INVESTORS TITLE CO
Form 10-Q
October 29, 2010
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010

OR

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

For the transition period from___________________ to ___________________

Commission File Number: 0-11774

INVESTORS TITLE COMPANY
(Exact name of registrant as specified in its charter)

North Carolina	56-1110199
(State of incorporation)	(I.R.S. Employer Identification No.)

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

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

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

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

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

Non-accelerated filer __ Smaller reporting company X
(do not check if a smaller reporting company)

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

As of October 11, 2010, there were 2,284,042 common shares of the registrant outstanding.

INVESTORS TITLE COMPANY
AND SUBSIDIARIES

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Item 1. Financial Statements

Investors Title Company and Subsidiaries
Consolidated Balance Sheets
As of September 30, 2010 and December 31, 2009
(Unaudited)

	September 30, 2010	December 31, 2009
Assets:		
Investments in securities:		
Fixed maturities:		
Held-to-maturity, at amortized cost (fair value: 2010: $0; 2009: $2,000)	$ -	$ 2,000
Available-for-sale, at fair value (amortized cost: 2010: $84,525,290; 2009: $85,047,483)	90,837,152	88,801,186
Equity securities, available-for-sale, at fair value (cost: 2010: $9,239,827; 2009: $8,241,767)	12,886,706	11,854,301
Short-term investments	24,772,235	20,717,434
Other investments	2,683,177	2,307,220
Total investments	131,179,270	123,682,141
Cash and cash equivalents	5,467,341	8,733,221
Premiums and fees receivable, less allowance for doubtful accounts of $1,433,000 and $1,486,000 for 2010 and 2009, respectively	6,643,333	5,170,476
Accrued interest and dividends	981,144	1,122,806
Prepaid expenses and other assets	1,613,459	1,815,653
Property acquired in settlement of claims	166,629	175,476
Property, net	3,659,136	3,894,724
Current income taxes receivable	1,047,057	-
Deferred income taxes, net	-	1,833,207
Total Assets	$ 150,757,369	$ 146,427,704
Liabilities and Stockholders' Equity		
Liabilities:		
Reserves for claims	$ 38,065,000	$ 39,490,000
Accounts payable and accrued liabilities	9,442,504	9,008,337
Current income taxes payable	-	670,290
Deferred income taxes, net	786,863	-
Total liabilities	48,294,367	49,168,627
Commitments and Contingencies		
Stockholders' Equity:		
	-	-

Class A Junior Participating preferred stock (shares authorized 100,000; no shares issued)				
Common stock - no par value (shares authorized 10,000,000; 2,284,042 and 2,285,289 shares issued and outstanding as of September 30, 2010 and December 31, 2009, respectively, excluding 291,676 shares for 2010 and 2009 of common stock held by the Company's subsidiary)		1		1
Retained earnings		96,025,089		92,528,818
Accumulated other comprehensive income		6,437,912		4,730,258
Total stockholders' equity		102,463,002		97,259,077
Total Liabilities and Stockholders' Equity	$	150,757,369	$	146,427,704

See notes to Consolidated Financial Statements.

