered through reinsurance, during the first quarter of 2015 to settle these claims.

Activity in the reserve for incurred but not reported title claims is summarized as follows:

	December 31,		
	2015	2014	2013
		(in thousands)	
Balance at beginning of year	$ 802,069	$ 840,104	$ 805,430
Provision related to:			
Current year	170,789	188,997	194,520
Prior years	93,092	64,133	150,209
	263,881	253,130	344,729
Provision transferred to known title claims related to:			
Current year	13,569	29,939	17,720
Prior years	184,473	274,481	280,373
	198,042	304,420	298,093
Other	(23,544)	13,255	(11,962)
Balance at end of year	$ 844,364	$ 802,069	$ 840,104

"Other" primarily included foreign currency translation gains and losses, assets acquired in connection with claim settlements, and recoveries. "Other" for 2014 included a reinsurance receivable of $25.0 million that related to a large commercial title claim.

The provision related to current year decreased by $18.2 million, or 9.6%, in 2015 from 2014. This decrease was attributable to a lower current year loss rate in 2015 when compared to 2014, partly offset by a 13.0% increase in title premiums and escrow fees in 2015 from 2014. The current year loss rate in 2015 was 4.2% compared to 5.3% in 2014.

The provision related to current year decreased by $5.5 million, or 2.8%, in 2014 from 2013. This decrease was attributable to a 7.7% decline in title premiums and escrow fees in 2014 from 2013, partly offset by a higher current year loss rate in 2014 when compared to 2013. The current year loss rate in 2014 was 5.3% compared to 5.0% in 2013.

For further discussion of title provision recorded in 2015, 2014 and 2013, see Results of Operations, pages 36 and 37.

Fair value of investment portfolio. The Company categorizes the fair value of its debt and equity securities using a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the Company (observable inputs) and the Company's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. The hierarchy level assigned to each security in the Company's available-for-sale portfolio was based on management's assessment of the transparency and reliability of the inputs used to estimate the fair values at the measurement date. See Note 14 Fair Value Measurements to the consolidated financial statements for a more detailed description of the three-level hierarchy and a description for each level.

The valuation techniques and inputs used to estimate the fair value of the Company's debt and equity securities are summarized as follows:

Fair value of debt securities

The fair values of debt securities were based on the market values obtained from independent pricing services that were evaluated using pricing models that vary by asset class and incorporate available trade, bid and other market information and price quotes from well-established independent broker-dealers. The independent pricing services monitor market indicators, industry and economic events, and for broker-quoted only securities, obtain quotes from market makers or broker-dealers that they recognize to be market participants. The pricing services utilize the market approach in determining the fair value of the debt securities held by the Company. The Company obtains an understanding of the valuation models and assumptions utilized by the services and has controls in place to determine that the values provided represent fair value. The Company's validation procedures include comparing prices received from the pricing services to quotes received from other third party sources for certain securities with market prices that are readily verifiable. If the price comparison results in differences over a predefined threshold, the Company will assess the reasonableness of the changes relative to prior periods given the prevailing market conditions and assess changes in the issuers' credit worthiness, performance of any underlying collateral and prices of the instrument relative to similar issuances. To date, the Company has not made any material adjustments to the fair value measurements provided by the pricing services.

Typical inputs and assumptions to pricing models used to value the Company's U.S. Treasury bonds, municipal bonds, foreign government bonds, governmental agency bonds, governmental agency mortgage-backed securities, U.S. and foreign corporate debt securities include, but are not limited to, benchmark yields, reported trades, broker-dealer quotes, credit spreads, credit ratings, bond insurance (if applicable), benchmark securities, bids, offers, reference data and industry and economic events. For mortgage-backed securities, inputs and assumptions may also include the structure of issuance, characteristics of the issuer, collateral attributes and prepayment speeds. Non-agency mortgage-backed securities and certain U.S. and foreign corporate debt securities were not actively traded and there were fewer observable inputs available requiring the use of more judgment in determining their fair values, which resulted in their classification as Level 3.

Other-than-temporary impairment–debt securities

If the Company intends to sell a debt security in an unrealized loss position or determines that it is more likely than not that the Company will be required to sell a debt security before it recovers its amortized cost basis, the debt security is other-than-temporarily impaired and it is written down to fair value with all losses recognized in earnings. As of December 31, 2015, the Company did not intend to sell any debt securities in an unrealized loss position and it is not more likely than not that the Company will be required to sell debt securities before recovery of their amortized cost basis.

If the Company does not expect to recover the amortized cost basis of a debt security with declines in fair value (even if the Company does not intend to sell the debt security and it is not more likely than not that the Company will be required to sell the debt security), the losses the Company considers to be the credit portion of the other-than-temporary impairment loss ("credit loss") is recognized in earnings and the non-credit portion is recognized in other comprehensive income. The credit loss is the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the debt security. The cash flows expected to be collected are discounted at the rate implicit in the security immediately prior to the recognition of the other-than-temporary impairment.

Expected future cash flows for debt securities are based on qualitative and quantitative factors specific to each security, including the probability of default and the estimated timing and amount of recovery. The detailed inputs used to project expected future cash flows may be different depending on the nature of the individual debt security.

The Company recorded other-than-temporary impairment losses considered to be credit related on its debt securities of $2.2 million and $1.7 million for the years ended December 31, 2015 and 2014, respectively. The Company did not record any other-than-temporary impairment losses related to its debt securities for the year ended December 31, 2013.

Fair value of equity securities

The fair values of equity securities, including preferred and common stocks, were based on quoted market prices for identical assets that are readily and regularly available in an active market.

Other-than- temporary impairment–equity securities

When a decline in the fair value of an equity security, including common and preferred stock, is considered to be other-than-temporary, such equity security is written down to its fair value. When assessing if a decline in fair value is other-than-temporary, the factors considered include the length of time and extent to which fair value has been below cost, the probability that the Company will be unable to collect all amounts due under the contractual terms of the security, the seniority of the securities, issuer-specific news and other developments, the financial condition and prospects of the issuer (including credit ratings), macro-economic changes (including the outlook for industry sectors, which includes government policy initiatives) and the Company's ability and intent to hold the security for a period of time sufficient to allow for any anticipated recovery.

When an equity security has been in an unrealized loss position and its fair value is less than 80% of cost for twelve consecutive months, the Company's review of the security includes the above noted factors as well as other evidence that might exist supporting the view that the security will recover its value in the foreseeable future, typically within the next twelve months. If objective, substantial evidence does not indicate a likely recovery during that timeframe, the Company's policy is that such losses are considered other-than-temporary and therefore an impairment loss is recorded. The Company did not record any other-than-temporary impairment losses related to its equity securities for the years ended December 31, 2015, 2014 and 2013.

Litigation and regulatory contingencies. The Company and its subsidiaries are parties to a number of ongoing routine and non-ordinary course legal proceedings. For those lawsuits where the Company has determined that a loss is both probable and reasonably estimable, a liability representing the best estimate of the Company's financial exposure based on known facts has been recorded. Actual losses may materially differ from the amounts recorded. For a substantial majority of these lawsuits it is not possible to assess the probability of loss. Most of these lawsuits are putative class actions which require a plaintiff to satisfy a number of procedural requirements before proceeding to trial. As a result of, among other factors, ambiguities and inconsistencies in the myriad laws applicable to the Company's business and the uniqueness of the factual issues presented in any given lawsuit, the Company often cannot determine the probability of loss until a court has finally determined that a plaintiff has satisfied applicable procedural requirements. Furthermore, because most of these lawsuits are putative class actions, it is often impossible to estimate the possible loss or a range of loss amounts, even where the Company has determined that a loss is reasonably possible. In addition, many of the Company's businesses are regulated by various federal, state, local and foreign governmental agencies and are subject to numerous statutory guidelines. These regulations and statutory guidelines often are complex, inconsistent or ambiguous, which results in additional uncertainty as to the outcome of a given lawsuit—including the amount of damages a plaintiff might be afforded—or makes it difficult to analogize experience in one case or jurisdiction to another case or jurisdiction.

Business Combinations. The Company allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets.

Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, may differ from actual results. Other estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed.

I mpairment assessment for goodwill. The Company is required to perform an annual goodwill impairment assessment for each reporting unit. The Company's four reporting units are title insurance, home warranty, property and casualty insurance and trust and other services. The Company has elected to perform this annual assessment in the fourth quarter of each fiscal year or sooner if circumstances indicate possible impairment. Based on current guidance, the Company has the option to perform a qualitative asse ssment to determine if the fair value is more likely than not (i.e., a likelihood of greater than 50%) less than the carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test, or may choose to forego the q ualitative assessment and perform the quantitative impairment test. The qualitative factors considered in this assessment may include macroeconomic conditions, industry and market considerations, overall financial performance as well as other relevant even ts and circumstances as determined by the Company. The Company evaluates the weight of each factor to determine whether it is more likely than not that impairment may exist. If the results of the qualitative assessment indicate the more likely than not thr eshold was not met, the Company may choose not to perform the quantitative impairment test. If, however, the more likely than not threshold is met, the Company performs the quantitative test as required and discussed below.

Management's quantitative impairment testing process includes two steps. The first step ("Step 1") compares the fair value of each reporting unit to its carrying amount. The fair value of each reporting unit is determined by using discounted cash flow analysis and market approach valuations. If the fair value of the reporting unit exceeds its carrying amount, the goodwill is not considered impaired and no additional analysis is required. However, if the carrying amount is greater than the fair value, a second step ("Step 2") must be completed to determine if the fair value of the goodwill exceeds the carrying amount of goodwill.

Step 2 involves calculating an implied fair value of goodwill for each reporting unit for which Step 1 indicated impairment. The implied fair value of goodwill is determined in a manner similar to the amount of goodwill calculated in a business combination, by measuring the excess of the estimated fair value of the reporting unit, as determined in Step 1, over the aggregate estimated fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment loss is recorded for the excess. An impairment loss cannot exceed the carrying value of goodwill assigned to a reporting unit, and the loss establishes a new basis in the goodwill. Subsequent reversal of goodwill impairment losses is not permitted.

The quantitative impairment test for goodwill utilizes a variety of valuation techniques, all of which require the Company to make estimates and judgments. Fair value is determined by employing an expected present value technique, which utilizes multiple cash flow scenarios that reflect a range of possible outcomes and an appropriate discount rate. The use of comparative market multiples (the "market approach") compares the reporting unit to other comparable companies (if such comparables are present in the marketplace) based on valuation multiples to arrive at a fair value. In assessing the fair value, the Company utilizes the results of the valuations (including the market approach to the extent comparables are available) and considers the range of fair values determined under all methods and the extent to which the fair value exceeds the carrying amount of the reporting unit.

The valuation of each reporting unit includes the use of assumptions and estimates of many critical factors, including revenue growth rates and operating margins, discount rates and future market conditions, determination of market multiples and the establishment of a control premium, among others. Forecasts of future operations are based, in part, on operating results and the Company's expectations as to future market conditions. These types of analyses contain uncertainties because they require the Company to make assumptions and to apply judgments to estimate industry economic factors and the profitability of future business strategies. However, if actual results are not consistent with the Company's estimates and assumptions, the Company may be exposed to future impairment losses that could be material.

The Company elected to perform qualitative assessments for 2015, 2014 and 2013, the results of which supported the conclusion that the fair values of the Company's reporting units were not more likely than not less than their carrying amounts and, therefore, a quantitative impairment test was not considered necessary. As a result of these assessments, the Company did not record any goodwill impairment losses for 2015, 2014 or 2013.

Impairment assessment for other intangible assets. Management uses estimated future cash flows (undiscounted and excluding interest) to measure the recoverability of intangible assets with finite lives, whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If the undiscounted cash flow analysis indicates that the carrying amount is not recoverable, an impairment loss is recorded for the excess of the carrying amount over its fair value.

Management's impairment assessment for indefinite-lived other intangible assets may involve calculating the fair value by using a discounted cash flow analysis or throug h a market approach valuation. If the fair value exceeds its carrying amount, the asset is not considered impaired and no additional analysis is required. However, if the carrying amount is greater than the fair value, an impairment loss is recorded equal to the excess.

Impairment of equity method investments in affiliates. The carrying value of equity method investments in affiliates is written down, or impaired, to fair value when a decline in value is considered to be other-than-temporary. In making the determination as to whether an individual investment in an affiliate is impaired, the Company assesses the current and expected financial condition of each relevant entity, including, but not limited to, the anticipated ability of the entity to make its contractually required payments to the Company (with respect to debt obligations to the Company), the results of valuation work performed with respect to the entity, the entity's anticipated ability to generate sufficient cash flows and the market conditions in the industry in which the entity is operating. The Company recognized impairment losses of $2.0 million, $22.5 million and $7.8 million on its equity method investments for 2015, 2014 and 2013, respectively.

Impairment of property and equipment. Management uses estimated future cash flows (undiscounted and excluding interest) to measure the recoverability of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If the undiscounted cash flow analysis indicates that the carrying amount is not recoverable, an impairment loss is recorded for the excess of the carrying amount over its fair value. The Company recognized impairment losses on software of $10.9 million, $1.2 million and $1.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Income taxes. The Company accounts for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company evaluates the need to establish a valuation allowance for deferred tax assets based upon the amount of existing temporary differences, the period in which they are expected to be recovered and expected levels of taxable income. A valuation allowance to reduce deferred tax assets is established when it is considered more likely than not that some or all of the deferred tax assets will not be realized.

The Company recognizes the effect of income tax positions only if sustaining those positions is considered more likely than not. Changes in recognition or measurement of uncertain tax positions are reflected in the period in which a change in judgment occurs. The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense.

Employee benefit plans. The Company recognizes the overfunded or underfunded status of its defined benefit pension and supplemental benefit plans as an asset or liability on its consolidated balance sheets and recognizes changes in the funded status in the year in which changes occur, through accumulated other comprehensive loss. The funded status is measured as the difference between the fair value of plan assets and benefit obligation (the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for the other postretirement plans). Actuarial gains and losses and prior service costs and credits that have not been recognized as a component of net periodic benefit cost previously are recorded as a component of accumulated other comprehensive loss. Plan assets and obligations are measured annually as of December 31.

The assumptions that have had the most significant impact to net periodic costs are the discount rate and expected long-term rate of return on plan assets. The discount rate assumption reflects the yield available on high-quality, fixed-income debt securities that match the expected timing of the benefit obligation payments. Assumptions for the expected long-term rate of return on assets of the defined benefit pension plans are based on future expectations for returns for each asset class based on the calculated market-related value of plan assets and the effect of periodic target asset allocation rebalancing, adjusted for the payment of reasonable expenses of the plan from plan assets. See Note 13 Employee Benefit Plans to the consolidated financial statements for a further description of the expected long-term rate of return on plan assets as well as asset allocation targets.

At December 31, 2015, the Co mpany elected to change the method it uses to estimate the interest and service components of net periodic cost for its defined benefit pension and supplemental benefit plans, which will impact the estimate of net periodic cost beginning in 2016. The Comp any will utilize a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. Previously, the Company e stimated the interest and service cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. This change compared to the previous method will impact the interest and service components of net periodic cost in future periods. The Company made this change to provide a more precise measurement of interest and service costs by improving the correlation between projected benefit cash flows to the correspo nding spot yield curve rates. This change does not affect the measurement of the total benefit obligation as the change in the interest and service costs is offset in net actuarial gains and losses. The impact to interest and service costs is not expecte d to be significant. The Company will account for this change prospectively as a change in accounting estimate.

Weighted-average actuarial assumptions used to determine costs for the plans for the years ended December 31, 2015 and 2014, were as follows:

	December 31,	
	2015	2014
Defined benefit pension plans		
Discount rate	4.07%	4.97%
Rate of return on plan assets	6.50%	6.50%
Unfunded supplemental benefit plans		
Discount rate	4.00%	4.80%

Weighted-average actuarial assumptions used to determine benefit obligations for the plans at December 31, 2015 and 2014, were as follows:

	December 31,	
	2015	2014
Defined benefit pension plans		
Discount rate	4.31%	4.07%
Unfunded supplemental benefit plans		
Discount rate	4.33%	4.00%

Recently Adopted Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (“FASB”) issued updated guidance which changes the criteria for determining which disposals are required to be presented as discontinued operations and modifies related disclosure requirements. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2014, with early adoption permitted. The adoption of this guidance had no impact on the Company’s consolidated financial statements.

Pending Accounting Pronouncements

In September 2015, the FASB issued updated guidance intended to simplify the accounting for adjustments made to provisional amounts recognized in a business combination and eliminates the requirement to retrospectively account for those adjustments. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2015 and applies prospectively to adjustments made to provisional amounts that occur after the effective date of this guidance with early adoption permitted for financial statements that have not been issued. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In August 2015, the FASB issued updated guidance relating to the Securities and Exchange Commission Staff Announcement at the June 18, 2015 Emerging Issues Task Force meeting on the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. The updated guidance allows for the deferral and presentation of debt issuance costs as an asset which may be amortized ratably over the term of the line-of-credit arrangement, regardless of whether there are any related outstanding borrowings. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In May 2015, the FASB issued updated disclosure guidance related to short-duration contracts issued by insurance entities. The updated guidance is intended to increase the transparency of significant estimates made in measuring liabilities for unpaid claims and claim adjustment expenses and to provide additional insight into an insurance entity's ability to underwrite and anticipate costs associated with claims. The updated guidance is effective for annual reporting periods beginning after December 15, 2015 and for interim periods within annual periods beginning after December 15, 2016, with early adoption permitted. Except for the disclosure requirements, the Company does n ot expect the adoption of this guidance to impact its consolidated financial statements.

In May 2015, the FASB issued updated guidance intended to eliminate the diversity in practice surrounding how investments measured at net asset value under the practical expedient with future redemption dates have been categorized in the fair value hierarchy. Under the updated guidance, investments for which fair value is measured at net asset value per share using the practical expedient should no longer be categorized in the fair value hierarchy. The updated guidance requires retrospective adoption for all periods presented and is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. Except for the disclosure requirements, the Company does not expect the adoption of this guidance to impact its consolidated financial statements.

In April 2015, the FASB issued updated guidance intended to clarify the accounting treatment for cloud computing arrangements that include software licenses. Under the updated guidance, if a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued updated guidance intended to simplify, and provide consistency to, the presentation of debt issuance costs. The new standard requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In February 2015, the FASB issued updated guidance which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company expects the adoption of this guidance to have no impact on its consolidated financial statements.

In June 2014, the FASB issued updated guidance intended to eliminate the diversity in practice regarding share-based payment awards that include terms which provide for a performance target that affects vesting being achieved after the requisite service period. The new standard requires that a performance target which affects vesting and could be achieved after the requisite service period be treated as a performance condition that affects vesting and should not be reflected in estimating the grant-date fair value. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company expects the adoption of this guidance to have no impact on its consolidated financial statements.

In May 2014, the FASB issued updated guidance for recognizing revenue from contracts with customers to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within and across industries, and across capital markets. The new revenue standard contains principles that an entity will apply to determine the measurement of revenue and the timing of recognition. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. Revenue from insurance contracts is not within the scope of this guidance. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption prohibited. In August 2015, the FASB issued updated guidance which defers the effective date of this guidance by one year to interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted as of the original effective date. The Company is currently assessing the impact of the new guidance on its consolidated financial statements.

Results of Operations

Overview

A substantial portion of the revenues for the Company's title insurance and services segment results from the sale and refinancing of residential and commercial real estate. In the Company's specialty insurance segment, revenues associated with the initial year of coverage in both the home warranty and property and casualty operations are impacted by volatility in residential purchase transactions. Traditionally, the greatest volume of real estate activity, particularly residential purchase activity, has occurred in the spring and summer months. However, changes in interest rates, as well as other changes in general economic conditions in the United States and abroad, can cause fluctuations in the traditional pattern of real estate activity.

The Company's total revenues for the year ended December 31, 2015 were $5.2 billion, which reflected an increase of $0.5 billion, or 10.6%, when compared with $4.7 billion for the year ended December 31, 2014. This increase was primarily attributable to increases in commercial business, residential purchase transactions and residential refinance transactions during 2015. Direct premiums and escrow fees in the title insurance and services segment from commercial business, residential purchase transactions and residential refinance transactions increased 17.0%, 11.4% and 29.2%, respectively, in 2015 when compared to 2014.

According to the Mortgage Bankers Association's February 18, 2016 Mortgage Finance Forecast (the "MBA Forecast"), residential mortgage originations in the United States (based on the total dollar value of the transactions) increased 29.3% in 2015 when compared with 2014. According to the MBA Forecast, the dollar amount of purchase originations increased 16.1% and refinance originations increased 49.2%. The higher volume of domestic residential mortgage origination activity in 2015 contributed to a 4.7% increase in domestic residential purchase orders closed per day and a 24.7% increase in domestic refinance orders closed per day by the Company's direct title operations in 2015 when compared to 2014.

Despite uncertainties in the economy, the Company remains optimistic that the housing market will continue to strengthen in 2016. The Company anticipates growth in the residential purchase market and is benefiting from the recent decline in mortgage rates, which is positively impacting residential refinance volumes. The Company's direct title operations opened 1,700 refinance orders per day in January 2016 and have opened approximately 2,300 refinance orders per day so far in February 2016 (measured through February 17, 2016). It is uncertain how long this level of elevated refinance activity will continue. The Company expects growth rates in the commercial market to moderate relative to those experienced in 2015.

The Consumer Financial Protection Bureau ("CFPB") has broad authority to regulate, among other areas, the mortgage and real estate markets in matters which impact consumers. The CFPB has implemented regulations pertaining to the mortgage and settlement industries, including the TILA-RESPA integrated disclosure (TRID) rule. Implementation of the TRID rule, which applies to certain mortgage loan transactions originated on or after October 3, 2015, has required extensive modifications to the process of closing a federally-regulated mortgage loan. Compliance with the TRID rule also requires heightened coordination among market participants, including by settlement service providers, such as the Company and its agents, with lenders and others. After experiencing some initial delays in closings, by the end of the fourth quarter of 2015, the Company's direct residential business returned to its typical closing timeframes. The full impact on closing timeframes for the Company's residential agency business for the fourth quarter of 2015 is not yet known. While initial facts and circumstances related to the Company's implementation of the TRID rule appear positive, the full impact of the TRID rule and the extent to which such impact is temporary or permanent is not currently known. There can be no assurance that the Company, its agents or other market participants will ultimately succeed in their implementation efforts, or that consumers or the CFPB will be satisfied with the manner in which the TRID rule has been implemented. The TRID rule may also impact other areas of the mortgage industry, including the volume of loans being originated.

During the fourth quarter of 2015, the Company recorded certain reclassifications and revisions to its consolidated statements of income for the years ended December 31, 2014 and 2013. For further discussion of these reclassifications and revisions, see Note 1 Description of the Company to the consolidated financial statements, pages 53 and 54.

Title Insurance and Services

	2015	2014	2013	2015 vs. 2014 $ Change	2015 vs. 2014 % Change	2014 vs. 2013 $ Change	2014 vs. 2013 % Change
	(in thousands, except percentages)						
Revenues							
Direct premiums and escrow fees	$ 1,929,783	$ 1,698,430	$ 1,803,637	$ 231,353	13.6	$ (105,207)	(5.8)
Agent premiums	2,098,265	1,867,402	2,061,404	230,863	12.4	(194,002)	(9.4)
Information and other	669,984	654,961	661,107	15,023	2.3	(6,146)	(0.9)
Net investment income	97,520	59,785	76,606	37,735	63.1	(16,821)	(22.0)
Net realized investment (losses) gains	(7,442)	23,850	3,334	(31,292)	(131.2)	20,516	NM1
	4,788,110	4,304,428	4,606,088	483,682	11.2	(301,660)	(6.5)
Expenses							
Personnel costs	1,491,892	1,338,011	1,380,527	153,881	11.5	(42,516)	(3.1)
Premiums retained by agents	1,656,722	1,472,066	1,637,561	184,656	12.5	(165,495)	(10.1)
Other operating expenses	745,278	736,491	773,837	8,787	1.2	(37,346)	(4.8)
Provision for policy losses and other claims	263,881	253,122	343,461	10,759	4.3	(90,339)	(26.3)
Depreciation and amortization	80,359	77,820	66,956	2,539	3.3	10,864	16.2
Premium taxes	57,500	51,098	50,980	6,402	12.5	118	0.2
Interest	2,524	2,796	2,601	(272)	(9.7)	195	7.5
	4,298,156	3,931,404	4,255,923	366,752	9.3	(324,519)	(7.6)
Income before income taxes	$ 489,954	$ 373,024	$ 350,165	$ 116,930	31.3	$ 22,859	6.5
Margins	10.2%	8.7%	7.6%	1.5%	17.2	1.1%	14.5

(1) Not meaningful

Direct premiums and escrow fees increased $231.4 million, or 13.6%, in 2015 from 2014 and decreased $105.2 million, or 5.8%, in 2014 from 2013. The increase in direct premiums and escrow fees in 2015 from 2014 was primarily due to an increase in the domestic average revenues per order closed and an increase in domestic title orders closed by the Company's direct operations. The decrease in direct premiums and escrow fees in 2014 from 2013 was primarily due to a decrease in the number of domestic title orders closed by the Company's direct operations, partially offset by an increase in the domestic average revenues per order closed. The domestic average revenues per order closed were $2,012, $1,886 and $1,498 for 2015, 2014 and 2013, respectively. The 6.7% increase in average revenues per order closed in 2015 from 2014 was primarily due to higher real estate values and a greater number of large commercial deals that closed when compared to the prior year, partially offset by an increase in the mix of direct revenues generated from lower premium residential refinance transactions. The 25.9% increase in average revenues per order closed in 2014 from 2013 was primarily due to an increase in the mix of direct revenues generated from higher premium residential purchase and commercial transactions, higher real estate values, and a greater number of large commercial deals that closed when compared to the prior year. The Company's direct title operations closed 882,400, 816,400 and 1,103,400 domestic title orders during 2015, 2014 and 2013, respectively. The 8.1% increase in orders closed in 2015 from 2014 and the 26.0% decrease in orders closed in 2014 from 2013 were generally consistent with the changes in residential mortgage origination activity in the United States as reported in the MBA Forecast.

Agent premiums increased $230.9 million, or 12.4%, in 2015 from 2014 and decreased $194.0 million, or 9.4%, in 2014 from 2013. Agent premiums are recorded when notice of issuance is received from the agent, which is generally when cash payment is received by the Company. As a result, there is generally a delay between the agent's issuance of a title policy and the Company's recognition of agent premiums. Therefore, full year agent premiums typically reflect mortgage origination activity from the fourth quarter of the prior year through the third quarter of the current year. The increase in agent premiums in 2015 from 2014 was consistent with the 16.9% increase in the Company's direct premiums and escrow fees in the twelve months ended September 30, 2015 as compared with the twelve months ended September 30, 2014. The decrease in agent premiums in 2014 from 2013 was consistent with the 13.4% decrease in the Company's direct premiums and escrow fees in the twelve months ended September 30, 2014 as compared with the twelve months ended September 30, 2013.

Information and other revenues primarily consist of revenues generated from fees associated with title search and related reports, title and other real property records and images, other non-insured settlement services, and risk mitigation products and services. These revenues generally trend with direct premiums and escrow fees but are typically less volatile since a portion of the revenues are subscription based and do not fluctuate with transaction volumes.

Information and other revenues increased $15.0 million, or 2.3%, in 2015 from 2014 and decrease d $6.1 million, or 0.9%, in 2014 from 2013. Excluding the $23.2 million impact of new acquisitions for the year ended December 31, 2015, information and other revenues decreased $8.2 million, or 1.2%, in 2015 compared to 2014. The decrease in 2015 from 20 14, adjusted for the impact of new acquisitions, was due to lower demand for the Company's default information products as a result of the decrease in domestic loss mitigation activities, partially offset by higher demand for certain of the Company's non-i nsured services and products, which is directionally consistent with the increase in title insurance and services segment transaction volumes and revenue. Excluding the $55.7 million impact of new acquisitions for the year ended December 31, 2014, informa tion and other revenues decreased $61.9 million, or 9.4%, in 2014 compared to 2013. The decrease in 2014 from 2013, adjusted for the impact of new acquisitions, was primarily attributable to lower demand for the Company's default and title plant informati on products as a result of the decrease in domestic loss mitigation, foreclosure and mortgage origination activities.

Net investment income increased $37.7 million, or 63.1%, in 2015 from 2014 and decreased $16.8 million, or 22.0%, in 2014 from 2013. The increase in 2015 from 2014 was primarily attributable to higher interest income from the investment portfolio primarily due to higher average balances in the title insurance and services segment's debt securities portfolio in 2015 when compared to 2014 and lower impairment losses related to investments accounted for using the equity method when compared to 2014. The decrease in 2014 from 2013 was primarily attributable to higher impairment losses and lower equity in earnings related to investments accounted for using the equity method, partially offset by higher interest income from the investment portfolio primarily due to higher average balances in the title insurance and services segment's debt securities portfolio in 2014 when compared to 2013. Net investment income for 2015, 2014 and 2013 included impairment losses recognized on investments accounted for using the equity method of $2.0 million, $22.5 million and $5.8 million, respectively.

Net realized investment losses for the title insurance and services segment totaled $7.4 million for 2015 and were primarily from the impairment of internally developed software and losses from the sales of equity securities, partially offset by gains from the sale of real estate. Net realized investment gains were $23.9 million for 2014 and were primarily from the sales of debt and equity securities and the sale of real estate. Net realized investment gains were $3.3 million for 2013 and were primarily from the sale of real estate. Net realized investment gains for 2015, 2014 and 2013 included $9.3 million, $7.5 million and $2.5 million, respectively, of gains from the sale of real estate, and included impairment losses of $10.9 million, $2.4 million and $1.1 million, respectively, primarily related to software and certain non-marketable investments accounted for using the cost method.

The title insurance and services segment (primarily direct operations) is labor intensive; accordingly, a major expense component is personnel costs. This expense component is affected by two primary factors: the need to monitor personnel changes to match the level of corresponding or anticipated new orders and the need to provide quality service.

Personnel costs increased $153.9 million, or 11.5%, in 2015 from 2014 and decreased $42.5 million, or 3.1%, in 2014 from 2013. Excluding the $19.3 million impact of new acquisitions for the year ended December 31, 2015, personnel costs increased $134.6 million, or 10.1%, in 2015 compared to 2014. The increase in 2015, adjusted for the impact of new acquisitions, was primarily attributable to higher incentive compensation costs, which include commissions, bonuses and 401(k) savings plan matches, due to higher revenue and profitability; higher salary expense due to higher headcount levels; and higher overtime and temporary labor costs driven by higher order volumes. Excluding the $37.8 million impact of new acquisitions for the year ended December 31, 2014, personnel costs decreased $80.3 million, or 5.8%, in 2014 compared to 2013. The decrease in 2014, adjusted for the impact of new acquisitions, was primarily attributable to lower salary, payroll taxes, employee benefit, temporary labor, overtime, and severance costs. The lower salary and payroll tax costs were attributable to reduced headcount when compared to the prior year. The lower employee benefit costs were due to changes in the Company's medical and dental insurance plans, lower incurred medical claims and lower headcount when compared to the prior year. The lower temporary labor and overtime costs were due to lower order volumes when compared to the prior year. The lower severance costs were due to a lower level of employee reductions made during 2014 when compared to 2013. Personnel costs included severance expense of $5.6 million, $8.9 million and $17.5 million for 2015, 2014 and 2013, respectively.

The Company continues to closely monitor order volumes and related staffing levels and intends to adjust staffing levels as considered necessary. The Company's direct title operations opened 1,261,700, 1,155,500 and 1,384,600 domestic title orders in 2015, 2014 and 2013, respectively, representing an increase of 9.2% in 2015 from 2014 and a decrease of 16.5% in 2014 from 2013.

A summary of premiums retained by agents and agent premiums is as follows:

	2015	2014	2013
	(in thousands, except percentages)		
Premiums retained by agents	$ 1,656,722	$ 1,472,066	$ 1,637,561
Agent premiums	$ 2,098,265	$ 1,867,402	$ 2,061,404
% retained by agents	79.0%	78.8%	79.4%

The premium split between underwriter and agents is in accordance with the respective agency contracts and can vary from region to region due to divergences in real estate closing practices and state regulations. As a result, the percentage of title premiums retained by agents can vary due to the geographic mix of revenues from agency operations. The increase in the percentage of title premiums retained by agents in 2015 from 2014 was primarily due to a change in the geographic mix of agency revenues towards higher agent-retention regions, partially offset by increased revenue from the issuance of closing protection letters since agents typically do not retain a portion of this revenue. The decrease in the percentage of title premiums retained by agents in 2014 from 2013 was primarily due to increased revenue from the issuance of closing protection letters and a change in the geographic mix of agency revenues towards lower agent-retention regions.

Other operating expenses (principally related to direct operations) increased $8.8 million, or 1.2%, in 2015 from 2014 and decreased $37.3 million, or 4.8%, in 2014 from 2013. Excluding the $13.1 million impact of new acquisitions for the year ended December 31, 2015, other operating expenses decreased $4.3 million, or 0.6%, in 2015 compared to 2014. The decrease in 2015 from 2014, adjusted for the impact of new acquisitions, was primarily attributable to higher bank earnings credits and lower professional services expenses, partially offset by higher production related expenses driven by higher order volumes and increased software related expenses. The increase in bank earnings credits was driven by higher average balances invested with third-party financial institutions and higher average earnings credit rates associated with those investments in 2015 when compared to 2014. Excluding the $29.0 million impact of new acquisitions for the year ended December 31, 2014, other operating expenses decreased $66.3 million, or 8.6%, in 2014 compared to 2013. The decrease in 2014 from 2013, adjusted for the impact of new acquisitions, was primarily attributable to lower production related expenses driven by lower order volumes.

The provision for policy losses and other claims, expressed as a percentage of title insurance premiums and escrow fees, was 6.6%, 7.1% and 8.9% for the years ended December 31, 2015, 2014 and 2013, respectively.

The current year rate of 6.6% reflects an ultimate loss rate of 4.2% for the current policy year and a $93.1 million net increase in loss reserve estimates for prior policy years. The increase in loss reserve estimates for prior policy years was primarily attributable to a change in methodology used by the Company's internal actuary to estimate total ultimate losses. Historically, the internal actuary's model did not separate claims experience for large title claims from normal title claims activity. A large title claim is defined as a title claim with a total ultimate loss in excess of $2.5 million. With this change in methodology, the model now separates claims experience for large title claims from normal title claims activity when developing reserve estimates. As a result, loss reserve estimates for prior policy years increased, primarily for policy years 2004 through 2007. The change in methodology was implemented due to the increased frequency of large title claims experienced over the last several years and the volatility associated with the timing and severity of large title claims. The Company accounted for this change in methodology as a change in accounting estimate.

As of December 31, 2015, the IBNR claims reserve for the title insurance and services segment was $844.4 million, which reflected management's best estimate. The Company's internal actuary determined a range of reasonable estimates of $719.5 million to $922.0 million. The range limits are $124.9 million below and $77.6 million above management's best estimate, respectively, and represent an estimate of the range of variation among reasonable estimates of the IBNR reserve. Actuarial estimates are sensitive to assumptions used in models, as well as the structures of the models themselves, and to changes in claims payment and incurral patterns, which can vary materially due to economic conditions, among other factors.

The prior year rate of 7.1% reflected an ultimate loss rate of 5.3% for policy year 2014 and a net increase in loss reserve estimates for prior policy years of $64.1 million. The increase in loss reserve estimates for prior policy years reflected claims development above expected levels during 2014, primarily from domestic commercial policies. The reserve strengthening associated with domestic commercial policies was $41.4 million and was primarily attributable to several large commercial claims, net of anticipated recoveries, mainly from mechanics liens, and primarily related to policy years 2003, 2005 and 2007. Other factors, including a large international commercial claim from policy year 2004, also contributed to the net increase in loss reserve estimates for prior policy years.

The 2013 rate o f 8.9% reflected an ultimate loss rate of 5.0% for policy year 2013 and a net increase in loss reserve estimates for prior policy years of $150.2 million. The increase in loss reserve estimates for prior policy years reflected claims development above expe cted levels during 2013, primarily from domestic lenders policies, commercial policies and the Company's guaranteed valuation product offered in Canada. The reserve strengthening associated with domestic lenders policies was $67.4 million and was primaril y attributable to increased claims frequency for policy years 2004 through 2008. The increased claims frequency was primarily due to mortgage lenders and servicers processing a large volume of foreclosures during 2013. As foreclosure processing increases , lenders claims generally increase, because lenders claims typically come from foreclosures in which the lender suffers a loss. At December 31, 2013, the Company expected the high level of foreclosure processing to continue in the near term as mortgage l enders and servicers worked through their foreclosure inventory. The reserve strengthening associated with domestic lenders policies reflected these expectations. The reserve strengthening associated with commercial policies was $38.8 million and was pri marily attributable to several large commercial claims, mainly from mechanics liens, and primarily related to policy years 2007 and 2008. The reserve strengthening associated with the guaranteed valuation product offered in Canada was $21.7 million and wa s primarily attributable to claims frequency exceeding the Company's expectations during 2013. The increase in frequency primarily related to policy years 2007 and 2010.

The projected ultimate loss ratios, as of December 31, 2015, for policy years 2015, 2 014 and 2013 were 4.2%, 4.7% and 3.7%, respectively.

Based on current expectations for claims activity, in 2016, the Company expects its provision for policy losses and other claims, expressed as a percentage of title insurance premiums and escrow fees, to decline from 6.6%, the loss rate for 2015, to between 5% and 6%. However, this estimate may change based on actual claims experience among other factors.

Depreciation and amortization expense increased $2.5 million, or 3.3%, in 2015 from 2014 and $10.9 million, or 16.2%, in 2014 from 2013. Excluding the $2.4 million impact of new acquisitions for the year ended December 31, 2015, depreciation and amortization expense increased $0.1 million, or 0.1%, in 2015 compared to 2014. The increase in 2014 was primarily attributable to the depreciation and amortization expense associated with developed technology and other intangible assets recorded in connection with new acquisitions completed during the first quarter of 2014. Excluding the $8.6 million impact of new acquisitions for the year ended December 31, 2014, depreciation and amortization expense increased $2.3 million, or 3.4%, in 2014 compared to 2013.

Insurers generally are not subject to state income or franchise taxes. However, in lieu thereof, a premium tax is imposed on certain operating revenues, as defined by statute. Tax rates and bases vary from state to state; accordingly, the total premium tax burden is dependent upon the geographical mix of operating revenues. The Company's noninsurance subsidiaries are subject to state income tax and do not pay premium tax. Accordingly, the Company's total tax burden at the state level for the title insurance and services segment is composed of a combination of premium taxes and state income taxes. Premium taxes as a percentage of title insurance premiums and escrow fees were 1.4% for the years ended December 31, 2015 and 2014 and 1.3% for the year ended December 31, 2013.

The profit margins for the title insurance business reflect the high cost of performing the essential services required before insuring title, whereas the corresponding revenues are subject to regulatory and competitive pricing restraints. Due to this relatively high proportion of fixed costs, title insurance profit margins generally improve as closed order volumes increase. Title insurance profit margins are affected by the composition (residential or commercial) and type (resale, refinancing or new construction) of real estate activity. Title insurance profit margins are also affected by the percentage of title insurance premiums generated by agency operations. Profit margins from direct operations are generally higher than from agency operations due primarily to the large portion of the premium that is retained by the agent. The pre-tax margins were 10.2%, 8.7% and 7.6% for the years ended December 31, 2015, 2014 and 2013, respectively.

Specialty Insurance

	2015	2014	2013	2015 vs. 2014		2014 vs. 2013	
				$ Change	% Change	$ Change	% Change
	(in thousands, except percentages)						
Revenues							
Direct premiums	$ 380,264	$ 353,812	$ 329,194	$ 26,452	7.5	$ 24,618	7.5
Information and other	3,180	2,260	1,652	920	40.7	608	36.8
Net investment income	8,850	7,288	7,342	1,562	21.4	(54)	(0.7)
Net realized investment gains	1,463	5,306	1,425	(3,843)	(72.4)	3,881	272.4
	393,757	368,666	339,613	25,091	6.8	29,053	8.6
Expenses							
Personnel costs	65,742	63,072	59,510	2,670	4.2	3,562	6.0
Other operating expenses	49,741	44,645	40,476	5,096	11.4	4,169	10.3
Provision for policy losses and other claims	227,211	196,901	186,895	30,310	15.4	10,006	5.4
Depreciation and amortization	4,775	4,978	4,865	(203)	(4.1)	113	2.3
Premium taxes	6,769	6,096	5,735	673	11.0	361	6.3
	354,238	315,692	297,481	38,546	12.2	18,211	6.1
Income before income taxes	$ 39,519	$ 52,974	$ 42,132	$ (13,455)	(25.4)	$ 10,842	25.7
Margins	10.0%	14.4%	12.4%	(4.4)%	(30.6)	2.0%	16.1

Direct premiums increased $26.5 million, or 7.5%, in 2015 from 2014 and $24.6 million, or 7.5%, in 2014 from 2013. The increases were driven by higher premiums earned in the home warranty business and, to a lesser extent, higher premiums earned in the property and casualty business. The increase in 2015 from 2014 in the home warranty business was in its real estate, direct to consumer and renewal channels and was driven by an increase in the number of home warranty residential service contracts issued. The increase in 2014 from 2013 in the home warranty business was in its real estate, direct to consumer and renewal channels and was driven by an increase in the price charged for home warranty residential service contracts and an increase in the number of contracts issued. The increases in the property and casualty business were primarily in its independent broker and direct channels.

Net investment income increased $1.6 million, or 21.4%, in 2015 from 2014 and was essentially flat in 2014 when compared to 2013. The increase in 2015 from 2014 was primarily attributable to higher interest income from the investment portfolio due to a higher average yield and higher average balances in the specialty insurance segment's debt securities portfolio in 2015 when compared to 2014.

Net realized investment gains for the specialty insurance segment totaled $1.5 million, $5.3 million and $1.4 million for 2015, 2014 and 2013, respectively, and were primarily from the sales of debt and equity securities.

Personnel costs and other operating expenses increased $7.8 million, or 7.2%, in 2015 from 2014 and $7.7 million, or 7.7%, in 2014 from 2013. The increase in 2015 from 2014 was primarily related to higher corporate allocations for shared services support, higher offshore labor expense related to increased customer support activities associated with the increased volume in the home warranty business, and higher advertising expense in the home warranty business. The increase in 2014 from 2013 was primarily related to higher salary expense associated with higher average employee headcount during the current year related to increased volume in the home warranty business, higher incentive compensation related to higher revenue and profitability, higher production related expenses due to increased volumes, and increased amortization of deferred acquisition costs.

The provision for home warranty claims, expressed as a percentage of home warranty premiums, was 56.5% in 2015, 53.3% in 2014 and 57.5% in 2013. The increase in rate in 2015 from 2014 was primarily attributable to higher contract servicing costs due to an increase in the frequency of higher cost claims related to more severe weather conditions and less efficient claims management. The efficiency of claims management was adversely impacted by the increased level of claims opened in 2015 as a result of the higher volume of home warranty residential service contracts outstanding in 2015 when compared to 2014. The decrease in rate in 2014 from 2013 was primarily attributable to lower claims frequency and lower contract servicing costs due to milder weather conditions during the second and third quarters of 2014 when compared to the respective quarters of 2013. The rate in 2014 also benefited from an improvement in claims management in 2014 when compared to 2013.

The provision for property and casualty claims, expressed as a percentage of property and casualty insurance premiums, was 66.4% in 2015, 60.1% in 2014 and 55.4% in 2013. The increase in rate in 2015 from 2014 was primarily attributable to wildfires in northern California, hail storms in New Mexico, and an increase in the severity of claims, partially offset by a decrease in the frequency of claims . The increase in rate in 2014 from 2013 was primarily attributable to higher claims severity and frequency. 2014 was impacted by the severe winter weather experienced in the first quarter and the California wildfires that occurred during the second quarter.

Premium taxes as a percentage of specialty insurance segment premiums were 1.8% in 2015 and 1.7% in 2014 and 2013.

A large part of the revenues for the specialty insurance businesses are generated by renewals and are not dependent on the level of real estate activity in the year of renewal. With the exception of loss expense, the majority of the expenses for this segment are variable in nature and therefore generally fluctuate consistent with revenue fluctuations. Accordingly, profit margins for this segment (before loss expense) are relatively constant, although as a result of some fixed expenses, profit margins (before loss expense) should nominally improve as premium revenues increase. Pre-tax margins were 10.0%, 14.4% and 12.4% for 2015, 2014 and 2013, respectively.

Corporate

	2015	2014	2013	2015 vs. 2014		2014 vs. 2013	
				$ Change	% Change	$ Change	% Change
	(in thousands, except percentages)						
Revenues							
Net investment (losses) income	$ (5,387)	$ 5,504	$ 8,556	$ (10,891)	(197.9)	$ (3,052)	(35.7)
Net realized investment (losses) gains	(568)	911	4,452	(1,479)	(162.3)	(3,541)	(79.5)
	(5,955)	6,415	13,008	(12,370)	(192.8)	(6,593)	(50.7)
Expenses							
Personnel costs	37,301	34,545	48,960	2,756	8.0	(14,415)	(29.4)
Other operating expenses	25,976	26,528	27,264	(552)	(2.1)	(736)	(2.7)
Depreciation and amortization	462	2,799	3,095	(2,337)	(83.5)	(296)	(9.6)
Interest	27,014	17,981	15,278	9,033	50.2	2,703	17.7
	90,753	81,853	94,597	8,900	10.9	(12,744)	(13.5)
Loss before income taxes	$ (96,708)	$ (75,438)	$ (81,589)	$ (21,270)	(28.2)	$ 6,151	7.5

Net investment losses totaled $5.4 million in 2015 and net investment income totaled $5.5 million and $8.6 million in 2014 and 2013, respectively. The change in net investment income for all three years is primarily attributable to fluctuations in earnings on investments associated with the Company’s deferred compensation plan. Net investment losses for 2015 were impacted by a one-time non-cash charge of $4.0 million, recorded during the first quarter of 2015, related to the investments associated with the Company’s deferred compensation plan. Net investment income for 2013 included impairment losses recognized on investments accounted for using the equity method of $2.0 million.

Net realized investment losses totaled $0.6 million in 2015 and were primarily attributable to the impairment of a non-marketable investment accounted for using the cost method. Net realized investment gains totaled $0.9 million and $4.5 million in 2014 and 2013, respectively, and were attributable to the sale of non-marketable investments accounted for using the cost method.

Corporate personnel costs and other operating expenses were $63.3 million, $61.1 million and $76.2 million in 2015, 2014 and 2013, respectively. The increase for 2015 was primarily attributable to increased expense related to the Company’s defined benefit pension and supplemental benefit plans, partially offset by decreased expense related to the Company’s deferred compensation plan. The decrease for 2014 was primarily attributable to decreased expense associated with the Company’s defined benefit pension, supplemental benefit and deferred compensation plans.

Depreciation and amortization expense was $0.5 million, $2.8 million and $3.1 million in 2015, 2014 and 2013, respectively. The decrease in 2015 was due to a noncompete asset that was fully amortized during 2014.

Interest expense increased $9.0 million in 2015 from 2014 and $2.7 million in 2014 from 2013. Interest expense increase d in both 2015 and 2014 primarily due to the Company's issuance of $300.0 million of debt in November 2014. Interest expense related to intercompany notes payable to the title insurance and services and specialty insurance segments was $0.4 million, $1.5 million and $2.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Eliminations

Eliminations primarily represent interest income and related interest expense associated with intercompany notes between the Company's segments, which are eliminated in the consolidated financial statements. The Company's inter-segment eliminations were not material for the years ended December 31, 2015, 2014 and 2013.

Income Taxes

Income taxes differ from the amounts computed by applying the federal income tax rate of 35.0%. A reconciliation of this difference is as follows:

	Year ended December 31,					
	2015		2014		2013	
	(in thousands, except percentages)					
Taxes calculated at federal rate	$ 151,468	35.0%	$ 122,696	35.0%	$ 108,748	35.0%
State taxes, net of federal benefit	4,581	1.1	2,891	0.8	11,480	3.7
Change in liability for tax positions	1,094	0.3	412	0.1	3,537	1.1
Foreign income taxed at different rates	(7,111)	(1.6)	(6,091)	(1.7)	8,567	2.8
Foreign tax credits	(1,710)	(0.4)	(2,184)	(0.6)	(5,640)	(1.8)
Other items, net	(4,427)	(1.1)	(1,379)	(0.4)	(3,048)	(1.0)
	$ 143,895	33.3%	$ 116,345	33.2%	$ 123,644	39.8%

The Company's effective income tax rates (income tax expense as a percentage of income before income taxes) were 33.3% for 2015, 33.2% for 2014 and 39.8% for 2013. The differences in the effective tax rates were primarily due to changes in state and foreign income taxes resulting from fluctuations in the Company's noninsurance and foreign subsidiaries' contribution to pretax income and changes in the ratio of permanent differences to income before income taxes. In addition, the tax rate for 2014 reflected non-recurring tax benefits resulting from certain adjustments to the Company's state and non-U.S. tax accounts. The 2015 rate includes a benefit for the release of valuation allowances previously provided against certain foreign net operating losses and other deferred tax assets.

Net Income and Net Income Attributable to the Company

Net income and per share information are summarized as follows:

	2015	2014	2013
	(in thousands, except per share amounts)		
Net income	$ 288,870	$ 234,215	$ 187,064
Less: Net income attributable to noncontrolling interests	784	681	697
Net income attributable to the Company	$ 288,086	$ 233,534	$ 186,367
Net income per share attributable to the Company's stockholders:			
Basic	$ 2.65	$ 2.18	$ 1.74
Diluted	$ 2.62	$ 2.15	$ 1.71
Weighted-average common shares outstanding:			
Basic	108,427	106,884	106,991
Diluted	109,826	108,688	109,102

See Note 12 Earnings Per Share to the consolidated financial statements for further discussion of earnings per share.

Liquidity and Capital Resources

Cash requirements. The Company generates cash primarily from the sale of its products and services and investment income. The Company's current cash requirements include operating expenses, taxes, payments of principal and interest on its debt, capital expenditures and dividends on its common stock, and may include business acquisitions and repurchases of its common stock. Management forecasts the cash needs of the holding company and its primary subsidiaries and regularly reviews their short-term and long-term projected sources and uses of funds, as well as the asset, liability, investment and cash flow assumptions underlying such forecasts. Due to the Company's ability to generate cash flows from operations and its liquid-asset position, management believes that its resources are sufficient to satisfy its anticipated operational cash requirements and obligations for at least the next twelve months.

The substantial majority of the Company's business is dependent upon activity in the real estate and mortgage markets, which are cyclical and seasonal. Periods of increasing interest rates and reduced mortgage financing availability generally have an adverse effect on residential real estate activity and therefore typically decrease the Company's revenues. In contrast, periods of declining interest rates and increased mortgage financing availability generally have a positive effect on residential real estate activity which typically increases the Company's revenues. Residential purchase activity is typically slower in the winter months with increased volumes in the spring and summer months. Residential refinance activity is typically more volatile than purchase activity and is highly impacted by changes in interest rates. Commercial real estate volumes are less sensitive to changes in interest rates, but fluctuate based on local supply and demand conditions for space and mortgage financing availability.

Cash provided by operating activities amounted to $551.3 million, $360.6 million and $378.5 million for the years ended December 31, 2015, 2014 and 2013, respectively, after claim payments, net of recoveries, of $476.5 million, $469.8 million and $479.3 million, respectively. The principal nonoperating uses of cash and cash equivalents for the year ended December 31, 2015 were purchases of debt and equity securities, capital expenditures and dividends to common stockholders. The principal nonoperating uses of cash and cash equivalents for the year ended December 31, 2014 were purchases of debt and equity securities, repayment of debt, business acquisitions, capital expenditures and dividends to common stockholders. The principal nonoperating uses of cash and cash equivalents for the year ended December 31, 2013 were purchases of debt and equity securities, repayment of debt, capital expenditures, purchase of Company shares and payment of dividends to common stockholders. The most significant nonoperating sources of cash and cash equivalents for the year ended December 31, 2015 were proceeds from the sales and maturities of debt and equity securities and increases in the deposit balances at the Company's banking operations. The most significant nonoperating sources of cash and cash equivalents for the year ended December 31, 2014 were proceeds from the sales and maturities of debt and equity securities, increases in the deposit balances at the Company's banking operations, proceeds from the issuance of debt and paydowns and net proceeds related to the sale of loans receivable. The most significant nonoperating sources of cash and cash equivalents for the year ended December 31, 2013 were proceeds from the sales and maturities of debt and equity securities, increases in the deposit balances at the Company's banking operations, proceeds from the issuance of debt and paydowns of loans receivable. The net effect of all activities on total cash and cash equivalents was a decrease of $162.8 million, and increases of $355.2 million and $164.3 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The Company continually assesses its capital allocation strategy, including decisions relating to dividends, stock repurchases, capital expenditures, acquisitions and investments. In January 2016, the Company's board of directors approved a first quarter cash dividend of 26 cents per common share. Management expects that the Company will continue to pay quarterly cash dividends at or above the current level. The timing, declaration and payment of future dividends, however, falls within the discretion of the Company's board of directors and will depend upon many factors, including the Company's financial condition and earnings, the capital requirements of the Company's businesses, industry practice, restrictions imposed by applicable law and any other factors the board of directors deems relevant from time to time.

In March 2014, the Company's board of directors approved an increase in the size of the Company's stock repurchase plan from $150.0 million to $250.0 million, of which $182.9 million remained as of December 31, 2015. Purchases may be made from time to time by the Company in the open market at prevailing market prices or in privately negotiated transactions. The Company did not repurchase any shares of its common stock during the year ended December 31, 2015 and as of December 31, 2015, had repurchased and retired 3.2 million shares of its common stock under the current authorization for a total purchase price of $67.1 million. In January 2016, the Company repurchased and retired 14 thousand shares of its common stock for a total purchase price of $454 thousand.

The Company completed acquisitions in 2015 for an aggregate purchase price of $32.3 million.

Holding company. First American Financial Corporation is a holding company that conducts all of its operations through its subsid iaries. The holding company's current cash requirements include payments of principal and interest on its debt, taxes, payments in connection with employee benefit plans, dividends on its common stock and other expenses. The holding company is dependent up on dividends and other payments from its operating subsidiaries to meet its cash requirements. The Company's target is to maintain a cash balance at the holding company equal to at least twelve months of estimated cash requirements. At certain points in ti me, the actual cash balance at the holding company may vary from this target due to, among other factors, the timing and amount of cash payments made and dividend payments received. Pursuant to insurance and other regulations under which the Company's insu rance subsidiaries operate, the amount of dividends, loans and advances available to the holding company is limited, principally for the protection of policyholders. As of December 31, 2015, under such regulations, the maximum amount of dividends, loans an d advances available to the holding company from its insurance subsidiaries in 2016, without prior approval from applicable regulators, was $547.9 million. Such restrictions have not had, nor are they expected to have, an impact on the holding company's ab ility to meet its cash obligations.

As of December 31, 2015, the holding company's sources of liquidity included $289.8 million of cash and cash equivalents and $700.0 million available on the Company's revolving credit facility. Management believes that liquidity at the holding company is sufficient to satisfy anticipated cash requirements and obligations for at least the next twelve months.

Financing. The Company maintains a credit agreement with JPMorgan Chase Bank, N.A. in its capacity as administrative agent and the lenders party thereto. The credit agreement is comprised of a $700.0 million revolving credit facility. Unless terminated earlier, the revolving loan commitments under the credit agreement will terminate on May 14, 2019. The obligations of the Company under the credit agreement are neither secured nor guaranteed. Proceeds under the credit agreement may be used for general corporate purposes. At December 31, 2015, the Company had no outstanding borrowings under the facility.

The credit agreement includes an expansion option that permits the Company, subject to satisfaction of certain conditions, to increase the revolving commitments and/or add term loan tranches ("Incremental Term Loans") in an aggregate amount not to exceed $150.0 million. Incremental Term Loans, if made, may not mature prior to the revolving commitment termination date, provided that amortization may occur prior to such date.

At the Company's election, borrowings under the credit agreement bear interest at (a) the Alternate Base Rate plus the applicable spread or (b) the Adjusted LIBOR rate plus the applicable spread (in each case as defined in the agreement). The Company may select interest periods of one, two, three or six months or (if agreed to by all lenders) such other number of months for Eurodollar borrowings of loans. The applicable spread varies depending upon the debt rating assigned by Moody's Investor Service, Inc. ("Moody's") and/or Standard & Poor's Rating Services ("S&P"). The minimum applicable spread for Alternate Base Rate borrowings is 0.625% and the maximum is 1.00%. The minimum applicable spread for Adjusted LIBOR rate borrowings is 1.625% and the maximum is 2.00%. The rate of interest on Incremental Term Loans will be established at or about the time such loans are made and may differ from the rate of interest on revolving loans.

The credit agreement includes representations and warranties, reporting covenants, affirmative covenants, negative covenants, financial covenants and events of default customary for financings of this type. Upon the occurrence of an event of default the lenders may accelerate the loans. Upon the occurrence of certain insolvency and bankruptcy events of default the loans will automatically accelerate. As of December 31, 2015, the Company was in compliance with the financial covenants under the credit agreement.

In addition to amounts available under its credit facility, certain subsidiaries of the Company are parties to master repurchase agreements which are used as part of the Company's liquidity management activities and to support its risk management activities. In particular, securities loaned or sold under repurchase agreements may be used as short-term funding sources. During 2015, the Company financed securities for funds received totaling $47.2 million under these agreements. As of December 31, 2015, no amounts remained outstanding under these agreements.

Notes and contracts payable as a percentage of total capitalization was 17.5% and 18.6% at December 31, 2015 and 2014, respectively. Notes and contracts payable are further described in Note 9 Notes and Contracts Payable to the consolidated financial statements.

Investment portfolio. The Company maintains a high quality, liquid investment portfolio that is primarily held at its insurance and banking subsidiaries. As of December 31, 2015, 93% of the Company's investment portfolio consisted of fixed income securities, of which 65% were United States government-backe d or rated AAA and 95% were rated or classified as investment grade. Percentages are based on the estimated fair values of the securities. Credit ratings reflect published ratings obtained from S&P, DBRS, Inc., Fitch Ratings, Inc. and Moody's. If a securit y was rated differently among the rating agencies, the lowest rating was selected. For further information on the credit quality of the Company's investment portfolio at December 31, 2015, see Note 3 Debt and Equity Securities to the consolidated financial statements.

In addition to its debt and equity investment securities portfolio, the Company maintains certain money-market and other short-term investments.

Capital expenditures. Capital expenditures primarily consist of capitalized software development costs, additions to property and equipment, additions to title plants and purchases of real estate data. Capital expenditures were $127.6 million, $99.4 million and $87.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. The increase in 2015 from 2014 primarily reflected increased spending in 2015 on software, real estate data, title plants and property and equipment. The increase in software in 2015 was mainly driven by the Company's effort to comply with the Consumer Financial Protection Bureau's TILA-RESPA integrated disclosure rule. The increase in 2014 from 2013 primarily related to increased spending in 2014 on software, real estate data and title plants, partially offset by lower spending in 2014 on property and equipment.

Contractual obligations. A summary of the Company's contractual obligations at December 31, 2015, by due date, is as follows:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in thousands)		
Notes and contracts payable	$ 585,102	$ 5,018	$ 10,075	$ 8,105	$ 561,904
Interest on notes and contracts payable	205,760	26,342	51,882	50,988	76,548
Operating leases	314,525	82,684	116,113	61,588	54,140
Deposits	2,699,015	2,699,015	—	—	—
Claim losses	983,880	247,153	215,915	146,294	374,518
Pension and supplemental benefit plans	555,384	37,963	68,107	64,729	384,585
	$ 5,343,666	$ 3,098,175	$ 462,092	$ 331,704	$ 1,451,695

The timing of claim payments is estimated and is not set contractually. Nonetheless, based on historical claims experience, the Company anticipates the above payment patterns. Changes in future claim settlement patterns, judicial decisions, legislation, economic conditions and other factors could affect the timing and amount of actual claim payments. The timing and amount of payments in connection with pension and supplemental benefit plans are based on the Company's current estimate and require the use of significant assumptions. Changes in significant assumptions could affect the amount and timing of pension and supplemental benefit plan payments. See Note 13 Employee Benefit Plans to the consolidated financial statements for additional discussion of management's significant assumptions. The Company is not able to reasonably estimate the timing of payments, or the amount by which the liability for the Company's uncertain tax positions will increase or decrease over time; therefore the liability of $23.8 million has not been included in the contractual obligations table. See Note 11 Income Taxes to the consolidated financial statements for additional discussion of the Company's liability for uncertain tax positions.

Off-balance sheet arrangements. The Company administers escrow deposits and trust assets as a service to its customers. Escrow deposits totaled $6.6 billion and $6.3 billion at December 31, 2015 and 2014, respectively, of which $2.6 billion and $2.2 billion, respectively, were held at the Company's federal savings bank subsidiary, First American Trust, FSB. The escrow deposits held at First American Trust, FSB are temporarily invested in cash and cash equivalents and debt securities, with offsetting liabilities included in deposits in the accompanying consolidated balance sheets. The remaining escrow deposits were held at third-party financial institutions.

Trust assets held or managed by First American Trust, FSB totaled $3.0 billion at December 31, 2015 and 2014. Escrow deposits held at third-party financial institutions and trust assets are not considered assets of the Company and, therefore, are not included in the accompanying consolidated balance sheets. However, the Company could be held contingently liable for the disposition of these assets.

In conducting its operations, the Company often holds customers' assets in escrow, pending completion of real estate transactions and, as a result, the Company has ongoing programs for realizing economic benefits with various financial instituti ons. The results from these programs are included in the consolidated financial statements as income or a reduction in expense, as appropriate, based on the nature of the arrangement and benefit received.

The Company facilitates tax-deferred property exchanges for customers pursuant to Section 1031 of the Internal Revenue Code and tax-deferred reverse exchanges pursuant to Revenue Procedure 2000-37. As a facilitator and intermediary, the Company holds the proceeds from sales transactions and takes temporary title to property identified by the customer to be acquired with such proceeds. Upon the completion of each such exchange, the identified property is transferred to the customer or, if the exchange does not take place, an amount equal to the sales proceeds or, in the case of a reverse exchange, title to the property held by the Company is transferred to the customer. Like-kind exchange funds held by the Company totaled \$2.8 billion and \$2.4 billion at December 31, 2015 and 2014, respectively. The like-kind exchange deposits are held at third-party financial institutions and, due to the structure utilized to facilitate these transactions, the proceeds and property are not considered assets of the Company and, therefore, are not included in the accompanying consolidated balance sheets. All such amounts are placed in deposit accounts insured, up to applicable limits, by the Federal Deposit Insurance Corporation. The Company could be held contingently liable to the customer for the transfers of property, disbursements of proceeds and the returns on such proceeds.

At December 31, 2015 and 2014, the Company was contingently liable for guarantees of indebtedness owed by affiliates and third parties to banks and others totaling \$8.2 million and \$8.9 million, respectively. The guarantee arrangements relate to promissory notes and other contracts that contingently require the Company to make payments to the guaranteed party upon the failure of debtors to make scheduled payments according to the terms of the notes and contracts. The Company's maximum potential obligation under these guarantees totaled \$8.2 million and \$8.9 million at December 31, 2015 and 2014, respectively, and is limited in duration to the terms of the underlying indebtedness. The Company has not incurred any costs as a result of these guarantees and has not recorded a liability on its consolidated balance sheets related to these guarantees at December 31, 2015 and 2014.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company's assets and liabilities include financial instruments subject to the risk of loss from adverse changes in market rates and prices. The Company's primary market risk exposures relate to interest rate risk, equity price risk, foreign currency risk and credit risk.

The Company manages its primary market risk exposures through an investment committee made up of certain senior executives which is advised by an experienced investment management staff.

While the hypothetical scenarios below are considered to be near-term reasonably possible changes demonstrating potential risk, they are for illustrative purposes only and do not reflect the Company's expectations about future market changes.

Interest Rate Risk

The Company monitors its risk associated with fluctuations in interest rates and makes investment decisions to manage accordingly. The Company does not currently use derivative financial instruments in any material amount to hedge these risks.

The Company's exposure to interest rate changes primarily results from the Company's significant portfolio of fixed income securities and from its financing activities. In general, the fair value of fixed income securities increases or decreases inversely with changes in market interest rates. The Company also considers its investments in preferred stock, which are tied to interest rates, to be exposed to interest rate risk. The fair values of the Company's fixed income portfolio at December 31, 2015 and 2014 were \$4.3 billion and \$3.5 billion, respectively. One means of assessing the exposure of the Company's fixed income portfolio to interest rate changes is a duration-based analysis that measures the potential changes in fair value resulting from a hypothetical parallel and instantaneous shift in interest rates across all maturities. Under this model, with all other factors held constant, the Company estimates that increases in interest rates of 100 and 200 basis points could cause the fair value of its fixed income portfolio (including investments in preferred stock) at December 31, 2015 to decrease by approximately \$150.0 million, or 3.5%, and \$292.0 million, or 6.8%, respectively, and at December 31, 2014 to decrease by approximately \$110.0 million, or 3.2%, and \$217.0 million, or 6.2%, respectively.

With respect to floating rate debt, the Company is primarily exposed to the effects of changes in prevailing interest rates through its variable rate credit facility and its interest bearing escrow deposit liabilities. As of December 31, 2015 and 2 014, the Company had no outstanding borrowings under its credit facility. Assuming the full utilization of available funds under the facility of $700.0 million at December 31, 2015 and 2014, and assuming that the borrowings were outstanding for the entire year, increases of 50 and 100 basis points in the prevailing interest rate on the Company's credit facility would result in increases in interest expense of $3.5 million and $7.0 million for 2015 and 2014, respectively.

The Company's interest bearing escrow deposit liabilities totaled $2.1 billion and $2.0 billion at December 31, 2015 and 2014, respectively. These variable rate customer savings accounts are subject to market rate fluctuations. Weighted average interest rates for 2015 and 2014 were 0.10% and 0.11%, respectively. Assuming increases in interest rates of 25 and 50 basis points and the deposit amounts at December 31, 2015 and 2014 are held constant for the entire year, interest expense for 2015 would be higher by $5.2 million and $10.4 million, respectively, and 2014 would be higher by $4.9 million and $9.8 million, respectively.

Equity Price Risk

The Company is also subject to equity price risk related to its equity securities portfolio. The fair value of the Company's equity securities portfolio (excluding preferred stock of $15.5 million) was $305.8 million and $386.9 million as of December 31, 2015 and 2014, respectively. Assuming broad-based declines in equity market prices of 10% and 20%, with all other factors constant, the fair value of the Company's equity securities at December 31, 2015 could decrease by $30.6 million and $61.2 million, respectively, and at December 31, 2014 could decrease by $38.7 million and $77.4 million, respectively.

Foreign Currency Risk

Although the Company has exchange rate risk for its operations in certain foreign countries, this risk is not material to the Company's financial condition or results of operations. The Company does not currently use derivative financial instruments in any material amount to hedge its foreign exchange risk.

Credit Risk

The Company's debt securities portfolio is subject to credit risk. The Company manages its credit risk through actively monitoring issuer financial reports, credit spreads, security pricing and credit rating migration. Further, diversification and concentration limits by asset type and credit rating are established and monitored by the Company's investment committee.

The Company holds a large concentration in U.S. government agency securities, including agency mortgage-backed securities. In the event of discontinued U.S. government support of its federal agencies, material credit risk could be observed in the portfolio. The Company views that scenario as unlikely but possible. The federal government currently is considering various alternatives to reform the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). The nature and timing of the reforms is unknown, however, the federal government reiterated its commitment to ensuring that Fannie Mae and Freddie Mac have sufficient capital to perform under any guarantees issued now, or in the future, and the ability to meet any of their debt obligations.

The Company's overall investment securities portfolio maintains an average credit quality of AA. For further information on the credit quality of the Company's investment portfolio at December 31, 2015, see Note 3 Debt and Equity Securities to the consolidated financial statements.

Item 8. Fina ncial Statements and Supplementary Data

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Financial statement schedules not listed are either omitted because they are not applicable or the required information is shown in the consolidated financial statements or in the notes thereto.

Report of Independent Registered Public Acco unting Firm

To the Board of Directors and Stockholders of
First American Financial Corporation:

In our opinion, the consolidated financial statements listed in the accompanying index, present fairly, in all material respects, the financial position of First American Financial Corporation and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ P RICEWATERHOUSECOOPERS LLP
PricewaterhouseCoopers LLP
Los Angeles, California
February 19, 2016

FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except par values)

	December 31, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	$ 1,027,321	$ 1,190,080
Accounts and accrued income receivable, less allowances of $31,552 and $34,662	256,731	276,610
Income taxes receivable	1,067	5,547
Investments:		
Deposits with banks	23,224	21,445
Debt securities, includes pledged securities of $122,441 and $120,742	4,279,347	3,450,252
Equity securities	321,285	402,412
Other investments	161,177	159,783
	4,785,033	4,033,892
Property and equipment, net	409,973	395,287
Title plants and other indexes	554,923	530,589
Deferred income taxes	22,020	19,712
Goodwill	964,342	959,945
Other intangible assets, net	48,114	55,812
Other assets	184,827	198,626
	$ 8,254,351	$ 7,666,100
LIABILITIES AND EQUITY		
Deposits	$ 2,699,015	$ 2,332,714
Accounts payable and accrued liabilities:		
Accounts payable	55,798	26,264
Personnel costs	180,793	184,994
Pension costs and other retirement plans	459,873	477,763
Other	179,623	165,084
	876,087	854,105
Deferred revenue	207,929	202,764
Reserve for known and incurred but not reported claims	983,880	1,011,780
Income taxes payable	7,576	6,228
Deferred income taxes	133,097	95,128
Notes and contracts payable	585,102	587,337
	5,492,686	5,090,056
Commitments and contingencies (Notes 17 and 19)		
Stockholders' equity:		
Preferred stock, $0.00001 par value; Authorized—500 shares; Outstanding—none	—	—
Common stock, $0.00001 par value; Authorized—300,000 shares; Outstanding—109,098 shares and 107,541 shares	1	1
Additional paid-in capital	2,150,813	2,109,712
Retained earnings	846,691	662,310
Accumulated other comprehensive loss	(239,003)	(199,106)
Total stockholders' equity	2,758,502	2,572,917
Noncontrolling interests	3,163	3,127
Total equity	2,761,665	2,576,044
	$ 8,254,351	$ 7,666,100

See Notes to Consolidated Financial Statements

FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	Year Ended December 31, 2015	2014	2013
Revenues:			
Direct premiums and escrow fees	$ 2,310,047	$ 2,052,242	$ 2,132,831
Agent premiums	2,098,265	1,867,402	2,061,404
Information and other	673,138	657,197	662,736
Net investment income	100,553	71,041	89,895
Net realized investment (losses) gains	(6,547)	30,067	9,211
	5,175,456	4,677,949	4,956,077
Expenses:			
Personnel costs	1,594,935	1,435,628	1,488,997
Premiums retained by agents	1,656,722	1,472,066	1,637,561
Other operating expenses	820,969	807,634	841,523
Provision for policy losses and other claims	491,092	450,023	530,356
Depreciation and amortization	85,596	85,597	74,916
Premium taxes	64,269	57,194	56,715
Interest	29,108	19,247	15,301
	4,742,691	4,327,389	4,645,369
Income before income taxes	432,765	350,560	310,708
Income taxes	143,895	116,345	123,644
Net income	288,870	234,215	187,064
Less: Net income attributable to noncontrolling interests	784	681	697
Net income attributable to the Company	$ 288,086	$ 233,534	$ 186,367
Net income per share attributable to the Company's stockholders:			
Basic	$ 2.65	$ 2.18	$ 1.74
Diluted	$ 2.62	$ 2.15	$ 1.71
Cash dividends declared per share	$ 1.00	$ 0.84	$ 0.48
Weighted-average common shares outstanding:			
Basic	108,427	106,884	106,991
Diluted	109,826	108,688	109,102

See Notes to Consolidated Financial Statements

FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31,		
	2015	2014	2013
Net income	$ 288,870	$ 234,215	$ 187,064
Other comprehensive income (loss), net of tax:			
Unrealized (losses) gains on securities	(27,312)	19,638	(30,665)
Foreign currency translation adjustment	(36,822)	(16,694)	(13,650)
Pension benefit adjustment	24,223	(56,496)	49,324
Total other comprehensive income (loss), net of tax	(39,911)	(53,552)	5,009
Comprehensive income	248,959	180,663	192,073
Less: Comprehensive income attributable to noncontrolling interests	770	691	694
Comprehensive income attributable to the Company	$ 248,189	$ 179,972	$ 191,379

See Notes to Consolidated Financial Statements

FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)

	First American Financial Corporation Stockholders							
	Shares	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity	Noncontrolling interests	Total
Balance at December 31, 2012	107,239	$ 1	$ 2,111,605	$ 387,015	$ (150,556)	$ 2,348,065	$ 3,704	$ 2,351,769
Net income for 2013	—	—	—	186,367	—	186,367	697	187,064
Dividends on common shares	—	—	—	(51,324)	—	(51,324)	—	(51,324)
Purchase of Company shares	(2,951)	—	(64,606)	—	—	(64,606)	—	(64,606)
Shares issued in connection with share-based compensation plans	1,612	—	9,232	(1,294)	—	7,938	—	7,938
Share-based compensation expense	—	—	22,301	—	—	22,301	—	22,301
Net activity related to noncontrolling interests	—	—	(704)	—	—	(704)	(1,204)	(1,908)
Other comprehensive income (Note 18)	—	—	—	—	5,012	5,012	(3)	5,009
Balance at December 31, 2013	105,900	1	2,077,828	520,764	(145,544)	2,453,049	3,194	2,456,243
Net income for 2014	—	—	—	233,534	—	233,534	681	234,215
Dividends on common shares	—	—	—	(89,939)	—	(89,939)	—	(89,939)
Shares issued in connection with share-based compensation plans	1,641	—	12,506	(2,049)	—	10,457	—	10,457
Share-based compensation expense	—	—	19,302	—	—	19,302	—	19,302
Net activity related to noncontrolling interests	—	—	76	—	—	76	(758)	(682)
Other comprehensive income (loss) (Note 18)	—	—	—	—	(53,562)	(53,562)	10	(53,552)
Balance at December 31, 2014	107,541	1	2,109,712	662,310	(199,106)	2,572,917	3,127	2,576,044
Net income for 2015	—	—	—	288,086	—	288,086	784	288,870
Dividends on common shares	—	—	—	(108,524)	—	(108,524)	—	(108,524)
Shares issued in connection with share-based compensation plans	1,557	—	16,769	(2,201)	—	14,568	—	14,568
Share-based compensation expense	—	—	24,339	—	—	24,339	—	24,339
Net activity related to noncontrolling interests	—	—	(7)	—	—	(7)	(734)	(741)
Other	—	—	—	7,020	—	7,020	—	7,020
Other comprehensive income (loss) (Note 18)	—	—	—	—	(39,897)	(39,897)	(14)	(39,911)
Balance at December 31, 2015	109,098	$ 1	$ 2,150,813	$ 846,691	$ (239,003)	$ 2,758,502	$ 3,163	$ 2,761,665

See Notes to Consolidated Financial Statements

FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 288,870	$ 234,215	$ 187,064
Adjustments to reconcile net income to cash provided by operating activities:			
Provision for policy losses and other claims	491,092	450,023	530,356
Depreciation and amortization	85,596	85,597	74,916
Amortization of premiums and accretion of discounts on debt securities, net	28,403	24,579	26,782
Excess tax benefits from share-based compensation	(9,526)	(6,856)	(6,202)
Net realized investment losses (gains)	6,547	(30,067)	(9,211)
Share-based compensation	24,339	19,302	22,301
Equity in earnings of affiliates, net	(7,800)	16,545	(5,316)
Dividends from equity method investments	9,601	5,002	11,552
Changes in assets and liabilities excluding effects of acquisitions and noncash transactions:			
Claims paid, including assets acquired, net of recoveries	(476,492)	(469,750)	(479,310)
Net change in income tax accounts	52,543	45,872	2,589
(Increase) decrease in accounts and accrued income receivable	(7,477)	(9,950)	23,645
Increase (decrease) in accounts payable and accrued liabilities	36,679	(15,003)	5,318
Increase in deferred revenue	5,519	10,333	20,102
Other, net	23,429	795	(26,114)
Cash provided by operating activities	551,323	360,637	378,472
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net cash effect of acquisitions/dispositions	(26,682)	(163,320)	(5,837)
Net (increase) decrease in deposits with banks	(4,392)	4,211	4,747
Purchases of debt and equity securities	(2,123,817)	(1,969,009)	(1,532,710)
Proceeds from sales of debt and equity securities	630,914	928,386	621,255
Proceeds from maturities of debt securities	655,078	373,969	488,684
Net change in other investments	1,077	8,025	6,443
Net proceeds from sale of loans receivable	—	42,284	—
Net paydowns on loans receivable	—	23,926	33,597
Capital expenditures	(123,697)	(97,222)	(87,142)
Proceeds from sale of property and equipment	17,099	12,058	5,807
Cash used for investing activities	(974,420)	(836,692)	(465,156)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in deposits	366,301	647,857	281,739
Net proceeds from issuance of debt	—	594,477	249,144
Repayment of debt	(5,244)	(325,110)	(168,205)
Net activity related to noncontrolling interests	(741)	(682)	(1,894)
Excess tax benefits from share-based compensation	9,526	6,856	6,202
Net proceeds in connection with share-based compensation plans	5,042	3,601	1,736
Purchase of Company shares	—	—	(64,606)
Cash dividends	(108,524)	(89,939)	(51,324)
Cash provided by financing activities	266,360	837,060	252,792
Effect of exchange rate changes on cash	(6,022)	(5,762)	(1,800)
Net (decrease) increase in cash and cash equivalents	(162,759)	355,243	164,308
Cash and cash equivalents—Beginning of year	1,190,080	834,837	670,529
Cash and cash equivalents—End of year	$ 1,027,321	$ 1,190,080	$ 834,837
SUPPLEMENTAL INFORMATION:			
Cash paid during the year for:			
Interest	$ 29,212	$ 17,327	$ 10,827
Premium taxes	$ 57,367	$ 58,148	$ 54,629
Income taxes, less refunds of $2,546, $13,925 and $1,329	$ 89,062	$ 72,028	$ 120,313

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Description of the Company:

First American Financial Corporation (the "Company"), through its subsidiaries, is engaged in the business of providing financial services. The Company consists of the following reportable segments and a corporate function:

- The Company's title insurance and services segment issues title insurance policies on residential and commercial property in the United States and offers similar or related products and services internationally. This segment also provides closing and/or escrow services; accommodates tax-deferred exchanges of real estate; provides products, services and solutions involving the use of real property related data designed to mitigate risk or otherwise facilitate real estate transactions; maintains, manages and provides access to title plant records and images; and provides banking, trust and investment advisory services. The Company, through its principal title insurance subsidiary and such subsidiary's affiliates, transacts its title insurance business through a network of direct operations and agents. Through this network, the Company issues policies in the 49 states that permit the issuance of title insurance policies and the District of Columbia. The Company also offers title insurance and other insurance and guarantee products, as well as related settlement services in foreign countries, including Canada, the United Kingdom, Australia and various other established and emerging markets.
- The Company's specialty insurance segment issues property and casualty insurance policies and sells home warranty products. The property and casualty insurance business provides insurance coverage to residential homeowners and renters for liability losses and typical hazards such as fire, theft, vandalism and other types of property damage. This business is licensed to issue policies in all 50 states and the District of Columbia and actively issues policies in 46 states. In certain markets it also offers preferred risk auto insurance to better compete with other carriers offering bundled home and auto insurance. The home warranty business provides residential service contracts that cover residential systems, such as heating and air conditioning systems, and appliances against failures that occur as the result of normal usage during the coverage period. This business currently operates in 39 states and the District of Columbia.

The corporate function consists primarily of certain financing facilities as well as the corporate services that support the Company's business operations.

Significant Accounting Policies:

Principles of Consolidation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") and reflect the consolidated operations of the Company. The consolidated financial statements include the accounts of First American Financial Corporation and all controlled subsidiaries. All significant intercompany transactions and balances have been eliminated. Investments in affiliates in which the Company exercises significant influence, but does not control and is not the primary beneficiary, are accounted for using the equity method. Investments in affiliates in which the Company does not exercise significant influence over the investee are accounted for under the cost method.

Reclassifications, revisions and out-of-period adjustments

Certain 2014 and 2013 amounts have been reclassified to conform to the 2015 presentation.

During the fourth quarter of 2015, the Company reclassified certain revenues and expenses related to closing protection letters and temporary labor costs. The Company made comparable reclassifications to its consolidated statements of income for the years ended December 31, 2014 and 2013 to conform to the 2015 presentation. The impact to the Company's title insurance and services segment included decreases to direct premiums and escrow fees and increases to agent premiums of $25.8 million and $16.5 million, increases to personnel costs of $23.9 million and $42.2 million, increases to premiums retained by agents of $1.2 million and $0.8 million, and decreases to other operating expenses of $25.1 million and $43.0 million for the years ended December 31, 2014 and 2013, respectively. The impact to the Company's specialty insurance segment included increases to personnel costs and decreases to other operating expenses of $1.0 million and $1.2 million for the years ended December 31, 2014 and 2013, respectively.

Also, d uring the fourth quarter of 2015, the Company identified certain non-risk based revenues included within direct premiums and escrow fees that should have been reflected in information and other. To correct for this error, these revenues were rec lassified from direct premiums and escrow fees to information and other. The Company has revised its consolidated statements of income for the years ended December 31, 2014 and 2013 to conform to the 2015 presentation . The impact to the Company's title ins urance and services segment included a decrease to direct premiums and escrow fees and an increase to information and other of $37.2 million and $35.1 million for the years ended December 31, 2014 and 2013, respectively.

During 2014, the Company identified and recorded adjustments to correct for certain errors in foreign currency translation and transactions in prior periods. These adjustments resulted in an increase to other operating expenses of $5.0 million.

The Company does not consider these adjustments to be material, individually or in the aggregate, to any previously issued consolidated financial statements.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the statements. Actual results could differ from the estimates and assumptions used.

Cash equivalents

The Company considers cash equivalents to be all short-term investments that have an initial maturity of 90 days or less and are not restricted for statutory deposit or premium reserve requirements.

Accounts and accrued income receivable

Accounts and accrued income receivable are generally due within thirty days and are recorded net of an allowance for doubtful accounts. The Company considers accounts outstanding longer than the contractual payment terms as past due. The Company determines the allowance by considering a number of factors, including the length of time trade accounts receivable are past due, previous loss history, a specific customer's ability to pay its obligations to the Company and the condition of the general economy and industry as a whole. Amounts are charged off in the period in which they are deemed to be uncollectible.

Investments

Deposits with banks

Deposits with banks are short-term investments with initial maturities of generally more than 90 days.

Debt and equity securities

Debt securities are carried at fair value and consist primarily of investments in obligations of the United States Treasury, foreign governments, various U.S. and foreign corporations, certain state and political subdivisions and mortgage-backed securities.

The Company maintains investments in debt securities in accordance with certain statutory requirements for the funding of statutory premium reserves and state deposits. At December 31, 2015 and 2014, the fair value of such investments totaled $122.4 million and $120.7 million, respectively. See Note 2 Statutory Restrictions on Investments and Stockholders' Equity for additional discussion of the Company's statutory restrictions.

Equity securities are carried at fair value and consist primarily of investments in exchange traded funds, mutual funds and marketable common and preferred stocks of corporate entities.

The Company classifies its publicly traded debt and equity securities as available-for-sale with unrealized gains or losses re corded as a component of accumulated other comprehensive loss. See Note 1 4 Fair Value Measurements for additional discussion of the determination of fair value. Interest income, as well as the related amortization of premium and accretion of discount, on d ebt securities is recognized under the effective yield method and included in the accompanying consolidated statements of income in net investment income. Realized gains and losses on sales of debt and equity securities are determined on a first-in, first- out basis.