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Investors Title Company and Subsidiaries
Consolidated Statements of Income
For the Three and Nine Months Ended September 30, 2010 and 2009
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Revenues:				
Underwriting income:				
Premiums written	$16,802,054	$14,306,677	$42,297,223	$49,662,835
Less - premiums for reinsurance ceded	52,659	24,062	122,576	58,012
Net premiums written	16,749,395	14,282,615	42,174,647	49,604,823
Investment income - interest and dividends	934,754	911,982	2,757,228	2,862,071
Net realized gain (loss) on investments	(44,864)	(110,818)	306,066	(400,760)
Other	1,522,399	1,278,838	3,839,920	4,599,451
Total Revenues	19,161,684	16,362,617	49,077,861	56,665,585
Operating Expenses:				
Commissions to agents	8,632,083	6,838,090	20,707,910	23,202,041
Provision for claims	1,819,522	1,934,459	3,244,341	6,733,399
Salaries, employee benefits and payroll taxes	4,354,854	4,195,751	13,185,127	13,862,993
Office occupancy and operations	971,264	985,769	3,038,491	3,292,491
Business development	335,454	336,481	962,115	928,309
Filing fees, franchise and local taxes	241,774	204,819	534,473	547,074
Premium and retaliatory taxes	336,925	270,352	919,655	1,013,124
Professional and contract labor fees	334,973	330,959	1,038,845	982,948
Other	126,734	173,894	420,828	363,727
Total Operating Expenses	17,153,583	15,270,574	44,051,785	50,926,106
Income Before Income Taxes	2,008,101	1,092,043	5,026,076	5,739,479
Provision For Income Taxes	559,000	123,000	1,022,000	1,220,000
Net Income	$1,449,101	$969,043	$4,004,076	$4,519,479
Basic Earnings Per Common Share	$0.63	$0.42	$1.75	$1.97
Weighted Average Shares Outstanding - Basic	2,284,331	2,290,666	2,285,039	2,293,754
Diluted Earnings Per Common Share	$0.63	$0.42	$1.75	$1.96
Weighted Average Shares Outstanding - Diluted	2,285,785	2,295,757	2,291,060	2,300,686
Cash Dividends Paid Per Common Share	$0.07	$0.07	$0.21	$0.21

See notes to Consolidated Financial Statements.

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Investors Title Company and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Nine Months Ended September 30, 2010 and 2009
(Unaudited)

	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, January 1, 2009	2,293,268	$ 1	$ 88,248,452	$ 1,609,435	$ 89,857,888
Net income			4,519,479		4,519,479
Dividends ($.21 per share)			(481,591)		(481,591)
Shares of common stock repurchased and retired	(11,771)		(367,014)		(367,014)
Stock options exercised	4,725		80,011		80,011
Share-based compensation expense			373,014		373,014
Amortization related to postretirement health benefits				11,088	11,088
Net unrealized gain on investments, net of tax				3,477,771	3,477,771
Balance, September 30, 2009	2,286,222	$ 1	$ 92,372,351	$ 5,098,294	$ 97,470,646
Balance, January 1, 2010	2,285,289	$ 1	$ 92,528,818	$ 4,730,258	$ 97,259,077
Net income			4,004,076		4,004,076
Dividends ($.21 per share)			(479,861)		(479,861)
Stock options exercised	9,345		139,000		139,000
Share-based compensation expense			163,739		163,739
Repurchase of shares	(10,592)		(330,683)		(330,683)
Amortization related to postretirement health benefits				11,370	11,370
Net unrealized gain on investments, net of tax				1,696,284	1,696,284
Balance, September 30, 2010	2,284,042	$ 1	$ 96,025,089	$ 6,437,912	$ 102,463,002

See notes to Consolidated Financial Statements.

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Investors Title Company and Subsidiaries
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2010 and 2009
(Unaudited)

	2010	2009
Operating Activities:		
Net income	$ 4,004,076	$ 4,519,479
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	384,601	546,423
Amortization, net	251,456	214,511
Amortization of prior service cost	17,220	16,799
Share-based compensation expense related to stock options	163,739	373,014
(Decrease) increase in allowance for doubtful accounts on premiums receivable	(53,000)	85,000
Net (gain) loss on disposals of property	(2,870)	15,207
Net realized (gain) loss on investments and other assets	(306,066)	400,760
Net earnings from other investments	(506,448)	(979,528)
Provision for claims	3,244,341	6,733,399
Provision for deferred income taxes	1,718,000	1,644,000
Changes in assets and liabilities:		
Increase in receivables and other assets	(1,114,703)	(1,243,443)
(Increase) decrease in current income taxes receivable	(1,047,057)	259,751
Increase (decrease) in accounts payable and accrued liabilities	434,167	(2,210,618)
Decrease in current income taxes payable	(670,290)	-
Payments of claims, net of recoveries	(4,669,341)	(6,545,399)
Net cash provided by operating activities	1,847,825	3,829,355
Investing Activities:		
Purchases of available-for-sale securities	(11,970,880)	(6,953,840)
Purchases of short-term securities	(9,695,660)	(7,747,949)
Purchases of other investments	(416,100)	(315,804)
Proceeds from sales and maturities of available-for-sale securities	11,630,860	8,595,251
Proceeds from maturities of held-to-maturity securities	2,000	260,000
Proceeds from sales and maturities of short-term securities	5,640,859	6,081,587
Proceeds from sales and distributions of other investments	512,903	840,802
Purchases of property	(163,343)	(166,729)
Proceeds from the sale of property	17,200	8,816
Net cash (used in) provided by investing activities	(4,442,161)	602,134

Financing Activities:						
Repurchases of common stock		(330,683	)		(367,014	)
Exercise of options		139,000			80,011	
Dividends paid		(479,861	)		(481,591	)
Net cash used in financing activities		(671,544	)		(768,594	)
Net (Decrease) Increase in Cash and Cash Equivalents		(3,265,880	)		3,662,895	
Cash and Cash Equivalents, Beginning of Period		8,733,221			5,155,046	
Cash and Cash Equivalents, End of Period	$	5,467,341		$	8,817,941	
Supplemental Disclosures:						
Cash Paid (Received) During the Period for:						
Income taxes, payments (refunds), net	$	1,075,000		$	(683,000	)
Non cash net unrealized gain on investments, net of deferred tax provision of ($896,219) and ($1,843,217) for 2010 and 2009, respectively	$	(1,696,284	)	$	(3,477,771	)

See notes to Consolidated Financial Statements.

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INVESTORS TITLE COMPANY
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2010
(Unaudited)

Note 1 - Basis of Presentation and Significant Accounting Policies

Reference should be made to the "Notes to Consolidated Financial Statements" of Investors Title Company's ("the Company") Annual Report on Form 10-K for the year ended December 31, 2009 for a complete description of the Company's significant accounting policies.

Principles of Consolidation – The accompanying unaudited consolidated financial statements include the accounts and operations of Investors Title Company and its subsidiaries (Investors Title Insurance Company, National Investors Title Insurance Company, Investors Title Exchange Corporation, Investors Title Accommodation Corporation, Investors Title Management Services, Inc., Investors Title Commercial Agency, LLC, Investors Capital Management Company, and Investors Trust Company), and have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. All intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows in the accompanying unaudited consolidated financial statements have been included. All such adjustments are of a normal recurring nature. Operating results for the quarter ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

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

Reclassification - Certain 2009 amounts have been reclassified to conform to the 2010 classifications. These reclassifications had no effect on net income or stockholders' equity as previously reported.

Subsequent Events - The Company has evaluated and concluded that there were no material subsequent events requiring adjustment to or disclosure in its consolidated financial statements.

Recently Issued Accounting Standards – In February 2010, the Financial Accounting Standards Board ("FASB") updated the reporting requirements for subsequent events to no longer require the inclusion of a date through which events have been evaluated in the notes to the financial statements. This update was effective immediately and did not have an impact on the Company's financial condition or results of operations.

In January 2010, the FASB updated the requirements for fair value measurements and disclosures to provide for additional disclosure related to transfers in and out of securities valuation hierarchy Levels 1 and 2, and to require companies to present Level 3 securities purchases, sales, issuances and settlement on a gross rather than net basis. Refer to Note 7 for a discussion of valuation hierarchy levels. The new disclosures are clarifications of existing disclosures and are effective for interim and annual reporting periods beginning after December 15, 2009, except that the disclosures requiring the presentation of Level 3 securities trading activity on a gross basis are effective for fiscal years beginning after December 15, 2010. This update did not have an impact on the Company’s financial condition or results of operations.

In June 2009, the FASB changed the methodology used to determine whether or not an entity is a primary beneficiary with respect to a variable interest entity and introduced a requirement to reassess on an ongoing basis whether an entity is the primary beneficiary of a variable interest entity. This update was implemented January 1, 2010, and did not have an impact on the Company’s financial condition or results of operations.   As a result of this update, the Company evaluated its investments in entities in which it has an equity ownership, and determined that the Company is not the primary beneficiary in any of these entities. Accordingly, these entities have not been consolidated because the Company does not have a controlling ownership in any of the companies, there are no disproportionate voting rights, it is not the responsibility of the Company to ensure the entities operate as intended and there are no requirements to provide for additional funding in the event of losses. The entities that were evaluated are primarily title insurance agencies in which the Company has investments.