The Company evaluates its debt and equity securities with unrealized losses on a quarterly basis for potential other-than-temporary impairments in value.

If the Company intends to sell a debt security in an unrealized loss position or determines that it is more likely than not that the Company will be required to sell a debt security before it recovers its amortized cost basis, the debt security is other-than-temporarily impaired and it is written down to fair value with all losses recognized in earnings. As of December 31, 2015, the Company did not intend to sell any debt securities in an unrealized loss position and it is not more likely than not that the Company will be required to sell debt securities before recovery of their amortized cost basis.

If the Company does not expect to recover the amortized cost basis of a debt security with declines in fair value (even if the Company does not intend to sell the debt security and it is not more likely than not that the Company will be required to sell the debt security), the losses the Company considers to be the credit portion of the other-than-temporary impairment loss (“credit loss”) is recognized in earnings and the non-credit portion is recognized in other comprehensive income. The credit loss is the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the debt security. The cash flows expected to be collected are discounted at the rate implicit in the security immediately prior to the recognition of the other-than-temporary impairment.

Expected future cash flows for debt securities are based on qualitative and quantitative factors specific to each security, including the probability of default and the estimated timing and amount of recovery. The detailed inputs used to project expected future cash flows may be different depending on the nature of the individual debt security.

As a result of the Company’s security-level review, the Company recognized $2.2 million and $1.7 million of other-than-temporary impairment losses considered to be credit related on its debt securities for the years ended December 31, 2015 and 2014, respectively. The Company did not recognize any other-than-temporary impairment losses considered to be credit related in 2013. It is possible that the Company could recognize additional other-than-temporary impairment losses on securities it owns at December 31, 2015 if future events or information cause it to determine that a decline in fair value is other-than-temporary.

The following table presents the change in the credit portion of the other-than-temporary impairments recognized in earnings on debt securities for which a portion of the other-than-temporary impairments related to other factors was recognized in other comprehensive income (loss) for the years ended December 31, 2015, 2014 and 2013.

	December 31,		
	2015	2014	2013
	(in thousands)		
Cumulative credit loss on debt securities held at beginning of period	$ 18,179	$ 16,478	$ 16,478
Addition to credit loss for which an other-than-temporary impairment was previously recognized	—	1,701	—
Accumulated losses on securities that matured or were sold during the year	(18,179)	—	—
Cumulative credit loss on debt securities held at end of period	$ —	$ 18,179	$ 16,478

When a decline in the fair value of an equity security, including common and preferred stock, is considered to be other-than-temporary, such security is written down to its fair value. When assessing if a decline in fair value is other-than-temporary, the factors considered include the length of time and extent to which fair value has been below cost, the probability that the Company will be unable to collect all amounts due under the co ntractual terms of the security, the seniority of the securities, issuer-specific news and other developments, the financial condition and prospects of the issuer (including credit ratings), macro-economic changes (including the outlook for industry sector s, which includes government policy initiatives) and the Company's ability and intent to hold the security for a period of time sufficient to allow for any anticipated recovery.

When an equity security has been in an unrealized loss position and its fair value is less than 80% of cost for twelve consecutive months, the Company's review of the security includes the above noted factors as well as other evidence that might exist supporting the view that the security will recover its value in the foreseeable future, typically within the next twelve months. If objective, substantial evidence does not indicate a likely recovery during that timeframe, the Company's policy is that such losses are considered other-than-temporary and therefore an impairment loss is recorded. The Company did not record other-than-temporary impairment losses related to its equity securities for the years ended December 31, 2015, 2014 and 2013.

Other investments

Other investments consist primarily of investments in affiliates, which are accounted for under either the equity method or the cost method of accounting, investments in real estate and notes receivable.

The carrying value of investments in affiliates is written down, or impaired, to fair value when a decline in value is considered to be other-than-temporary. In making the determination as to whether an individual investment in an affiliate is impaired, the Company assesses the current and expected financial condition of each relevant entity, including, but not limited to, the anticipated ability of the entity to make its contractually required payments to the Company (with respect to debt obligations to the Company), the results of valuation work performed with respect to the entity, the entity's anticipated ability to generate sufficient cash flows and the market conditions in the industry in which the entity is operating. The Company recognized impairment losses on equity method investments in affiliates of $2.0 million, $22.5 million and $7.8 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Investments in real estate are classified as held for sale and carried at the lower of cost or fair value less estimated selling costs.

Notes receivable are carried at cost less reserves for losses. Loss reserves are established for notes receivable based upon an estimate of probable losses for the individual notes. A loss reserve is established on an individual note when it is deemed probable that the Company will be unable to collect all amounts due in accordance with the contractual terms of the note. The loss reserve is based upon the Company's assessment of the borrower's overall financial condition, resources and payment record; and, if appropriate, the realizable value of any collateral. These estimates consider all available evidence including the expected future cash flows, estimated fair value of collateral on secured notes, general economic conditions and trends, and other relevant factors, as appropriate. Notes are placed on non-accrual status when management determines that the collectibility of contractual amounts is not reasonably assured.

Property and equipment

Buildings and furniture and equipment are initially recorded at cost and are generally depreciated using the straight-line method over estimated useful lives of 5 to 40 years and 1 to 15 years, respectively. Leasehold improvements are initially recorded at cost and are amortized over the lesser of the remaining term of the respective lease or the estimated useful life, using the straight-line method. Computer software is acquired or developed for internal use and for use with the Company's products and is amortized over estimated useful lives of 1 to 15 years using the straight-line method. Software development costs, which include capitalized interest costs and certain payroll-related costs of employees directly associated with developing software, in addition to incremental payments to third parties, are capitalized from the time technological feasibility is established until the software is ready for use.

Management uses estimated future cash flows (undiscounted and excluding interest) to measure the recoverability of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If the undiscounted cash flow analysis indicates that the carrying amount is not recoverable, an impairment loss is recorded for the excess of the carrying amount over its fair value. The Company recognized impairment losses on software of $ 10.9 million, $ 1.2 million and $ 1.1 million for the years ended December 31, 2015, 2014 and 2013 , respectively .

Title plants and other indexes

Title plants and other indexes at December 31, 2015 included title plants of $528.7 million and capitalized real estate data of $26.2 million, and at December 31, 2014 included title plants of $514.6 million and capitalized real estate data of $16.0 million. Title plants are carried at original cost, with the costs of daily maintenance (updating) charged to expense 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 its title plants at least annually for impairment. This analysis includes, but is not limited to, the effects of obsolescence, duplication, demand and other economic factors. Capitalized real estate data is carried at cost, less amortization. Capitalized real estate data is amortized using the straight-line method over estimated useful lives of 3 to 15 years.

Business Combinations

Amounts paid for acquisitions are allocated to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair value at the date of acquisition. The excess of the fair value of purchase consideration over the fair values of the identifiable assets and liabilities is recorded as goodwill . Acquisition-related costs are expensed in the periods in which the costs are incurred. The results of operations of acquired businesses are included in the consolidated financial statements from the date of acquisition.

Goodwill Impairment

The Company is required to perform an annual goodwill impairment assessment for each reporting unit. The Company's four reporting units are title insurance, home warranty, property and casualty insurance and trust and other services. The Company has elected to perform this annual assessment in the fourth quarter of each fiscal year or sooner if circumstances indicate possible impairment. Based on current guidance, the Company has the option to perform a qualitative assessment to determine if the fair value is more likely than not (i.e., a likelihood of greater than 50%) less than the carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test, or may choose to forego the qualitative assessment and perform the quantitative impairment test. The qualitative factors considered in this assessment may include macroeconomic conditions, industry and market considerations, overall financial performance as well as other relevant events and circumstances as determined by the Company. The Company evaluates the weight of each factor to determine whether it is more likely than not that impairment may exist. If the results of the qualitative assessment indicate the more likely than not threshold was not met, the Company may choose not to perform the quantitative impairment test. If, however, the more likely than not threshold is met, the Company performs the quantitative test as required and discussed below.

Management's quantitative impairment testing process includes two steps. The first step ("Step 1") compares the fair value of each reporting unit to its carrying amount. The fair value of each reporting unit is determined by using discounted cash flow analysis and market approach valuations. If the fair value of the reporting unit exceeds its carrying amount, the goodwill is not considered impaired and no additional analysis is required. However, if the carrying amount is greater than the fair value, a second step ("Step 2") must be completed to determine if the fair value of the goodwill exceeds the carrying amount of goodwill.

Step 2 involves calculating an implied fair value of goodwill for each reporting unit for which Step 1 indicated impairment. The implied fair value of goodwill is determined in a manner similar to the amount of g oodwill calculated in a business combination, by measuring the excess of the estimated fair value of the reporting unit, as determined in Step 1, over the aggregate estimated fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a report ing unit exceeds the implied fair value of the goodwill, an impairment loss is recorded for the excess. An impairment loss cannot exceed the carrying value of goodwill assigned to a reporting unit, and the loss establishes a new basis in the goodwill. Subs equent reversal of goodwill impairment losses is not permitted.

The quantitative impairment test for goodwill utilizes a variety of valuation techniques, all of which require the Company to make estimates and judgments. Fair value is determined by employing an expected present value technique, which utilizes multiple cash flow scenarios that reflect a range of possible outcomes and an appropriate discount rate. The use of comparative market multiples (the "market approach") compares the reporting unit to other comparable companies (if such comparables are present in the marketplace) based on valuation multiples to arrive at a fair value. In assessing the fair value, the Company utilizes the results of the valuations (including the market approach to the extent comparables are available) and considers the range of fair values determined under all methods and the extent to which the fair value exceeds the carrying amount of the reporting unit.

The valuation of each reporting unit includes the use of assumptions and estimates of many critical factors, including revenue growth rates and operating margins, discount rates and future market conditions, determination of market multiples and the establishment of a control premium, among others. Forecasts of future operations are based, in part, on operating results and the Company's expectations as to future market conditions. These types of analyses contain uncertainties because they require the Company to make assumptions and to apply judgments to estimate industry economic factors and the profitability of future business strategies. However, if actual results are not consistent with the Company's estimates and assumptions, the Company may be exposed to future impairment losses that could be material.

The Company elected to perform qualitative assessments for 2015, 2014 and 2013, the results of which supported the conclusion that the fair values of the Company's reporting units were not more likely than not less than their carrying amounts and, therefore, a quantitative impairment test was not considered necessary. As a result of these assessments, the Company did not record any goodwill impairment losses for 2015, 2014 or 2013.

Other intangible assets

The Company's finite-lived intangible assets consist of customer relationships, noncompete agreements, trademarks and patents. These assets are amortized on a straight-line basis over their useful lives ranging from 1 to 20 years and are subject to impairment assessments when there is an indication of a triggering event or abandonment. The Company's indefinite-lived other intangible assets consist of licenses which are not amortized but rather assessed for impairment by comparing the fair values to carrying amounts at least annually, and when an indicator of potential impairment has occurred.

Management uses estimated future cash flows (undiscounted and excluding interest) to measure the recoverability of intangible assets with finite lives, whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. If the undiscounted cash flow analysis indicates that the carrying amount is not recoverable, an impairment loss is recorded for the excess of the carrying amount over its fair value. Management's impairment assessment for indefinite-lived other intangible assets may involve calculating the fair value by using a discounted cash flow analysis or through a market approach valuation. If the fair value exceeds its carrying amount, the asset is not considered impaired and no additional analysis is required. However, if the carrying amount is greater than the fair value, an impairment loss is recorded equal to the excess.

Reserve for known and incurred but not reported claims

The Company provides for title insurance losses by a charge to expense when the related premium revenue is recognized. The amount charged to expense is generally determined by applying a rate (the loss provision rate) to total title insurance premiums and escrow fees. The Company's management estimates the loss provision rate at the beginning of each year and reassesses the rate quarterly to ensure that the resulting incurred but not reported ("IBNR") loss reserve and known claims reserve included in the Company's consolidated balance sheets together reflect management's best estimate of the total costs required to settle all IBNR and known claims. If the ending IBNR reserve is not considered adequate, an adjustment is recorded.

The process of assessing the loss provision rate and the resulting IBNR reserve involves evaluation of the results of an in-house actuarial review. The Company's in-house actuary performs a reserve analysis utilizing generally accepted actuarial methods that incorporate cumulative historical claims experience and information provided by in-house claims and operations personnel. Current economic and business trends are also reviewed and used in the reserve analysis. These include conditions in the real estate and mortgage markets, changes in residential and commercial real estate values, and changes in the levels of defaults and foreclosures that may affect claims levels and patterns of emergence, as well as any company-specific factors that may be relevant to past and future claims experience. Results from the analysis include, but are not limited to, a range of IBNR reserve estimates and a single point estimate for IBNR as of the balance sheet date.

For recent policy years at early stages of development (generally the last three years), IBNR is estimated using a combination of expected loss rate and multiplicative loss development factor calculations. For more mature policy years, IBNR generally is estimated using multiplicative loss development factor calculations. The expected loss rate method estimates IBNR by applying an expected loss rate to total title insurance premiums and escrow fees, and adjusting for policy year maturity using estimated loss development patterns. Multiplicative loss development factor calculations estimate IBNR by applying factors derived from loss development patterns to losses realized to date. The expected loss rate and loss development patterns are based on historical experience and the relationship of the history to the applicable policy years.

The Company's management uses the IBNR point estimate from the in-house actuary's analysis and other relevant information it may have concerning claims to determine what it considers to be the best estimate of the total amount required for the IBNR reserve.

The volume and timing of title insurance claims are subject to cyclical influences from real estate and mortgage markets. Title policies issued to lenders constitute a large portion of the Company's title insurance volume. These policies insure lenders against losses on mortgage loans due to title defects in the collateral property. Even if an underlying title defect exists that could result in a claim, often, the lender must realize an actual loss, or at least be likely to realize an actual loss, for title insurance liability to exist. As a result, title insurance claims exposure is sensitive to lenders' losses on mortgage loans, and is affected in turn by external factors that affect mortgage loan losses, particularly macroeconomic factors.

A general decline in real estate prices can expose lenders to greater risk of losses on mortgage loans, as loan-to-value ratios increase and defaults and foreclosures increase. Title insurance claims exposure for a given policy year is also affected by the quality of mortgage loan underwriting during the corresponding origination year. The Company believes that sensitivity of claims to external conditions in real estate and mortgage markets is an inherent feature of title insurance's business economics that applies broadly to the title insurance industry.

Title insurance policies are long-duration contracts with the majority of the claims reported to the Company within the first few years following the issuance of the policy. Generally, 70% to 80 % of claim amounts become known in the first six years of the policy life, and the majority of IBNR reserves relate to the six most recent policy years. Changes in expected ultimate losses and corresponding loss rates for recent policy years are considered likely and could result in a material adjustment to the IBNR reserves. Based on historical experience, management believes a 50 basis point change to the loss rates for the most recent policy years, positive or negative, is reasonably likely given the lon g duration nature of a title insurance policy. For example, if the expected ultimate losses for each of the last six policy years increased or decreased by 50 basis points, the resulting impact on the Company's IBNR reserve would be an increase or decrease , as the case may be, of $ 103.2 million. A material change in expected ultimate losses and corresponding loss rates for older policy years is also possible, particularly for policy years with loss ratios exceeding historical norms. The estimates made by ma nagement in determining the appropriate level of IBNR reserves could ultimately prove to be materially different from actual claims experience.

The Company provides for property and casualty insurance losses when the insured event occurs. The Company provides for claims losses relating to its home warranty business based on the average cost per claim as applied to the total of new claims incurred. The average cost per home warranty claim is calculated using the average of the most recent 12 months of claims experience adjusted for estimated future increases in costs.

Contingent litigation and regulatory liabilities

Amounts related to contingent litigation and regulatory liabilities are accrued if it is probable that a liability has been incurred and an amount is reasonably estimable. The Company records legal fees in other operating expenses in the period incurred.

Revenues

Premiums on title policies issued directly by the Company are recognized on the effective date of the title policy and escrow fees are recorded upon close of the escrow.

Premiums on home warranty contracts and property and casualty insurance policies are generally recognized ratably over the 12-month duration of the contract or policy.

Revenues from title policies issued by independent agents are recorded when notice of issuance is received from the agent, which is generally when cash payment is received by the Company.

Information and other revenues primarily consist of revenues generated from fees associated with title search and related reports, title and other real property records and images, other non-insured settlement services, and risk mitigation products and services. For those products and services that are delivered at a point in time and for which there is no ongoing obligation, revenue is recognized upon delivery. For those products and services that are delivered at a point in time and for which there is an ongoing obligation, and for products and services where delivery occurs over time, revenue is recognized ratably over the duration of the contract.

Premium taxes

Title insurance, property and casualty insurance and home warranty companies, like other types of insurers, are generally not subject to state income or franchise taxes. However, in lieu thereof, most states impose a tax based primarily on insurance premiums written. This premium tax is reported as a separate line item in the consolidated statements of income in order to provide a more meaningful disclosure of the taxation of the Company.

Income taxes

The Company accounts for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company evaluates the need to establish a valuation allowance for deferred tax assets based upon the amount of existing temporary differences, the period in which they are expected to be recovered and expected levels of taxable income. A valuation allowance to reduce deferred tax assets is established when it is considered more likely than not that some or all of the deferred tax assets will not be realized.

The Company recognizes the effect of income tax positions only if sustaining those positions is considered more likely than not. Changes in recognition or measurement of uncertain tax positions are reflected in the period in which a change in judgment occurs. The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense.

Share-based compensation

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost is recognized in the Company’s financial statements over the requisite service period of the award using the straight-line method for awards that contain only a service condition and the graded vesting method for awards that contain a performance or market condition. The share-based compensation expense recognized is based on the number of shares ultimately expected to vest, net of forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company’s primary means of providing share-based compensation is through the granting of restricted stock units (“RSUs”). RSUs granted generally have graded vesting and include a service condition; and for certain key employees and executives, may also include either a performance or market condition. RSUs receive dividend equivalents in the form of RSUs having the same vesting requirements as the RSUs initially granted.

In addition, the Company has an employee stock purchase plan that allows eligible employees the option to purchase common stock of the Company at 85% of the lower of the closing price on either the first or last day of each offering period. The offering periods are three-month periods beginning on January 1, April 1, July 1 and October 1 of each fiscal year. The Company recognizes an expense in the amount equal to the value of the 15% discount and look-back feature over the three-month offering period.

Earnings per share

Basic earnings per share is computed by dividing net income available to the Company’s stockholders by the weighted-average number of common shares outstanding. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except that the weighted-average number of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if dilutive stock options had been exercised and RSUs were vested. The dilutive effect of stock options and unvested RSUs is computed using the treasury stock method, which assumes any proceeds that could be obtained upon the exercise of stock options and vesting of RSUs would be used to purchase common shares at the average market price for the period. The assumed proceeds include the purchase price the grantee pays, the hypothetical windfall tax benefit that the Company receives upon assumed exercise or vesting and the hypothetical average unrecognized compensation expense for the period. The Company calculates the assumed proceeds from excess tax benefits based on the “as-if” deferred tax assets calculated under share based compensation standards.

Certain unvested RSUs contain nonforfeitable rights to dividends as they are eligible to participate in undistributed earnings without meeting service condition requirements. These awards are considered participating securities under the guidance which requires the use of the two-class method when computing basic and diluted earnings per share. The two-class method reduces earnings allocated to common stockholders by dividends and undistributed earnings allocated to pa rticipating securities.

Employee benefit plans

The Company recognizes the overfunded or underfunded status of its defined benefit pension and supplemental benefit plans as an asset or liability on its consolidated balance sheets and recognizes changes in the funded status in the year in which changes occur, through accumulated other comprehensive loss. The funded status is measured as the difference between the fair value of plan assets and benefit obligation (the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for the other postretirement plans). Actuarial gains and losses and prior service costs and credits that have not been recognized as a component of net periodic benefit cost previously are recorded as a component of accumulated other comprehensive loss. Plan assets and obligations are measured annually as of December 31.

The Company informally funds its nonqualified deferred compensation plan through tax-advantaged investments known as variable universal life insurance. The Company's deferred compensation plan assets are included as a component of other assets and the Company's deferred compensation plan liability is included as a component of pension costs and other retirement plans on the consolidated balance sheets. The income earned on the Company's deferred compensation plan assets is included as a component of net investment income and the income earned by the deferred compensation plan participants is included as a component of personnel costs on the consolidated statements of income.

Foreign currency

The Company operates in other countries, including Canada, the United Kingdom, Australia and various other established and emerging markets. The functional currencies of the Company's foreign subsidiaries are generally their respective local currencies. The financial statements of foreign subsidiaries with local currencies that were determined to be the functional currency are translated into U.S. dollars as follows: assets and liabilities at the exchange rate as of the balance sheet date, equity at the historical rates of exchange, and income and expense amounts at average rates prevailing throughout the period. Translation adjustments resulting from the translation of the subsidiaries' accounts are included in accumulated other comprehensive loss as a separate component of stockholders' equity. For those foreign subsidiaries where the U.S. dollar has been determined to be the functional currency, non-monetary foreign currency assets and liabilities are translated using historical rates, while monetary assets and liabilities are translated at current rates, with remeasurement gains and losses included in other operating expenses. Gains and losses resulting from foreign currency transactions are included within other operating expenses.

Reinsurance

The Company assumes and cedes large title insurance risks through reinsurance. Additionally, the Company's property and casualty insurance business purchases reinsurance to limit risk associated with large losses from single events. In reinsurance arrangements, the primary insurer retains a certain amount of risk under a policy and cedes the remainder of the risk under the policy to the reinsurer. The primary insurer pays the reinsurer a premium in exchange for accepting this risk of loss. The primary insurer generally remains liable to its insured for the total risk, but is reinsured under the terms of the reinsurance agreement. The amount of premiums assumed and ceded is recorded as a component of direct premiums and escrow fees on the Company's consolidated statements of income. The total amount of premiums assumed and ceded in connection with reinsurance was less than 1.0% of consolidated premium and escrow fees for each of the three years in the period ended December 31, 2015. During the year ended December 31, 2015 the Company realized recoveries of $23.8 million on reinsured losses related to a large commercial title claim for which the Company recorded a receivable of $25.0 million at December 31, 2014. A receivable of $2.0 million related to this large commercial claim, which the Company expects to collect during 2016, was included in the Company's consolidated balance sheet in accounts and accrued income receivable at December 31, 2015. Payments and recoveries on reinsured losses for the Company's title insurance and property and casualty businesses were immaterial during the years ended December 31, 2014 and 2013.

Escrow deposits and trust assets

The Company administers escrow deposits and trust assets as a service to its customers. Escrow deposits totaled $6.6 billion and $6.3 billion at December 31, 2015 and 2014, respectively, of which $2.6 billion and $2.2 billion, respectively, were held at the Company's federal savings bank subsidiary, First American Trust, FSB. The escrow deposits held at First American Trust, FSB are temporarily invested in cash and cash equivalents and debt securities, with offsetting liabilities included in deposits in the accompanying consolidated balance sheets. The remaining escrow deposits were held at third-party financial institutions.

Trust assets held or managed by First American Trust, FSB totaled $3.0 billion at December 31, 2015 and 2014. Escrow deposits held at third-party financial institutions and trust assets are not considered assets of the Company and, therefore, are not included in the accompanying consolidated balance sheets. However, the Company could be held contingently liable for the disposition of these assets.

In conducting its operations, the Company often holds customers' assets in escrow, pending completion of real estate transactions and, as a result, the Company has ongoing programs for realizing economic benefits with various financial institutions. The results from these programs are included in the consolidated financial statements as income or a reduction in expense, as appropriate, based on the nature of the arrangement and benefit received.

Like-kind exchanges

The Company facilitates tax-deferred property exchanges for customers pursuant to Section 1031 of the Internal Revenue Code and tax-deferred reverse exchanges pursuant to Revenue Procedure 2000-37. As a facilitator and intermediary, the Company holds the proceeds from sales transactions and takes temporary title to property identified by the customer to be acquired with such proceeds. Upon the completion of each such exchange, the identified property is transferred to the customer or, if the exchange does not take place, an amount equal to the sales proceeds or, in the case of a reverse exchange, title to the property held by the Company is transferred to the customer. Like-kind exchange funds held by the Company totaled $2.8 billion and $2.4 billion at December 31, 2015 and 2014, respectively. The like-kind exchange deposits are held at third-party financial institutions and, due to the structure utilized to facilitate these transactions, the proceeds and property are not considered assets of the Company and, therefore, are not included in the accompanying consolidated balance sheets. All such amounts are placed in deposit accounts insured, up to applicable limits, by the Federal Deposit Insurance Corporation. The Company could be held contingently liable to the customer for the transfers of property, disbursements of proceeds and the returns on such proceeds.

Recently Adopted Accounting Pronouncements:

In April 2014, the Financial Accounting Standards Board ("FASB") issued updated guidance which changes the criteria for determining which disposals are required to be presented as discontinued operations and modifies related disclosure requirements. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2014, with early adoption permitted. The adoption of this guidance had no impact on the Company's consolidated financial statements.

Pending Accounting Pronouncements:

In September 2015, the FASB issued updated guidance intended to simplify the accounting for adjustments made to provisional amounts recognized in a business combination and eliminates the requirement to retrospectively account for those adjustments. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2015 and applies prospectively to adjustments made to provisional amounts that occur after the effective date of this guidance with early adoption permitted for financial statements that have not been issued. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In August 2015, the FASB issued updated guidance relating to the Securities and Exchange Commi s sion Staff Announcement at the June 18, 2015 Emerging Issues Task Force meeting on the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. The updated g uidance allows for the deferral and presentation of debt issuance costs as an asset which may be amortized ratably over the term of the line-of-credit arrangement, regardless of whether there are any related outstanding borrowings. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of this guidance to have a m aterial impact on its consolidated financial statements.

In May 2015, the FASB issued updated disclosure guidance related to short-duration contracts issued by insurance entities. The updated guidance is intended to increase the transparency of significant estimates made in measuring liabilities for unpaid claims and claim adjustment expenses and to provide additional insight into an insurance entity's ability to underwrite and anticipate costs associated with claims. The updated guidance is effective for annual reporting periods beginning after December 15, 2015 and for interim periods within annual periods beginning after December 15, 2016, with early adoption permitted. Except for the disclosure requirements, the Company does not expect the adoption of this guidance to impact its consolidated financial statements.

In May 2015, the FASB issued updated guidance intended to eliminate the diversity in practice surrounding how investments measured at net asset value under the practical expedient with future redemption dates have been categorized in the fair value hierarchy. Under the updated guidance, investments for which fair value is measured at net asset value per share using the practical expedient should no longer be categorized in the fair value hierarchy. The updated guidance requires retrospective adoption for all periods presented and is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. Except for the disclosure requirements, the Company does not expect the adoption of this guidance to impact its consolidated financial statements.

In April 2015, the FASB issued updated guidance intended to clarify the accounting treatment for cloud computing arrangements that include software licenses. Under the updated guidance, if a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued updated guidance intended to simplify, and provide consistency to, the presentation of debt issuance costs. The new standard requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In February 2015, the FASB issued updated guidance which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company expects the adoption of this guidance to have no impact on its consolidated financial statements.

In June 2014, the FASB issued updated guidance intended to eliminate the diversity in practice regarding share-based payment awards that include terms which provide for a performance target that affects vesting being achieved after the requisite service period. The new standard requires that a performance target which affects vesting and could be achieved after the requisite service period be treated as a performance condition that affects vesting and should not be reflected in estimating the grant-date fair value. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The Company expects the adoption of this guidance to have no impact on its consolidated financial statements.

In May 2014, the FASB issued updated guidance for recognizing revenue from contracts with customers to provide a single, comprehensive revenue recognition model for all contract s with customers to improve comparability within and across industries, and across capital markets. The new revenue standard contains principles that an entity will apply to determine the measurement of revenue and the timing of recognition. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. Revenue from insurance contracts is not within the scope of this guidance. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption prohibited. In August 2015, the FASB issued updated guidance which defers the effective date of this g uidance by one year to interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted as of the original effective date. The Company is currently assessing the impact of the new guidance on its consolidated financial statements.

NOTE 2. Statutory Restrictions on Investments and Stockholders' Equity:

Investments totaling $127.1 million and $133.0 million were on deposit with state treasurers in accordance with statutory requirements for the protection of policyholders at December 31, 2015 and 2014, respectively.

Pursuant to insurance and other regulations under which the Company's insurance subsidiaries operate, the amount of dividends, loans and advances available to the Company is limited, principally for the protection of policyholders. As of December 31, 2015, under such regulations, the maximum amount of dividends, loans and advances available to the Company from its insurance subsidiaries in 2016, without prior approval from applicable regulators, was $547.9 million.

The Company's principal title insurance subsidiary, First American Title Insurance Company ("FATICO"), maintained total statutory capital and surplus of $1.1 billion and $978.7 million as of December 31, 2015 and 2014, respectively. Statutory net income for the years ended December 31, 2015, 2014 and 2013 was $191.8 million, $393.1 million and $199.1 million, respectively. FATICO was in compliance with the minimum statutory capital and surplus requirements as of December 31, 2015.

FATICO, which was previously domiciled in the state of California, redomesticated to Nebraska effective July 1, 2014. FATICO's statutory-based financial statements were prepared in accordance with accounting practices prescribed or permitted by the Nebraska Department of Insurance for the years ended December 31, 2015 and 2014. The National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the state of Nebraska. The state of Nebraska has adopted certain prescribed accounting practices that differ from those found in the NAIC SAP. Specifically, the timing of amounts released from the statutory premium reserve under Nebraska's required practice differs from NAIC SAP resulting in total statutory capital and surplus that was lower by $61.7 million and $11.7 million at December 31, 2015 and 2014, respectively, than if reported in accordance with NAIC SAP. Additionally, for the years ended December 31, 2015 and 2014, the state of Nebraska granted a permitted accounting practice to FATICO that differs from Nebraska's prescribed accounting practices; specifically, the determination to not record a bulk reserve within the known claims reserve resulting in total statutory capital and surplus that was higher by $58.9 million and $8.2 million at December 31, 2015 and 2014, respectively, than if reported in accordance with Nebraska's required practice.

Statutory accounting principles differ in some respects from GAAP, and these differences include, but are not limited to, non-admission of certain assets (principally limitations on deferred tax assets, capitalized furniture and other equipment, premiums and other receivables 90 days past due and assets acquired in connection with claim settlements other than real estate or mortgage loans secured by real estate), reporting of bonds at amortized cost, amortization of goodwill, deferral of premiums received as statutory premium reserve, supplemental reserve (if applicable) and exclusion of the incurred but not reported claims reserve.

NOTE 3. Debt and Equity Securities:

Investments in debt securities, classified as available-for-sale, are as follows:

(in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
December 31, 2015				
U.S. Treasury bonds	$ 130,252	$ 421	$ (1,301)	$ 129,372
Municipal bonds	692,000	12,640	(845)	703,795
Foreign government bonds	129,984	1,132	(1,015)	130,101
Governmental agency bonds	419,869	1,023	(2,801)	418,091
Governmental agency mortgage-backed securities	2,065,728	4,984	(15,039)	2,055,673
U.S. corporate debt securities	642,869	4,297	(12,483)	634,683
Foreign corporate debt securities	210,162	1,248	(3,778)	207,632
	$ 4,290,864	$ 25,745	$ (37,262)	$ 4,279,347
December 31, 2014				
U.S. Treasury bonds	$ 64,195	$ 968	$ (181)	$ 64,982
Municipal bonds	577,703	10,981	(1,007)	587,677
Foreign government bonds	133,365	1,604	(31)	134,938
Governmental agency bonds	198,330	1,562	(2,018)	197,874
Governmental agency mortgage-backed securities	1,812,766	8,491	(9,095)	1,812,162
Non-agency mortgage-backed securities	15,949	1,306	(717)	16,538
U.S. corporate debt securities	446,630	7,483	(1,984)	452,129
Foreign corporate debt securities	183,528	1,681	(1,257)	183,952
	$ 3,432,466	$ 34,076	$ (16,290)	$ 3,450,252

Investments in equity securities, classified as available-for-sale, are as follows:

(in thousands)	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
December 31, 2015				
Preferred stocks	$ 18,305	$ 420	$ (3,258)	$ 15,467
Common stocks	307,429	13,103	(14,714)	305,818
	$ 325,734	$ 13,523	$ (17,972)	$ 321,285
December 31, 2014				
Preferred stocks	$ 14,976	$ 596	$ (47)	$ 15,525
Common stocks	378,938	16,680	(8,731)	386,887
	$ 393,914	$ 17,276	$ (8,778)	$ 402,412

Sales of debt and equity securities resulted in realized gains of $8.7 million, $34.1 million and $17.2 million and realized losses of $10.0 million, $9.1 million and $15.5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Gross unrealized losses on investments in debt and equity securities are as follows:

(in thousands)	Less than 12 months Estimated fair value	Less than 12 months Unrealized losses	12 months or longer Estimated fair value	12 months or longer Unrealized losses	Total Estimated fair value	Total Unrealized losses
December 31, 2015						
Debt securities:						
U.S. Treasury bonds	$ 105,701	$ (1,285)	$ 1,654	$ (16)	$ 107,355	$ (1,301)
Municipal bonds	133,465	(733)	13,190	(112)	146,655	(845)
Foreign government bonds	13,601	(890)	267	(125)	13,868	(1,015)
Governmental agency bonds	191,035	(2,497)	18,237	(304)	209,272	(2,801)
Governmental agency mortgage-backed securities	1,096,301	(9,424)	213,020	(5,615)	1,309,321	(15,039)
U.S. corporate debt securities	361,842	(11,272)	13,511	(1,211)	375,353	(12,483)
Foreign corporate debt securities	102,801	(2,725)	11,246	(1,053)	114,047	(3,778)
Total debt securities	2,004,746	(28,826)	271,125	(8,436)	2,275,871	(37,262)
Equity securities	191,248	(12,068)	31,974	(5,904)	223,222	(17,972)
Total	$ 2,195,994	$ (40,894)	$ 303,099	$ (14,340)	$ 2,499,093	$ (55,234)
December 31, 2014						
Debt securities:						
U.S. Treasury bonds	$ 8,122	$ (27)	$ 15,124	$ (154)	$ 23,246	$ (181)
Municipal bonds	137,755	(689)	19,625	(318)	157,380	(1,007)
Foreign government bonds	5,653	(31)	—	—	5,653	(31)
Governmental agency bonds	27,479	(88)	127,936	(1,930)	155,415	(2,018)
Governmental agency mortgage-backed securities	383,717	(1,612)	300,918	(7,483)	684,635	(9,095)
Non-agency mortgage-backed securities	—	—	5,611	(717)	5,611	(717)
U.S. corporate debt securities	141,636	(1,881)	8,191	(103)	149,827	(1,984)
Foreign corporate debt securities	57,005	(1,247)	1,492	(10)	58,497	(1,257)
Total debt securities	761,367	(5,575)	478,897	(10,715)	1,240,264	(16,290)
Equity securities	208,922	(8,587)	2,340	(191)	211,262	(8,778)
Total	$ 970,289	$ (14,162)	$ 481,237	$ (10,906)	$ 1,451,526	$ (25,068)

Investments in debt securities at December 31, 2015 , by contractual maturities, are as follows:

(in thousands)	Due in one year or less	Due after one through five years	Due after five through ten years	Due after ten years	Total
U.S. Treasury bonds					
Amortized cost	$ 25,982	$ 76,874	$ 11,875	$ 15,521	$ 130,252
Estimated fair value	$ 25,959	$ 76,462	$ 11,765	$ 15,186	$ 129,372
Municipal bonds					
Amortized cost	$ 47,506	$ 298,071	$ 208,057	$ 138,366	$ 692,000
Estimated fair value	$ 47,580	$ 300,859	$ 213,119	$ 142,237	$ 703,795
Foreign government bonds					
Amortized cost	$ 6,169	$ 110,707	$ 5,461	$ 7,647	$ 129,984
Estimated fair value	$ 6,199	$ 111,643	$ 5,464	$ 6,795	$ 130,101
Governmental agency bonds					
Amortized cost	$ 31,778	$ 331,052	$ 28,156	$ 28,883	$ 419,869
Estimated fair value	$ 31,768	$ 329,700	$ 28,443	$ 28,180	$ 418,091
U.S. corporate debt securities					
Amortized cost	$ 16,569	$ 298,860	$ 264,527	$ 62,913	$ 642,869
Estimated fair value	$ 16,711	$ 297,838	$ 259,775	$ 60,359	$ 634,683
Foreign corporate debt securities					
Amortized cost	$ 13,340	$ 92,104	$ 90,555	$ 14,163	$ 210,162
Estimated fair value	$ 13,376	$ 91,836	$ 88,310	$ 14,110	$ 207,632
Total debt securities excluding mortgage-backed securities					
Amortized cost	$ 141,344	$ 1,207,668	$ 608,631	$ 267,493	$ 2,225,136
Estimated fair value	$ 141,593	$ 1,208,338	$ 606,876	$ 266,867	$ 2,223,674
Total mortgage-backed securities					
Amortized cost					$ 2,065,728
Estimated fair value					$ 2,055,673
Total debt securities					
Amortized cost					$ 4,290,864
Estimated fair value					$ 4,279,347

Mortgage-backed securities, which include contractual terms to maturity, are not categorized by contractual maturity because borrowers may have the right to call or prepay obligations with, or without, call or prepayment penalties.

The table below outlines the composition of the investment portfolio, by cred it rating, as of December 31, 2015:

	A- Ratings or higher		BBB+ to BBB- Ratings		Non-Investment Grade		Total	
(in thousands, except percentages)	Estimated fair value	Percentage	Estimated fair value	Percentage	Estimated fair value	Percentage	Estimated fair value	Percentage
December 31, 2015								
Debt securities:								
U.S. Treasury bonds	$ 129,372	100.0	$ —	—	$ —	—	$ 129,372	100.0
Municipal bonds	675,257	95.9	23,188	3.3	5,350	0.8	703,795	100.0
Foreign government bonds	121,975	93.8	7,187	5.5	939	0.7	130,101	100.0
Governmental agency bonds	418,091	100.0	—	—	—	—	418,091	100.0
Governmental agency mortgage-backed securities	2,055,673	100.0	—	—	—	—	2,055,673	100.0
U.S. corporate debt securities	293,413	46.2	167,292	26.4	173,978	27.4	634,683	100.0
Foreign corporate debt securities	113,182	54.5	52,912	25.5	41,538	20.0	207,632	100.0
Total debt securities	3,806,963	88.9	250,579	5.9	221,805	5.2	4,279,347	100.0
Preferred stocks	—	—	8,850	57.2	6,617	42.8	15,467	100.0
Total	$ 3,806,963	88.7	$ 259,429	6.0	$ 228,422	5.3	$ 4,294,814	100.0

The credit ratings in the above table reflect published ratings obtained from Standard & Poor's Rating Services, DBRS, Inc., Fitch Ratings, Inc. and Moody's Investor Services, Inc. If a security was rated differently among the rating agencies, the lowest rating was selected. Governmental agency mortgage-backed securities are not rated by any of the ratings agencies; however, these securities have been included in the above table in the A- Ratings or higher category because the payments of principal and interest are guaranteed by the governmental agency that issued the security.

As of December 31, 2015, the estimated fair value of total debt securities included $117.8 million of bank loans, of which $111.4 million was non-investment grade; $99.0 million of high yield corporate debt securities, all of which was non-investment grade; and $44.3 million of emerging market debt securities, of which $6.1 million was non-investment grade.

The table below outlines the composition of the investment portfolio in an unrealized loss position, by credit rating, as of December 31, 2015:

	A- Ratings or higher		BBB+ to BBB- Ratings		Non-Investment Grade		Total	
(in thousands, except percentages)	Estimated fair value	Percentage	Estimated fair value	Percentage	Estimated fair value	Percentage	Estimated fair value	Percentage
December 31, 2015								
Debt securities:								
U.S. Treasury bonds	$ 107,355	100.0	$ —	—	$ —	—	$ 107,355	100.0
Municipal bonds	136,568	93.2	5,040	3.4	5,047	3.4	146,655	100.0
Foreign government bonds	5,824	42.0	7,105	51.2	939	6.8	13,868	100.0
Governmental agency bonds	209,272	100.0	—	—	—	—	209,272	100.0
Governmental agency mortgage-backed securities	1,309,321	100.0	—	—	—	—	1,309,321	100.0
U.S. corporate debt securities	134,224	35.8	112,373	29.9	128,756	34.3	375,353	100.0
Foreign corporate debt securities	40,094	35.2	38,891	34.1	35,062	30.7	114,047	100.0
Total debt securities	1,942,658	85.3	163,409	7.2	169,804	7.5	2,275,871	100.0
Preferred stocks	—	—	8,850	58.9	6,164	41.1	15,014	100.0
Total	$ 1,942,658	84.8	$ 172,259	7.5	$ 175,968	7.7	$ 2,290,885	100.0

The credit ratings in the above table reflect published ratings obtained from Standard & Poor's Rating Services, DBRS, Inc., Fitch Ratings, Inc. and Moody's Investor Services, Inc. If a security was rated differently among the rating agencies, the lowest rating was selected. Governmental agency mortgage-backed securities are not rated by any of the ratings agencies; however, these securities have been included in the above table in the A- Ratings or higher category because the payments of principal and interest are guaranteed by the governmental agency that issued the security.

As of December 31, 2015, the estimated fair value of total debt securities in an unrealized loss position included $87.3 million of bank loans, of which $82.9 million was non-investment grade; $75.8 million of high yield corporate debt securities, all of which was non-investment grade; and $39.1 million of emerging market debt securities, of which $6.1 million was non-investment grad e.

NOTE 4. Property and Equipment:

Property and equipment consists of the following:

	December 31, 2015	December 31, 2014
	(in thousands)	
Land	$ 28,950	$ 29,700
Buildings	259,601	270,689
Furniture and equipment	205,641	186,237
Capitalized software	499,634	466,548
	993,826	953,174
Accumulated depreciation and amortization	(583,853)	(557,887)
	$ 409,973	$ 395,287

NOTE 5. Goodwill:

A summary of the changes in the carrying amount of goodwill, by operating segment, for the years ended December 31, 2015 and 2014, is as follows:

	Title Insurance and Services	Specialty Insurance	Total
		(in thousands)	
Balance as of December 31, 2013	$ 799,261	$ 46,765	$ 846,026
Acquisitions	121,252	—	121,252
Foreign currency translation	(5,554)	—	(5,554)
Other adjustments	(1,779)	—	(1,779)
Balance as of December 31, 2014	913,180	46,765	959,945
Acquisitions	13,430	—	13,430
Foreign currency translation	(9,033)	—	(9,033)
Balance as of December 31, 2015	$ 917,577	$ 46,765	$ 964,342

For further discussion about the Company’s acquisitions in 2015 and 2014, see Note 20 Business Combinations.