Note 2 - Reserves for Claims

Transactions in the reserves for claims for the nine months ended September 30, 2010 and the year ended December 31, 2009 are summarized as follows:

		September 30, 2010		December 31, 2009
Balance, beginning of period	$	39,490,000	$	39,238,000
Provision, charged to operations		3,244,341		8,465,123
Payments of claims, net of recoveries		(4,669,341)		(8,213,123)
Ending balance	$	38,065,000	$	39,490,000

The total reserve for all reported and unreported losses the Company incurred through September 30, 2010 is represented by the reserves for claims. The Company's reserves for unpaid losses and loss adjustment expenses are established using estimated amounts required to settle claims for which notice has been received (reported) and the amount estimated to be required to satisfy incurred claims of policyholders which may be reported in the future. Despite the variability of such estimates, management believes that the reserves are adequate to cover claim losses which might result from pending and future claims under policies issued through September 30, 2010. The Company continually reviews and adjusts its reserve estimates to reflect its loss experience and any new information that becomes available. Adjustments resulting from such reviews may be significant.

The decrease in the loss provision from December 31, 2009 to September 30, 2010 is due to the recovery of $942,000 under the Company's fidelity bond related to a defalcation that occurred in 2008, as well as a decrease in premium volume, a favorable adjustment to the current year loss provision rate and favorable experience development in several prior policy years.

A summary of the Company's loss reserves, broken down into its components of known title claims and incurred but not reported claims ("IBNR"), follows:

	September 30, 2010		%	December 31, 2009		%
Known title claims	$	6,157,516	16.2	$	6,398,623	16.2
IBNR		31,907,484	83.8		33,091,377	83.8
Total loss reserves	$	38,065,000	100	$	39,490,000	100

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

Note 3 - Comprehensive Income

Total comprehensive income for the three months ended September 30, 2010 and 2009 was $3,312,805 and $3,623,712, respectively. Comprehensive income for the nine months ended September 30, 2010 and 2009 was $5,711,730 and $8,008,338, respectively. Comprehensive income is comprised of unrealized gains or losses on the Company's available-for-sale securities, net of tax and amortization of prior service cost and unrealized gains and losses in net periodic benefit costs related to postretirement liabilities, net of tax.

Note 4 - Earnings Per Common Share and Share Awards

Basic earnings per common share is computed by dividing net income by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per common share is computed by dividing net income by the combination of dilutive potential common stock, comprised of shares issuable under the Company's share-based compensation plans and the weighted-average number of common shares outstanding during the reporting period. Dilutive common share equivalents includes the dilutive effect of in-the-money share-based awards, which are calculated based on the average share price for each period using the treasury stock method. Under the treasury stock method, the exercise price of a share-based award, the amount of compensation cost, if any, for future service that the Company has not yet recognized, and the amount of estimated tax benefits that would be recorded in additional paid-in capital, if any, when the share-based awards are exercised are assumed to be used to repurchase shares in the current period. The incremental dilutive potential common shares, calculated using the treasury stock method, were 1,454 and 5,091 for the three months ended September 30, 2010 and 2009, respectively, and 6,021 and 6,932 for the nine months ended September 30, 2010, and 2009, respectively.

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net income	$1,449,101	$969,043	$4,004,076	$4,519,479
Weighted average common shares outstanding - Basic	2,284,331	2,290,666	2,285,039	2,293,754
Incremental shares outstanding assuming the exercise of dilutive stock options and SARs (share settled)	1,454	5,091	6,021	6,932
Weighted average common shares outstanding - Diluted	2,285,785	2,295,757	2,291,060	2,300,686
Basic earnings per common share	$0.63	$0.42	$1.75	$1.97
Diluted earnings per common share	$0.63	$0.42	$1.75	$1.96

There were 20,200 and 10,500 share equivalents excluded from the computation of diluted earnings per share for the three months ended September 30, 2010 and 2009, respectively, because these equivalents were anti-dilutive. There were 13,500 and 17,200 share equivalents excluded from the computation of diluted earnings per share for the nine months ended September 30, 2010 and 2009, respectively, because these equivalents were anti-dilutive.

The Company has adopted employee stock award plans (the "Plans") under which (i) restricted stock, and (ii) options or stock appreciation rights (“SARs”) to purchase shares (not to exceed 500,000 shares) of the Company's stock may be granted to key employees or directors of the Company at a price not less than the market value on the date of grant. SARs and options (which have predominantly been incentive stock options) awarded under the Plans thus far are exercisable and vest immediately or within one year or at 10% to 20% per year beginning on the date of grant and generally expire in five to ten years. All SARs issued to date have been share settled only. There have not been any SARs exercised in 2010 or 2009.

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

	Number Of Shares	Weighted Average Exercise Price	Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2008	60,480	$22.77	4.11	$1,377,390
SARs granted	3,000	47.88		
Options exercised	(12,360)	18.67		
Options/SARs cancelled/forfeited/expired	(4,050)	29.96		
Outstanding as of December 31, 2008	47,070	$24.83	3.67	$666,079
SARs granted	78,000	28.13		
Options exercised	(5,775)	15.91		
Options/SARs cancelled/forfeited/expired	(2,050)	20.61		
Outstanding as of December 31, 2009	117,245	$27.54	5.10	$541,543
SARs granted	3,000	33.31		
Options exercised	(9,345)	14.87		
Options/SARs cancelled/forfeited/expired	-	-		
Outstanding as of September 30, 2010	110,900	$28.76	4.75	$552,436
Exercisable as of September 30, 2010	85,458	$29.02	4.63	$431,347
Unvested as of September 30, 2010	25,442	$27.87	5.16	$121,089

During the second quarter of 2010, the Company issued 3,000 share-settled SARs to the directors of the Company. Share-settled SARs give holders the right to receive stock equal to the appreciation in the value of shares of stock from the grant date for a specified period of time, and as a result, are accounted for as equity instruments. As such, these were valued using the Black-Scholes option valuation model. The fair value of each award is estimated on the date of grant using the Black-Scholes option valuation model with the weighted-average assumptions noted in the table shown below. Expected volatilities are based on both the implied and historical volatility of the Company’s stock. The Company uses historical data to project SAR exercise and employee termination within the valuation model. The expected term of awards represents the period of time that SARs granted are expected to be outstanding. The interest rate for periods during the expected life of the award is based on the U.S. Treasury yield curve in effect at the time of the grant. The weighted-average fair value for the SARs issued was $12.30 and was estimated using the weighted-average assumptions shown in the table below:

	2010
Expected Life in Years	5.0
Volatility	42.4 %
Interest Rate	2.1 %
Yield Rate	0.8 %

There was approximately $164,000 and $373,000 of compensation expense relating to SARs or options vesting on or before September 30, 2010 and 2009, respectively, included in salaries, employee benefits and payroll taxes in the consolidated statements of income for those periods. As of September 30, 2010, there was approximately $262,000 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Company’s stock award plans. That cost is expected to be recognized over a weighted-average period of 10 months.

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

Note 5 – Segment Information

Consistent with the requirements of reporting segment information, the Company has one reportable segment, title insurance services. The remaining individually immaterial segments have been combined into a group called "All Other."

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

Provided below is selected financial information about the Company's operations by segment for the periods ended September 30, 2010 and 2009:

Three Months Ended September 30, 2010	Title Insurance	All Other	Intersegment Eliminations	Total
Operating revenues	$17,402,778	$1,066,743	$ (197,727)	$18,271,794
Investment income	794,078	161,093	(20,417)	934,754
Net realized loss on investments	(41,277)	(3,587)	-	(44,864)
Total revenues	$18,155,579	$1,224,249	$ (218,144)	$19,161,684
Operating expenses	15,987,300	1,364,010	(197,727)	17,153,583
Income (loss) before income taxes	$2,168,279	$(139,761)	$ (20,417)	$2,008,101
Total assets	$109,070,835	$41,686,534	$ -	$150,757,369

Three Months Ended September 30, 2009				
Operating revenues	$14,612,160	$1,144,543	$ (195,250)	$15,561,453
Investment income	768,514	213,885	(70,417)	911,982
Net realized loss on investments	(20,071)	(90,747)	-	(110,818)
Total revenues	$15,360,603	$1,267,681	$ (265,667)	$16,362,617
Operating expenses	14,237,335	1,278,489	(245,250)	15,270,574
Income (loss) before income taxes	$1,123,268	$(10,808)	$ (20,417)	$1,092,043
Total assets	$107,882,412	$37,565,916	$ -	$145,448,328