The Company’s goodwill impairment assessments for 2015, 2014 and 2013 did not indicate impairment to any of its reporting units. There is no accumulated impairment for goodwill as the Company has never recognized impairment to any of its reporting units.

NOTE 6 . Other Intangible Assets:

Other intangible assets consist of the following:

	December 31, 2015	December 31, 2014
	(in thousands)	
Finite-lived intangible assets:		
Customer relationships	$ 93,572	$ 94,850
Noncompete agreements	26,963	27,286
Trademarks	9,341	11,241
Patents	2,840	2,840
	132,716	136,217
Accumulated amortization	(101,479)	(97,282)
	31,237	38,935
Indefinite-lived intangible assets:		
Licenses	16,877	16,877
	$ 48,114	$ 55,812

Amortization expense for finite-lived intangible assets was $9.3 million, $12.6 million and $12.0 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Estimated amortization expense for finite-lived intangible assets for the next five years is as follows:

Year	(in thousands)
2016	$ 8,186
2017	$ 7,040
2018	$ 4,601
2019	$ 3,807
2020	$ 2,257

NOTE 7. Deposits:

Deposit accounts are summarized as follows:

	December 31, 2015	December 31, 2014
	(in thousands, except percentages)	
Escrow accounts:		
Interest bearing	$ 2,084,926	$ 1,962,351
Non-interest bearing	494,077	266,281
	2,579,003	2,228,632
Business checking and other deposits (1)	120,012	104,082
	$ 2,699,015	$ 2,332,714
Weighted average interest rate:		
Escrow accounts	0.10%	0.11%

(1) Business checking and other deposits primarily reflect non-interest bearing accounts.

NOTE 8 . Reserve for Known and Incurred But Not Reported Claims:

Activity in the reserve for known and incurred but not reported claims is summarized as follows:

	December 31, 2015	2014	2013
	(in thousands)		
Balance at beginning of year	$ 1,011,780	$ 1,018,365	$ 976,462
Provision related to:			
Current year	395,459	383,181	378,968
Prior years	95,633	66,842	151,388
	491,092	450,023	530,356
Payments, net of recoveries, related to:			
Current year	209,845	196,656	182,653
Prior years	266,647	273,094	296,657
	476,492	469,750	479,310
Other	(42,500)	13,142	(9,143)
Balance at end of year	$ 983,880	$ 1,011,780	$ 1,018,365

Current year payments include $198.6 million, $174.4 million and $167.3 million in 2015, 2014 and 2013, respectively, that primarily relate to the Company's specialty insurance segment. Prior year payments, net of recoveries, include $23.1 million, $23.2 million and $16.0 million in 2015, 2014 and 2013, respectively, that relate to the Company's specialty insurance segment.

"Other" primarily includes foreign currency translation gains and losses, assets acquired in connection with claim settlements, and recoveries. Included for the year ended December 31, 2015, are recoveries of $23.8 million on reinsured losses related to a large commercial title claim. Payments and recoveries on reinsured losses for the Company's title insurance and property and casualty businesses were immaterial during the years ended December 31, 2014 and 2013.

The provision for title insurance losses, expressed as a percentage of title insurance premiums and escrow fees, was 6.6%, 7.1% and 8.9% for the years ended December 31, 2015, 2014 and 2013, respectively.

The current year rate of 6.6% reflects an ultimate loss rate of 4.2% for the current policy year and a $93.1 million net increase in loss reserve estimates for prior policy years. The increase in loss reserve estimates for prior policy years was primarily attributable to a change in methodology used by the Company's internal actuary to estimate total ultimate losses. Historically, the internal actuary's model did not separate claims experience for large title claims from normal title claims activity. A large title claim is defined as a title claim with a total ultimate loss in excess of $2.5 million. With this change in methodology, the model now separates claims experience for large title claims from normal title claims activity when developing reserve estimates. As a result, loss reserve estimates for prior policy years increased, primarily for policy years 2004 through 2007. The change in methodology was implemented due to the increased frequency of large title claims experienced over the last several years and the volatility associated with the timing and severity of large title claims. The Company accounted for this change in methodology as a change in accounting estimate.

As of December 31, 2015, the IBNR claims reserve for the title insurance and services segment was $844.4 million, which reflected management's best estimate. The Company's internal actuary determined a range of reasonable estimates of $719.5 million to $922.0 million. The range limits are $124.9 million below and $77.6 million above management's best estimate, respectively, and represent an estimate of the range of variation among reasonable estimates of the IBNR reserve. Actuarial estimates are sensitive to assumptions used in models, as well as the structures of the models themselves, and to changes in claims payment and incurral patterns, which can vary materially due to economic conditions, among other factors.

The prior year rate of 7.1% reflected an ultimate loss rate of 5.3% for policy year 2014 and a net increase in loss reserve estimates for prior policy years of $64.1 m illion. The increase in loss reserve estimates for prior policy years reflected claims development above expected levels during 2014, primarily from domestic commercial policies. The reserve strengthening associated with domestic commercial policies was $ 41.4 million and was primarily attributable to several large commercial claims, net of anticipated recoveries, mainly from mechanics liens, and primarily related to policy years 2003, 2005 and 2007. Other factors, including a large international commercia l claim from policy year 2004, also contributed to the net increase in loss reserve estimates for prior policy years.

The 2013 rate of 8.9% reflected an ultimate loss rate of 5.0% for policy year 2013 and a net increase in loss reserve estimates for prior policy years of $150.2 million. The increase in loss reserve estimates for prior policy years reflected claims development above expected levels during 2013, primarily from domestic lenders policies, commercial policies and the Company's guaranteed valuation product offered in Canada. The reserve strengthening associated with domestic lenders policies was $67.4 million and was primarily attributable to increased claims frequency for policy years 2004 through 2008. The increased claims frequency was primarily due to mortgage lenders and servicers processing a large volume of foreclosures during 2013. As foreclosure processing increases, lenders claims generally increase, because lenders claims typically come from foreclosures in which the lender suffers a loss. At December 31, 2013, the Company expected the high level of foreclosure processing to continue in the near term as mortgage lenders and servicers worked through their foreclosure inventory. The reserve strengthening associated with domestic lenders policies reflected these expectations. The reserve strengthening associated with commercial policies was $38.8 million and was primarily attributable to several large commercial claims, mainly from mechanics liens, and primarily related to policy years 2007 and 2008. The reserve strengthening associated with the guaranteed valuation product offered in Canada was $21.7 million and was primarily attributable to claims frequency exceeding the Company's expectations during 2013. The increase in frequency primarily related to policy years 2007 and 2010.

The projected ultimate loss ratios, as of December 31, 2015, for policy years 2015, 2014 and 2013 were 4.2%, 4.7% and 3.7%, respectively.

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

(in thousands, except percentages)	December 31, 2015		December 31, 2014	
Known title claims	$ 87,543	8.9%	$ 165,330	16.3%
Incurred but not reported claims	844,364	85.8%	802,069	79.3%
Total title claims	931,907	94.7%	967,399	95.6%
Non-title claims	51,973	5.3%	44,381	4.4%
Total loss reserves	$ 983,880	100.0%	$ 1,011,780	100.0%

The Company's reserve for known title claims was $87.5 million at December 31, 2015, a decline of $77.8 million, or 47.0%, from the balance at December 31, 2014. This decline is primarily attributable to settlement payments associated with certain large claims during the first quarter of 2015. The reserve for known title claims associated with these claims recorded at December 31, 2014 was $56.0 million. The Company paid $35.0 million, net of $21.0 million recovered through reinsurance, during the first quarter of 2015 to settle these claims.

NOTE 9 . Notes and Contracts Payable:

	December 31,	
	2015	2014
	(in thousands, except percentages)	
4.60% senior unsecured notes due November 15, 2024, net of unamortized discount of $66 and $74 at December 31, 2015 and 2014, respectively, effective interest rate of 4.60%	$ 299,934	$ 299,926
4.30% senior unsecured notes due February 1, 2023, net of unamortized discount of $680 and $760 at December 31, 2015 and 2014, respectively, effective interest rate of 4.35%	249,320	249,240
Trust deed notes with maturities through 2023, collateralized by land and buildings with a net book value of $50,514 and $52,414 at December 31, 2015 and 2014, respectively, weighted-average interest rate of 5.34% and 5.39%, at December 31, 2015 and 2014, respectively	30,308	34,420
Other notes and contracts payable with maturities through 2032, weighted-average interest rate of 4.21% and 5.30% at December 31, 2015 and 2014, respectively	5,540	3,751
	$ 585,102	$ 587,337

The weighted-average interest rate for the Company’s notes and contracts payable was 4.51% and 4.52% at December 31, 2015 and 2014, respectively.

The Company maintains a credit agreement with JPMorgan Chase Bank, N.A. in its capacity as administrative agent and the lenders party thereto. The credit agreement is comprised of a $700.0 million revolving credit facility. Unless terminated earlier, the revolving loan commitments under the credit agreement will terminate on May 14, 2019. The obligations of the Company under the credit agreement are neither secured nor guaranteed. Proceeds under the credit agreement may be used for general corporate purposes. At December 31, 2015, the Company had no outstanding borrowings under the facility.

The credit agreement includes an expansion option that permits the Company, subject to satisfaction of certain conditions, to increase the revolving commitments and/or add term loan tranches (“Incremental Term Loans”) in an aggregate amount not to exceed $150.0 million. Incremental Term Loans, if made, may not mature prior to the revolving commitment termination date, provided that amortization may occur prior to such date.

At the Company’s election, borrowings under the credit agreement bear interest at (a) the Alternate Base Rate plus the applicable spread or (b) the Adjusted LIBOR rate plus the applicable spread (in each case as defined in the agreement). The Company may select interest periods of one, two, three or six months or (if agreed to by all lenders) such other number of months for Eurodollar borrowings of loans. The applicable spread varies depending upon the debt rating assigned by Moody’s Investor Service, Inc. and/or Standard & Poor’s Rating Services. The minimum applicable spread for Alternate Base Rate borrowings is 0.625% and the maximum is 1.00%. The minimum applicable spread for Adjusted LIBOR rate borrowings is 1.625% and the maximum is 2.00%. The rate of interest on Incremental Term Loans will be established at or about the time such loans are made and may differ from the rate of interest on revolving loans.

The credit agreement includes representations and warranties, reporting covenants, affirmative covenants, negative covenants, financial covenants and events of default customary for financings of this type. Upon the occurrence of an event of default the lenders may accelerate the loans. Upon the occurrence of certain insolvency and bankruptcy events of default the loans will automatically accelerate. As of December 31, 2015, the Company was in compliance with the financial covenants under the credit agreement.

The aggregate annual maturities for notes and contracts payable for the next five years and the re after, are as follows:

Year	Annual maturities (in thousands)
2016	$ 5,018
2017	5,493
2018	4,582
2019	4,234
2020	3,871
Thereafter	561,904
	$ 585,102

NOTE 10. Net Investment Income:

The components of net investment income are as follows:

	Year ended December 31,		
	2015	2014	2013
		(in thousands)	
Interest:			
Cash equivalents and deposits with banks	$ 3,822	$ 4,471	$ 3,694
Debt securities	76,822	56,373	47,226
Other investments	1,841	1,213	2,009
Loans receivable	—	3,755	5,474
Dividends on equity securities	11,751	11,961	11,776
Equity in earnings of affiliates, net	7,800	(16,545)	5,316
Other	314	10,488	14,400
Total investment income	102,350	71,716	89,895
Investment expenses (1)	(1,797)	(675)	—
Net investment income	$ 100,553	$ 71,041	$ 89,895

(1) Investment expenses include fees paid to third party investment managers, which the Company began utilizing in 2014.

NOTE 1 1 . Income Taxes:

For the years ended December 31, 2015, 2014 and 2013, domestic and foreign pretax income from continuing operations before noncontrolling interests was $383.5 million and $49.3 million, $301.8 million and $48.8 million, and $286.2 million and $24.5 million, respectively.

Income taxes are summarized as follows:

	Year ended December 31,		
	2015	2014	2013
	(in thousands)		
Current:			
Federal	$ 94,036	$ 87,189	$ 86,406
State	3,636	4,751	7,887
Foreign	10,589	812	24,331
	108,261	92,752	118,624
Deferred:			
Federal	33,446	15,594	8,937
State	3,413	(304)	9,774
Foreign	(1,225)	8,303	(13,691)
	35,634	23,593	5,020
	$ 143,895	$ 116,345	$ 123,644

Income taxes differ from the amounts computed by applying the federal income tax rate of 35.0%. A reconciliation of this difference is as follows:

	Year ended December 31,					
	2015		2014		2013	
	(in thousands, except percentages)					
Taxes calculated at federal rate	$ 151,468	35.0%	$ 122,696	35.0%	$ 108,748	35.0%
State taxes, net of federal benefit	4,581	1.1	2,891	0.8	11,480	3.7
Change in liability for tax positions	1,094	0.3	412	0.1	3,537	1.1
Foreign income taxed at different rates	(7,111)	(1.6)	(6,091)	(1.7)	8,567	2.8
Foreign tax credits	(1,710)	(0.4)	(2,184)	(0.6)	(5,640)	(1.8)
Other items, net	(4,427)	(1.1)	(1,379)	(0.4)	(3,048)	(1.0)
	$ 143,895	33.3%	$ 116,345	33.2%	$ 123,644	39.8%

The Company's effective income tax rates (income tax expense as a percentage of income before income taxes) were 33.3% for 2015, 33.2% for 2014 and 39.8% for 2013. The differences in the effective tax rates were primarily due to changes in state and foreign income taxes resulting from fluctuations in the Company's noninsurance and foreign subsidiaries' contribution to pretax income and changes in the ratio of permanent differences to income before income taxes. In addition, the tax rate for 2014 reflected non-recurring tax benefits resulting from certain adjustments to the Company's state and non-U.S. tax accounts. The 2015 rate includes a benefit for the release of valuation allowances previously provided against certain foreign net operating losses and other deferred tax assets.

The primary components of temporary differences that give rise to the Company's net deferred tax liability are as follows:

	December 31, 2015	December 31, 2014
	(in thousands)	
Deferred tax assets:		
Deferred revenue	$ 11,639	$ 9,887
Employee benefits	77,994	74,068
Bad debt reserves	14,943	15,253
Investments in affiliates	—	13,670
Loss reserves	3,062	2,507
Pension	105,398	120,401
Net operating loss carryforward	15,541	23,727
Securities	6,128	—
Foreign tax credit	1,769	2,184
Other	7,904	8,712
	244,378	270,409
Valuation allowance	(6,729)	(15,706)
	237,649	254,703
Deferred tax liabilities:		
Depreciable and amortizable assets	304,632	284,532
Claims and related salvage	40,901	36,653
Investments in affiliates	3,193	—
Securities	—	8,934
	348,726	330,119
Net deferred tax liability	$ 111,077	$ 75,416

The exercise of stock options and vesting of RSUs represent a tax benefit that has been reflected as a reduction of taxes payable and an increase to equity. The benefits recorded were $9.5 million and $6.9 million for the years ended December 31, 2015 and 2014, respectively.

In connection with the Company's June 2010 spin-off from its prior parent, which subsequently assumed the name CoreLogic, Inc. ("CoreLogic"), it entered into a tax sharing agreement which governs the Company's and CoreLogic's respective rights, responsibilities and obligations for certain tax related matters. At December 31, 2015 and 2014, the Company had a net payable to CoreLogic of $36.5 million and $35.1 million, respectively, related to tax matters prior to the spin-off. This amount is included in the Company's consolidated balance sheets in accounts payable and accrued liabilities. The increase during the current year was primarily the result of an additional accrual for tax matters prior to the spin-off.

At December 31, 2015, the Company had available a foreign tax credit carryover of $1.8 million. The Company expects to utilize these credits within the carryover period.

At December 31, 2015, the Company had available net operating loss carryforwards for income tax purposes totaling $92.9 million, consisting of federal, state and foreign losses of $0.4 million, $38.8 million and $53.7 million, respectively. Of the aggregate net operating losses, $28.0 million have an indefinite expiration and the remaining $64.9 million expire at various times beginning in 2016. The Company carries a valuation allowance of $6.7 million against its deferred tax assets. Of this amount, $5.7 million relates to net operating losses ; the remaining $1.0 million relates to other foreign deferred tax assets. The year-over-year decrease in the overall valuation allowance is primarily due to the release of valuation allowances previously provided against certain foreign net operating losses and other deferred tax assets.

The Company evaluates the realizability of its deferred tax assets by assessing the valuation allowance and adjusts the allowance, if necessary. The factors used to assess the likelihood of realization are the Company's forecast of future taxable income an d available tax planning strategies that could be implemented to realize the net deferred tax assets. The ability or failure to achieve the forecasted taxable income in the applicable taxing jurisdictions could affect the ultimate realization of deferred t ax assets. Based on future operating results in certain jurisdictions, it is possible that the current valuation allowance positions of those jurisdictions could be adjusted in the next 12 months.

As of December 31, 2015 and 2014, U.S. taxes were not provided for on the cumulative earnings of the Company's foreign subsidiaries of $155.7 million and $132.8 million, respectively, as the Company has invested or expects to invest the undistributed earnings indefinitely. If in the future these earnings are repatriated to the United States, or if the Company determines that the earnings will be remitted in the foreseeable future, additional tax provisions may be required. It is not practicable to calculate the deferred taxes associated with these earnings because of the variability of multiple factors that would need to be assessed at the time of any assumed repatriation; however, foreign tax credits may be available to reduce federal income taxes in the event of distribution.

As of December 31, 2015, 2014 and 2013, the liability for income taxes associated with uncertain tax positions was $23.8 million, $24.1 million and $47.8 million, respectively. The net decreases in the liabilities during 2015 and 2014 were primarily attributable to activity related to examinations conducted by various taxing authorities. The net decrease in the liability during 2013 was primarily attributable to the Company's effective settlement of a prior year tax return position. The liabilities could be reduced by $3.4 million as of December 31, 2015 and 2014, and by $32.6 million as of December 31, 2013, due to offsetting tax benefits associated with the correlative effects of potential adjustments, including timing adjustments and state income taxes. The net amounts of $20.4 million, $20.7 million and $15.2 million as of December 31, 2015, 2014 and 2013, respectively, if recognized, would favorably affect the Company's effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2015, 2014 and 2013 is as follows:

	December 31,		
	2015	2014	2013
	(in thousands)		
Unrecognized tax benefits—opening balance	$ 24,100	$ 47,800	$ 47,900
Gross decreases—prior period tax positions	(800)	(24,100)	(600)
Gross increases—current period tax positions	500	400	500
Unrecognized tax benefits—ending balance	$ 23,800	$ 24,100	$ 47,800

The Company's continuing practice is to recognize interest and penalties, if any, related to uncertain tax positions in income tax expense. As of December 31, 2015, 2014 and 2013, the Company had accrued $9.7 million, $8.9 million and $4.7 million, respectively, of interest and penalties (net of tax benefits of $4.1 million, $3.7 million and $1.9 million, respectively) related to uncertain tax positions.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and various non-U.S. jurisdictions. The primary non-federal jurisdictions are California, Canada, India and the United Kingdom. During 2015, the Company concluded U.S. federal income tax examinations for calendar years 2010 and 2011. No material adjustments resulted from these examinations. The Company is generally no longer subject to U.S. federal, state and non-U.S. income tax examinations by taxing authorities for years prior to 2005.

It is reasonably possible that the amount of the unrecognized benefit with respect to certain of the Company's unrecognized tax positions may significantly decrease within the next 12 months. These changes may be the result of ongoing audits or the expiration of federal and state statutes of limitations for the assessment of taxes.

The Company records a liability for potential tax assessments based on its estimate of the potential exposure. New tax laws and new interpretations of laws and rulings by tax au thorities may affect the liability for potential tax assessments. Due to the subjectivity and complex nature of the underlying issues, actual payments or assessments may differ from estimates. To the extent the Company's estimates differ from actual paymen ts or assessments, income tax expense is adjusted. The Company's income tax returns in several jurisdictions are being examined by various tax authorities. The Company believes that adequate amounts of tax and related interest, if any, from any adjustments that may result from these examinations have been provided for.

NOTE 12. Earnings Per Share:

The computation of basic and diluted earnings per share is as follows:

	2015	2014	2013
	(in thousands, except per share data)		
Numerator			
Net income attributable to the Company	$ 288,086	$ 233,534	$ 186,367
Less: dividends and undistributed earnings allocated to unvested RSUs	321	514	324
Net income allocated to common stockholders	$ 287,765	$ 233,020	$ 186,043
Denominator			
Basic weighted-average shares	108,427	106,884	106,991
Effect of dilutive employee stock options and RSUs	1,399	1,804	2,111
Diluted weighted-average shares	109,826	108,688	109,102
Net income per share attributable to the Company's stockholders			
Basic	$ 2.65	$ 2.18	$ 1.74
Diluted	$ 2.62	$ 2.15	$ 1.71

For the years ended December 31, 2015, 2014 and 2013, 6 thousand, 133 thousand and 11 thousand, respectively, of stock options and RSUs were excluded from the weighted-average diluted common shares outstanding due to their antidilutive effect.

NOTE 1 3 . Employee Benefit Plans:

The First American Financial Corporation 401(k) Savings Plan (the "Savings Plan") allows for employee-elective contributions up to the maximum amount as determined by the Internal Revenue Code. The Company makes discretionary contributions to the Savings Plan based on profitability, as well as the contributions of participants. Effective July 1, 2015, participants in the Savings Plan can no longer make additional investments in common stock of the Company. The Savings Plan held 3,129,000 shares and 3,528,000 shares of the Company's common stock, representing 2.9% and 3.3% of the Company's total common shares outstanding at December 31, 2015 and 2014, respectively.

The Company maintains a deferred compensation plan for certain employees that allows participants to defer up to 100% of their salary, commissions and certain bonuses. Participants can allocate their deferrals among a variety of investment crediting options (known as "deemed investments"). The term deemed investments means that the participant has no ownership interest in the funds they select; the funds are only used to measure the gains or losses that will be attributed to each participant's deferral account over time. Participants can elect to have their deferral balance paid out while they are still employed or after their employment ends. The deferred compensation plan is exempt from most provisions of the Employee Retirement Income Security Act ("ERISA") because it is only available to a select group of management and highly compensated employees and is not a qualified employee benefit plan. To preserve the tax-deferred savings advantages of a nonqualified deferred compensation plan, federal law requires that it be unfunded or informally funded. Participant deferrals, and any earnings on those deferrals, are general unsecured obligations of the Company. The Company informally funds the deferred compensation plan through a tax-advantaged investment known as variable universal life insurance. Deferred compensation plan assets are held as an asset of the Company within a special trust, called a "Rabbi Trust." At December 31, 2015 and 2014, the value of the assets in the Rabbi Trust of $73.1 million and $78.6 million, respectively, and the unfunded liabilities of $76.3 million and $76.4 million, respectively, were included in the consolidated balance sheets in other assets and pension costs and other retirement plans, respectively.

The Company's defined benefit pension plan is a noncontributory, qualified plan with benefits based on an employee's compensation and years of service. The defined benefit pension plan was closed to new entrants effective December 31, 2001 and amended to "freeze" all benefit accruals as of April 30, 2008.

The Company also has nonqualified, unfunded supplemental benefit plans covering certain management personnel. The Executive and Management Supplemental Benefit Plans, subject to certain limitations, provide participants with maximum benefits of 30% and 15%, respectively, of average annual compensation over a fixed five year period. Effective January 1, 2011, the plans were closed to new participants.

Certain of the Company's subsidiaries have separate savings plans and the Company's international subsidiaries have other employee benefit plans. Expenses related to these plans and the Company's deferred compensation plan are included in the table below under other plans, net.

The principal components of employee benefit plan expenses are as follows:

	Year ended December 31,		
	2015	2014	2013
	(in thousands)		
Expense:			
Savings plan	$ 37,326	$ 16,333	$ 10,458
Defined benefit pension plans	18,611	13,465	20,975
Unfunded supplemental benefit plans	17,373	14,614	16,673
Other plans, net	3,812	9,259	15,479
	$ 77,122	$ 53,671	$ 63,585

The following table summarizes the benefit obligations, assets and funded status associated with the Company's defined benefit pension and supplemental benefit plans:

	December 31,			
	2015		2014	
	Defined benefit pension plans	Unfunded supplemental benefit plans	Defined benefit pension plans	Unfunded supplemental benefit plans
	(in thousands)			
Change in projected benefit obligation:				
Benefit obligation at beginning of year	$ 450,667	$ 262,137	$ 382,035	$ 226,458
Service costs	—	1,560	—	1,315
Interest costs	17,537	10,207	18,644	10,536
Plan amendment	(4,775)	—	—	—
Actuarial (gains) losses	(25,583)	(11,835)	76,164	37,281
Benefits paid	(21,430)	(13,409)	(26,176)	(13,453)
Projected benefit obligation at end of year	416,416	248,660	450,667	262,137
Change in plan assets:				
Fair value of plan assets at beginning of year	339,365	—	313,469	—
Actual (losses) returns on plan assets	(9,620)	—	24,400	—
Contributions	21,672	13,409	27,672	13,453
Benefits paid	(21,430)	(13,409)	(26,176)	(13,453)
Fair value of plan assets at end of year	329,987	—	339,365	—
Reconciliation of funded status:				
Unfunded status of the plans	$ (86,429)	$ (248,660)	$ (111,302)	$ (262,137)
Amounts recognized in the consolidated balance sheet:				
Accrued benefit liability	$ (86,429)	$ (248,660)	$ (111,302)	$ (262,137)
Amounts recognized in accumulated other comprehensive loss:				
Unrecognized net actuarial loss	$ 202,087	$ 99,023	$ 219,081	$ 120,642
Unrecognized prior service (credit) cost	(4,775)	(20,785)	15	(24,964)
	$ 197,312	$ 78,238	$ 219,096	$ 95,678
Accumulated benefit obligation at end of year	$ 416,416	$ 248,660	$ 450,667	$ 262,137

Net periodic cost related to the Company's defined benefit pension and supplemental benefit plans includes the following components:

	Year ended December 31,		
	2015	2014	2013
	(in thousands)		
Expense:			
Service costs	$ 1,560	$ 1,315	$ 1,915
Interest costs	27,744	29,180	26,861
Expected return on plan assets	(21,802)	(20,850)	(18,776)
Amortization of net actuarial loss	32,645	22,587	32,033
Amortization of prior service credit	(4,163)	(4,153)	(4,385)
	$ 35,984	$ 28,079	$ 37,648

N et actuarial loss and prior service credit for the defined benefit pension and supplemental benefit plans expected to be amortized from accumulated other comprehensive loss into net periodic cost over the next fiscal year include an expense of $ 28.2 million and a credit of $ 4.8 million, respectively.

Weighted-average actuarial assumptions used to determine costs for the plans for the years ended December 31, 2015 and 2014, were as follows:

	December 31,	
	2015	2014
Defined benefit pension plans		
Discount rate	4.07%	4.97%
Rate of return on plan assets	6.50%	6.50%
Unfunded supplemental benefit plans		
Discount rate	4.00%	4.80%

Weighted-average actuarial assumptions used to determine benefit obligations for the plans at December 31, 2015 and 2014, were as follows:

	December 31,	
	2015	2014
Defined benefit pension plans		
Discount rate	4.31%	4.07%
Unfunded supplemental benefit plans		
Discount rate	4.33%	4.00%

The discount rate assumption used for the Company's benefit plans reflects the yield available on high-quality, fixed-income debt securities that match the expected timing of the benefit obligation payments.

At December 31, 2015, the Company elected to change the method it uses to estimate the interest and service components of net periodic cost for its defined benefit pension and supplemental benefit plans, which will impact the estimate of net periodic cost beginning in 2016. The Company will utilize a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. Previously, the Company estimated the interest and service cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. This change compared to the previous method will impact the interest and service components of net periodic cost in future periods. The Company made this change to provide a more precise measurement of interest and service costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. This change does not affect the measurement of the total benefit obligation as the change in the interest and service costs is offset in net actuarial gains and losses. The impact to interest and service costs is not expected to be significant. The Company will account for this change prospectively as a change in accounting estimate.

Assumptions for the expected long-term rate of return on assets of the defined benefit pension plans are based on future expectations for returns for each asset class based on the calculated market-related value of plan assets and the effect of periodic target asset allocation rebalancing, adjusted for the payment of reasonable expenses of the plan from plan assets. The expected long-term rate of return on assets was selected from within a reasonable range of rates determined by (1) historical actual and expected returns for the asset classes and (2) projections of inflation over the long-term period during which benefits are payable to plan participants. The Company believes the assumptions are appropriate based on the investment mix and long-term nature of the plan's investments. The use of expected long-term returns on plan assets may result in recognized pension income that is greater or less than the actual returns of those plan assets in any given year. Over time, however, the expected long-term returns are designed to approximate the actual long-term returns, and therefore result in a pattern of income and cost recognition that more closely matches the pattern of the services provided by the employees.

The Company has a n investment policy which governs the management of, and strategy for, assets of the plan . The policy's investment objective is to increase the pension plan's funding status such that the plan becomes fully funded on a plan termination basis by taking progressively less risk through aligning a greater percentage of plan assets with plan liabil ities as the plan becomes more fully funded.

Under the investment policy, asset allocation targets are segmented into liability tracking assets and return seeking assets. The objective of this allocation strategy is to increase the percentage of assets in liability tracking investments as settlement funded status improves. Return seeking assets generally include pooled investment vehicles, foreign and domestic equities, fixed income securities, cash, REITs, and commodities. Liability tracking assets generally include fixed income securities and pooled investment vehicles. The plan maintains a level of cash and cash equivalents appropriate for the timely disbursement of benefits and payment of expenses.

Subject to the requirements of the investment policy, the investment manager may use commingled investment vehicles including but not limited to mutual funds, common trust funds, commingled trusts, and exchange traded funds. The investment policy prohibits certain investment transactions, including derivatives and other illiquid investments (e.g., private equity and real estate), subject to certain exceptions.

The investment manager tracks the estimated settlement funded status of the plan on a regular basis. When the funded status is equal to or greater than the next trigger point, the investment manager will rebalance to the allocation associated with that trigger point. The objective of liability tracking assets is to achieve performance related to changes in the value of the plan's settlement liabilities, which is consistent with the objective of plan termination.

Asset allocation targets, based on settlement funded status, are as follows:

Settlement funded status	Return seeking assets	Liability tracking assets
100.0%	0%	100%
97.5%	15%	85%
95.0%	30%	70%
92.5%	40%	60%
90.0%	50%	50%
87.5%	60%	40%
85.0%	70%	30%
Below 85.0%	85%	15%

A summary of the defined benefit pension plan's asset allocations are as follows:

	December 31,	
	2015	2014
Asset category		
Cash and cash equivalents	1.1%	0.3%
Equities	57.2%	45.5%
Fixed income funds	39.3%	32.5%
Balanced funds	—	19.4%
Other	2.4%	2.3%

The Company expects to make cash contributions to its defined benefit and unfunded supplemental benefit plans of $23.4 million and $14.6 million, respectively, during 2016.

B enefit payments for all plans, which reflect expected future service, as appropri ate, are expected to be made as follows:

Year	(in thousands)
2016	$ 42,890
2017	$ 43,985
2018	$ 44,920
2019	$ 44,935
2020	$ 44,701
Five years thereafter	$ 223,753

The Company categorizes its defined benefit pension plan assets, carried at fair value, using a three-level hierarchy for fair value measurements. See Note 14 Fair Value Measurements for a more in-depth discussion on the fair value hierarchy and a description for each level.

The following table presents the fair value of the Company's defined benefit pension plan assets as of December 31, 2015 and 2014:

	Estimated fair value	Level 1	Level 2	Level 3
		(in thousands)		
December 31, 2015				
Cash and cash equivalents	$ 3,621	$ 3,621	$ —	$ —
Equities (a)	129,633	83,675	45,958	—
Fixed income funds (b)	188,801	116,204	72,597	—
Other (d)	7,932	—	—	7,932
	$ 329,987	$ 203,500	$ 118,555	$ 7,932

	Estimated fair value	Level 1	Level 2	Level 3
		(in thousands)		
December 31, 2014				
Cash and cash equivalents	$ 1,101	$ 1,101	$ —	$ —
Equities (a)	154,279	101,304	52,975	—
Fixed income funds (b)	110,405	59,507	50,898	—
Balanced funds (c)	65,856	—	65,856	—
Other (d)	7,724	—	—	7,724
	$ 339,365	$ 161,912	$ 169,729	$ 7,724

(a) Investments in passively managed index funds, actively managed mutual funds with holdings in domestic and international equities, and investments in domestic equities. These investments are valued at the closing price reported on the major market on which the individual securities are traded or the Net Asset Value ("NAV") provided by the administrator of the fund.

(b) Investments in passively managed index funds and actively managed mutual funds with holdings in domestic and foreign corporate bonds, foreign government bonds, mortgage-backed securities, and other fixed income instruments. These investments are valued using matrix pricing models and quoted prices of the securities in active markets.

(c) Investments in global multi-asset risk parity strategy funds with holdings in domestic and international debt and equity securities, commodities, real estate, and derivative investments. These investments are valued using the NAV provided by the administrator of the fund.

(d) Investments in a guaranteed deposit fund with holdings in insurance contracts. These investments are valued at contract value of the fund including contributions and earnings, less applicable costs and liabilities, as provided by the administrator of the fund.

NOTE 1 4 . Fair Value Measurements:

Certain of the Company's assets are carried at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company categorizes its assets and liabilities carried at fair value using a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the Company (observable inputs) and the Company's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. The hierarchy level assigned to the assets and liabilities is based on management's assessment of the transparency and reliability of the inputs used to estimate the fair values at the measurement date. The three hierarchy levels are defined as follows:

Level 1—Valuations based on unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2—Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets or liabilities at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

If the inputs used to measure fair value fall into different levels of the fair value hierarchy, the hierarchy level assigned is based upon the lowest level of input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis

The valuation techniques and inputs used by the Company to estimate the fair value of assets measured on a recurring basis, are summarized as follows:

Debt securities

The fair values of debt securities were based on the market values obtained from independent pricing services that were evaluated using pricing models that vary by asset class and incorporate available trade, bid and other market information and price quotes from well-established independent broker-dealers. The independent pricing services monitor market indicators, industry and economic events, and for broker-quoted only securities, obtain quotes from market makers or broker-dealers that they recognize to be market participants. The pricing services utilize the market approach in determining the fair value of the debt securities held by the Company. The Company obtains an understanding of the valuation models and assumptions utilized by the services and has controls in place to determine that the values provided represent fair value. The Company's validation procedures include comparing prices received from the pricing services to quotes received from other third party sources for certain securities with market prices that are readily verifiable. If the price comparison results in differences over a predefined threshold, the Company will assess the reasonableness of the changes relative to prior periods given the prevailing market conditions and assess changes in the issuers' credit worthiness, performance of any underlying collateral and prices of the instrument relative to similar issuances. To date, the Company has not made any material adjustments to the fair value measurements provided by the pricing services.

Typical inputs and assumptions to pricing models used to value the Company's U.S. Treasury bonds, municipal bonds, foreign government bonds, governmental agency bonds, governmental agency mortgage-backed securities and U.S. and foreign corporate debt securities include, but are not limited to, benchmark yields, reported trades, broker-dealer quotes, credit spreads, credit ratings, bond insurance (if applicable), benchmark securities, bids, offers, reference data and industry and economic events. For mortgage-backed securities, inputs and assumptions may also include the structure of issuance, characteristics of the issuer, collateral attributes and prepayment speeds. Non-agency mortgage-backed securities and certain corporate debt securities were not actively traded and there were fewer observable inputs available requiring the use of more judgment in determining their fair values, which resulted in their classification as Level 3.

Equity securities

The fair values of equity securities, including preferred and common stocks, were based on quoted market prices for identical assets that are readily and regularly available in an active market.

The following table presents the fair values of the Company's assets, measured on a recurring basis, as of December 31, 2015 and 2014:

(in thousands)	Total	Level 1	Level 2	Level 3
December 31, 2015				
Assets:				
Debt securities:				
U.S. Treasury bonds	$ 129,372	$ —	$ 129,372	$ —
Municipal bonds	703,795	—	703,795	—
Foreign government bonds	130,101	—	130,101	—
Governmental agency bonds	418,091	—	418,091	—
Governmental agency mortgage- backed securities	2,055,673	—	2,055,673	—
U.S. corporate debt securities	634,683	—	591,116	43,567
Foreign corporate debt securities	207,632	—	201,060	6,572
	4,279,347	—	4,229,208	50,139
Equity securities:				
Preferred stocks	15,467	15,467	—	—
Common stocks	305,818	305,818	—	—
	321,285	321,285	—	—
Total assets	$ 4,600,632	$ 321,285	$ 4,229,208	$ 50,139

(in thousands)	Total	Level 1	Level 2	Level 3
December 31, 2014				
Assets:				
Debt securities:				
U.S. Treasury bonds	$ 64,982	$ —	$ 64,982	$ —
Municipal bonds	587,677	—	587,677	—
Foreign government bonds	134,938	—	134,938	—
Governmental agency bonds	197,874	—	197,874	—
Governmental agency mortgage- backed securities	1,812,162	—	1,812,162	—
Non-agency mortgage-backed securities	16,538	—	—	16,538
U.S. corporate debt securities	452,129	—	452,129	—
Foreign corporate debt securities	183,952	—	183,952	—
	3,450,252	—	3,433,714	16,538
Equity securities:				
Preferred stocks	15,525	15,525	—	—
Common stocks	386,887	386,887	—	—
	402,412	402,412	—	—
Total assets	$ 3,852,664	$ 402,412	$ 3,433,714	$ 16,538

There were no transfers between levels during the years ended December 31, 2015 and 2014. Transfers into or out of the Level 3 category occur when unobservable inputs become more or less significant to the fair value measurement. The Company's policy is to recognize transfers between levels in the fair value hierarchy at the end of the reporting period.

The following table presents a summary of the changes in the fair values of Level 3 assets measured on a recurring basis for the years ended December 31, 2015 and 201 4 :

	December 31, 2015				December 31, 2014
(in thousands)	**U.S. corporate debt securities**	**Foreign corporate debt securities**	**Non-agency mortgage-backed securities**	**Total**	**Non-agency mortgage-backed securities**
Fair value at beginning of period	$ —	$ —	$ 16,538	$ 16,538	$ 19,022
Net realized and unrealized gains (losses):					
Included in earnings	(77)	(5)	(1,015)	(1,097)	(1,701)
Included in other comprehensive income (loss)	(839)	(113)	(589)	(1,541)	1,225
Purchases	47,612	7,307	—	54,919	—
Sales	(960)	(381)	(14,934)	(16,275)	—
Settlements	(2,169)	(236)	—	(2,405)	(2,008)
Fair value at end of period	$ 43,567	$ 6,572	$ —	$ 50,139	$ 16,538
Unrealized gains (losses) included in earnings for the period relating to Level 3 assets that were still held at the end of the period:					
Net other-than-temporary impairment losses	$ (75)	$ —	$ —	$ (75)	$ (1,701)

Financial instruments not measured at fair value

In estimating the fair values of its financial instruments not measured at fair value, the Company used the following methods and assumptions:

Cash and cash equivalents

The carrying amount for cash and cash equivalents is a reasonable estimate of fair value due to the short-term maturity of these investments.

Deposits with banks

The fair value of deposits with banks is estimated based on rates currently offered for deposits of similar remaining maturities, where applicable.

Notes receivable, net

The fair value of notes receivable, net is estimated based on the discounted value of the future cash flows using approximate current market rates being offered for notes with similar maturities and credit quality.

Deposits

The carrying value of escrow and other deposit accounts approximates fair value due to the short-term nature of these liabilities.

Notes and contracts payable

The fair value of notes and contracts payable is estimated based on current rates offered to the Company for debt of similar remaining maturities.

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments not measured at fair value as of December 31, 2015 and 2014:

(in thousands)	Carrying Amount	Estimated fair value			
		Total	Level 1	Level 2	Level 3
December 31, 2015					
Assets:					
Cash and cash equivalents	$ 1,027,321	$ 1,027,321	$ 1,027,321	$ —	$ —
Deposits with banks	$ 23,224	$ 23,211	$ 1,103	$ 22,108	$ —
Notes receivable, net	$ 5,866	$ 5,791	$ —	$ —	$ 5,791
Liabilities:					
Deposits	$ 2,699,015	$ 2,699,015	$ 2,699,015	$ —	$ —
Notes and contracts payable	$ 585,102	$ 590,970	$ —	$ 583,893	$ 7,077

(in thousands)	Carrying Amount	Estimated fair value			
		Total	Level 1	Level 2	Level 3
December 31, 2014					
Assets:					
Cash and cash equivalents	$ 1,190,080	$ 1,190,080	$ 1,190,080	$ —	$ —
Deposits with banks	$ 21,445	$ 21,540	$ 4,068	$ 17,472	$ —
Notes receivable, net	$ 6,130	$ 3,930	$ —	$ —	$ 3,930
Liabilities:					
Deposits	$ 2,332,714	$ 2,332,714	$ 2,332,714	$ —	$ —
Notes and contracts payable	$ 587,337	$ 595,087	$ —	$ 588,542	$ 6,545

NOTE 15. Share-Based Compensation Plans:

The First American Financial Corporation 2010 Incentive Compensation Plan (the "Incentive Compensation Plan"), effective May 28, 2010, permits the granting of stock options, stock appreciation rights, restricted stock, RSUs, performance units, performance shares and other stock-based awards. Eligible participants in the Incentive Compensation Plan include the Company's directors and officers, as well as other employees. At December 31, 2015, 5.2 million shares of common stock remain available to be issued from either authorized and unissued shares or previously issued shares acquired by the Company, subject to certain annual limits based on the type of award granted. The Incentive Compensation Plan terminates 10 years from the effective date unless cancelled prior to that date by the Company's board of directors.