Nine Months Ended September 30, 2010	Title Insurance	All Other	Intersegment Eliminations	Total
Operating revenues	$43,441,943	$3,163,721	$ (591,097)	$46,014,567
Investment income	2,361,414	457,066	(61,252)	2,757,228
Net realized gain on investments	261,819	44,247	-	306,066
Total revenues	$46,065,176	$3,665,034	$ (652,349)	$49,077,861
Operating expenses	40,996,122	3,646,760	(591,097)	44,051,785
Income before income taxes	$5,069,054	$18,274	$ (61,252)	$5,026,076
Total assets	$109,070,835	$41,686,534	$ -	$150,757,369

Nine Months Ended September 30, 2009				
Operating revenues	$51,360,157	$3,424,579	$ (580,462)	$54,204,274
Investment income	2,377,832	595,491	(111,252)	2,862,071
Net realized loss on investments	(110,560)	(290,200)	-	(400,760)
Total revenues	$53,627,429	$3,729,870	$ (691,714)	$56,665,585
Operating expenses	48,201,588	3,354,980	(630,462)	50,926,106
Income before income taxes	$5,425,841	$374,890	$ (61,252)	$5,739,479
Total assets	$107,882,412	$37,565,916	$ -	$145,448,328

Note 6 – Retirement Agreements and Other Postretirement Benefits

On November 17, 2003, the Company's subsidiary, Investors Title Insurance Company, entered into employment agreements with key executives that provide for the continuation of certain employee benefits and other payments due upon retirement totaling $5,188,000 and $4,826,000 as of September 30, 2010 and December 31, 2009, respectively. These amounts are classified as accounts payable and accrued liabilities in the consolidated balance sheets. The executive employee benefits include health insurance, dental, vision and life insurance. The benefits are unfunded. The following table sets forth the net periodic benefits cost for the executive benefits for the three and nine months ended September 30, 2010 and 2009:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Service cost – benefits earned during the year	$6,425	$5,959	$19,274	$17,875
Interest cost on the projected benefit obligation	7,688	6,743	23,066	20,229
Amortization of unrecognized prior service cost	5,097	5,097	15,291	15,292
Amortization of unrecognized gains	645	502	1,929	1,507
Net periodic benefits costs	$19,855	$18,301	$59,560	$54,903

Note 7 - Fair Value Measurement

Valuation Hierarchy. The FASB has established a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value of financial assets and liabilities, such as securities. This hierarchy categorizes the inputs into three broad levels as follows. Level 1 inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value.

Valuation Techniques. A financial instrument's classification within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement—consequently, if there are multiple significant valuation inputs that are categorized in different levels of the hierarchy, the instrument's hierarchy level is the lowest level (with Level 3 being the lowest level) within which any significant input falls.

The Level 1 category includes equity securities that are measured at fair value using quoted active market prices.

The Level 2 category includes fixed maturity investments such as corporate bonds, U.S. government and agency bonds and municipal bonds. Their fair value is principally based on market values obtained from a third party pricing service. Factors that are used in determining their fair market value include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers and reference data. The Company receives one quote per security from the pricing service, although as discussed below, the Company does consult other price resources when confirming that the prices it obtains reflect the fair values of the instruments in accordance with ASC 820, Fair Value Measurements and Disclosures. Generally, quotes obtained from the pricing service for instruments classified as Level 2 are not adjusted and are not binding. As of September 30, 2010 and December 31, 2009, the Company did not adjust any Level 2 fair values.

A number of the Company's investment grade corporate bonds are frequently traded in active markets, and trading prices are consequently available for these securities. However, these securities were classified as Level 2 because the third party pricing service from which the Company has obtained fair values for these instruments uses valuation models which use observable market inputs in addition to traded prices. Substantially all of the input assumptions used in the service's model are observable in the marketplace or can be derived or supported by observable market data.

The Level 3 category only includes the Company's investments in student loan auction rate securities ("ARS") because quoted prices were unavailable due to the failure of auctions. Some of the inputs to this model are unobservable in the market and are significant—therefore, the Company utilizes another third party pricing service to assist in the determination of fair market value of these securities. That service uses a proprietary valuation model that considers factors such as the following: the financial standing of the issuer; reported prices and the extent of public trading in similar financial instruments of the issuer or comparable companies; the ability of the issuer to obtain required financing; changes in the economic conditions affecting the issuer; pricing by other dealers in similar securities; time to maturity; and interest rates. The following table summarizes some key assumptions the service used to determine fair value as of September 30, 2010 and December 31, 2009:

	2010	2009
Cumulative probability of earning maximum rate until maturity	0.0-0.5%	0.0-0.1%
Cumulative probability of principle returned prior to maturity	85.9-98.6%	90.8-98.6%
Cumulative probability of default at some future point	1.4-13.7%	1.4-9.2%

Based upon these inputs and assumptions, the pricing service provides a range of values to the Company for its ARS. The Company records the fair value based on the midpoint of the range and believes that this valuation is the most reasonable estimate of fair value. In 2010 and 2009, the difference in the low and high values of the ranges was approximately three percent of the carrying value of the Company's ARS.

The credit quality of the ARS the Company holds is high and comprised entirely of student loan ARS. All are investment grade and have a rating of AAA with at least one national rating service. The par value of the ARS bonds was $6,900,000 and $10,950,000 as of September 30, 2010 and December 31, 2009, respectively, with approximately 80.8% and 86.8% as of September 30, 2010 and December 31, 2009, respectively, guaranteed by the U.S. Department of Education.

The following table presents, by level, the financial assets carried at fair value measured on a recurring basis as of September 30, 2010 and December 31, 2009. The table does not include cash on hand and also does not include assets which are measured at historical cost or any basis other than fair value.

As of September 30, 2010	Level 1	Level 2	Level 3	Total
Equity				
Common stock and nonredeemable preferred stock	$12,886,706	$-	$-	$12,886,706
Fixed Maturities				
Obligations of states and political subdivisions*	-	70,736,654	2,605,432	73,342,086
Corporate Debt Securities*	-	13,783,766	3,711,300	17,495,066
Total	$12,886,706	$84,520,420	$6,316,732	$103,723,858

As of December 31, 2009	Level 1	Level 2	Level 3	Total
Equity Securities				
Common stock and nonredeemable preferred stock	$11,854,301	$-	$-	$11,854,301
Fixed Maturities				
Obligations of states and political subdivisions*	-	66,658,347	6,350,695	73,009,042
Corporate Debt Securities*	-	12,045,044	3,747,100	15,792,144
Total	$11,854,301	$78,703,391	$10,097,795	$100,655,487

*Denotes fair market value obtained from pricing services.

There were no transfers into or out of Levels 1 and 2 during the nine months ended September 30, 2010. The following table presents a reconciliation of the Company's assets measured at fair value using significant unobservable inputs (Level 3) as defined for the period ended September 30, 2010 and the year ended December 31, 2009:

Changes in Level 3 fair value during the period ended:	September 30, 2010	December 31, 2009
Beginning balance at January 1	$ 10,097,795	$ 7,596,920
Transfers into Level 3	-	3,708,280
Redemptions	(4,050,000)	(1,200,000)
Realized gain on sale of ARS	78,270	-
Unrealized gain (loss) - included in other comprehensive income	190,667	(7,405)
Ending balance	$ 6,316,732	$ 10,097,795

Certain investments are measured at estimated fair value on a non-recurring basis, such as investments that are impaired during the period and recorded at estimated fair value in the consolidated financial statements as of or during the nine months ended September 30, 2010 and the year ended December 31, 2009. The following table summarizes the corresponding estimated fair value hierarchy of such investments at September 30, 2010 and December 31, 2009 and the related impairments recognized:

September 30, 2010	Valuation Method	Impaired	Level 1	Level 2	Level 3	Total Estimated Fair Market Value	Impairment Losses
Cost method investment	Fair Value	Yes	$-	$-	$55,302	$55,302	$(37,345)
Total cost method investments			$-	$-	$55,302	$55,302	$(37,345)