The First American Financial Corporation 2010 Employee Stock Purchase Plan (the "ESPP") allows eligible employees the option to purchase common stock of the Company at 85% of the lower of the closing price on either the first or last day of each quarterly offering period. There were 335,000 and 354,000 shares issued in connection with this plan for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015, there were 3.1 million shares reserved for future issuances.

The following table presents compensation expense associated with the Company's share-based compensation plans:

	2015	2014	2013
		(in thousands)	
Expense:			
Restricted stock units	$ 21,761	$ 17,197	$ 20,827
Stock options	271	271	8
Employee stock purchase plan	2,307	1,834	1,466
	$ 24,339	$ 19,302	$ 22,301

The following table summarizes RSU activity for the year ended December 31, 2015:

(in thousands, except weighted-average grant-date fair value)	Shares	Weighted-average grant-date fair value
RSUs unvested at December 31, 2014	2,337	$ 21.21
Granted during 2015	801	$ 34.68
Vested during 2015	(1,047)	$ 18.96
Forfeited during 2015	(31)	$ 28.96
RSUs unvested at December 31, 2015	2,060	$ 27.47

As of December 31, 2015, there was $23.2 million of total unrecognized compensation cost related to unvested RSUs that is expected to be recognized over a weighted-average period of 2.6 years. The fair value of RSUs is generally based on the market value of the Company's shares on the date of grant. The total fair value of shares vested and not distributed for the years ended December 31, 2015, 2014 and 2013 was $3.3 million, $3.2 million and $4.3 million, respectively.

The following table summarizes stock option activity for the year ended December 31, 2015:

(in thousands, except weighted-average exercise price and contractual term)	Number outstanding	Weighted-average exercise price	Weighted-average remaining contractual term	Aggregate intrinsic value
Balance at December 31, 2014	686	$ 20.18		
Exercised during 2015	(554)	$ 18.40		
Balance at December 31, 2015	132	$ 27.66	8.0 years	$ 1,091
Vested and expected to vest at December 31, 2015	132	$ 27.66	8.0 years	$ 1,091
Exercisable at December 31, 2015	66	$ 27.66	8.0 years	$ 545

As of December 31, 2015, there was $0.5 million of total unrecognized compensation cost related to unvested stock options of the Company that is expected to be recognized over a weighted-average period of 2.0 years.

Total intrinsic value of options exercised for the years ended December 31, 2015, 2014 and 2013 was $9.7 million, $7.0 million and $6.0 million, respectively. This intrinsic value represents the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each option.

NOTE 1 6 . Stockholders' Equity:

In March 2014, the Company's board of directors approved an increase in the size of the Company's stock repurchase plan from $150.0 million to $250.0 million, of which $182.9 million remained as of December 31, 2015. Purchases may be made from time to time by the Company in the open market at prevailing market prices or in privately negotiated transactions. The Company did not repurchase any shares of its common stock during the year ended December 31, 2015 and as of December 31, 2015, had repurchased and retired 3.2 million shares of its common stock under the current authorization for a total purchase price of $67.1 million. In January 2016, the Company repurchased and retired 14 thousand shares of its common stock for a total purchase price of $454 thousand.

NOTE 17. Commitments and Contingencies:

Lease commitments

The Company leases certain office facilities, automobiles and equipment under operating leases, which, for the most part, are renewable. The majority of these leases also provide that the Company pay insurance and taxes.

Future minimum rental payments under operating leases that have initial noncancelable lease terms in excess of one year as of December 31, 2015 are as follows:

Year	(in thousands)
2016	$ 82,684
2017	67,031
2018	49,082
2019	35,537
2020	26,051
Thereafter	54,140
	$ 314,525

Total rental expense for all operating leases and month-to-month rentals was $93.3 million, $93.5 million and $94.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Other commitments and guarantees

At December 31, 2015 and 2014, the Company was contingently liable for guarantees of indebtedness owed by affiliates and third parties to banks and others totaling $8.2 million and $8.9 million, respectively. The guarantee arrangements relate to promissory notes and other contracts that contingently require the Company to make payments to the guaranteed party upon the failure of debtors to make scheduled payments according to the terms of the notes and contracts. The Company's maximum potential obligation under these guarantees totaled $8.2 million and $8.9 million at December 31, 2015 and 2014, respectively, and is limited in duration to the terms of the underlying indebtedness. The Company has not incurred any costs as a result of these guarantees and has not recorded a liability on its consolidated balance sheets related to these guarantees at December 31, 2015 and 2014.

The Company also guarantees the obligations of certain of its subsidiaries. These obligations are included in the Company's consolidated balance sheets as of December 31, 2015 and 2014.

NOTE 1 8 . Accumulated Other Comprehensive Income (Loss) (“AOCI”) :

The following table presents a summary of the changes in each component of AOCI for the years ended December 31, 2015, 2014 and 2013:

	Unrealized gains (losses) on securities	Foreign currency translation adjustment	Pension benefit adjustment	Accumulated other comprehensive income (loss)
		(in thousands)		
Balance at December 31, 2012	$ 21,938	$ 9,924	$ (182,408)	$ (150,546)
Change in unrealized gains (losses) on securities	(50,191)	—	—	(50,191)
Change in foreign currency translation adjustment	—	(13,650)	—	(13,650)
Net actuarial gain	—	—	53,080	53,080
Amortization of net actuarial loss	—	—	32,033	32,033
Amortization of prior service credit	—	—	(4,385)	(4,385)
Tax effect	19,526	—	(31,404)	(11,878)
Balance at December 31, 2013	(8,727)	(3,726)	(133,084)	(145,537)
Change in unrealized gains (losses) on securities	31,118	—	—	31,118
Change in foreign currency translation adjustment	—	(16,694)	—	(16,694)
Net actuarial loss	—	—	(109,924)	(109,924)
Amortization of net actuarial loss	—	—	22,587	22,587
Amortization of prior service credit	—	—	(4,153)	(4,153)
Tax effect	(11,480)	—	34,994	23,514
Balance at December 31, 2014	10,911	(20,420)	(189,580)	(199,089)
Change in unrealized gains (losses) on securities	(42,205)	—	—	(42,205)
Change in foreign currency translation adjustment	—	(36,822)	—	(36,822)
Net actuarial gain	—	—	10,743	10,743
Amortization of net actuarial loss	—	—	32,645	32,645
Amortization of prior service credit	—	—	(4,163)	(4,163)
Tax effect	14,893	—	(15,002)	(109)
Balance at December 31, 2015	$ (16,401)	$ (57,242)	$ (165,357)	$ (239,000)

Components of AOCI allocated to the Company and noncontrolling interests at December 31, 2015 , 2014 and 2013, are as follows:

	Unrealized gains (losses) on securities	Foreign currency translation adjustment	Pension benefit adjustment	Accumulated other comprehensive income (loss)
	(in thousands)			
2015				
Allocated to the Company	$ (16,404)	$ (57,242)	$ (165,357)	$ (239,003)
Allocated to noncontrolling interests	3	—	—	3
Balance at December 31, 2015	$ (16,401)	$ (57,242)	$ (165,357)	$ (239,000)
2014				
Allocated to the Company	$ 10,894	$ (20,420)	$ (189,580)	$ (199,106)
Allocated to noncontrolling interests	17	—	—	17
Balance at December 31, 2014	$ 10,911	$ (20,420)	$ (189,580)	$ (199,089)
2013				
Allocated to the Company	$ (8,734)	$ (3,726)	$ (133,084)	$ (145,544)
Allocated to noncontrolling interests	7	—	—	7
Balance at December 31, 2013	$ (8,727)	$ (3,726)	$ (133,084)	$ (145,537)

The following table presents the other comprehensive income (loss) reclassification adjustments for the years ended December 31, 2015, 2014 and 2013:

	Unrealized gains (losses) on securities	Foreign currency translation adjustment	Pension benefit adjustment	Total other comprehensive income (loss)
	(in thousands)			
Year ended December 31, 2015				
Pretax change before reclassifications	$ (46,601)	$ (36,822)	$ 10,743	$ (72,680)
Reclassifications out of AOCI	4,396	—	28,482	32,878
Tax effect	14,893	—	(15,002)	(109)
Total other comprehensive income (loss), net of tax	$ (27,312)	$ (36,822)	$ 24,223	$ (39,911)
Year ended December 31, 2014				
Pretax change before reclassifications	$ 52,693	$ (16,694)	$ (109,924)	$ (73,925)
Reclassifications out of AOCI	(21,575)	—	18,434	(3,141)
Tax effect	(11,480)	—	34,994	23,514
Total other comprehensive income (loss), net of tax	$ 19,638	$ (16,694)	$ (56,496)	$ (53,552)
Year ended December 31, 2013				
Pretax change before reclassifications	$ (40,396)	$ (13,650)	$ 53,080	$ (966)
Reclassifications out of AOCI	(9,795)	—	27,648	17,853
Tax effect	19,526	—	(31,404)	(11,878)
Total other comprehensive income (loss), net of tax	$ (30,665)	$ (13,650)	$ 49,324	$ 5,009

The following table presents the effect of the reclassifications out of AOCI on the respective line items in the consolidated statements of income:

	Amounts reclassified from AOCI			
	Year ended December 31,			
(in thousands)	2015	2014		Affected line items in the consolidated statements of income
Unrealized gains (losses) on securities:				
Net realized gains (losses) on sales of securities	$ (2,147)	$ 23,276		Net realized investment gains (losses)
Net other-than-temporary impairment losses	(2,249)	(1,701)		Net realized investment gains (losses)
Pretax total	$ (4,396)	$ 21,575		
Tax effect	$ 1,551	$ (7,959)		
Pension benefit adjustment:				
Amortization of defined benefit pension and supplemental benefit plan items:				
Net actuarial loss	$ (32,645)	$ (22,587)	(1)	
Prior service credit	4,163	4,153	(1)	
Pretax total	$ (28,482)	$ (18,434)		
Tax effect	$ 10,893	$ 7,051		

(1) These components of AOCI are included in the computation of net periodic cost. See Note 13 Employee Benefit Plans for additional details.

NOTE 19. Litigation and Regulatory Contingencies:

The Company and its subsidiaries are parties to a number of non-ordinary course lawsuits. These lawsuits frequently are similar in nature to other lawsuits pending against the Company’s competitors.

For those non-ordinary course lawsuits where the Company has determined that a loss is both probable and reasonably estimable, a liability representing the best estimate of the Company’s financial exposure based on known facts has been recorded. Actual losses may materially differ from the amounts recorded.

For a substantial majority of these lawsuits, however, it is not possible to assess the probability of loss. Most of these lawsuits are putative class actions which require a plaintiff to satisfy a number of procedural requirements before proceeding to trial. These requirements include, among others, demonstration to a court that the law proscribes in some manner the Company’s activities, the making of factual allegations sufficient to suggest that the Company’s activities exceeded the limits of the law and a determination by the court—known as class certification—that the law permits a group of individuals to pursue the case together as a class. In certain instances the Company may also be able to compel the plaintiff to arbitrate its claim on an individual basis. If these procedural requirements are not met, either the lawsuit cannot proceed or, as is the case with class certification or compelled arbitration, the plaintiffs lose the financial incentive to proceed with the case (or the amount at issue effectively becomes de minimis). Frequently, a court’s determination as to these procedural requirements is subject to appeal to a higher court. As a result of, among other factors, ambiguities and inconsistencies in the myriad laws applicable to the Company’s business and the uniqueness of the factual issues presented in any given lawsuit, the Company often cannot determine the probability of loss until a court has finally determined that a plaintiff has satisfied applicable procedural requirements.

Furthermore, because most of these lawsuits are putative class actions, it is often impossible to estimate the possible loss or a range of loss amounts, even where the Company has determined that a loss is reasonably possible. Generally class actions invol ve a large number of people and the effort to determine which people satisfy the requirements to become plaintiffs—or class members—is often time consuming and burdensome. Moreover, these lawsuits raise complex factual issues which result in uncertainty as to their outcome and, ultimately, make it difficult for the Company to estimate the amount of damages which a plaintiff might successfully prove. In addition, many of the Company's businesses are regulated by various federal, state, local and foreign gove rnmental agencies and are subject to numerous statutory guidelines. These regulations and statutory guidelines often are complex, inconsistent or ambiguous, which results in additional uncertainty as to the outcome of a given lawsuit—including the amount o f damages a plaintiff might be afforded—or makes it difficult to analogize experience in one case or jurisdiction to another case or jurisdiction.

Most of the non-ordinary course lawsuits to which the Company and its subsidiaries are parties challenge practices in the Company's title insurance business, though a limited number of cases also pertain to the Company's other businesses. These lawsuits include, among others, cases alleging, among other assertions, that the Company, one of its subsidiaries and/or one of its agents:

- charged an improper rate for title insurance in a refinance transaction, including
  - Lewis v. First American Title Insurance Company, filed on November 28, 2006 and pending in the United States District Court for the District of Idaho.

  A court has granted class certification in Lewis. For the reasons stated above, the Company has been unable to assess the probability of loss or estimate the possible loss or the range of loss.
- purchased minority interests in title insurance agents as an inducement to refer title insurance underwriting business to the Company or gave items of value to title insurance agents and others for referrals of business in violation of the Real Estate Settlement Procedures Act, including
  - Edwards v. First American Financial Corporation, filed on June 12, 2007 and pending in the United States District Court for the Central District of California.

  In Edwards a narrow class has been certified. The Company believes the estimate of the possible loss or range of loss is not material to the consolidated financial statements as a whole.
- engaged in the unauthorized practice of law, including
  - Gale v. First American Title Insurance Company, et al., filed on October 16, 2006 and pending in the United States District Court of Connecticut.

  The class originally certified in Gale was subsequently decertified. For the reasons described above, the Company has not yet been able to assess the probability of loss or estimate the possible loss or the range of loss.
- misclassified certain employees, including
  - Sager v. Interthinx, Inc., filed on January 23, 2015 and pending in the Superior Court of the State of California, County of Los Angeles, and
  - Weber v. Interthinx, Inc., et al., filed on April 17, 2015 and pending in the United States District Court for the Eastern District of Missouri.

  These lawsuits are putative class actions for which a class has not been certified. For the reasons described above, as well as the applicability of certain indemnification rights the Company may have, the Company has not yet been able to assess the probability of loss or estimate the possible loss or the range of loss.
- overcharged or improperly charged fees for products and services, denied home warranty claims, failed to timely file certain documents, and gave items of value to developers, builders, brokers and others as inducements to refer business in violation of certain laws, such as consumer protection laws and laws generally prohibiting unfair business practices, and certain obligations, including

- Chassen v. First American Financial Corporation, et al., filed on January 22, 2009 and pending in the United States District Court of New Jersey,
- Downing v. First American Title Insurance Company, et al., filed on October 2, 2015 and pending in the United States District Court for the Northern District of Georgia,
- Kaufman v. First American Financial Corporation, et al., filed on December 21, 2007 and pending in the Superior Court of the State of California, County of Los Angeles,
- Kirk v. First American Financial Corporation, et al., filed on June 15, 2006 and pending in the Superior Court of the State of California, County of Los Angeles,
- McCormick v. First American Real Estate Services, Inc., et al., filed on December 31, 2015 and pending in the Superior Court of the State of California, County of Orange,
- Sjobring v. First American Financial Corporation, et al., filed on February 25, 2005 and pending in the Superior Court of the State of California, County of Los Angeles,
- Wilmot v. First American Financial Corporation, et al., filed on April 20, 2007 and pending in the Superior Court of the State of California, County of Los Angeles, and
- In re First American Home Buyers Protection Corporation, consolidated on October 9, 2014 and pending in the United States District Court for the Southern District of California.

All of these lawsuits, except Kaufman and Kirk, are putative class actions for which a class has not been certified. In Kaufman a class was certified but that certification was subsequently vacated. A trial of the Kirk matter has concluded, plaintiff has filed a notice of appeal and the Company filed a cross appeal. For the reasons described above, the Company has not yet been able to assess the probability of loss or estimate the possible loss or the range of loss or, where the Company has been able to make an estimate, the Company believes the amount is not material to the consolidated financial statements as a whole.

While some of the lawsuits described above may be material to the Company’s operating results in any particular period if an unfavorable outcome results, the Company does not believe that any of these lawsuits will have a material adverse effect on the Company’s overall financial condition or liquidity.

The Company also is a party to non-ordinary course lawsuits other than those described above. With respect to these lawsuits, the Company has determined either that a loss is not reasonably possible or that the estimated loss or range of loss, if any, is not material to the consolidated financial statements as a whole.

The Company’s title insurance, property and casualty insurance, home warranty, banking, thrift, trust and investment advisory businesses are regulated by various federal, state and local governmental agencies. Many of the Company’s other businesses operate within statutory guidelines. Consequently, the Company may from time to time be subject to examination or investigation by such governmental agencies. Currently, governmental agencies are examining or investigating certain of the Company’s operations. These exams or investigations include inquiries into, among other matters, pricing and rate setting practices in the title insurance industry, competition in the title insurance industry, real estate settlement service customer acquisition and retention practices and agency relationships. With respect to matters where the Company has determined that a loss is both probable and reasonably estimable, the Company has recorded a liability representing its best estimate of the financial exposure based on known facts. While the ultimate disposition of each such exam or investigation is not yet determinable, the Company does not believe that individually or in the aggregate they will have a material adverse effect on the Company’s financial condition, results of operations or cash flows. These exams or investigations could, however, result in changes to the Company’s business practices which could ultimately have a material adverse impact on the Company’s financial condition, results of operations or cash flows.

The Company's Canadian operations provide certain services to lenders which it believes to be exempt from excise tax under applicable Canadian tax laws. However, in October 2014, the Canadian taxing authority provided internal guidance that the services i n question should be subject to the excise tax. While discussions with the taxing authority are ongoing, the Company believes that the guidance may result in an assessment. The amount, if any, of such assessment is not currently known, and any such asses sment would be subject to negotiation. In the event that the Company disagrees with the ultimate assessment, the Company intends to avail itself of avenues of appeal. While the Company believes it is reasonably likely that the Company would prevail on th e merits, a loss associated with the matter is possible. In light of the foregoing, the Company is not currently able to reasonably estimate a loss or range of loss associated with the matter. While such a loss could be material to the Company's operatin g results in any particular period if an unfavorable outcome results, the Company does not believe that this matter will have a material adverse effect on the Company's overall financial condition or liquidity.

The Company and its subsidiaries also are involved in numerous ongoing routine legal and regulatory proceedings related to their operations. With respect to each of these proceedings, the Company has determined either that a loss is not reasonably possible or that the estimated loss or range of loss, if any, is not material to the consolidated financial statements as a whole.

NOTE 20. Business Combinations:

During the years ended December 31, 2015 and 2014, the Company completed acquisitions for an aggregate purchase price of $32.3 million and $162.5 million, respectively. These acquisitions have been included in the Company's title insurance and services segment.

NOTE 21. Segment Financial Information:

The Company consists of the following reportable segments and a corporate function:

- The Company's title insurance and services segment issues title insurance policies on residential and commercial property in the United States and offers similar or related products and services internationally. This segment also provides closing and/or escrow services; accommodates tax-deferred exchanges of real estate; provides products, services and solutions involving the use of real property related data designed to mitigate risk or otherwise facilitate real estate transactions; maintains, manages and provides access to title plant records and images; and provides banking, trust and investment advisory services. The Company, through its principal title insurance subsidiary and such subsidiary's affiliates, transacts its title insurance business through a network of direct operations and agents. Through this network, the Company issues policies in the 49 states that permit the issuance of title insurance policies and the District of Columbia. The Company also offers title insurance and other insurance and guarantee products, as well as related settlement services in foreign countries, including Canada, the United Kingdom, Australia and various other established and emerging markets.
- The Company's specialty insurance segment issues property and casualty insurance policies and sells home warranty products. The property and casualty insurance business provides insurance coverage to residential homeowners and renters for liability losses and typical hazards such as fire, theft, vandalism and other types of property damage. This business is licensed to issue policies in all 50 states and the District of Columbia and actively issues policies in 46 states. In certain markets it also offers preferred risk auto insurance to better compete with other carriers offering bundled home and auto insurance. The home warranty business provides residential service contracts that cover residential systems, such as heating and air conditioning systems, and appliances against failures that occur as the result of normal usage during the coverage period. This business currently operates in 39 states and the District of Columbia.

The corporate function consists primarily of certain financing facilities as well as the corporate services that support the Company's business operations. Eliminations consist of inter-segment revenues and related expenses included in the results of the operating segments.

Selected financial information about the Company's operations, by segment, for the years ended December 31, 2015 , 2014 and 2013, is as follows:

	Revenues	Depreciation and amortization	Equity in earnings of affiliates, net	Income (loss) before income taxes	Assets	Investments in equity method affiliates	Capital expenditures
				(in thousands)			
2015							
Title Insurance and Services	$ 4,788,110	$ 80,359	$ 7,800	$ 489,954	$ 7,296,766	$ 108,574	$ 122,707
Specialty Insurance	393,757	4,775	—	39,519	510,915	—	4,837
Corporate	(5,955)	462	—	(96,708)	448,993	—	22
Eliminations	(456)	—	—	—	(2,323)	—	—
	$ 5,175,456	$ 85,596	$ 7,800	$ 432,765	$ 8,254,351	$ 108,574	$ 127,566
2014							
Title Insurance and Services	$ 4,304,428	$ 77,820	$ (16,545)	$ 373,024	$ 6,767,245	$ 106,083	$ 95,949
Specialty Insurance	368,666	4,978	—	52,974	506,242	—	3,412
Corporate	6,415	2,799	—	(75,438)	464,980	—	—
Eliminations	(1,560)	—	—	—	(72,367)	—	—
	$ 4,677,949	$ 85,597	$ (16,545)	$ 350,560	$ 7,666,100	$ 106,083	$ 99,361
2013							
Title Insurance and Services	$ 4,606,088	$ 66,956	$ 7,387	$ 350,165	$ 5,751,632	$ 124,921	$ 83,469
Specialty Insurance	339,613	4,865	—	42,132	499,788	—	3,673
Corporate	13,008	3,095	(2,071)	(81,589)	369,385	101	—
Eliminations	(2,632)	—	—	—	(61,622)	—	—
	$ 4,956,077	$ 74,916	$ 5,316	$ 310,708	$ 6,559,183	$ 125,022	$ 87,142

Revenues from external customers allocated between domestic and foreign operations, by segment, for the years ended December 31, 2015, 2014 and 2013, are as follows:

	Year Ended December 31,					
	2015		2014		2013	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
			(in thousands)			
Title Insurance and Services	$ 4,480,230	$ 307,453	$ 3,977,498	$ 325,393	$ 4,283,067	$ 320,413
Specialty Insurance	393,757	—	368,666	—	339,613	—
	$ 4,873,987	$ 307,453	$ 4,346,164	$ 325,393	$ 4,622,680	$ 320,413

Long-lived assets allocated between domestic and foreign operations, by segment, as of December 31, 2015, 2014 and 2013, are as follows:

	December 31,					
	2015		2014		2013	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
			(in thousands)			
Title Insurance and Services	$ 952,651	$ 35,375	$ 908,885	$ 46,514	$ 863,884	$ 49,239
Specialty Insurance	51,920	—	50,611	—	50,674	—
	$ 1,004,571	$ 35,375	$ 959,496	$ 46,514	$ 914,558	$ 49,239

FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES

QUARTERLY FINANCIAL DATA
(Unaudited)

	Quarter Ended			
	March 31	**June 30**	**September 30**	**December 31**
	(in thousands, except per share amounts)			
2015				
Revenues	$ 1,111,084	$ 1,323,789	$ 1,383,915	$ 1,356,668
Income before income taxes	$ 58,948	$ 141,622	$ 115,396	$ 116,799
Net income	$ 37,796	$ 93,579	$ 75,759	$ 81,736
Net income attributable to noncontrolling interests	$ 164	$ 232	$ 217	$ 171
Net income attributable to the Company	$ 37,632	$ 93,347	$ 75,542	$ 81,565
Net income per share attributable to the Company's stockholders (1):				
Basic	$ 0.35	$ 0.86	$ 0.69	$ 0.75
Diluted	$ 0.34	$ 0.85	$ 0.69	$ 0.74

(1) Net income per share attributable to the Company's stockholders for the four quarters of each fiscal year may not sum to the total for the fiscal year because of the different number of shares outstanding during each period.

	Quarter Ended			
	March 31	**June 30**	**September 30**	**December 31**
	(in thousands, except per share amounts)			
2014				
Revenues	$ 1,012,799	$ 1,149,969	$ 1,259,730	$ 1,255,451
Income before income taxes	$ 35,253	$ 76,458	$ 115,952	$ 122,897
Net income	$ 21,852	$ 50,688	$ 80,937	$ 80,738
Net income attributable to noncontrolling interests	$ 128	$ 94	$ 232	$ 227
Net income attributable to the Company	$ 21,724	$ 50,594	$ 80,705	$ 80,511
Net income per share attributable to the Company's stockholders (1):				
Basic	$ 0.20	$ 0.47	$ 0.75	$ 0.75
Diluted	$ 0.20	$ 0.47	$ 0.74	$ 0.74

(1) Net income per share attributable to the Company's stockholders for the four quarters of each fiscal year may not sum to the total for the fiscal year because of the different number of shares outstanding during each period.

**FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES**

**SUMMARY OF INVESTMENTS—OTHER THAN INVESTMENTS IN RELATED PARTIES
(in thousands)**

December 31, 2015

Column A	Column B	Column C	Column D
Type of investment	Cost	Market value	Amount at which shown in the balance sheet
Deposits with banks:			
Consolidated	$ 23,224	$ 23,211	$ 23,224
Debt securities:			
U.S. Treasury bonds			
Consolidated	$ 130,252	$ 129,372	$ 129,372
Municipal bonds			
Consolidated	$ 692,000	$ 703,795	$ 703,795
Foreign government bonds			
Consolidated	$ 129,984	$ 130,101	$ 130,101
Governmental agency bonds			
Consolidated	$ 419,869	$ 418,091	$ 418,091
Governmental agency mortgage-backed securities			
Consolidated	$ 2,065,728	$ 2,055,673	$ 2,055,673
U.S. corporate debt securities			
Consolidated	$ 642,869	$ 634,683	$ 634,683
Foreign corporate debt securities			
Consolidated	$ 210,162	$ 207,632	$ 207,632
Total debt securities:			
Consolidated	$ 4,290,864	$ 4,279,347	$ 4,279,347
Equity securities:			
Consolidated	$ 325,734	$ 321,285	$ 321,285
Notes receivable, net:			
Consolidated	$ 5,866	$ 5,791	$ 5,866
Other investments:			
Consolidated	$ 155,311	$ 155,311(1)	$ 155,311
Total investments:			
Consolidated	$ 4,800,999	$ 4,784,945	$ 4,785,033

(1) As other investments are not publicly traded, reasonable estimates of the fair values could not be made without incurring excessive costs.

FIRST AMERICAN FINANCIAL CORPORATION
(Parent Company)

CONDENSED BALANCE SHEETS
(in thousands, except par values)

	December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$ 289,791	$ 328,949
Due from subsidiaries, net	21,430	—
Income taxes receivable	1,067	5,547
Investment in subsidiaries	3,492,290	3,333,613
Deferred income taxes	22,020	19,712
Other assets	96,683	105,344
	$ 3,923,281	$ 3,793,165
Liabilities and Equity		
Accounts payable and other accrued liabilities	$ 58,483	$ 55,021
Pension costs and other retirement plans	413,206	451,501
Income taxes payable	7,576	6,228
Due to subsidiaries, net	—	77
Deferred income taxes	133,097	95,128
Notes and contracts payable	549,254	549,166
Notes and contracts payable to subsidiaries	—	60,000
	1,161,616	1,217,121
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.00001 par value; Authorized—500 shares; Outstanding—none	—	—
Common stock, $0.00001 par value; Authorized—300,000 shares; Outstanding—109,098 shares and 107,541 shares	1	1
Additional paid-in capital	2,150,813	2,109,712
Retained earnings	846,691	662,310
Accumulated other comprehensive loss	(239,003)	(199,106)
Total stockholders' equity	2,758,502	2,572,917
Noncontrolling interests	3,163	3,127
Total equity	2,761,665	2,576,044
	$ 3,923,281	$ 3,793,165

See notes to condensed financial statements

FIRST AMERICAN FINANCIAL CORPORATION
(Parent Company)

CONDENSED STATEMENTS OF INCOME
(in thousands)

	Year Ended December 31,		
	2015	2014	2013
Revenues			
Dividends from subsidiaries	$ 142,522	$ 342,488	$ 372,996
Other (losses) income	(6,001)	6,412	12,804
	136,521	348,900	385,800
Expenses			
Other expenses	36,233	33,959	36,184
Income before income taxes and equity in undistributed earnings (losses) of subsidiaries	100,288	314,941	349,616
Income taxes	33,346	104,523	139,127
Equity in undistributed earnings (losses) of subsidiaries	221,928	23,797	(23,425)
Net income	288,870	234,215	187,064
Less: Net income attributable to noncontrolling interests	784	681	697
Net income attributable to the Company	$ 288,086	$ 233,534	$ 186,367

See notes to condensed financial statements

FIRST AMERICAN FINANCIAL CORPORATION
(Parent Company)

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31, 2015	2014	2013
Net income	$ 288,870	$ 234,215	$ 187,064
Other comprehensive income (loss), net of tax:			
Unrealized (losses) gains on securities	(27,312)	19,638	(30,665)
Foreign currency translation adjustment	(36,822)	(16,694)	(13,650)
Pension benefit adjustment	24,223	(56,496)	49,324
Total other comprehensive income (loss), net of tax	(39,911)	(53,552)	5,009
Comprehensive income	248,959	180,663	192,073
Less: Comprehensive income attributable to noncontrolling interests	770	691	694
Comprehensive income attributable to the Company	$ 248,189	$ 179,972	$ 191,379

See notes to condensed financial statements

FIRST AMERICAN FINANCIAL CORPORATION
(Parent Company)

CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Cash provided by operating activities	$ 133,022	$ 54,298	$ 71,326
Cash flows from investing activities:			
Net cash effect of acquisitions	(19,069)	(151,570)	—
Contributions to subsidiaries	—	(11,396)	(800)
Net change in other investments	867	1,490	6,549
Capital expenditures	(22)	—	—
Cash (used for) provided by investing activities	(18,224)	(161,476)	5,749
Cash flows from financing activities:			
Net proceeds from issuance of debt	—	593,943	249,095
Repayment of debt	—	(300,000)	(160,000)
Repayment of debt to subsidiaries	(60,000)	—	—
Excess tax benefits from share-based compensation	9,526	6,856	6,202
Net proceeds in connection with share-based compensation plans	5,042	3,601	1,736
Purchase of Company shares	—	—	(64,606)
Cash dividends	(108,524)	(89,939)	(51,324)
Cash (used for) provided by financing activities	(153,956)	214,461	(18,897)
Net (decrease) increase in cash and cash equivalents	(39,158)	107,283	58,178
Cash and cash equivalents—Beginning of period	328,949	221,666	163,488
Cash and cash equivalents—End of period	$ 289,791	$ 328,949	$ 221,666

See notes to condensed financial statements

FIRST AMERICAN FINANCIAL CORPORATION
(Parent Company)

NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1. Description of the Company:

First American Financial Corporation is a holding company that conducts all of its operations through its subsidiaries. The Parent Company financial statements should be read in connection with the consolidated financial statements and notes thereto included elsewhere in this Form 10-K.

NOTE 2. Dividends Received:

The holding company received cash dividends from subsidiaries of $142.5 million, $79.1 million and $125.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

**FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES**

**SUPPLEMENTARY INSURANCE INFORMATION
(in thousands)**

BALANCE SHEET CAPTIONS

Column A	Column B	Column C	Column D
Segment	Deferred policy acquisition costs	Claims reserves	Deferred revenues
2015			
Title Insurance and Services	$ 439	$ 933,377	$ 4,026
Specialty Insurance	26,042	50,503	203,903
Total	$ 26,481	$ 983,880	$ 207,929
2014			
Title Insurance and Services	$ 2,179	$ 969,008	$ 14,265
Specialty Insurance	25,316	42,772	188,499
Total	$ 27,495	$ 1,011,780	$ 202,764

**FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES**

**SUPPLEMENTARY INSURANCE INFORMATION
(in thousands)**

INCOME STATEMENT CAPTIONS

Column A	Column F	Column G	Column H	Column I	Column J	Column K
Segment	Premiums and escrow fees	Net investment income (1)	Loss provision	Amortization of deferred policy acquisition costs	Other operating expenses	Premiums written
2015						
Title Insurance and Services	$ 4,028,048	$ 90,078	$ 263,881	$ 1,796	$ 745,278	$ —
Specialty Insurance	380,264	10,313	227,211	(727)	49,741	395,978
Corporate	—	(5,955)	—	—	25,976	—
Eliminations	—	(430)	—	—	(26)	—
Total	$ 4,408,312	$ 94,006	$ 491,092	$ 1,069	$ 820,969	$ 395,978
2014						
Title Insurance and Services	$ 3,565,832	$ 83,635	$ 253,122	$ 2,746	$ 736,491	$ —
Specialty Insurance	353,812	12,594	196,901	(878)	44,645	364,782
Corporate	—	6,415	—	—	26,528	—
Eliminations	—	(1,536)	—	—	(30)	—
Total	$ 3,919,644	$ 101,108	$ 450,023	$ 1,868	$ 807,634	$ 364,782
2013						
Title Insurance and Services	$ 3,865,041	$ 79,940	$ 343,461	$ 1,261	$ 773,837	$ —
Specialty Insurance	329,194	8,767	186,895	(2,529)	40,476	344,433
Corporate	—	13,008	—	—	27,264	—
Eliminations	—	(2,609)	—	—	(54)	—
Total	$ 4,194,235	$ 99,106	$ 530,356	$ (1,268)	$ 841,523	$ 344,433

(1) Net investment income includes net investment income and net realized investment gains (losses).

**FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES**

**REINSURANCE
(in thousands, except percentages)**

Segment	Premiums and escrow fees before reinsurance	Ceded to other companies	Assumed from other companies	Premiums and escrow fees	Percentage of amount assumed to premiums and escrow fees
Title Insurance and Services					
2015	$ 4,050,033	$ 23,776	$ 1,791	$ 4,028,048	0.0%
2014	$ 3,590,673	$ 28,727	$ 3,886	$ 3,565,832	0.1%
2013	$ 3,888,026	$ 27,483	$ 4,498	$ 3,865,041	0.1%
Specialty Insurance					
2015	$ 388,973	$ 8,709	$ —	$ 380,264	0.0%
2014	$ 363,044	$ 9,232	$ —	$ 353,812	0.0%
2013	$ 338,204	$ 9,010	$ —	$ 329,194	0.0%

**FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES**

**VALUATION AND QUALIFYING ACCOUNTS
(in thousands)**

Year Ended December 31, 2015

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions from reserve	Balance at end of period
Reserve deducted from accounts receivable:					
Consolidated	$ 34,662	$ 10,620	$ —	$ 13,730(A)	$ 31,552
Reserve for known and incurred but not reported claims:					
Consolidated	$ 1,011,780	$ 491,092	$ (42,500)	$ 476,492(B)	$ 983,880
Reserve deducted from notes receivable:					
Consolidated	$ 2,441	$ 167	$ —	$ 333	$ 2,275
Reserve deducted from deferred income taxes:					
Consolidated	$ 15,706	$ 108	$ —	$ 9,085	$ 6,729

Note A—Amount represents accounts written off, net of recoveries.

Note B—Amount represents claim payments, net of recoveries.

**FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES**

**VALUATION AND QUALIFYING ACCOUNTS
(in thousands)**

Year Ended December 31, 2014

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions from reserve	Balance at end of period
Reserve deducted from accounts receivable:					
Consolidated	$ 31,831	$ 12,352	$ —	$ 9,521(A)	$ 34,662
Reserve for known and incurred but not reported claims:					
Consolidated	$ 1,018,365	$ 450,023	$ 13,142	$ 469,750(B)	$ 1,011,780
Reserve deducted from notes receivable:					
Consolidated	$ 2,584	$ 128	$ —	$ 271	$ 2,441
Reserve deducted from deferred income taxes:					
Consolidated	$ 18,119	$ —	$ —	$ 2,413	$ 15,706

Note A—Amount represents accounts written off, net of recoveries.

Note B—Amount represents claim payments, net of recoveries.

**FIRST AMERICAN FINANCIAL CORPORATION
AND SUBSIDIARY COMPANIES**

**VALUATION AND QUALIFYING ACCOUNTS
(in thousands)**

Year Ended December 31, 2013

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions from reserve	Balance at end of period
Reserve deducted from accounts receivable:					
Consolidated	$ 30,917	$ 7,478	$ —	$ 6,564(A)	$ 31,831
Reserve for known and incurred but not reported claims:					
Consolidated	$ 976,462	$ 530,356	$ (9,143)	$ 479,310(B)	$ 1,018,365
Reserve deducted from notes receivable:					
Consolidated	$ 2,902	$ (132)	$ —	$ 186	$ 2,584
Reserve deducted from deferred income taxes:					
Consolidated	$ 14,172	$ 3,578	$ 369	$ —	$ 18,119

Note A—Amount represents accounts written off, net of recoveries.

Note B—Amount represents claim payments, net of recoveries.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

The Company's chief executive officer and chief financial officer have concluded that, as of December 31, 2015, the end of the fiscal year covered by this Annual Report on Form 10-K, the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, were effective, based on the evaluation of these controls and procedures required by Rule 13a-15(b) thereunder.

Management's Annual Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP").

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework (2013)* . Based on that assessment under the framework in *Internal Control—Integrated Framework (2013),* management determined that, as of December 31, 2015, the Company's internal control over financial reporting was effective.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements provided in Item 8, above, has issued a report on the Company's internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting during the quarter ended December 31, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

P ART III

The information required by Items 10 through 14 of this report is expected to be set forth in the sections entitled “Information Regarding the Nominees for Election,” “Information Regarding the Other Incumbent Directors,” “Election of Class III Directors,” “Executive Officers,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Board and Committee Meetings,” “Executive Compensation,” “Compensation Discussion and Analysis,” “2015 Director Compensation,” “Codes of Ethics,” “Compensation Committee Interlocks and Insider Participation,” “Compensation Committee Report,” “Securities Authorized for Issuance under Equity Compensation Plans,” “Who are the largest principal stockholders outside of management?,” “Security Ownership of Management,” “Principal Accounting Fees and Services” “Policy on Audit Committee Pre-approval of Audit and Permissible Nonaudit Services of Independent Auditor,” “Transactions with Management and Others” and “Independence of Directors” in the Company’s definitive proxy statement, and is hereby incorporated in this report and made a part hereof by reference. If the definitive proxy statement is not filed within 120 days after the close of the fiscal year, the Company will file an amendment to this Annual Report on Form 10-K to include the information required by Items 10 through 14.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. & 2. Financial Statements and Financial Statement Schedules

The Financial Statements and Financial Statement Schedules filed as part of this report are listed in the accompanying index at page 46 in Item 8 of Part II of this report.

(a) 3. Exhibits. See Exhibit Index. (Each management contract or compensatory plan or arrangement in which any director or named executive officer of First American Financial Corporation, as defined by Item 402(a)(3) of Regulation S-K (17 C.F.R. §229.402(a)(3)), participates that is included among the exhibits listed on the Exhibit Index is identified on the Exhibit Index by an asterisk (*).)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST AMERICAN FINANCIAL CORPORATION
(Registrant)

By /S/ DENNIS J. GILMORE
Dennis J. Gilmore
Chief Executive Officer
(Principal Executive Officer)

Date: February 19, 2016

By /S/ MARK E. SEATON
Mark E. Seaton
Chief Financial Officer
(Principal Financial Officer)

Date: February 19, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ DENNIS J. GILMORE Dennis J. Gilmore	Chief Executive Officer and Director (Principal Executive Officer)	February 19, 2016
/S/ MARK E. SEATON Mark E. Seaton	Chief Financial Officer (Principal Financial Officer)	February 19, 2016
/S/ MATTHEW F. WAJNER Matthew F. Wajner	Chief Accounting Officer (Principal Accounting Officer)	February 19, 2016
/S/ PARKER S. KENNEDY Parker S. Kennedy	Chairman of the Board of Directors	February 19, 2016
/S/ ANTHONY K. ANDERSON Anthony K. Anderson	Director	February 19, 2016
/S/ JAMES L. DOTI James L. Doti	Director	February 19, 2016
/S/ MARGARET M. MCCARTHY Margaret M. McCarthy	Director	February 19, 2016
/S/ MICHAEL D. MCKEE Michael D. McKee	Director	February 19, 2016
/S/ THOMAS V. MCKERNAN Thomas V. McKernan	Director	February 19, 2016
/S/ MARK C. OMAN Mark C. Oman	Director	February 19, 2016

Signature	Title	Date
/s/ Virginia M. Ueberroth	Director	February 19, 2016
Virginia M. Ueberroth		

Exhibit No.	Description	Location
3.1	Amended and Restated Certificate of Incorporation of First American Financial Corporation dated May 28, 2010.	Incorporated by reference herein to Exhibit 3.1 to the Current Report on Form 8-K dated June 1, 2010.
3.2	Amended and Restated Bylaws of First American Financial Corporation, effective as of February 20, 2015.	Incorporated by reference herein to Exhibit 3.2 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2014.
4.1	Indenture, dated as of January 24, 2013, between First American Financial Corporation and U.S. Bank National Association, as trustee.	Incorporated by reference herein to Exhibit 4.1 to the Form S-3ASR filed January 24, 2013.
4.2	First Supplemental Indenture, dated as of January 29, 2013, between First American Financial Corporation and U.S. Bank National Association.	Incorporated by reference herein to Exhibit 4.2 to the Current Report on Form 8-K dated January 29, 2013.
4.3	Second Supplemental Indenture, dated as of November 10, 2014, between First American Financial Corporation and U.S. Bank National Association.	Incorporated by reference herein to Exhibit 4.2 to the Current Report on Form 8-K dated November 10, 2014.
4.4	Form of 4.30% Senior Notes due 2023.	Incorporated by reference herein to Exhibit A of Exhibit 4.2 to the Current Report on Form 8-K dated January 29, 2013.
4.5	Form of 4.60% Senior Notes due 2024.	Incorporated by reference herein to Exhibit A of Exhibit 4.2 to the Current Report on Form 8-K dated November 10, 2014.
10.1	Separation and Distribution Agreement by and between The First American Corporation (n/k/a CoreLogic, Inc.) and First American Financial Corporation dated as of June 1, 2010.	Incorporated by reference herein to Exhibit 10.1 to the Current Report on Form 8-K dated June 1, 2010.
10.2	Amended and Restated Credit Agreement dated as of May 14, 2014, among First American Financial Corporation, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.	Incorporated by reference herein to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.
10.3	Tax Sharing Agreement by and between The First American Corporation (n/k/a CoreLogic, Inc.) and First American Financial Corporation dated as of June 1, 2010.	Incorporated by reference herein to Exhibit 10.2 to the Current Report on Form 8-K dated June 1, 2010.
*10.4	First American Financial Corporation Executive Supplemental Benefit Plan, amended and restated effective as of January 1, 2011.	Incorporated by reference herein to Exhibit 10.12 to the Annual Report on Form 10-K for the year ended December 31, 2010.
*10.4.1	Amendment No. 1, dated January 21, 2015, to First American Financial Corporation Executive Supplemental Benefit Plan, amended and restated effective as of January 1, 2011.	Incorporated by reference herein to Exhibit 10.5.1 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2014.
*10.5	First American Financial Corporation Deferred Compensation Plan, amended and restated effective as of January 1, 2012.	Incorporated by reference herein to Exhibit 10.13 to the Annual Report on Form 10-K for the year ended December 31, 2011.
*10.5.1	First Amendment, effective July 1, 2015, to First American Financial Corporation Deferred Compensation Plan, amended and restated effective as of January 1, 2012.	Incorporated by reference herein to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.

Exhibit No.	Description	Location
*10.6	First American Financial Corporation 2010 Incentive Compensation Plan, effective May 28, 2010.	Incorporated by reference herein to Appendix A to the Definitive Proxy Statement on Schedule 14A filed April 9, 2012.
*10.6.1	Form of Notice of Restricted Stock Unit Grant (Non-Employee Director) and Restricted Stock Unit Award Agreement (Non-Employee Director) for Non-Employee Director Restricted Stock Unit Award approved January 15, 2013.	Incorporated by reference herein to Exhibit 10.7.4 to the Annual Report on Form 10-K for the year ended December 31, 2012.
*10.6.2	Form of Notice of Restricted Stock Unit Grant (Non-Employee Director) and Restricted Stock Unit Award Agreement (Non-Employee Director) for Non-Employee Director Restricted Stock Unit Award approved January 14, 2014.	Incorporated by reference herein to Exhibit 10.7.4 to the Annual Report on Form 10-K for the year ended December 31, 2013.
*10.6.3	Form of Notice of Restricted Stock Unit Grant (Non-Employee Director) and Restricted Stock Unit Award Agreement (Non-Employee Director) for Non-Employee Director Restricted Stock Unit Award approved January 21, 2015.	Incorporated by reference herein to Exhibit 10.7.4 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2014.
*10.6.4	Form of Notice of Restricted Stock Unit Grant (Non-Employee Director) and Restricted Stock Unit Award Agreement (Non-Employee Director) for Non-Employee Director Restricted Stock Unit Award approved January 19, 2016.	Attached.
*10.6.5	Form of Notice of Restricted Stock Unit Grant (Employee) and Restricted Stock Unit Award Agreement (Employee), approved January 17, 2012.	Incorporated by reference herein to Exhibit 10.21.1 to the Annual Report on Form 10-K for the year ended December 31, 2011.
*10.6.6	Form of Notice of Restricted Stock Unit Grant (Employee) and Restricted Stock Unit Award Agreement (Employee), approved January 15, 2013.	Incorporated by reference herein to Exhibit 10.7.10 to the Annual Report on Form 10-K for the year ended December 31, 2012.
*10.6.7	Form of Notice of Restricted Stock Unit Grant (Employee) and Restricted Stock Unit Award Agreement (Employee), approved January 14, 2014.	Incorporated by reference herein to Exhibit 10.7.12 to the Annual Report on Form 10-K for the year ended December 31, 2013.
*10.6.8	Form of Notice of Restricted Stock Unit Grant (Employee) and Restricted Stock Unit Award Agreement (Employee), approved January 21, 2015.	Incorporated by reference herein to Exhibit 10.7.11 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2014.
*10.6.9	Form of Notice of Restricted Stock Unit Grant (Employee) and Restricted Stock Unit Award Agreement (Employee), approved January 19, 2016.	Attached.
*10.6.10	Form of Notice of Performance Unit Grant and Performance Unit Award Agreement, approved January 14, 2014.	Incorporated by reference herein to Exhibit 10.7.14 to the Annual Report on Form 10-K for the year ended December 31, 2013.
*10.6.11	Form of Notice of Performance Unit Grant and Performance Unit Award Agreement, approved January 21, 2015.	Incorporated by reference herein to Exhibit 10.7.14 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2014.
*10.6.12	Form of Notice of Performance Unit Grant and Performance Unit Award Agreement, approved January 19, 2016.	Attached.
*10.7	Employment Agreement, dated November 17, 2015, between First American Financial Corporation and Dennis J. Gilmore.	Attached.

Exhibit No.	Description	Location
*10.8	Employment Agreement, dated November 17, 2015, between First American Financial Corporation and Kenneth D. DeGiorgio.	Attached
*10.9	Employment Agreement, dated November 17, 2015, between First American Financial Corporation and Christopher M. Leavell.	Attached
*10.10	Employment Agreement, dated November 17, 2015, between First American Financial Corporation and Mark E. Seaton.	Attached
*10.11	First American Financial Corporation Form of Amended and Restated Change in Control Agreement effective as of December 31, 2010.	Incorporated by reference herein to Exhibit 10(c) to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2010.
(21)	Subsidiaries of the registrant.	Attached.
(23)	Consent of Independent Registered Public Accounting Firm.	Attached.
(31)(a)	Certification by Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Act of 1934.	Attached.
(31)(b)	Certification by Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.	Attached.
(32)(a)	Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.	Attached.
(32)(b)	Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.	Attached.
101.INS	XBRL Instance Document.	Attached.
101.SCH	XBRL Taxonomy Extension Schema Document.	Attached.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Attached.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	Attached.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Attached.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Attached.

Exhibit 10.6.4

[Non-Employee Director]
Notice of Restricted Stock Unit Grant

Participant: [Participant Name]

Company: First American Financial Corporation

Notice: You have been granted the following Restricted Stock Units in accordance with the terms of the Plan and the Restricted Stock Unit Award Agreement attached hereto.

Type of Award: Restricted Stock Units

Plan: First American Financial Corporation 2010 Incentive Compensation Plan

Grant: Date of Grant: [Grant Date]
Number of Shares Underlying Restricted Stock Units: [Number of Shares Granted]

Period of Restriction: Subject to the terms of the Plan and this Agreement, the Period of Restriction applicable to the Restricted Stock Units shall commence on the Date of Grant and shall lapse on the date listed in the "Lapse Date" column below as to that percentage of Shares underlying the Restricted Stock Units set forth below opposite each such date.

Lapse Date	Percentage of Shares as to Which Period of Restriction Lapses
Date of Grant + 1 year	33.333%
Date of Grant + 2 years	33.333%
Date of Grant + 3 years	33.334%

Rejection: If you wish to accept this Restricted Stock Unit Award, please access Fidelity NetBenefits® at www.netbenefits.com/firstamerican and follow the steps outlined under the "Accept Grant" link at any time within forty-five (45) days after the Date of Grant. If you do not accept your grant via Fidelity NetBenefits® within forty-five (45) days after the Date of Grant, you will have rejected this Restricted Stock Unit Award.

[Non-Employee Director]
Restricted Stock Unit Award Agreement

This Restricted Stock Unit Award Agreement (this "Agreement"), dated as of the Date of Grant set forth in the Notice of Restricted Stock Unit Grant attached hereto (the "Grant Notice"), is made between First American Financial Corporation (the "Company") and the Participant set forth in the Grant Notice. The Grant Notice is included in and made part of this Agreement.

1. Definitions .

Capitalized terms used but not defined in this Agreement (including the Grant Notice) have the meaning set forth in the Plan .

2. Grant of the Restricted Stock Units .

Subject to the provisions of this Agreement and the provisions of the Plan, the Company hereby grants to the Participant, pursuant to the Plan, a right to receive the number of shares of common stock of the Company, par value $.00001 per share ("Shares"), set forth in the Grant Notice (the "Restricted Stock Units").

3. Dividend Equivalents .

Each Restricted Stock Unit shall accrue Dividend Equivalents with respect to dividends that would otherwise be paid on the Share underlying such Restricted Stock Unit during the period from the Grant Date to the date such Share is delivered in accordance with Section 6. Any such Dividend Equivalent shall be deemed reinvested in additional Shares underlying the Restricted Stock Units immediately upon the related dividend's payment date, based on the then-current Fair Market Value (rounded down to the nearest whole number), and shall be subject to the Period of Restriction applicable to the Restricted Stock Unit on which such Dividend Equivalent is paid. Any such conversion of Dividend Equivalents shall be conclusively determined by the Committee. The Shares underlying Restricted Stock Units into which Dividend Equivalents are so converted shall be delivered in accordance with Section 6.

4. Period of Restriction; Termination .

The Period of Restriction with respect to the Restricted Stock Units shall be as set forth in the Grant Notice. Subject to the terms of the Plan and the remaining provisions of this Section 4, all Restricted Stock Units for which the Period of Restriction had not lapsed prior to the date of the Participant's Termination shall be immediately forfeited. Notwithstanding the foregoing to the contrary:

(a) In the event of the Participant's Termination due to his or her death or Disability, the Period of Restriction as to all Restricted Stock Units shall immediately lapse in its entirety.

(b) In the event of the Participant's Termination due to his or her retirement from the Board, irrespective of length of service prior to such retirement, the Period of Restriction as to all Restricted Stock Units shall immediately lapse in its entirety.

5. Change of Control .

Except for a Change of Control that has been approved by the Company's Incumbent Board prior to the occurrence of such Change of Control, the provisions of Section 15.1 of the Plan shall apply to the Restricted Stock Units.

6. Delivery of Shares .

Unless delivery is deferred for reasons set forth in Section 10, as soon as reasonably practicable following the lapse of the applicable portion of the Period of Restriction, but in no event later than 90 days following the date of such lapse, the Company shall cause to be delivered to the Participant the full number of Shares underlying the Restricted Stock Units as to which such portion of the Period of Restriction has so lapsed, together with Shares comprising all accrued Dividend Equivalents with respect to such Restricted Stock Units, subject to satisfaction of applicable tax withholding obligations with respect thereto pursuant to Article XVII of the Plan.

7. No Ownership Rights Prior to Issuance of Shares .

Neither the Participant nor any other person shall become the beneficial owner of the Shares underlying the Restricted Stock Units, nor have any rights to dividends or other rights as a shareholder with respect to any such Shares, until and after such Shares have been actually issued to the Participant and transferred on the books and records of the Company or its agent in accordance with the terms of the Plan and this Agreement.

8. Detrimental Activity .

(a) Notwithstanding any other provisions of this Agreement to the contrary, if at any time prior to the delivery of Shares with respect to the Restricted Stock Units, the Participant engages in Detrimental Activity, such Restricted Stock Units shall be cancelled and rescinded without any payment or consideration therefor. The determination of whether the Participant has engaged in Detrimental Activity shall be made by the Committee in its good faith discretion, and lapse of the Period of Restriction and delivery of Shares with respect to the Restricted Stock Units shall be suspended pending resolution to the Committee's satisfaction of any investigation of the matter.

(b) For purposes of this Agreement, "Detrimental Activity" means at any time (i) using information received during the Participant's membership on the Board relating to the business affairs of the Company or any of its Subsidiaries or Affiliates, in breach of the Participant's express or implied undertaking to keep such information confidential; (ii) directly or indirectly persuading or attempting to persuade, by any means, any employee of the Company or any of its Subsidiaries or Affiliates to breach any of the terms of his or her employment with Company, its Subsidiaries or its Affiliates; (iii) directly or indirectly making any statement that is, or could be, disparaging of the Company or any of its Subsidiaries or Affiliates, or any of their respective employees (except to the extent necessary to respond truthfully to any inquiry from applicable regulatory authorities or to provide information pursuant to legal process); (iv) directly or indirectly engaging in any illegal, unethical or otherwise wrongful activity that is, or could be, substantially injurious to the financial condition, reputation or goodwill of the Company or any of its Subsidiaries or Affiliates; or (v) directly or indirectly engaging in an act of misconduct such as, embezzlement, fraud, dishonesty, nonpayment of any obligation owed to the Company or any of its Subsidiaries or Affiliates, breach of fiduciary duty or disregard or violation of rules, policies or procedures of the Company or any of its Subsidiaries or Affiliates, an unauthorized disclosure of any trade secret or confidential information of the Company or any of its Subsidiaries or Affiliates, any conduct constituting unfair competition, or inducing any customer to breach a contract with the Company or any of its Subsidiaries or Affiliates, in each case as determined by the Committee in its good faith discretion.

9. The Plan .

In consideration for this grant, the Participant agrees to comply with the terms of the Plan and this Agreement. This Agreement is subject to all the terms, provisions and conditions of the Plan, which are incorporated herein by reference, and to such regulations as may from time to time be adopted by the Committee. In the event of any conflict between the provisions of the Plan and this Agreement, the provisions of the Plan shall control, and this Agreement shall be deemed to be modified accordingly. The Plan and the prospectus describing the Plan can be found on Fidelity NetBenefits ® at www.netbenefits.com/firstamerican under Plan Information and Documents . A paper copy of the Plan and the prospectus shall be provided to the Participant upon the Participant's written request to the Company at First American Financial Corporation, 1 First American Way, Santa Ana, California 92707, Attention: Incentive Compensation Plan Administrator, or such other address as the Company may from time to time specify.

10. Compliance with Laws and Regulations .

(a) The Restricted Stock Units and the obligation of the Company to sell and deliver Shares hereunder shall be subject in all respects to (i) all applicable Federal and state laws, rules and regulations and (ii) any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body which the Committee shall, in its discretion, determine to be necessary or applicable. Moreover, the Company shall not deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement if doing so would be contrary to applicable law. If at any time the Company determines, in its discretion, that the listing, registration or qualification of Shares upon any national securities exchange or under any state or Federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable, the Company shall not be required to deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement unless and until such listing, registration, qualification, consent or approval has been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Company.

(b) It is intended that t he Shares received in respect of the Restricted Stock Units shall have been registered under the Securities Act . If the Participant is an "affiliate" of the Company, as that term is defined in Rule 144 under the Securities Act ("Rule 144"), the Participant may not sell the Shares received except in compliance with Rule 144. Certificates representing Shares issued to an "affiliate" of the Company may bear a legend setting forth such restrictions on the disposition or transfer of the Shares as the Company deems appropriate to comply with Federal and state securities laws.

(c) If, at any time, the Shares are not registered under the Securities Act, and/or there is no current prospectus in effect under the Securities Act with respect to the Shares, the Participant shall execute, prior to the delivery of any Shares to the Participant by the Company pursuant to this Agreement, an agreement (in such form as the Company may specify) in which the Participant represents and warrants that the Participant is purchasing or acquiring the shares acquired under this Agreement for the Participant's own account, for investment only and not with a view to the resale or distribution thereof, and represents and agrees that any subsequent offer for sale or distribution of any kind of such Shares shall be made only pursuant to either (i) a registration statement on an appropriate form under the Securities Act, which registration statement has become effective and is current with regard to the Shares being offered or sold, or (ii) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption the Participant shall, prior to any offer for sale of such Shares, obtain a prior favorable written opinion, in form and substance satisfactory to the Company, from counsel for or approved by the Company, as to the applicability of such exemption thereto.

11. Notices .

All notices by the Participant or the Participant's assignees shall be addressed to First American Financial Corporation, 1 First American Way, Santa Ana, California 92707, Attention: Incentive Compensation Plan Administrator, or such other address as the Company may from time to time specify. All notices to the Participant shall be addressed to the Participant at the Participant's address in the Company's records.

12. Severability .

In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Agreement, and this Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

[SIGNATURES ON NEXT PAGE]

FIRST AMERICAN FINANCIAL CORPORATION

By: ______________________________
Name:
Title:

Date: [Grant Date]

Acknowledged and agreed as of the Date of Grant:

Printed Name: [Participant Name]

Date: [Acceptance Date]

[NOTE: GRANT WILL BE ACCEPTED ELECTRONICALLY]

Exhibit10.6.9

[Employee]
Notice of Restricted Stock Unit Grant

Participant: **[Participant Name]**

Company: First American Financial Corporation

Notice: You have been granted the following Restricted Stock Units in accordance with the terms of the Plan and the Restricted Stock Unit Award Agreement attached hereto.

Type of Award: Restricted Stock Units

Plan: First American Financial Corporation 2010 Incentive Compensation Plan

Grant: Date of Grant: **[Grant Date]**
Number of Shares Underlying Bonus Restricted Stock Units: **[Number of shares Granted]**
Number of Shares Underlying Other Restricted Stock Units: **[Number of shares Granted]**

Period of Restriction: Subject to the terms of the Plan and this Agreement, the Period of Restriction applicable to the Restricted Stock Units shall commence on the Date of Grant and shall lapse on the date listed in the "Lapse Date" column below as to that percentage of Shares underlying the Restricted Stock Units set forth below opposite each such date.

Lapse Date	Percentage of Shares as to Which Period of Restriction Lapses
Date of Grant + 1 year	25%
Date of Grant + 2 years	25%
Date of Grant + 3 years	25%
Date of Grant + 4 years	25%

For the avoidance of doubt, the relevant percentage of the Period of Restriction shall lapse on a pro-rata basis with respect to each of the total Shares underlying Bonus Restricted Stock Units and the total Shares underlying Other Restricted Stock Units.

Rejection: If you wish to accept this Restricted Stock Unit Award, please access Fidelity NetBenefits® at www.netbenefits.com/firstamerican and follow the steps outlined under the "Accept Grant" link at any time within forty-five (45) days after the Date of Grant. If you do not accept your grant via Fidelity NetBenefits® within forty-five (45) days after the Date of Grant, you will have rejected this Restricted Stock Unit Award.

[Employee]
Restricted Stock Unit Award Agreement

This Restricted Stock Unit Award Agreement (this "Agreement"), dated as of the Date of Grant set forth in the Notice of Restricted Stock Unit Grant attached hereto (the "Grant Notice"), is made between First American Financial Corporation (the "Company") and the Participant set forth in the Grant Notice. The Grant Notice is included in and made part of this Agreement.

1. Definitions .

Capitalized terms used but not defined in this Agreement (including the Grant Notice) have the meaning set forth in the Plan .

For "Cause," shall be defined as: (i) embezzlement, theft or misappropriation by the Participant of any property of any of the Company or its affiliates; (ii) Participant's breach of any fiduciary duty to the Company or its affiliates; (iii) Participant's failure or refusal to comply with laws or regulations applicable to the Company or its affiliates and their businesses or the policies of the Company and its affiliates governing the conduct of its employees or directors; (iv) Participant's gross incompetence in the performance of Participant's job duties; (v) commission by Participant of a felony or of any crime involving moral turpitude, fraud or misrepresentation; (vi) the failure of Participant to perform duties consistent with a commercially reasonable standard of care; (vii) Participant's failure or refusal to perform Participant's job duties or to perform specific directives of Participant's supervisor or designee, or the senior officers or Board of Directors of the Company; or (viii) any gross negligence or willful misconduct of Participant resulting in loss to the Company or its affiliates, or damage to the reputation of the Company or its affiliates.

2. Grant of the Restricted Stock Units .

Subject to the provisions of this Agreement and the provisions of the Plan, the Company hereby grants to the Participant, pursuant to the Plan, a right to receive the number of shares of common stock of the Company, par value $.00001 per share ("Shares"), set forth in the Grant Notice (the "Restricted Stock Units").

3. Dividend Equivalents .

Each Restricted Stock Unit shall accrue Dividend Equivalents with respect to dividends that would otherwise be paid on the Share underlying such Restricted Stock Unit during the period from the Grant Date to the date such Share is delivered in accordance with Section 6. Any such Dividend Equivalent shall be deemed reinvested in additional Shares underlying the Restricted Stock Units immediately upon the related dividend's payment date, based on the then-current Fair Market Value (rounded down to the nearest whole number), and shall be subject to the Period of Restriction applicable to the Restricted Stock Unit on which such Dividend Equivalent is paid. Any such conversion of Dividend Equivalents shall be conclusively determined by the Committee. The Shares underlying Restricted Stock Units into which Dividend Equivalents are so converted shall be delivered in accordance with Section 6.

4. Period of Restriction; Termination .

The Period of Restriction with respect to the Restricted Stock Units shall be as set forth in the Grant Notice. Subject to the terms of the Plan and the remaining provisions of this Section 4, all Restricted Stock Units for which the Period of Restriction had not lapsed prior to the date of the Participant's Termination shall be immediately forfeited. Notwithstanding the foregoing to the contrary, but subject to subsection 4(f):

(a) In the event of the Participant's Termination due to his or her death, the Period of Restriction as to all Restricted Stock Units shall immediately lapse in its entirety.

(b) In the event of the Participant's Termination due to his or her Disability, the Period of Restriction as to all Restricted Stock Units shall lapse in its entirety, provided that the Participant shall have signed a separation agreement in the form established by the Company.

(c) In the event of the Participant's Termination due to his or her Normal Retirement, the Period of Restriction as to all Restricted Stock Units shall continue in effect until, and lapse on, the first anniversary of the date of such Normal Retirement, provided that the Participant shall have signed a separation agreement in the form established by the Company .

(d) In the event of Participant's Termination due to his or her Early Retirement, the outstanding Period of Restriction applicable to all Bonus Restricted Stock Units (but not any Other Restricted Stock Units) shall continue in effect until, and lapse on, the first anniversary of the date of such Early Retirement, provided that the Participant shall have signed a separation agreement in the form established by the Company.

(e) In the event of the Participant's involuntary Termination by the Company or an Affiliate without Cause, the outstanding Period of Restriction applicable to all Bonus Restricted Stock Units (but not any Other Restricted Stock Units) shall continue in effect until, and lapse on, the first anniversary of the date of such Termination, provided that the Participant shall have signed a separation agreement in the form established by the Company.

(f) Restricted Stock Units may be subject to applicable tax withholding obligations pursuant to Article XVII of the Plan and applicable law (e.g., at termination or retirement eligibility), regardless of when the Period of Restriction lapses with respect to such Restricted Stock Units.

For purposes of this Agreement, "Normal Retirement" means Termination of the Participant, other than for Cause, after the Participant has reached 62 years of age and "Early Retirement" means Termination of the Participant, other than for Cause, after the Participant has reached 55 years of age and been employed by the Company and/or an Affiliate for more than 10 years.

5. Change of Control .

Except for a Change of Control that has been approved by the Company's Incumbent Board prior to the occurrence of such Change of Control, the provisions of Section 15.1 of the Plan shall apply to the Restricted Stock Units.

6. Delivery of Shares .

Unless delivery is deferred pursuant to a deferred compensation arrangement made available by the Company, or for reasons set forth in Section 11, as soon as reasonably practicable following the lapse of the applicable portion of the Period of Restriction, but in no event later than 90 days following the date of such lapse, the Company shall cause to be delivered to the Participant the full number of Shares underlying the Restricted Stock Units as to which such portion of the Period of Restriction has so lapsed, together with Shares comprising all accrued Dividend Equivalents with respect to such Restricted Stock Units, subject to satisfaction of applicable tax withholding obligations with respect thereto pursuant to Article XVII of the Plan. Notwithstanding the foregoing, if the Participant is a "specified employee" (as such term is defined in Section 409A(a)(2)(B)(i) of the Code) and if necessary to avoid the imposition of taxes on the Participant pursuant to Section 409A of the Code, such delivery of Shares shall be delayed until the earlier of the date which is six months from the date of such Participant's Termination for any reason other than death, or the date of the Participant's death.

7. <u>No Ownership Rights Prior to Issuance of Shares</u> .

Neither the Participant nor any other person shall become the beneficial owner of the Shares underlying the Restricted Stock Units, nor have any rights to dividends or other rights as a shareholder with respect to any such Shares, until and after such Shares have been actually issued to the Participant and transferred on the books and records of the Company or its agent in accordance with the terms of the Plan and this Agreement.

8. <u>Detrimental Activity</u> .

(a) Notwithstanding any other provisions of this Agreement to the contrary, if at any time prior to the delivery of Shares with respect to the Restricted Stock Units, the Participant engages in Detrimental Activity, such Restricted Stock Units shall be cancelled and rescinded without any payment or consideration therefor. The determination of whether the Participant has engaged in Detrimental Activity shall be made by the Committee in its good faith discretion, and lapse of the Period of Restriction and delivery of Shares with respect to the Restricted Stock Units shall be suspended pending resolution to the Committee's satisfaction of any investigation of the matter.

(b) For purposes of this Agreement, "Detrimental Activity" means at any time (i) using information received during the Participant's employment with the Company and/or its Subsidiaries and Affiliates relating to the business affairs of the Company or any such Subsidiaries or Affiliates, in breach of the Participant's express or implied undertaking to keep such information confidential; (ii) directly or indirectly persuading or attempting to persuade, by any means, any employee of the Company or any of its Subsidiaries or Affiliates to breach any of the terms of his or her employment with Company, its Subsidiaries or its Affiliates; (iii) directly or indirectly making any statement that is, or could be, disparaging of the Company or any of its Subsidiaries or Affiliates, or any of their respective employees (except to the extent necessary to respond truthfully to any inquiry from applicable regulatory authorities or to provide information pursuant to legal process); (iv) directly or indirectly engaging in any illegal, unethical or otherwise wrongful activity that is, or could be, substantially injurious to the financial condition, reputation or goodwill of the Company or any of its Subsidiaries or Affiliates; or (v) directly or indirectly engaging in an act of misconduct such as, embezzlement, fraud, dishonesty, nonpayment of any obligation owed to the Company or any of its Subsidiaries or Affiliates, breach of fiduciary duty or disregard or violation of rules, policies or procedures of the Company or any of its Subsidiaries or Affiliates, an unauthorized disclosure of any trade secret or confidential information of the Company or any of its Subsidiaries or Affiliates, any conduct constituting unfair competition, or inducing any customer to breach a contract with the Company or any of its Subsidiaries or Affiliates, in each case as determined by the Committee in its good faith discretion.

9. <u>No Right to Continued Employment</u> .

None of the Restricted Stock Units nor any terms contained in this Agreement shall confer upon the Participant any express or implied right to be retained in the employ of the Company or any Subsidiary or Affiliate for any period, nor restrict in any way the right of the Company or any Subsidiary or any Affiliate, which right is hereby expressly reserved, to terminate the Participant's employment at any time for any reason. For the avoidance of doubt, this Section 9 is not intended to amend or modify any other agreement, including any employment agreement, that may be in existence between the Participant and the Company or any Subsidiary or Affiliate.

10. <u>The Plan</u> .

In consideration for this grant, the Participant agrees to comply with the terms of the Plan and this Agreement. This Agreement is subject to all the terms, provisions and conditions of the Plan, which are incorporated herein by reference, and to such regulations as may from time to time be adopted by the Committee. In the event of any conflict between the provisions of the Plan and this Agreement, the provisions of the Plan shall control, and this Agreement shall be deemed to be modified accordingly. The Plan and the prospectus describing the Plan can be found on Fidelity NetBenefits® at <u>www.netbenefits.com/firstamerican</u> under Plan Information and Documents. A paper copy of the Plan and the prospectus shall be provided to the Participant upon the Participant's written request to the Company at First American Financial Corporation, 1 First American Way, Santa Ana, California 9270 7 , Attention: Incentive Compensation Plan Administrator, or such other address as the Company may from time to time specify.

11. Compliance with Laws and Regulations .

(a) The Restricted Stock Units and the obligation of the Company to sell and deliver Shares hereunder shall be subject in all respects to (i) all applicable Federal and state laws, rules and regulations and (ii) any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body which the Committee shall, in its discretion, determine to be necessary or applicable. Moreover, the Company shall not deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement if doing so would be contrary to applicable law. If at any time the Company determines, in its discretion, that the listing, registration or qualification of Shares upon any national securities exchange or under any state or Federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable, the Company shall not be required to deliver any certificates for Shares to the Participant or any other person pursuant to this Agreement unless and until such listing, registration, qualification, consent or approval has been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Company.

(b) It is intended that t he Shares received in respect of the Restricted Stock Units shall have been registered under the Securities Act . If the Participant is an "affiliate" of the Company, as that term is defined in Rule 144 under the Securities Act ("Rule 144"), the Participant may not sell the Shares received except in compliance with Rule 144. Certificates representing Shares issued to an "affiliate" of the Company may bear a legend setting forth such restrictions on the disposition or transfer of the Shares as the Company deems appropriate to comply with Federal and state securities laws.

(c) If, at any time, the Shares are not registered under the Securities Act, and/or there is no current prospectus in effect under the Securities Act with respect to the Shares, the Participant shall execute, prior to the delivery of any Shares to the Participant by the Company pursuant to this Agreement, an agreement (in such form as the Company may specify) in which the Participant represents and warrants that the Participant is purchasing or acquiring the shares acquired under this Agreement for the Participant's own account, for investment only and not with a view to the resale or distribution thereof, and represents and agrees that any subsequent offer for sale or distribution of any kind of such Shares shall be made only pursuant to either (i) a registration statement on an appropriate form under the Securities Act, which registration statement has become effective and is current with regard to the Shares being offered or sold, or (ii) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption the Participant shall, prior to any offer for sale of such Shares, obtain a prior favorable written opinion, in form and substance satisfactory to the Company, from counsel for or approved by the Company, as to the applicability of such exemption thereto.

(d) To the extent any policy adopted by the New York Stock Exchange (or any other exchange on which securities of the Company are listed) pursuant to Section 10D of the Securities Exchange Act of 1934 requires the Company to recover incentive-based compensation erroneously paid due to material errors in the financial statements of the Company and such policy requires the repayment of incentive-based compensation received by Participant, whether paid pursuant to this Agreement or any other plan of incentive-based compensation maintained in the past or adopted in the future by the Company, Participant agrees to the repayment of such amounts to the extent required by such policy.

12. Notices .

All notices by the Participant or the Participant's assignees shall be addressed to First American Financial Corporation, 1 First American Way, Santa Ana, California 92707, Attention: Incentive Compensation Plan Administrator, or such other address as the Company may from time to time specify. All notices to the Participant shall be addressed to the Participant at the Participant's address in the Company's records.

13. Severability .

In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Agreement, and this Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

14. Other Plans .

The Participant acknowledges that any income derived from the Restricted Stock Units shall not affect the Participant's participation in, or benefits under, any other benefit plan or other contract or arrangement maintained by the Company or any Subsidiary or Affiliate. Dividend Equivalents paid on either Bonus Restricted Stock Units or Other Restricted Stock Units shall not be deemed to be "Covered Compensation" under such plans.

15. Vesting of RSUs Contingent on Company Performance .

Notwithstanding any other provisions in this Agreement, except in the event of a Change of Control or a Participant's Termination due to his or her death or Disability, the Participant's entitlement to the receipt of any Shares hereunder is contingent upon the Company's achievement of net income (as defined in accordance with generally acceptable accounting principles) for 2016 of $25 million or more. Net income shall be determined without regard to (a) asset write-downs, (b) litigation or claim judgments or settlements, (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (d) any reorganization and restructuring programs, (e) extraordinary, unusual and/or nonrecurring items of gain or loss, and (f) foreign exchange gains and losses.

FIRST AMERICAN FINANCIAL CORPORATION

By: ______________________________
Name:
Title:

Date: **[Grant Date]**

Acknowledged and agreed as of the Date of Grant:

Printed Name: **[Participant Name]**

Date: **[Acceptance Date]**

[NOTE: GRANT WILL BE ACCEPTED ELECTRONICALLY]

Notice of Performance Unit Grant

Participant:	[●]
Company:	First American Financial Corporation (the "Company")
Notice:	You have been granted a Performance Unit in accordance with the terms of the Plan and the Performance Unit Award Agreement attached hereto.
Type of Award:	Performance Units
Plan:	First American Financial Corporation 2010 Incentive Compensation Plan
Grant:	Date of Grant: [●], 2016 Number of Performance Units: [●] Each Performance Unit has the value of $1
Performance Period:	Subject to the terms of the Plan and this Agreement, the Performance Period applicable to the Performance Units shall be the calendar year 2016.
Performance Condition:	Your right to the receipt of cash for your Performance Units is conditioned on the Company's achievement of net income (as defined in accordance with generally acceptable accounting principles) for 2016 of $25 million or more, determined without regard to (a) asset write-downs, (b) litigation or claim judgments or settlements, (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (d) any reorganization and restructuring programs, (e) extraordinary, unusual and/or nonrecurring items of gain or loss, and (f) foreign exchange gains and losses. This condition is referred to as the "Performance Target." Within a reasonable time after the determination of whether the Performance Target has been met, the Committee shall determine the final amount of Performance Units to which you shall be entitled, provided that the total amount thereof shall not exceed the amount set forth above. The Committee, in its sole and unfettered discretion, may decrease the number of Performance Units awarded to you at any time prior to the payment thereon.
Rejection:	If you wish to accept this Performance Unit Award, please return this Agreement, executed by you on the last page of this Agreement, at any time within forty-five (45) days after the Date of Grant, to First American Financial Corporation, 1 First American Way, Santa Ana, California 92707, Attn: Incentive Compensation Plan Administrator. Do not return a signed copy of this Agreement if you wish to reject this Performance Unit Award. If you do not return a signed copy of this Agreement within forty-five (45) days after the Date of Grant, you will have rejected this Performance Unit Award.

Performance Unit Award Agreement

This Performance Unit Award Agreement (this "Agreement"), dated as of the date of the Notice of Performance Unit Grant attached hereto (the "Grant Notice"), is made between First American Financial Corporation (the "Company") and the Participant set forth in the Grant Notice. The Grant Notice is included and made a part of this Agreement.

1. Definitions .

Capitalized terms used but not defined in this Agreement (including the Grant Notice) have the meaning set forth in the First American Financial Corporation 2010 Incentive Compensation Plan.

2. Grant of the Performance Units .

Subject to the provisions of this Agreement and the provisions of the Plan, the Company hereby grants to the Participant, pursuant to the Plan, the contingent right to receive in cash an amount equal in value to the performance units set forth in the Grant Notice, as such number of performance units may be reduced by the Committee in its sole and unfettered discretion (the "Performance Units"). Each Performance Unit has a value of $1.

3. Vesting and Payment of Performance Units .

After the Performance Period (as specified in the Notice of Grant) has ended and provided that the Committee has determined that the Performance Target (as defined in the Notice of Grant) has been achieved, the Participant shall be entitled to receive, and the Company shall pay to the Participant, the cash value of the Performance Units; provided , however , that prior to paying to the Participant such cash value, the Committee may, in its sole and unfettered discretion, decrease the amount of Performance Units awarded to the Participant. If the Performance Target is not met, the Participant shall forfeit the Performance Units and the Participant shall not be entitled to any cash payment in connection therewith.

4. No Right to Continued Employment.

None of the Performance Units nor any terms contained in this Agreement shall confer upon the Participant any express or implied right to be retained in the employ of the Company or any Subsidiary or Affiliate for any period, nor restrict in any way the right of the Company or any Subsidiary or any Affiliate, which right is hereby expressly reserved, to terminate the Participant's employment at any time for any reason. For the avoidance of doubt, this Section 4 is not intended to amend or modify any other agreement, including any employment agreement, that may be in existence between the Participant and the Company or any Subsidiary or Affiliate.

5. The Plan.

In consideration for this grant, the Participant agrees to comply with the terms of the Plan and this Agreement. This Agreement is subject to all the terms, provisions and conditions of the Plan, which are incorporated herein by reference, and to such regulations as may from time to time be adopted by the Committee. In the event of any conflict between the provisions of the Plan and this Agreement, the provisions of the Plan shall control, and this Agreement shall be deemed to be modified accordingly. A paper copy of the Plan and the prospectus shall be provided to the Participant upon the Participant's written request to the Company at First American Financial Corporation, 1 First American Way, Santa Ana, California 92707, Attention: Incentive Compensation Plan Administrator, or such other address as the Company may from time to time specify.

6. Notices .

All notices by the Participant or the Participant's assignees shall be addressed to First American Financial Corporation, 1 First American Way, Santa Ana, California 92707, Attention: Incentive Compensation Plan Administrator, or such other address as the Company may from time to time specify. All notices to the Participant shall be addressed to the Participant at the Participant's address in the Company's records.

7. Severability.

In the event any provision of this Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Agreement, and this Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

8. Other Plans .

The Participant acknowledges that any income derived from the Performance Units shall not affect the Participant's participation in, or benefits under, any other benefit plan or other contract or arrangement maintained by the Company or any Subsidiary or Affiliate. For purposes of the Company's Executive Supplemental Benefit Plan and Management Supplemental Benefit Plan, as the same may be amended from time to time, cash ultimately paid for any Performance Units shall be deemed to be "Covered Compensation".

9. Assignment . Participant may not transfer or assign this Agreement or any part thereof. The Company reserves the right to transfer or assign this Agreement to any of its Affiliates.

[SIGNATURES FOLLOW]

FIRST AMERICAN FINANCIAL CORPORATION

By: ______________________________

Name:
Title:

Date: ______________________________

Acknowledged and agreed as of the Date of Grant:

Signature: ______________________________

Printed Name: ______________________________

Date: ______________________________

Exhibit 10.7

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") dated as of November 17, 2015 is made and entered into by and between Dennis J. Gilmore ("Executive") and First American Financial Corporation ("Employer"). In consideration of the mutual covenants and agreements set forth herein, the parties agree as follows:

1. Employment of Executive . Subject to the terms and conditions of this Agreement, Employer hereby employs Executive, and Executive hereby accepts employment, as Chief Executive Officer. Executive shall devote Executive's entire productive time, effort and attention to the business of Employer during the Term (as defined below). Executive will use his best efforts at all times to promote and protect the good name of Employer and Employer's subsidiaries, affiliates and other related companies (together with Employer, each a "Related Company" and, collectively the "Related Companies") as well as that of their respective officers, directors, employees, agents, products and services. Executive shall not directly or indirectly render any service of a business, commercial or professional nature to any other person or organization, whether for compensation or otherwise, without the prior written consent of Employer.

2. Duties To Be Performed . Executive shall perform the duties and have the responsibilities customarily performed and held by a person in a position similar to that set forth in Section 1. Executive shall also perform such other duties as directed by Employer's Board of Directors. Any modification made by Employer's Board of Directors to the duties of Executive shall not constitute a breach of this Agreement.

3. Term of Agreement . This Agreement shall become effective on the date of this Agreement and, unless earlier terminated pursuant to the provisions of the Agreement, shall continue through the close of business on December 31, 2018 (the "Term"). Unless continued on an "at-will" basis by Employer or any other Related Company or pursuant to another agreement, Executive's employment shall terminate upon the termination of this Agreement for any reason.

4. Compensation . In full payment for Executive's services, Employer shall provide to Executive compensation and benefits determined in accordance with this Section 4.

4.1 Salary. During the Term, Employer shall pay Executive a base annual salary (the "Base Salary"), before deducting all applicable withholdings, of $900,000 per year, payable at the times and in the manner dictated by Employer's standard payroll policies, which Base Salary may be increased in the sole and unfettered discretion of the Compensation Committee of the Board of Directors of Employer (the "Compensation Committee") or the Board of Directors of Employer. The Base Salary shall be prorated for any partial pay period that occurs during the Term.

4.2 Performance Bonus; Long-Term Incentive Equity Awards . During the Term, in addition to the Base Salary, Employer may, in the sole and unfettered discretion of the Compensation Committee, pay to Executive an annual bonus and long-term incentive equity award.

4.3 Benefits . Executive shall, subject to the terms and conditions of any applicable benefits plan documents and applicable law, be entitled to receive all benefits of employment generally available to other similarly situated executives of Employer when and as he becomes eligible for them, including medical, dental, life and disability insurance benefits. Employer reserves the right to modify, suspend or discontinue any and all of the above benefit plans, policies, and practices at any time without notice to or recourse by Executive, so long as such action is taken generally with respect to other similarly situated executives of Employer and does not single out Executive.

4.4 Taxes and Withholdings . Employer may deduct from all compensation payable under this Agreement to Executive any taxes or withholdings Employer is required to deduct pursuant to state and federal laws or by mutual agreement between the parties. Employee is solely liable for any and all taxes beyond those specifically withheld by Employer.

5 . Termination .

5.1 Termination Upon Death . The Term (and Executive's employment) shall automatically terminate with immediate effect upon the death of Executive.

5.2 Termination by Employer . Notwithstanding anything in this Agreement to the contrary, express or implied, the Term (and Executive's employment) may be terminated immediately by Employer (by delivery of written notice specifying that termination is made pursuant to this Section 5.2) as follows:

(a) Whenever Executive is not physically or mentally able (with reasonable accommodation) to perform the essential functions of Executive's job;

(b) For "Cause," which shall be defined as: (i) embezzlement, theft or misappropriation by the Executive of any property of any of the Related Companies; (ii) Executive's willful breach of any fiduciary duty to Employer; (iii) Executive's willful failure or refusal to comply with laws or regulations applicable to Employer and its business or the policies of Employer governing the conduct of its employees; (iv) Executive's gross incompetence in the performance of Executive's job duties; (v) commission by Executive of a felony or of any crime involving moral turpitude, fraud or misrepresentation; (vi) the failure of Executive to perform duties consistent with a commercially reasonable standard of care; (vii) Executive's refusal to perform Executive's job duties or to perform reasonable specific directives of Executive's supervisor or his successor or designee and the Board of Directors of Employer; or (viii) any gross negligence or willful misconduct of Executive resulting in a loss to Employer or any other Related Company, or damage to the reputation of Employer or any other Related Company; or

(c) Upon the occurrence of any material breach (not covered by any of clauses (i) through (viii) of Section 5.2(b) above) of any of the provisions of this Agreement, it being agreed that for all purposes under this Agreement any violation of any of the provisions of Sections 1, 6, 7, 8, 9 and 10 shall be deemed to be a material breach of this Agreement.

5.3 Termination by Employer without Cause . Employer may terminate the Term (and Executive's employment) by giving two weeks written notice to Executive. A termination made pursuant to this Section 5.3 is a "termination Without Cause." A termination made pursuant to Section 5.2 (and satisfying the notice requirement set forth therein) shall under no circumstance be considered a termination Without Cause.

5.4 Rights and Obligations Upon Termination .

(a) In the event of Employer's termination of the Term (and Executive's employment) pursuant to Section 5.3 (which, for the avoidance of doubt, is a termination Without Cause), Employer shall pay Executive:

(i) his Base Salary and accrued vacation through the date of termination, paid within 5 days following the termination date (or earlier if required by law);

(ii) any annual bonus earned for any fiscal year completed before the date of termination that remains unpaid as of the date of termination, paid within 5 days following the termination date (or earlier if required by law); and

(iii) an amount (the "Severance Amount") equal to two (2) times the sum of (A) his Base Salary and (B) the median of the last three (3) annual bonuses paid to Executive (whether earned pursuant to this Agreement or otherwise and whether paid in cash, restricted stock units, stock options or otherwise) (the "Median Bonus"), fifty percent (50%) of which will be paid on the first business day following the 12-month anniversary of the date of termination and fifty percent (50%) of which will be paid in twelve installments equal to 1/24 th of the Severance Amount, the first payment of which will be made on the 29 th day following termination and the remaining eleven payments of which will be made on the first business day of each calendar month thereafter .

For the purpose of determining the Median Bonus, the value of (1) the portion of any annual bonus paid in the form of restricted stock or restricted stock units ("RSUs") shall be determined by multiplying the number of restricted shares or RSUs granted by the closing price of the restricted shares or stock underlying the RSUs on the grant date and (2) the portion of any annual bonus paid in the form of stock options or other equity (excluding restricted stock or RSUs) shall be determined using the methodology utilized by Employer for determining the cost of such stock option or other equity for financial reporting purposes, but without giving effect to the amortization of such stock option or other equity. For the avoidance of doubt, the Median Bonus shall not include any long-term incentive equity awards which would not be included in "Covered Compensation" under the Executive Supplemental Benefit Plan (including any amendment, modification or successor thereto, the "SERP"). For the avoidance of doubt, "median" means, with respect to a set of three amounts, the middle amount and not the highest or the lowest amount, unless two of the amounts in the set are the same amount, in which case "median" means the amount which occurs twice in the set.

In exchange for Employer's agreement to pay the Severance Amount and as a condition thereto, Executive agrees to execute (within 21 days following the date of termination of employment), deliver and not revoke (within the time period permitted by applicable law) a general release of the Related Companies and their respective officers, directors, employees and owners from any and all claims, obligations and liabilities of any kind whatsoever, including all such claims arising from or in connection with Executive's employment or termination of employment with Employer or this Agreement (including, without limitation, civil rights claims), in such form as is reasonably requested by Employer. Executive's right to receive the Severance Amount is conditioned upon the release described in the preceding sentence becoming irrevocable within the prescribed time period. In addition, Executive's right to receive the Severance Amount shall immediately cease in the event that Executive violates any of the provisions of Sections 7 or 8. Apart from the payments set forth in this Section 5.4(a) and the benefits to which Executive may be entitled under the Employment Arrangements (as defined below), upon such termination Employer shall have no further liability whatsoever to Executive.

(b) In the event of the termination of the Term (and Executive's employment) pursuant to Sections 5.1 or 5.2 or, if Executive's employment does not continue on an at-will basis or pursuant to another agreement, upon the expiration of the Term, Employer shall be obligated to pay Executive (or, in the case of a termination under Section 5.1, Executive's heir or successor) the Base Salary and paid time off accrued hereunder through the date of termination and any annual bonus earned for any fiscal year completed before the date of termination, in each case, that remains unpaid as of the date of termination. Apart from the payments set forth in this Section 5.4(b) and the benefits to which Executive may be entitled under the Employment Arrangements, upon such termination or expiration, as the case may be, Employer shall have no further liability whatsoever to Executive.

(c) If (i) Executive's employment is terminated Without Cause by Employer prior to the expiration of the Term, (ii) as of the date of such termination Executive has not yet reached his "Early Retirement Date", as defined in the SERP and (iii) Executive would have reached his "Early Retirement Date" during the Term had his employment not been earlier terminated, Executive will be deemed to be vested in the SERP on the date he would have reached his "Early Retirement Date" and he will begin receiving payments under the SERP on such date as otherwise provided in, and otherwise subject to the provisions of, the SERP; provided , however , that in such circumstance Executive's "Final Average Compensation" (or equivalent) for purposes of the SERP shall be determined as of the date of the termination of his employment.

(d) If it becomes known that Executive's employment will terminate for any reason, Employer may, in its sole discretion and subject to its other obligations under this Agreement, relieve Executive of his duties under this Agreement and assign Executive other reasonable duties and responsibilities to be performed until the termination becomes effective.

(e) In the event that any payment or benefit received or to be received by Executive under this Agreement and all other arrangements or programs, including any acceleration of vesting of stock options, restricted stock, restricted stock units, deferred compensation, or long-term incentive awards (collectively, the "Payments"), would constitute an excess parachute payment within the meaning of Section 280G of the Internal

Revenue Code of 1986, as amended (the "Code") , as determined in good faith by Employer's independent auditors, then the portion of the Payments that would be treated as parachute payments under Section 280G of the Code shall be reduced so that the Payments, in the aggregate, are reduced to the Safe Harbor Amount (as defined below). For purposes of this Agreement, the term "Safe Harbor Amount" means the largest portion of the Payments that would result in no portion of the Payments being considered parachute payments under Section 280G of the Code. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. In addition, with regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A of the Code, all such payments shall be made on or before the last day of calendar year following the calendar year in which the expense occurred.

(f) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Code and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code, then with regard to any payment or the provision of any benefit (whether under this Agreement or otherwise) that is considered deferred compensation under Section 409A of the Code payable on account of a "separation from service," and that is not exempt from Section 409A of the Code as involuntary separation pay or a short-term deferral (or otherwise), such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such "separation from service" of Executive or (ii) the date of Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 5.4(f) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum without interest, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. For purposes of Section 409A of the Code, each payment amount or benefit due under this Agreement will be considered a separate payment and Executive's entitlement to a series of payments or benefits under this Agreement is to be treated as an entitlement to a series of separate payments.

(g) Upon termination of Executive's employment for any reason, Executive hereby resigns from any and all (i) positions with all Related Companies, whether as a director, manager, general partner, officer or otherwise; (ii) committee memberships, fiduciary capacities or similar positions with respect to employee benefit plans sponsored by any Related Company, and (iii) any other positions associated with any Related Company.

6. Restrictive Covenants

6.1 Access to Trade Secrets and Confidential Information. Executive acknowledges and agrees that in the performance of Executive's duties of employment Executive will be brought into frequent contact with existing and potential customers of Employer and the other Related Companies throughout the world. Executive also agrees that trade secrets and confidential information of Employer and the other Related Companies gained by Executive during Executive's association with Employer and the other Related Companies have been developed by Employer and the other Related Companies through substantial expenditures of time, effort and money and constitute valuable and unique property of Employer and the other Related Companies, and Employer and/or the Related Companies will suffer substantial damage and irreparable harm which will be difficult to compute if, during the Term and thereafter, Executive should disclose or improperly use such confidential information and trade secrets in violation of the provisions of this Section 6. Executive further understands and agrees that the foregoing makes it necessary for the protection of the businesses of Employer and the other Related Companies that Executive not compete with Employer or any other Related Company during his or her employment, as further provided in this Section 6.

6.2 Non-Compete and Non-Solicit. While employed by Employer or any other Related Company, Executive will not, directly or indirectly, engage in or render any service of a business, commercial or professional nature to any other person, entity or organization, whether for compensation or otherwise, that is in competition with Employer or any other Related Company anywhere in the world . In accordance with this restriction, but without limiting its terms, Executive will not:

(a) enter into or engage in any business which competes with the business of Employer or any other Related Company;

(b) solicit customers, business, patronage or orders for, or sell, any products or services in competition with, or for any business that competes with, the business of Employer or any other Related Company;

(c) divert, entice, or take away any customers, business, patronage or orders of Employer or any other Related Company or attempt to do so; or

(d) promote or assist, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the business of Employer or any other Related Company.

6.3 Scope of Restricted Activities . For the purposes of Section 6.2, but without limitation thereof, Executive will be in violation thereof if Executive engages in any or all of the activities set forth therein directly as an individual on Executive's own account, or indirectly as a stockholder, partner, joint venturer, executive, agent, salesperson, consultant, officer and/or director of, or by virtue of the ownership by Executive's spouse, child or parent of any equity interest in, any firm, association, partnership, corporation or other entity engaging in any or all of such activities; provided, however, Executive's or Executive's spouse's, child's or parent's ownership of less than one percent (1%) of the issued equity interest in any publicly traded corporation shall not alone constitute a violation of this Agreement.

6.4 Scope of Covenants . Employer and Executive acknowledge that the time, scope, geographic area and other provisions of Sections 6 and 7 have been specifically negotiated by sophisticated commercial parties and agree that they consider the restrictions and covenants contained in such Sections to be reasonable and necessary for the protection of the interests of the Related Companies, but if any such restriction or covenant shall be held by any court of competent jurisdiction to be void but would be valid if deleted in part or reduced in application, such restriction or covenant shall apply with such deletion or modification as may be necessary to make it valid and enforceable. The restrictions and covenants contained in each provision of such Sections shall be construed as separate and individual restrictions and covenants and shall each be capable of being severed without prejudice to the other restrictions and covenants or to the remaining provisions of this Agreement.

7. No Solicitation of Employees . Executive will not directly or indirectly, at any time during the Term and the 12-month period after termination of Executive's employment, either for Executive or for any other person or entity, recruit or solicit for hire any employee, officer, director or other personnel of the Employer or any of the Related Companies, or to induce or encourage such a person or entity to terminate his, her or its relationship, or breach an agreement, with the Employer or one of the Related Companies.

8. Nondisclosure of Confidential Information . Executive will keep in strict confidence, and will not, directly or indirectly, at any time during or after Executive's employment with Employer, disclose, furnish, disseminate, make available or, except in the course of performing Executive's duties of employment, use any trade secrets or confidential business and technical information of Employer, any other Related Company or any of its respective customers or vendors, without limitation as to when or how Executive may have acquired such information. Such confidential information shall include, without limitation, Employer's and any other Related Company's unique selling and servicing methods and business techniques, business strategies, financial information, training, service and business manuals, promotional materials, training courses and other training and instructional materials, vendor and product information, customer and prospective customer lists, other customer and prospective customer information, processes, inventions, patents, copyrights, trademarks and other intellectual property and intangible rights, and other business information. Executive specifically acknowledges that all such confidential information, whether reduced to writing, maintained on any form of electronic media, or maintained in the mind or memory of Executive and whether compiled by Employer, any other Related Company and/or Executive, derives independent economic value from not being readily known to or ascertainable by proper means by others who can

obtain economic value from its disclosure or use, that reasonable efforts have been made by Employer or another Related Company , as the case may be, to maintain the secrecy of such information, that such information is the sole property of Employer or another Related Company and that any retention and use of such information or rights by Executive during his employment with Employer (except in the course of performing his duties and obligations hereunder) or after the termination of his employme n t shall constitute a misappropriation of Employer' s or another Related Company's trade secrets , rights or other property .

9. Return of Company Property . Executive agrees that upon termination of Executive's employment with Employer, for any reason, Executive shall return to Employer, in good condition, all property of Employer and the other Related Companies, including without limitation, the originals and all copies of any materials which contain, reflect, summarize, describe, analyze or refer or relate to any items of information listed in Section 8 of this Agreement. In the event that such items are not so returned, Employer will have the right to charge Executive for all reasonable damages, costs, attorneys' fees and other expenses incurred in searching for, taking, removing and/or recovering such property.

10. Representations and Warranties . Executive hereby represents and warrants that he has the legal capacity to execute and perform this Agreement, that this Agreement is a valid and binding agreement enforceable against him according to its terms, and that the execution and performance of this Agreement by him does not violate the terms of any existing agreement or understanding, written or oral, to which Executive is a party or any judgment or decree to which Executive is subject. In addition, Executive represents and warrants that he knows of no reason why he is not physically or legally capable of performing his obligations under this Agreement in accordance with its terms. Executive hereby indemnifies the Related Companies and shall hold harmless the Related Companies from and against all liability, loss, cost, or expense, including, without limitation, reasonable attorneys' fees and expenses, incurred by any Related Company by reason of the inaccuracy of Executive's representations and warranties contained in this Section 10.

11. Survival . Each of the representations, warranties and covenants set forth in Sections 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 and 20 of this Agreement shall survive and shall continue to be binding upon Employer and Executive notwithstanding the termination of Executive's employment or the expiration of the Term for any reason whatsoever.

12. Breach by Executive . Executive is obligated under this Agreement to render services of a special, unique, unusual, extraordinary, and intellectual character, which give this Agreement particular value. The loss of these services cannot be reasonably or adequately compensated in damages in an action at law. Accordingly, in addition to other remedies provided by law or this Agreement, Employer shall have the right during the Term and any period of non-competition governed by this Agreement, to seek injunctive relief against breach or threatened breach of this Agreement by Executive or the performance of services, or threatened performance of services, by Executive in violation of this Agreement, or both. This Section is not meant to limit the damages the Employer may pursue and is not meant to be an exhaustive list of the relief available to the Employer.

13. Controlling Law . This Agreement shall be controlled, construed and enforced in accordance with the laws of the State of California, without regard to conflicts of laws principles.

14. Notices . Any notice to Employer required or permitted under this Agreement shall be given in writing to Employer, either by personal service or by registered or certified mail, postage prepaid, addressed to the Chief Financial Officer of Employer, or equivalent, with a copy to the General Counsel of Employer, at Employer's then principal place of business. Any such notice to Executive shall be given in a like manner and, if mailed, shall be addressed to Executive at his home address then shown in Employer's files. For the purpose of determining compliance with any time limit in this Agreement, a notice shall be deemed to have been duly given (a) on the date of service, if served personally on the party to whom notice is to be given, or (b) on the third business day after mailing, if mailed to the party to whom the notice is to be given in the manner provided by this Section.

15. Amendments . This Agreement may be amended only by written agreement of each of the parties to this Agreement.

1 6 . Severability . If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be af fected, impaired or invalidated; provided that if Executive breaches Section 6 and if Section 6 is finally determined to be unenforceable, the payment obligations of Section 5. 4 (a)(iii) and Section 5. 4 (c) shall be deemed void *ab initio* .

17. Assignment . Executive shall not transfer or assign this Agreement or any part thereof. Employer reserves the right to transfer or assign this Agreement to any organization associated with it or any successor organization; provided , however , that Employer may assign this Agreement to any Related Company the stock or other equity of which is distributed to the shareholders of Employer and which, at the time of such distribution, agrees to employ Executive and assume Employer's obligations under this Agreement.

18. Third-Party Beneficiaries . This Agreement shall not confer any rights or remedies upon any party other than Employer, the other Related Companies, Executive and their respective successors and permitted assigns.

19. Integration .

(a) This Agreement; the SERP; any stock option, restricted stock, stock appreciation right or other equity compensation plan of Employer or any other Related Company (including, without limitation, the First American Financial Corporation 2010 Incentive Compensation Plan) and any award agreement entered into thereunder; any pension plan and pension restoration plan or Employer or any Related Company; any deferred compensation plan of Employer or any other Related Company; any other employee benefit plan of Employer or any other Related Company; any change-of-control or similar agreement to which Employer and/or and Related Party and Executive are parties; and any amendment, restatement or successor to any of the foregoing (the foregoing, collectively, the "Employment Arrangements") contain the entire Agreement between the parties and supersedes all prior verbal and written agreements, understandings, commitments and practices between the parties. The benefits conferred upon Executive pursuant to this Agreement shall be in addition to the benefits provided for under the other Employment Arrangements; provided , however , that duplicative benefits shall not be payable pursuant to this Agreement and any other Employment Arrangement and, for the avoidance of doubt, none of the benefits provided in this Agreement shall be payable to the extent they are otherwise payable under the other Employment Arrangements.

(b) In the event (i) Executive is a party to an agreement with a Related Company providing for a severance benefit in the event Executive's employment terminates following a change-in-control (a "Change-in-Control Agreement"), (ii) Executive becomes entitled to such benefit and (iii) Executive becomes entitled to the Severance Amount under Section 5.4(a)(iii), then the severance benefit payable to Executive under the Change-in-Control Agreement shall offset any Severance Amount payable to Executive pursuant to Section 5.4(a)(iii).

20. Counterparts . This Agreement may be executed in any number of counterparts, each of which when executed shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Agreement effective as of the day and year first above written.

"EMPLOYEE"		"EMPLOYER"	
/s/ DENNIS J. GILMORE		/s/ KENNETH D. DEGIORGIO	
Name:	Dennis J. Gilmore	Name:	Kenneth D. DeGiorgio
Date:	11-17-2015	Title:	Executive Vice President
		Date:	11-17-2015

Signature Page to
Employment Agreement

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") dated as of November 17, 2015 is made and entered into by and between Kenneth D. DeGiorgio ("Executive") and First American Financial Corporation ("Employer"). In consideration of the mutual covenants and agreements set forth herein, the parties agree as follows:

1. Employment of Executive . Subject to the terms and conditions of this Agreement, Employer hereby employs Executive, and Executive hereby accepts employment, as Executive Vice President. Executive shall devote Executive's entire productive time, effort and attention to the business of Employer during the Term (as defined below). Executive will use his best efforts at all times to promote and protect the good name of Employer and Employer's subsidiaries, affiliates and other related companies (together with Employer, each a "Related Company" and, collectively the "Related Companies") as well as that of their respective officers, directors, employees, agents, products and services. Executive shall not directly or indirectly render any service of a business, commercial or professional nature to any other person or organization, whether for compensation or otherwise, without the prior written consent of Employer.

2. Duties To Be Performed . Executive shall perform the duties and have the responsibilities customarily performed and held by a person in a position similar to that set forth in Section 1. Executive shall also perform such other duties as directed by Employer's Board of Directors and the Chief Executive Officer of Employer or his designee. Any modification made by Employer's Board of Directors to the duties of Executive shall not constitute a breach of this Agreement.

3. Term of Agreement . This Agreement shall become effective on the date of this Agreement and, unless earlier terminated pursuant to the provisions of the Agreement, shall continue through the close of business on December 31, 2018 (the "Term"). Unless continued on an "at-will" basis by Employer or any other Related Company or pursuant to another agreement, Executive's employment shall terminate upon the termination of this Agreement for any reason.

4. Compensation . In full payment for Executive's services, Employer shall provide to Executive compensation and benefits determined in accordance with this Section 4.

4.1 Salary. During the Term, Employer shall pay Executive a base annual salary (the "Base Salary"), before deducting all applicable withholdings, of $725,000 per year, payable at the times and in the manner dictated by Employer's standard payroll policies, which Base Salary may be increased in the sole and unfettered discretion of the Compensation Committee of the Board of Directors of Employer (the "Compensation Committee") or the Board of Directors of Employer. The Base Salary shall be prorated for any partial pay period that occurs during the Term.

4.2 Performance Bonus; Long-Term Incentive Equity Awards . During the Term, in addition to the Base Salary, Employer may, in the sole and unfettered discretion of the Compensation Committee, pay to Executive an annual bonus and long-term incentive equity award.

4.3 Benefits . Executive shall, subject to the terms and conditions of any applicable benefits plan documents and applicable law, be entitled to receive all benefits of employment generally available to other similarly situated executives of Employer when and as he becomes eligible for them, including medical, dental, life and disability insurance benefits. Employer reserves the right to modify, suspend or discontinue any and all of the above benefit plans, policies, and practices at any time without notice to or recourse by Executive, so long as such action is taken generally with respect to other similarly situated executives of Employer and does not single out Executive.

4.4 Taxes and Withholdings . Employer may deduct from all compensation payable under this Agreement to Executive any taxes or withholdings Employer is required to deduct pursuant to state and federal laws or by mutual agreement between the parties. Employee is solely liable for any and all taxes beyond those specifically withheld by Employer.

5. Termination .

5.1 Termination Upon Death . The Term (and Executive's employment) shall automatically terminate with immediate effect upon the death of Executive.

5.2 Termination by Employer . Notwithstanding anything in this Agreement to the contrary, express or implied, the Term (and Executive's employment) may be terminated immediately by Employer (by delivery of written notice specifying that termination is made pursuant to this Section 5.2) as follows:

(a) Whenever Executive is not physically or mentally able (with reasonable accommodation) to perform the essential functions of Executive's job;

(b) For "Cause," which shall be defined as: (i) embezzlement, theft or misappropriation by the Executive of any property of any of the Related Companies; (ii) Executive's willful breach of any fiduciary duty to Employer; (iii) Executive's willful failure or refusal to comply with laws or regulations applicable to Employer and its business or the policies of Employer governing the conduct of its employees; (iv) Executive's gross incompetence in the performance of Executive's job duties; (v) commission by Executive of a felony or of any crime involving moral turpitude, fraud or misrepresentation; (vi) the failure of Executive to perform duties consistent with a commercially reasonable standard of care; (vii) Executive's refusal to perform Executive's job duties or to perform reasonable specific directives of Executive's supervisor or his successor or designee and the Board of Directors of Employer; or (viii) any gross negligence or willful misconduct of Executive resulting in a loss to Employer or any other Related Company, or damage to the reputation of Employer or any other Related Company; or

(c) Upon the occurrence of any material breach (not covered by any of clauses (i) through (viii) of Section 5.2(b) above) of any of the provisions of this Agreement, it being agreed that for all purposes under this Agreement any violation of any of the provisions of Sections 1, 6, 7, 8, 9 and 10 shall be deemed to be a material breach of this Agreement.

5.3 Termination by Employer without Cause . Employer may terminate the Term (and Executive's employment) by giving two weeks written notice to Executive. A termination made pursuant to this Section 5.3 is a "termination Without Cause." A termination made pursuant to Section 5.2 (and satisfying the notice requirement set forth therein) shall under no circumstance be considered a termination Without Cause.

5.4 Rights and Obligations Upon Termination .

(a) In the event of Employer's termination of the Term (and Executive's employment) pursuant to Section 5.3 (which, for the avoidance of doubt, is a termination Without Cause), Employer shall pay Executive:

(i) his Base Salary and accrued vacation through the date of termination, paid within 5 days following the termination date (or earlier if required by law);

(ii) any annual bonus earned for any fiscal year completed before the date of termination that remains unpaid as of the date of termination, paid within 5 days following the termination date (or earlier if required by law); and

(iii) an amount (the "Severance Amount") equal to two (2) times the sum of (A) his Base Salary and (B) the median of the last three (3) annual bonuses paid to Executive

(whether earned pursuant to this Agreement or otherwise and whether paid in cash, restricted stock units, stock options or otherwise) (the " Median Bonus") , fifty percent (50%) of which will be paid on the first business day following the 12-month anniversary of the date of termination and fifty percent (50%) of which will be paid in twelve installments equal to 1/24 th of the Severance Amount , the first payment of which will be made on the 29 th day following termination and the remaining eleven payments of which will be made on the first business day of each calendar month thereafter .

For the purpose of determining the Median Bonus, the value of (1) the portion of any annual bonus paid in the form of restricted stock or restricted stock units ("RSUs") shall be determined by multiplying the number of restricted shares or RSUs granted by the closing price of the restricted shares or stock underlying the RSUs on the grant date and (2) the portion of any annual bonus paid in the form of stock options or other equity (excluding restricted stock or RSUs) shall be determined using the methodology utilized by Employer for determining the cost of such stock option or other equity for financial reporting purposes, but without giving effect to the amortization of such stock option or other equity. For the avoidance of doubt, the Median Bonus shall not include any long-term incentive equity awards which would not be included in "Covered Compensation" under the Executive Supplemental Benefit Plan (including any amendment, modification or successor thereto, the "SERP"). For the avoidance of doubt, "median" means, with respect to a set of three amounts, the middle amount and not the highest or the lowest amount, unless two of the amounts in the set are the same amount, in which case "median" means the amount which occurs twice in the set.

In exchange for Employer's agreement to pay the Severance Amount and as a condition thereto, Executive agrees to execute (within 21 days following the date of termination of employment), deliver and not revoke (within the time period permitted by applicable law) a general release of the Related Companies and their respective officers, directors, employees and owners from any and all claims, obligations and liabilities of any kind whatsoever, including all such claims arising from or in connection with Executive's employment or termination of employment with Employer or this Agreement (including, without limitation, civil rights claims), in such form as is reasonably requested by Employer. Executive's right to receive the Severance Amount is conditioned upon the release described in the preceding sentence becoming irrevocable within the prescribed time period. In addition, Executive's right to receive the Severance Amount shall immediately cease in the event that Executive violates any of the provisions of Sections 7 or 8. Apart from the payments set forth in this Section 5.4(a) and the benefits to which Executive may be entitled under the Employment Arrangements (as defined below), upon such termination Employer shall have no further liability whatsoever to Executive.

(b) In the event of the termination of the Term (and Executive's employment) pursuant to Sections 5.1 or 5.2 or, if Executive's employment does not continue on an at-will basis or pursuant to another agreement, upon the expiration of the Term, Employer shall be obligated to pay Executive (or, in the case of a termination under Section 5.1, Executive's heir or successor) the Base Salary and paid time off accrued hereunder through the date of termination and any annual bonus earned for any fiscal year completed before the date of termination, in each case, that remains unpaid as of the date of termination. Apart from the payments set forth in this Section 5.4(b) and the benefits to which Executive may be entitled under the Employment Arrangements, upon such termination or expiration, as the case may be, Employer shall have no further liability whatsoever to Executive.

(c) If (i) Executive's employment is terminated Without Cause by Employer prior to the expiration of the Term, (ii) as of the date of such termination Executive has not yet reached his "Early Retirement Date", as defined in the SERP and (iii) Executive would have reached his "Early Retirement Date" during the Term had his employment not been earlier terminated, Executive will be deemed to be vested in the SERP on the date he would have reached his "Early Retirement Date" and he will begin receiving payments under the SERP on such date as otherwise provided in, and otherwise subject to the provisions of, the SERP; provided , however , that in such circumstance Executive's "Final Average Compensation" (or equivalent) for purposes of the SERP shall be determined as of the date of the termination of his employment.

(d) If it becomes known that Executive's employment will terminate for any reason, Employer may, in its sole discretion and subject to its other obligations under this Agreement, relieve Executive of his duties under this Agreement and assign Executive other reasonable duties and responsibilities to be performed until the termination becomes effective.

(e) In the event that any payment or benefit received or to be received by Executive under this Agreement and all other arrangements or programs, including any acceleration of vesting of stock options, restricted stock, restricted stock units, deferred compensation, or long-term incentive awards (collectively, the "Payments"), would constitute an excess parachute payment within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") , as determined in good faith by Employer's independent auditors, then the portion of the Payments that would be treated as parachute payments under Section 280G of the Code shall be reduced so that the Payments, in the aggregate, are reduced to the Safe Harbor Amount (as defined below). For purposes of this Agreement, the term "Safe Harbor Amount" means the largest portion of the Payments that would result in no portion of the Payments being considered parachute payments under Section 280G of the Code. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. In addition, with regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A of the Code, all such payments shall be made on or before the last day of calendar year following the calendar year in which the expense occurred.

(f) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Code and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code, then with regard to any payment or the provision of any benefit (whether under this Agreement or otherwise) that is considered deferred compensation under Section 409A of the Code payable on account of a "separation from service," and that is not exempt from Section 409A of the Code as involuntary separation pay or a short-term deferral (or otherwise), such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such "separation from service" of Executive or (ii) the date of Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 5.4(f) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum without interest, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. For purposes of Section 409A of the Code, each payment amount or benefit due under this Agreement will be considered a separate payment and Executive's entitlement to a series of payments or benefits under this Agreement is to be treated as an entitlement to a series of separate payments.

(g) Upon termination of Executive's employment for any reason, Executive hereby resigns from any and all (i) positions with all Related Companies, whether as a director, manager, general partner, officer or otherwise; (ii) committee memberships, fiduciary capacities or similar positions with respect to employee benefit plans sponsored by any Related Company, and (iii) any other positions associated with any Related Company.

6. Restrictive Covenants

6.1 Access to Trade Secrets and Confidential Information . Executive acknowledges and agrees that in the performance of Executive's duties of employment Executive will be brought into frequent contact with existing and potential customers of Employer and the other Related Companies throughout the world. Executive also agrees that trade secrets and confidential information of Employer and the other Related Companies gained by Executive during Executive's association with Employer and the other Related Companies have been developed by Employer and the other Related Companies through substantial expenditures of time, effort and money and constitute valuable and unique property of Employer and the other Related Companies, and Employer and/or the Related Companies will suffer substantial damage and irreparable harm which will be difficult to compute if, during the Term and thereafter, Executive should disclose or improperly use such confidential information and trade secrets in violation of the provisions of this Section 6. Executive further understands and agrees that the foregoing makes it necessary for the protection of the businesses of Employer and the other Related Companies that Executive not compete with Employer or any other Related Company during his or her employment, as further provided in this Section 6.

6 .2 Non-Compete and Non-Solicit . While employed by Employer or any other Related Company , Executive will not , directly or indirectly, engage in or render any service of a business, commercial or professional nature to any other person, entity or organization, whether for compensation or otherwise, that is in competition with Employer or any other Related Company anywhere in the world . In accordance with this restriction, but without limiting its terms, Executive will not:

(a) enter into or engage in any business which competes with the business of Employer or any other Related Company;

(b) solicit customers, business, patronage or orders for, or sell, any products or services in competition with, or for any business that competes with, the business of Employer or any other Related Company;

(c) divert, entice, or take away any customers, business, patronage or orders of Employer or any other Related Company or attempt to do so; or

(d) promote or assist, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the business of Employer or any other Related Company.

6.3 Scope of Restricted Activities . For the purposes of Section 6.2, but without limitation thereof, Executive will be in violation thereof if Executive engages in any or all of the activities set forth therein directly as an individual on Executive's own account, or indirectly as a stockholder, partner, joint venturer, executive, agent, salesperson, consultant, officer and/or director of, or by virtue of the ownership by Executive's spouse, child or parent of any equity interest in, any firm, association, partnership, corporation or other entity engaging in any or all of such activities; provided, however, Executive's or Executive's spouse's, child's or parent's ownership of less than one percent (1%) of the issued equity interest in any publicly traded corporation shall not alone constitute a violation of this Agreement.

6.4 Scope of Covenants . Employer and Executive acknowledge that the time, scope, geographic area and other provisions of Sections 6 and 7 have been specifically negotiated by sophisticated commercial parties and agree that they consider the restrictions and covenants contained in such Sections to be reasonable and necessary for the protection of the interests of the Related Companies, but if any such restriction or covenant shall be held by any court of competent jurisdiction to be void but would be valid if deleted in part or reduced in application, such restriction or covenant shall apply with such deletion or modification as may be necessary to make it valid and enforceable. The restrictions and covenants contained in each provision of such Sections shall be construed as separate and individual restrictions and covenants and shall each be capable of being severed without prejudice to the other restrictions and covenants or to the remaining provisions of this Agreement.

7. No Solicitation of Employees . Executive will not directly or indirectly, at any time during the Term and the 12-month period after termination of Executive's employment, either for Executive or for any other person or entity, recruit or solicit for hire any employee, officer, director or other personnel of the Employer or any of the Related Companies, or to induce or encourage such a person or entity to terminate his, her or its relationship, or breach an agreement, with the Employer or one of the Related Companies.

8. Nondisclosure of Confidential Information . Executive will keep in strict confidence, and will not, directly or indirectly, at any time during or after Executive's employment with Employer, disclose, furnish, disseminate, make available or, except in the course of performing Executive's duties of employment, use any trade secrets or confidential business and technical information of Employer, any other Related Company or any of its respective customers or vendors, without limitation as to when or how Executive may have acquired such information. Such confidential information shall include, without limitation, Employer's and any other Related Company's unique selling and servicing methods and business techniques, business strategies, financial information, training, service and business manuals, promotional materials, training courses and other training and instructional materials, vendor and product information, customer and prospective customer lists, other customer and prospective customer information, processes, inventions, patents, copyrights, trademarks and other intellectual property and intangible rights, and other business information. Executive specifically acknowledges that all such confidential

information, whether reduced to writing, maintained on any form of electronic media, or maintained in the mind or memory of Executive and whether compiled by Employer, any other Related Company and/or Executive , derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by Employer or another Related Company , as the case may be, to maintain the secrecy of such information, that such information is the sole property of Employer or another Related Company and that any retention and use of such information or rights by Executive during his employment with Employer (except in the course of performing his duties and obligations hereunder) or after the termination of his employme n t shall constitute a misappropriation of Employer' s or another Related Company's trade secrets , rights or other property .

9. Return of Company Property . Executive agrees that upon termination of Executive's employment with Employer, for any reason, Executive shall return to Employer, in good condition, all property of Employer and the other Related Companies, including without limitation, the originals and all copies of any materials which contain, reflect, summarize, describe, analyze or refer or relate to any items of information listed in Section 8 of this Agreement. In the event that such items are not so returned, Employer will have the right to charge Executive for all reasonable damages, costs, attorneys' fees and other expenses incurred in searching for, taking, removing and/or recovering such property.

10. Representations and Warranties . Executive hereby represents and warrants that he has the legal capacity to execute and perform this Agreement, that this Agreement is a valid and binding agreement enforceable against him according to its terms, and that the execution and performance of this Agreement by him does not violate the terms of any existing agreement or understanding, written or oral, to which Executive is a party or any judgment or decree to which Executive is subject. In addition, Executive represents and warrants that he knows of no reason why he is not physically or legally capable of performing his obligations under this Agreement in accordance with its terms. Executive hereby indemnifies the Related Companies and shall hold harmless the Related Companies from and against all liability, loss, cost, or expense, including, without limitation, reasonable attorneys' fees and expenses, incurred by any Related Company by reason of the inaccuracy of Executive's representations and warranties contained in this Section 10.

11. Survival . Each of the representations, warranties and covenants set forth in Sections 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 and 20 of this Agreement shall survive and shall continue to be binding upon Employer and Executive notwithstanding the termination of Executive's employment or the expiration of the Term for any reason whatsoever.

12. Breach by Executive . Executive is obligated under this Agreement to render services of a special, unique, unusual, extraordinary, and intellectual character, which give this Agreement particular value. The loss of these services cannot be reasonably or adequately compensated in damages in an action at law. Accordingly, in addition to other remedies provided by law or this Agreement, Employer shall have the right during the Term and any period of non-competition governed by this Agreement, to seek injunctive relief against breach or threatened breach of this Agreement by Executive or the performance of services, or threatened performance of services, by Executive in violation of this Agreement, or both. This Section is not meant to limit the damages the Employer may pursue and is not meant to be an exhaustive list of the relief available to the Employer.

13. Controlling Law . This Agreement shall be controlled, construed and enforced in accordance with the laws of the State of California, without regard to conflicts of laws principles.

14. Notices . Any notice to Employer required or permitted under this Agreement shall be given in writing to Employer, either by personal service or by registered or certified mail, postage prepaid, addressed to the Chief Executive Officer of Employer, or equivalent, with a copy to the Chief Financial Officer of Employer, at Employer's then principal place of business. Any such notice to Executive shall be given in a like manner and, if mailed, shall be addressed to Executive at his home address then shown in Employer's files. For the purpose of determining compliance with any time limit in this Agreement, a notice shall be deemed to have been duly given (a) on the date of service, if served personally on the party to whom notice is to be given, or (b) on the third business day after mailing, if mailed to the party to whom the notice is to be given in the manner provided by this Section.

15. Amendments. This Agreement may be amended only by written agreement of each of the parties to this Agreement.

16. Severability. If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided that if Executive breaches Section 6 and if Section 6 is finally determined to be unenforceable, the payment obligations of Section 5.4(a)(iii) and Section 5.4(c) shall be deemed void *ab initio*.

17. Assignment. Executive shall not transfer or assign this Agreement or any part thereof. Employer reserves the right to transfer or assign this Agreement to any organization associated with it or any successor organization; provided, however, that Employer may assign this Agreement to any Related Company the stock or other equity of which is distributed to the shareholders of Employer and which, at the time of such distribution, agrees to employ Executive and assume Employer's obligations under this Agreement.

18. Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any party other than Employer, the other Related Companies, Executive and their respective successors and permitted assigns.

19. Integration.

(a) This Agreement; the SERP; any stock option, restricted stock, stock appreciation right or other equity compensation plan of Employer or any other Related Company (including, without limitation, the First American Financial Corporation 2010 Incentive Compensation Plan) and any award agreement entered into thereunder; any pension plan and pension restoration plan or Employer or any Related Company; any deferred compensation plan of Employer or any other Related Company; any other employee benefit plan of Employer or any other Related Company; any change-of-control or similar agreement to which Employer and/or and Related Party and Executive are parties; and any amendment, restatement or successor to any of the foregoing (the foregoing, collectively, the "Employment Arrangements") contain the entire Agreement between the parties and supersedes all prior verbal and written agreements, understandings, commitments and practices between the parties. The benefits conferred upon Executive pursuant to this Agreement shall be in addition to the benefits provided for under the other Employment Arrangements; provided, however, that duplicative benefits shall not be payable pursuant to this Agreement and any other Employment Arrangement and, for the avoidance of doubt, none of the benefits provided in this Agreement shall be payable to the extent they are otherwise payable under the other Employment Arrangements.

(b) In the event (i) Executive is a party to an agreement with a Related Company providing for a severance benefit in the event Executive's employment terminates following a change-in-control (a "Change-in-Control Agreement"), (ii) Executive becomes entitled to such benefit and (iii) Executive becomes entitled to the Severance Amount under Section 5.4(a)(iii), then the severance benefit payable to Executive under the Change-in-Control Agreement shall offset any Severance Amount payable to Executive pursuant to Section 5.4(a)(iii).

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which when executed shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Agreement effective as of the day and year first above written.

"EMPLOYEE"		"EMPLOYER"	
/s/ Kenneth D. DeGiorgio		/s/ Dennis J. Gilmore	
Name:	Kenneth D. DeGiorgio	Name:	Dennis J. Gilmore
Date:	11-17-2015	Title:	Chief Executive Officer
		Date:	11-17-2015

Signature Page to
Employment Agreement

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") dated as of November 17, 2015 is made and entered into by and between Christopher M. Leavell ("Executive") and First American Financial Corporation ("Employer"). In consideration of the mutual covenants and agreements set forth herein, the parties agree as follows:

1. Employment of Executive. Subject to the terms and conditions of this Agreement, Employer hereby employs Executive, and Executive hereby accepts employment, as Executive Vice President, Chief Operating Officer of First American Title Insurance Company, a wholly owned subsidiary of Employer. Executive shall devote Executive's entire productive time, effort and attention to the business of Employer during the Term (as defined below). Executive will use his best efforts at all times to promote and protect the good name of Employer and Employer's subsidiaries, affiliates and other related companies (together with Employer, each a "Related Company" and, collectively the "Related Companies") as well as that of their respective officers, directors, employees, agents, products and services. Executive shall not directly or indirectly render any service of a business, commercial or professional nature to any other person or organization, whether for compensation or otherwise, without the prior written consent of Employer.

2. Duties To Be Performed. Executive shall perform the duties and have the responsibilities customarily performed and held by a person in a position similar to that set forth in Section 1. Executive shall also perform such other duties as directed by Employer's Board of Directors and the Chief Executive Officer of Employer or his designee. Any modification made by Employer's Board of Directors to the duties of Executive shall not constitute a breach of this Agreement.

3. Term of Agreement. This Agreement shall become effective on the date of this Agreement and, unless earlier terminated pursuant to the provisions of the Agreement, shall continue through the close of business on December 31, 2018 (the "Term"). Unless continued on an "at-will" basis by Employer or any other Related Company or pursuant to another agreement, Executive's employment shall terminate upon the termination of this Agreement for any reason.

4. Compensation. In full payment for Executive's services, Employer shall provide to Executive compensation and benefits determined in accordance with this Section 4.

4.1 Salary. During the Term, Employer shall pay Executive a base annual salary (the "Base Salary"), before deducting all applicable withholdings, of $675,000 per year, payable at the times and in the manner dictated by Employer's standard payroll policies, which Base Salary may be increased in the sole and unfettered discretion of the Compensation Committee of the Board of Directors of Employer (the "Compensation Committee") or the Board of Directors of Employer. The Base Salary shall be prorated for any partial pay period that occurs during the Term.

4.2 Performance Bonus; Long-Term Incentive Equity Awards. During the Term, in addition to the Base Salary, Employer may, in the sole and unfettered discretion of the Compensation Committee, pay to Executive an annual bonus and long-term incentive equity award.

4.3 Benefits. Executive shall, subject to the terms and conditions of any applicable benefits plan documents and applicable law, be entitled to receive all benefits of employment generally available to other similarly situated executives of Employer when and as he becomes eligible for them, including medical, dental, life and disability insurance benefits. Employer reserves the right to modify, suspend or discontinue any and all of the above benefit plans, policies, and practices at any time without notice to or recourse by Executive, so long as such action is taken generally with respect to other similarly situated executives of Employer and does not single out Executive.

4.4 Taxes and Withholdings . Employer may deduct from all compensation payable under this Agreement to Executive any taxes or withholdings Employer is required to deduct pursuant to state and federal laws or by mutual agreement between the parties. Employee is solely liable for any and all taxes beyond those specifically withheld by Employer.

5. Termination .

5.1 Termination Upon Death . The Term (and Executive's employment) shall automatically terminate with immediate effect upon the death of Executive.

5.2 Termination by Employer . Notwithstanding anything in this Agreement to the contrary, express or implied, the Term (and Executive's employment) may be terminated immediately by Employer (by delivery of written notice specifying that termination is made pursuant to this Section 5.2) as follows:

(a) Whenever Executive is not physically or mentally able (with reasonable accommodation) to perform the essential functions of Executive's job;

(b) For "Cause," which shall be defined as: (i) embezzlement, theft or misappropriation by the Executive of any property of any of the Related Companies; (ii) Executive's willful breach of any fiduciary duty to Employer; (iii) Executive's willful failure or refusal to comply with laws or regulations applicable to Employer and its business or the policies of Employer governing the conduct of its employees; (iv) Executive's gross incompetence in the performance of Executive's job duties; (v) commission by Executive of a felony or of any crime involving moral turpitude, fraud or misrepresentation; (vi) the failure of Executive to perform duties consistent with a commercially reasonable standard of care; (vii) Executive's refusal to perform Executive's job duties or to perform reasonable specific directives of Executive's supervisor or his successor or designee and the Board of Directors of Employer; or (viii) any gross negligence or willful misconduct of Executive resulting in a loss to Employer or any other Related Company, or damage to the reputation of Employer or any other Related Company; or

(c) Upon the occurrence of any material breach (not covered by any of clauses (i) through (viii) of Section 5.2(b) above) of any of the provisions of this Agreement, it being agreed that for all purposes under this Agreement any violation of any of the provisions of Sections 1, 6, 7, 8, 9 and 10 shall be deemed to be a material breach of this Agreement.

5.3 Termination by Employer without Cause . Employer may terminate the Term (and Executive's employment) by giving two weeks written notice to Executive. A termination made pursuant to this Section 5.3 is a "termination Without Cause." A termination made pursuant to Section 5.2 (and satisfying the notice requirement set forth therein) shall under no circumstance be considered a termination Without Cause.

5.4 Rights and Obligations Upon Termination .

(a) In the event of Employer's termination of the Term (and Executive's employment) pursuant to Section 5.3 (which, for the avoidance of doubt, is a termination Without Cause), Employer shall pay Executive:

(i) his Base Salary and accrued vacation through the date of termination, paid within 5 days following the termination date (or earlier if required by law);

(ii) any annual bonus earned for any fiscal year completed before the date of termination that remains unpaid as of the date of termination, paid within 5 days following the termination date (or earlier if required by law); and

(iii) an amount (the "Severance Amount") equal to two (2) times the sum of (A) his Base Salary and (B) the median of the last three (3) annual bonuses paid to Executive

(whether earned pursuant to this Agreement or otherwise and whether paid in cash, restricted stock units, stock options or otherwise) (the "Median Bonus") , fifty percent (50%) of which will be paid on the first business day following the 12-month anniversary of the date of termination and fifty percent (50%) of which will be paid in twelve installments equal to 1/24 th of the Severance Amount , the first payment of which will be made on the 29 th day following termination and the remaining eleven payments of which will be made on the first business day of each calendar month thereafter .

For the purpose of determining the Median Bonus, the value of (1) the portion of any annual bonus paid in the form of restricted stock or restricted stock units ("RSUs") shall be determined by multiplying the number of restricted shares or RSUs granted by the closing price of the restricted shares or stock underlying the RSUs on the grant date and (2) the portion of any annual bonus paid in the form of stock options or other equity (excluding restricted stock or RSUs) shall be determined using the methodology utilized by Employer for determining the cost of such stock option or other equity for financial reporting purposes, but without giving effect to the amortization of such stock option or other equity. For the avoidance of doubt, the Median Bonus shall not include any long-term incentive equity awards which would not be included in "Covered Compensation" under the Executive Supplemental Benefit Plan (including any amendment, modification or successor thereto, the "SERP"). For the avoidance of doubt, "median" means, with respect to a set of three amounts, the middle amount and not the highest or the lowest amount, unless two of the amounts in the set are the same amount, in which case "median" means the amount which occurs twice in the set.

In exchange for Employer's agreement to pay the Severance Amount and as a condition thereto, Executive agrees to execute (within 21 days following the date of termination of employment), deliver and not revoke (within the time period permitted by applicable law) a general release of the Related Companies and their respective officers, directors, employees and owners from any and all claims, obligations and liabilities of any kind whatsoever, including all such claims arising from or in connection with Executive's employment or termination of employment with Employer or this Agreement (including, without limitation, civil rights claims), in such form as is reasonably requested by Employer. Executive's right to receive the Severance Amount is conditioned upon the release described in the preceding sentence becoming irrevocable within the prescribed time period. In addition, Executive's right to receive the Severance Amount shall immediately cease in the event that Executive violates any of the provisions of Sections 7 or 8. Apart from the payments set forth in this Section 5.4(a) and the benefits to which Executive may be entitled under the Employment Arrangements (as defined below), upon such termination Employer shall have no further liability whatsoever to Executive.

(b) In the event of the termination of the Term (and Executive's employment) pursuant to Sections 5.1 or 5.2 or, if Executive's employment does not continue on an at-will basis or pursuant to another agreement, upon the expiration of the Term, Employer shall be obligated to pay Executive (or, in the case of a termination under Section 5.1, Executive's heir or successor) the Base Salary and paid time off accrued hereunder through the date of termination and any annual bonus earned for any fiscal year completed before the date of termination, in each case, that remains unpaid as of the date of termination. Apart from the payments set forth in this Section 5.4(b) and the benefits to which Executive may be entitled under the Employment Arrangements, upon such termination or expiration, as the case may be, Employer shall have no further liability whatsoever to Executive.

(c) If (i) Executive's employment is terminated Without Cause by Employer prior to the expiration of the Term, (ii) as of the date of such termination Executive has not yet reached his "Early Retirement Date", as defined in the SERP and (iii) Executive would have reached his "Early Retirement Date" during the Term had his employment not been earlier terminated, Executive will be deemed to be vested in the SERP on the date he would have reached his "Early Retirement Date" and he will begin receiving payments under the SERP on such date as otherwise provided in, and otherwise subject to the provisions of, the SERP; provided , however , that in such circumstance Executive's "Final Average Compensation" (or equivalent) for purposes of the SERP shall be determined as of the date of the termination of his employment.

(d) If it becomes known that Executive's employment will terminate for any reason, Employer may, in its sole discretion and subject to its other obligations under this Agreement, relieve Executive of his duties under this Agreement and assign Executive other reasonable duties and responsibilities to be performed until the termination becomes effective.

(e) In the event that any payment or benefit received or to be received by Executive under this Agreement and all other arrangements or programs, including any acceleration of vesting of stock options, restricted stock, restricted stock units, deferred compensation, or long-term incentive awards (collectively, the "Payments"), would constitute an excess parachute payment within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") , as determined in good faith by Employer's independent auditors, then the portion of the Payments that would be treated as parachute payments under Section 280G of the Code shall be reduced so that the Payments, in the aggregate, are reduced to the Safe Harbor Amount (as defined below). For purposes of this Agreement, the term "Safe Harbor Amount" means the largest portion of the Payments that would result in no portion of the Payments being considered parachute payments under Section 280G of the Code. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. In addition, with regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A of the Code, all such payments shall be made on or before the last day of calendar year following the calendar year in which the expense occurred.

(f) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Code and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code, then with regard to any payment or the provision of any benefit (whether under this Agreement or otherwise) that is considered deferred compensation under Section 409A of the Code payable on account of a "separation from service," and that is not exempt from Section 409A of the Code as involuntary separation pay or a short-term deferral (or otherwise), such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such "separation from service" of Executive or (ii) the date of Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 5.4(f) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum without interest, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. For purposes of Section 409A of the Code, each payment amount or benefit due under this Agreement will be considered a separate payment and Executive's entitlement to a series of payments or benefits under this Agreement is to be treated as an entitlement to a series of separate payments.

(g) Upon termination of Executive's employment for any reason, Executive hereby resigns from any and all (i) positions with all Related Companies, whether as a director, manager, general partner, officer or otherwise; (ii) committee memberships, fiduciary capacities or similar positions with respect to employee benefit plans sponsored by any Related Company, and (iii) any other positions associated with any Related Company.

6. Restrictive Covenants

6.1 Access to Trade Secrets and Confidential Information. Executive acknowledges and agrees that in the performance of Executive's duties of employment Executive will be brought into frequent contact with existing and potential customers of Employer and the other Related Companies throughout the world. Executive also agrees that trade secrets and confidential information of Employer and the other Related Companies gained by Executive during Executive's association with Employer and the other Related Companies have been developed by Employer and the other Related Companies through substantial expenditures of time, effort and money and constitute valuable and unique property of Employer and the other Related Companies, and Employer and/or the Related Companies will suffer substantial damage and irreparable harm which will be difficult to compute if, during the Term and thereafter, Executive should disclose or improperly use such confidential information and trade secrets in violation of the provisions of this Section 6. Executive further understands and agrees that the foregoing makes it necessary for the protection of the businesses of Employer and the other Related Companies that Executive not compete with Employer or any other Related Company during his or her employment, as further provided in this Section 6.

6 .2 Non-Compete and Non-Solicit . While employed by Employer or any other Related Company , Executive will not , directly or indirectly, engage in or render any service of a business, commercial or professional nature to any other person, entity or organization, whether for compensation or otherwise, that is in competition with Employer or any other Related Company anywhere in the world . In accordance with this restriction, but without limiting its terms, Executive will not:

(a) enter into or engage in any business which competes with the business of Employer or any other Related Company;

(b) solicit customers, business, patronage or orders for, or sell, any products or services in competition with, or for any business that competes with, the business of Employer or any other Related Company;

(c) divert, entice, or take away any customers, business, patronage or orders of Employer or any other Related Company or attempt to do so; or

(d) promote or assist, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the business of Employer or any other Related Company.

6.3 Scope of Restricted Activities . For the purposes of Section 6.2, but without limitation thereof, Executive will be in violation thereof if Executive engages in any or all of the activities set forth therein directly as an individual on Executive's own account, or indirectly as a stockholder, partner, joint venturer, executive, agent, salesperson, consultant, officer and/or director of, or by virtue of the ownership by Executive's spouse, child or parent of any equity interest in, any firm, association, partnership, corporation or other entity engaging in any or all of such activities; provided, however, Executive's or Executive's spouse's, child's or parent's ownership of less than one percent (1%) of the issued equity interest in any publicly traded corporation shall not alone constitute a violation of this Agreement.

6.4 Scope of Covenants . Employer and Executive acknowledge that the time, scope, geographic area and other provisions of Sections 6 and 7 have been specifically negotiated by sophisticated commercial parties and agree that they consider the restrictions and covenants contained in such Sections to be reasonable and necessary for the protection of the interests of the Related Companies, but if any such restriction or covenant shall be held by any court of competent jurisdiction to be void but would be valid if deleted in part or reduced in application, such restriction or covenant shall apply with such deletion or modification as may be necessary to make it valid and enforceable. The restrictions and covenants contained in each provision of such Sections shall be construed as separate and individual restrictions and covenants and shall each be capable of being severed without prejudice to the other restrictions and covenants or to the remaining provisions of this Agreement.

7. No Solicitation of Employees . Executive will not directly or indirectly, at any time during the Term and the 12-month period after termination of Executive's employment, either for Executive or for any other person or entity, recruit or solicit for hire any employee, officer, director or other personnel of the Employer or any of the Related Companies, or to induce or encourage such a person or entity to terminate his, her or its relationship, or breach an agreement, with the Employer or one of the Related Companies.

8. Nondisclosure of Confidential Information . Executive will keep in strict confidence, and will not, directly or indirectly, at any time during or after Executive's employment with Employer, disclose, furnish, disseminate, make available or, except in the course of performing Executive's duties of employment, use any trade secrets or confidential business and technical information of Employer, any other Related Company or any of its respective customers or vendors, without limitation as to when or how Executive may have acquired such information. Such confidential information shall include, without limitation, Employer's and any other Related Company's unique selling and servicing methods and business techniques, business strategies, financial information, training, service and business manuals, promotional materials, training courses and other training and instructional materials, vendor and product information, customer and prospective customer lists, other customer and prospective customer information, processes, inventions, patents, copyrights, trademarks and other intellectual property and intangible rights, and other business information. Executive specifically acknowledges that all such confidential

information, whether reduced to writing, maintained on any form of electronic media, or maintained in the mind or memory of Executive and whether compiled by Employer, any other Related Company and/or Executive , derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by Employer or another Related Company , as the case may be, to maintain the secrecy of such information, that such information is the sole property of Employer or another Related Company and that any retention and use of such information or rights by Executive during his employment with Employer (except in the course of performing his duties and obligations hereunder) or after the termination of his employme n t shall constitute a misappropriation of Employer' s or another Related Company's trade secrets , rights or other property .

9. Return of Company Property . Executive agrees that upon termination of Executive's employment with Employer, for any reason, Executive shall return to Employer, in good condition, all property of Employer and the other Related Companies, including without limitation, the originals and all copies of any materials which contain, reflect, summarize, describe, analyze or refer or relate to any items of information listed in Section 8 of this Agreement. In the event that such items are not so returned, Employer will have the right to charge Executive for all reasonable damages, costs, attorneys' fees and other expenses incurred in searching for, taking, removing and/or recovering such property.

10. Representations and Warranties . Executive hereby represents and warrants that he has the legal capacity to execute and perform this Agreement, that this Agreement is a valid and binding agreement enforceable against him according to its terms, and that the execution and performance of this Agreement by him does not violate the terms of any existing agreement or understanding, written or oral, to which Executive is a party or any judgment or decree to which Executive is subject. In addition, Executive represents and warrants that he knows of no reason why he is not physically or legally capable of performing his obligations under this Agreement in accordance with its terms. Executive hereby indemnifies the Related Companies and shall hold harmless the Related Companies from and against all liability, loss, cost, or expense, including, without limitation, reasonable attorneys' fees and expenses, incurred by any Related Company by reason of the inaccuracy of Executive's representations and warranties contained in this Section 10.

11. Survival . Each of the representations, warranties and covenants set forth in Sections 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 and 20 of this Agreement shall survive and shall continue to be binding upon Employer and Executive notwithstanding the termination of Executive's employment or the expiration of the Term for any reason whatsoever.

12. Breach by Executive . Executive is obligated under this Agreement to render services of a special, unique, unusual, extraordinary, and intellectual character, which give this Agreement particular value. The loss of these services cannot be reasonably or adequately compensated in damages in an action at law. Accordingly, in addition to other remedies provided by law or this Agreement, Employer shall have the right during the Term and any period of non-competition governed by this Agreement, to seek injunctive relief against breach or threatened breach of this Agreement by Executive or the performance of services, or threatened performance of services, by Executive in violation of this Agreement, or both. This Section is not meant to limit the damages the Employer may pursue and is not meant to be an exhaustive list of the relief available to the Employer.

13. Controlling Law . This Agreement shall be controlled, construed and enforced in accordance with the laws of the State of California, without regard to conflicts of laws principles.

14. Notices . Any notice to Employer required or permitted under this Agreement shall be given in writing to Employer, either by personal service or by registered or certified mail, postage prepaid, addressed to the Chief Executive Officer of Employer, or equivalent, with a copy to the General Counsel of Employer, at Employer's then principal place of business. Any such notice to Executive shall be given in a like manner and, if mailed, shall be addressed to Executive at his home address then shown in Employer's files. For the purpose of determining compliance with any time limit in this Agreement, a notice shall be deemed to have been duly given (a) on the date of service, if served personally on the party to whom notice is to be given, or (b) on the third business day after mailing, if mailed to the party to whom the notice is to be given in the manner provided by this Section.

1 5 . Amendments . This Agreement may be amended only by written agreement of each of the parties to this Agreement.

16. Severability . If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided that if Executive breaches Section 6 and if Section 6 is finally determined to be unenforceable, the payment obligations of Section 5.4(a)(iii) and Section 5.4(c) shall be deemed void *ab initio* .

17. Assignment . Executive shall not transfer or assign this Agreement or any part thereof. Employer reserves the right to transfer or assign this Agreement to any organization associated with it or any successor organization; provided , however , that Employer may assign this Agreement to any Related Company the stock or other equity of which is distributed to the shareholders of Employer and which, at the time of such distribution, agrees to employ Executive and assume Employer's obligations under this Agreement.

18. Third-Party Beneficiaries . This Agreement shall not confer any rights or remedies upon any party other than Employer, the other Related Companies, Executive and their respective successors and permitted assigns.

19. Integration .

(a) This Agreement; the SERP; any stock option, restricted stock, stock appreciation right or other equity compensation plan of Employer or any other Related Company (including, without limitation, the First American Financial Corporation 2010 Incentive Compensation Plan) and any award agreement entered into thereunder; any pension plan and pension restoration plan or Employer or any Related Company; any deferred compensation plan of Employer or any other Related Company; any other employee benefit plan of Employer or any other Related Company; any change-of-control or similar agreement to which Employer and/or and Related Party and Executive are parties; and any amendment, restatement or successor to any of the foregoing (the foregoing, collectively, the "Employment Arrangements") contain the entire Agreement between the parties and supersedes all prior verbal and written agreements, understandings, commitments and practices between the parties. The benefits conferred upon Executive pursuant to this Agreement shall be in addition to the benefits provided for under the other Employment Arrangements; provided , however , that duplicative benefits shall not be payable pursuant to this Agreement and any other Employment Arrangement and, for the avoidance of doubt, none of the benefits provided in this Agreement shall be payable to the extent they are otherwise payable under the other Employment Arrangements.

(b) In the event (i) Executive is a party to an agreement with a Related Company providing for a severance benefit in the event Executive's employment terminates following a change-in-control (a "Change-in-Control Agreement"), (ii) Executive becomes entitled to such benefit and (iii) Executive becomes entitled to the Severance Amount under Section 5.4(a)(iii), then the severance benefit payable to Executive under the Change-in-Control Agreement shall offset any Severance Amount payable to Executive pursuant to Section 5.4(a)(iii).

20. Counterparts . This Agreement may be executed in any number of counterparts, each of which when executed shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Agreement effective as of the day and year first above written.

"EMPLOYEE"		"EMPLOYER"	
/s/ Christopher M. Leavell		/s/ Dennis J. Gilmore	
Name:	Christopher M. Leavell	Name:	Dennis J. Gilmore
Date:	11-17-2015	Title:	Chief Executive Officer
		Date:	11-17-2015

Signature Page to
Employment Agreement

Exhibit 10.10

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement") dated as of November 17, 2015 is made and entered into by and between Mark E. Seaton ("Executive") and First American Financial Corporation ("Employer"). In consideration of the mutual covenants and agreements set forth herein, the parties agree as follows:

1. Employment of Executive. Subject to the terms and conditions of this Agreement, Employer hereby employs Executive, and Executive hereby accepts employment, as Executive Vice President, Chief Financial Officer. Executive shall devote Executive's entire productive time, effort and attention to the business of Employer during the Term (as defined below). Executive will use his best efforts at all times to promote and protect the good name of Employer and Employer's subsidiaries, affiliates and other related companies (together with Employer, each a "Related Company" and, collectively the "Related Companies") as well as that of their respective officers, directors, employees, agents, products and services. Executive shall not directly or indirectly render any service of a business, commercial or professional nature to any other person or organization, whether for compensation or otherwise, without the prior written consent of Employer.

2. Duties To Be Performed. Executive shall perform the duties and have the responsibilities customarily performed and held by a person in a position similar to that set forth in Section 1. Executive shall also perform such other duties as directed by Employer's Board of Directors and the Chief Executive Officer of Employer or his designee. Any modification made by Employer's Board of Directors to the duties of Executive shall not constitute a breach of this Agreement.

3. Term of Agreement. This Agreement shall become effective on the date of this Agreement and, unless earlier terminated pursuant to the provisions of the Agreement, shall continue through the close of business on December 31, 2018 (the "Term"). Unless continued on an "at-will" basis by Employer or any other Related Company or pursuant to another agreement, Executive's employment shall terminate upon the termination of this Agreement for any reason.

4. Compensation. In full payment for Executive's services, Employer shall provide to Executive compensation and benefits determined in accordance with this Section 4.

4.1 Salary. During the Term, Employer shall pay Executive a base annual salary (the "Base Salary"), before deducting all applicable withholdings, of $525,000 per year, payable at the times and in the manner dictated by Employer's standard payroll policies, which Base Salary may be increased in the sole and unfettered discretion of the Compensation Committee of the Board of Directors of Employer (the "Compensation Committee") or the Board of Directors of Employer. The Base Salary shall be prorated for any partial pay period that occurs during the Term.

4.2 Performance Bonus; Long-Term Incentive Equity Awards. During the Term, in addition to the Base Salary, Employer may, in the sole and unfettered discretion of the Compensation Committee, pay to Executive an annual bonus and long-term incentive equity award.

4.3 Benefits. Executive shall, subject to the terms and conditions of any applicable benefits plan documents and applicable law, be entitled to receive all benefits of employment generally available to other similarly situated executives of Employer when and as he becomes eligible for them, including medical, dental, life and disability insurance benefits. Employer reserves the right to modify, suspend or discontinue any and all of the above benefit plans, policies, and practices at any time without notice to or recourse by Executive, so long as such action is taken generally with respect to other similarly situated executives of Employer and does not single out Executive.

4.4 Taxes and Withholdings . Employer may deduct from all compensation payable under this Agreement to Executive any taxes or withholdings Employer is required to deduct pursuant to state and federal laws or by mutual agreement between the parties. Employee is solely liable for any and all taxes beyond those specifically withheld by Employer.

5. Termination .

5.1 Termination Upon Death . The Term (and Executive's employment) shall automatically terminate with immediate effect upon the death of Executive.

5.2 Termination by Employer . Notwithstanding anything in this Agreement to the contrary, express or implied, the Term (and Executive's employment) may be terminated immediately by Employer (by delivery of written notice specifying that termination is made pursuant to this Section 5.2) as follows:

(a) Whenever Executive is not physically or mentally able (with reasonable accommodation) to perform the essential functions of Executive's job;

(b) For "Cause," which shall be defined as: (i) embezzlement, theft or misappropriation by the Executive of any property of any of the Related Companies; (ii) Executive's willful breach of any fiduciary duty to Employer; (iii) Executive's willful failure or refusal to comply with laws or regulations applicable to Employer and its business or the policies of Employer governing the conduct of its employees; (iv) Executive's gross incompetence in the performance of Executive's job duties; (v) commission by Executive of a felony or of any crime involving moral turpitude, fraud or misrepresentation; (vi) the failure of Executive to perform duties consistent with a commercially reasonable standard of care; (vii) Executive's refusal to perform Executive's job duties or to perform reasonable specific directives of Executive's supervisor or his successor or designee and the Board of Directors of Employer; or (viii) any gross negligence or willful misconduct of Executive resulting in a loss to Employer or any other Related Company, or damage to the reputation of Employer or any other Related Company; or

(c) Upon the occurrence of any material breach (not covered by any of clauses (i) through (viii) of Section 5.2(b) above) of any of the provisions of this Agreement, it being agreed that for all purposes under this Agreement any violation of any of the provisions of Sections 1, 6, 7, 8, 9 and 10 shall be deemed to be a material breach of this Agreement.

5.3 Termination by Employer without Cause . Employer may terminate the Term (and Executive's employment) by giving two weeks written notice to Executive. A termination made pursuant to this Section 5.3 is a "termination Without Cause." A termination made pursuant to Section 5.2 (and satisfying the notice requirement set forth therein) shall under no circumstance be considered a termination Without Cause.

5.4 Rights and Obligations Upon Termination .

(a) In the event of Employer's termination of the Term (and Executive's employment) pursuant to Section 5.3 (which, for the avoidance of doubt, is a termination Without Cause), Employer shall pay Executive:

(i) his Base Salary and accrued vacation through the date of termination, paid within 5 days following the termination date (or earlier if required by law);

(ii) any annual bonus earned for any fiscal year completed before the date of termination that remains unpaid as of the date of termination, paid within 5 days following the termination date (or earlier if required by law); and

(iii) an amount (the "Severance Amount") equal to two (2) times the sum of (A) his Base Salary and (B) the median of the last three (3) annual bonuses paid to Executive

(whether earned pursuant to this Agreement or otherwise and whether paid in cash, restricted stock units, stock options or otherwise) (the " Median Bonus") , fifty percent (50%) of which will be paid on the first business day following the 12-month anniversary of the date of termination and fifty percent (50%) of which will be paid in twelve installments equal to 1/24 th of the Severance Amount , the first payment of which will be made on the 29 th day following termination and the remaining eleven payments of which will be made on the first business day of each calendar month thereafter .

For the purpose of determining the Median Bonus, the value of (1) the portion of any annual bonus paid in the form of restricted stock or restricted stock units ("RSUs") shall be determined by multiplying the number of restricted shares or RSUs granted by the closing price of the restricted shares or stock underlying the RSUs on the grant date and (2) the portion of any annual bonus paid in the form of stock options or other equity (excluding restricted stock or RSUs) shall be determined using the methodology utilized by Employer for determining the cost of such stock option or other equity for financial reporting purposes, but without giving effect to the amortization of such stock option or other equity. For the avoidance of doubt, the Median Bonus shall not include any long-term incentive equity awards which would not be included in "Covered Compensation" under the Executive Supplemental Benefit Plan (including any amendment, modification or successor thereto, the "SERP"). For the avoidance of doubt, "median" means, with respect to a set of three amounts, the middle amount and not the highest or the lowest amount, unless two of the amounts in the set are the same amount, in which case "median" means the amount which occurs twice in the set.

In exchange for Employer's agreement to pay the Severance Amount and as a condition thereto, Executive agrees to execute (within 21 days following the date of termination of employment), deliver and not revoke (within the time period permitted by applicable law) a general release of the Related Companies and their respective officers, directors, employees and owners from any and all claims, obligations and liabilities of any kind whatsoever, including all such claims arising from or in connection with Executive's employment or termination of employment with Employer or this Agreement (including, without limitation, civil rights claims), in such form as is reasonably requested by Employer. Executive's right to receive the Severance Amount is conditioned upon the release described in the preceding sentence becoming irrevocable within the prescribed time period. In addition, Executive's right to receive the Severance Amount shall immediately cease in the event that Executive violates any of the provisions of Sections 7 or 8. Apart from the payments set forth in this Section 5.4(a) and the benefits to which Executive may be entitled under the Employment Arrangements (as defined below), upon such termination Employer shall have no further liability whatsoever to Executive.

(b) In the event of the termination of the Term (and Executive's employment) pursuant to Sections 5.1 or 5.2 or, if Executive's employment does not continue on an at-will basis or pursuant to another agreement, upon the expiration of the Term, Employer shall be obligated to pay Executive (or, in the case of a termination under Section 5.1, Executive's heir or successor) the Base Salary and paid time off accrued hereunder through the date of termination and any annual bonus earned for any fiscal year completed before the date of termination, in each case, that remains unpaid as of the date of termination. Apart from the payments set forth in this Section 5.4(b) and the benefits to which Executive may be entitled under the Employment Arrangements, upon such termination or expiration, as the case may be, Employer shall have no further liability whatsoever to Executive.

(c) If (i) Executive's employment is terminated Without Cause by Employer prior to the expiration of the Term, (ii) as of the date of such termination Executive has not yet reached his "Early Retirement Date", as defined in the SERP and (iii) Executive would have reached his "Early Retirement Date" during the Term had his employment not been earlier terminated, Executive will be deemed to be vested in the SERP on the date he would have reached his "Early Retirement Date" and he will begin receiving payments under the SERP on such date as otherwise provided in, and otherwise subject to the provisions of, the SERP; provided , however , that in such circumstance Executive's "Final Average Compensation" (or equivalent) for purposes of the SERP shall be determined as of the date of the termination of his employment.

(d) If it becomes known that Executive's employment will terminate for any reason, Employer may, in its sole discretion and subject to its other obligations under this Agreement, relieve Executive of his duties under this Agreement and assign Executive other reasonable duties and responsibilities to be performed until the termination becomes effective.

(e) In the event that any payment or benefit received or to be received by Executive under this Agreement and all other arrangements or programs, including any acceleration of vesting of stock options, restricted stock, restricted stock units, deferred compensation, or long-term incentive awards (collectively, the "Payments"), would constitute an excess parachute payment within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") , as determined in good faith by Employer's independent auditors, then the portion of the Payments that would be treated as parachute payments under Section 280G of the Code shall be reduced so that the Payments, in the aggregate, are reduced to the Safe Harbor Amount (as defined below). For purposes of this Agreement, the term "Safe Harbor Amount" means the largest portion of the Payments that would result in no portion of the Payments being considered parachute payments under Section 280G of the Code. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. In addition, with regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A of the Code, all such payments shall be made on or before the last day of calendar year following the calendar year in which the expense occurred.

(f) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Code and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code, then with regard to any payment or the provision of any benefit (whether under this Agreement or otherwise) that is considered deferred compensation under Section 409A of the Code payable on account of a "separation from service," and that is not exempt from Section 409A of the Code as involuntary separation pay or a short-term deferral (or otherwise), such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such "separation from service" of Executive or (ii) the date of Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 5.4(f) (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Executive in a lump sum without interest, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. For purposes of Section 409A of the Code, each payment amount or benefit due under this Agreement will be considered a separate payment and Executive's entitlement to a series of payments or benefits under this Agreement is to be treated as an entitlement to a series of separate payments.

(g) Upon termination of Executive's employment for any reason, Executive hereby resigns from any and all (i) positions with all Related Companies, whether as a director, manager, general partner, officer or otherwise; (ii) committee memberships, fiduciary capacities or similar positions with respect to employee benefit plans sponsored by any Related Company, and (iii) any other positions associated with any Related Company.

6. Restrictive Covenants

6.1 Access to Trade Secrets and Confidential Information. Executive acknowledges and agrees that in the performance of Executive's duties of employment Executive will be brought into frequent contact with existing and potential customers of Employer and the other Related Companies throughout the world. Executive also agrees that trade secrets and confidential information of Employer and the other Related Companies gained by Executive during Executive's association with Employer and the other Related Companies have been developed by Employer and the other Related Companies through substantial expenditures of time, effort and money and constitute valuable and unique property of Employer and the other Related Companies, and Employer and/or the Related Companies will suffer substantial damage and irreparable harm which will be difficult to compute if, during the Term and thereafter, Executive should disclose or improperly use such confidential information and trade secrets in violation of the provisions of this Section 6. Executive further understands and agrees that the foregoing makes it necessary for the protection of the businesses of Employer and the other Related Companies that Executive not compete with Employer or any other Related Company during his or her employment, as further provided in this Section 6.

6 .2 Non-Compete and Non-Solicit . While employed by Employer or any other Related Company , Executive will not , directly or indirectly, engage in or render any service of a business, commercial or professional nature to any other person, entity or organization, whether for compensation or otherwise, that is in competition with Employer or any other Related Company anywhere in the world . In accordance with this restriction, but without limiting its terms, Executive will not:

(a) enter into or engage in any business which competes with the business of Employer or any other Related Company;

(b) solicit customers, business, patronage or orders for, or sell, any products or services in competition with, or for any business that competes with, the business of Employer or any other Related Company;

(c) divert, entice, or take away any customers, business, patronage or orders of Employer or any other Related Company or attempt to do so; or

(d) promote or assist, financially or otherwise, any person, firm, association, partnership, corporation or other entity engaged in any business which competes with the business of Employer or any other Related Company.

6.3 Scope of Restricted Activities . For the purposes of Section 6.2, but without limitation thereof, Executive will be in violation thereof if Executive engages in any or all of the activities set forth therein directly as an individual on Executive's own account, or indirectly as a stockholder, partner, joint venturer, executive, agent, salesperson, consultant, officer and/or director of, or by virtue of the ownership by Executive's spouse, child or parent of any equity interest in, any firm, association, partnership, corporation or other entity engaging in any or all of such activities; provided, however, Executive's or Executive's spouse's, child's or parent's ownership of less than one percent (1%) of the issued equity interest in any publicly traded corporation shall not alone constitute a violation of this Agreement.

6.4 Scope of Covenants . Employer and Executive acknowledge that the time, scope, geographic area and other provisions of Sections 6 and 7 have been specifically negotiated by sophisticated commercial parties and agree that they consider the restrictions and covenants contained in such Sections to be reasonable and necessary for the protection of the interests of the Related Companies, but if any such restriction or covenant shall be held by any court of competent jurisdiction to be void but would be valid if deleted in part or reduced in application, such restriction or covenant shall apply with such deletion or modification as may be necessary to make it valid and enforceable. The restrictions and covenants contained in each provision of such Sections shall be construed as separate and individual restrictions and covenants and shall each be capable of being severed without prejudice to the other restrictions and covenants or to the remaining provisions of this Agreement.

7. No Solicitation of Employees . Executive will not directly or indirectly, at any time during the Term and the 12-month period after termination of Executive's employment, either for Executive or for any other person or entity, recruit or solicit for hire any employee, officer, director or other personnel of the Employer or any of the Related Companies, or to induce or encourage such a person or entity to terminate his, her or its relationship, or breach an agreement, with the Employer or one of the Related Companies.

8. Nondisclosure of Confidential Information . Executive will keep in strict confidence, and will not, directly or indirectly, at any time during or after Executive's employment with Employer, disclose, furnish, disseminate, make available or, except in the course of performing Executive's duties of employment, use any trade secrets or confidential business and technical information of Employer, any other Related Company or any of its respective customers or vendors, without limitation as to when or how Executive may have acquired such information. Such confidential information shall include, without limitation, Employer's and any other Related Company's unique selling and servicing methods and business techniques, business strategies, financial information, training, service and business manuals, promotional materials, training courses and other training and instructional materials, vendor and product information, customer and prospective customer lists, other customer and prospective customer information, processes, inventions, patents, copyrights, trademarks and other intellectual property and intangible rights, and other business information. Executive specifically acknowledges that all such confidential

information, whether reduced to writing, maintained on any form of electronic media, or maintained in the mind or memory of Executive and whether compiled by Employer, any other Related Company and/or Executive , derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by Employer or another Related Company , as the case may be, to maintain the secrecy of such information, that such information is the sole property of Employer or another Related Company and that any retention and use of such information or rights by Executive during his employment with Employer (except in the course of performing his duties and obligations hereunder) or after the termination of his employme n t shall constitute a misappropriation of Employer' s or another Related Company's trade secrets , rights or other property .

9. Return of Company Property . Executive agrees that upon termination of Executive's employment with Employer, for any reason, Executive shall return to Employer, in good condition, all property of Employer and the other Related Companies, including without limitation, the originals and all copies of any materials which contain, reflect, summarize, describe, analyze or refer or relate to any items of information listed in Section 8 of this Agreement. In the event that such items are not so returned, Employer will have the right to charge Executive for all reasonable damages, costs, attorneys' fees and other expenses incurred in searching for, taking, removing and/or recovering such property.

10. Representations and Warranties . Executive hereby represents and warrants that he has the legal capacity to execute and perform this Agreement, that this Agreement is a valid and binding agreement enforceable against him according to its terms, and that the execution and performance of this Agreement by him does not violate the terms of any existing agreement or understanding, written or oral, to which Executive is a party or any judgment or decree to which Executive is subject. In addition, Executive represents and warrants that he knows of no reason why he is not physically or legally capable of performing his obligations under this Agreement in accordance with its terms. Executive hereby indemnifies the Related Companies and shall hold harmless the Related Companies from and against all liability, loss, cost, or expense, including, without limitation, reasonable attorneys' fees and expenses, incurred by any Related Company by reason of the inaccuracy of Executive's representations and warranties contained in this Section 10.

11. Survival . Each of the representations, warranties and covenants set forth in Sections 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 and 20 of this Agreement shall survive and shall continue to be binding upon Employer and Executive notwithstanding the termination of Executive's employment or the expiration of the Term for any reason whatsoever.

12. Breach by Executive . Executive is obligated under this Agreement to render services of a special, unique, unusual, extraordinary, and intellectual character, which give this Agreement particular value. The loss of these services cannot be reasonably or adequately compensated in damages in an action at law. Accordingly, in addition to other remedies provided by law or this Agreement, Employer shall have the right during the Term and any period of non-competition governed by this Agreement, to seek injunctive relief against breach or threatened breach of this Agreement by Executive or the performance of services, or threatened performance of services, by Executive in violation of this Agreement, or both. This Section is not meant to limit the damages the Employer may pursue and is not meant to be an exhaustive list of the relief available to the Employer.

13. Controlling Law . This Agreement shall be controlled, construed and enforced in accordance with the laws of the State of California, without regard to conflicts of laws principles.

14. Notices . Any notice to Employer required or permitted under this Agreement shall be given in writing to Employer, either by personal service or by registered or certified mail, postage prepaid, addressed to the Chief Executive Officer of Employer, or equivalent, with a copy to the General Counsel of Employer, at Employer's then principal place of business. Any such notice to Executive shall be given in a like manner and, if mailed, shall be addressed to Executive at his home address then shown in Employer's files. For the purpose of determining compliance with any time limit in this Agreement, a notice shall be deemed to have been duly given (a) on the date of service, if served personally on the party to whom notice is to be given, or (b) on the third business day after mailing, if mailed to the party to whom the notice is to be given in the manner provided by this Section.

15. Amendments. This Agreement may be amended only by written agreement of each of the parties to this Agreement.

16. Severability. If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided that if Executive breaches Section 6 and if Section 6 is finally determined to be unenforceable, the payment obligations of Section 5.4(a)(iii) and Section 5.4(c) shall be deemed void *ab initio*.

17. Assignment. Executive shall not transfer or assign this Agreement or any part thereof. Employer reserves the right to transfer or assign this Agreement to any organization associated with it or any successor organization; provided, however, that Employer may assign this Agreement to any Related Company the stock or other equity of which is distributed to the shareholders of Employer and which, at the time of such distribution, agrees to employ Executive and assume Employer's obligations under this Agreement.

18. Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any party other than Employer, the other Related Companies, Executive and their respective successors and permitted assigns.

19. Integration.

(a) This Agreement; the SERP; any stock option, restricted stock, stock appreciation right or other equity compensation plan of Employer or any other Related Company (including, without limitation, the First American Financial Corporation 2010 Incentive Compensation Plan) and any award agreement entered into thereunder; any pension plan and pension restoration plan or Employer or any Related Company; any deferred compensation plan of Employer or any other Related Company; any other employee benefit plan of Employer or any other Related Company; any change-of-control or similar agreement to which Employer and/or and Related Party and Executive are parties; and any amendment, restatement or successor to any of the foregoing (the foregoing, collectively, the "Employment Arrangements") contain the entire Agreement between the parties and supersedes all prior verbal and written agreements, understandings, commitments and practices between the parties. The benefits conferred upon Executive pursuant to this Agreement shall be in addition to the benefits provided for under the other Employment Arrangements; provided, however, that duplicative benefits shall not be payable pursuant to this Agreement and any other Employment Arrangement and, for the avoidance of doubt, none of the benefits provided in this Agreement shall be payable to the extent they are otherwise payable under the other Employment Arrangements.

(b) In the event (i) Executive is a party to an agreement with a Related Company providing for a severance benefit in the event Executive's employment terminates following a change-in-control (a "Change-in-Control Agreement"), (ii) Executive becomes entitled to such benefit and (iii) Executive becomes entitled to the Severance Amount under Section 5.4(a)(iii), then the severance benefit payable to Executive under the Change-in-Control Agreement shall offset any Severance Amount payable to Executive pursuant to Section 5.4(a)(iii).

20. Counterparts. This Agreement may be executed in any number of counterparts, each of which when executed shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Agreement effective as of the day and year first above written.

"EMPLOYEE"		"EMPLOYER"	
/s/ Mark E. Seaton		/s/ Dennis J. Gilmore	
Name:	Mark E. Seaton	Name:	Dennis J. Gilmore
Date:	11-17-2015	Title:	Chief Executive Officer
		Date:	11-17-2015

Signature Page to
Employment Agreement

Exhibit 21

Subsidiaries of the Registrant

The following is a list of subsidiaries of the Company as of December 31, 2015, omitting certain subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Name of Subsidiary :	State or Country Under Laws of Which Organized
Data Trace Information Services LLC	Delaware
FATCO Holdings, LLC	Delaware
FCT Insurance Company Ltd.	Canada
First American Data Co., LLC	Delaware
First American Data Tree LLC	Delaware
First American Exchange Company, LLC	Delaware
First American Home Buyers Protection Corporation	California
First American Professional Real Estate Services, Inc.	California
First American Property & Casualty Insurance Company	California
First American Specialty Insurance Company	California
First American Title & Trust Company	Oklahoma
First American Title Company	California
First American Title Company, LLC	Delaware
First American Title Company, LLC	Texas
First American Title Guaranty Company	Texas
First American Title Insurance Company	Nebraska
First American Title Insurance Company of Australia Pty Limited	Australia
First American Title Insurance Company of Louisiana	Louisiana
First American Trust, F.S.B.	California
First Title Insurance plc	United Kingdom
Ohio Bar Title Insurance Company	Ohio
Republic Title of Texas, Inc.	Texas

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-188162 and 333-186166) and Form S-8 (Nos. 333-190133, 333-167228 and 333-167226) of First American Financial Corporation of our report dated February 19, 2016 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP
PricewaterhouseCoopers LLP
Los Angeles, California
February 19, 2016

Exhibit 31(a)

CERTIFICATIONS

I, Dennis J. Gilmore, certify that:

1. I have reviewed this annual report on Form 10-K of First American Financial Corporation ("registrant");

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

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

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

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

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

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

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

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

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

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

Date: February 19, 2016

/s/ DENNIS J. GILMORE

Dennis J. Gilmore
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31(b)

CERTIFICATIONS

I, Mark E. Seaton, certify that:

1. I have reviewed this annual report on Form 10-K of First American Financial Corporation (“registrant”);

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

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

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

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

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

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

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

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

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

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

Date: February 19, 2016

/s/ MARK E. SEATON

Mark E. Seaton
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32(a)

Certification pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Form 10-K of First American Financial Corporation (the " ***Company*** ") for the period ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the " ***Report*** "), I, Dennis J. Gilmore, chief executive officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ D ENNIS J. G ILMORE

Dennis J. Gilmore
Chief Executive Officer
February 19, 2016

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32(b)

Certification pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Form 10-K of First American Financial Corporation (the " ***Company*** ") for the period ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the " ***Report*** "), I, Mark E. Seaton, chief financial officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ MARK E. SEATON

Mark E. Seaton
Chief Financial Officer
February 19, 2016

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.