INVESTORS TITLE CO
Form 10-Q
May 10, 2013

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 March 31, 2013
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 X 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 filerX	Non-accelerated filer	Smaller reporting

company

(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 April 15, 2013, there were 2,044,096 common shares of the registrant outstanding.

INVESTORS TITLE COMPANY
AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Investors Title Company and Subsidiaries
Consolidated Balance Sheets
As of March 31, 2013 and December 31, 2012
(Unaudited)

	March 31, 2013	December 31, 2012
Assets:		
Investments in securities:		
Fixed maturities, available-for-sale, at fair value (amortized cost: 2013: $71,437,653; 2012: $75,573,673)	$77,498,573	$81,936,978
Equity securities, available-for-sale, at fair value (cost: 2013: $20,842,586; 2012: $21,229,114)	30,809,436	28,510,933
Short-term investments	19,839,497	13,567,648
Other investments	6,941,042	6,763,100
Total investments	135,088,548	130,778,659
Cash and cash equivalents	20,501,601	20,810,018
Premium and fees receivable (less allowance for doubtful accounts: 2013: $1,998,297; 2012: $1,902,581)	9,404,229	11,037,714
Accrued interest and dividends	882,517	1,037,447
Prepaid expenses and other assets	4,521,774	4,651,115
Property, net	3,737,380	3,603,323
Total Assets	$174,136,049	$171,918,276
Liabilities and Stockholders' Equity		
Liabilities:		
Reserves for claims	$38,308,000	$39,078,000
Accounts payable and accrued liabilities	12,929,995	15,477,545
Current income taxes payable	374,766	1,336,824
Deferred income taxes, net	2,516,444	893,156
Total liabilities	54,129,205	56,785,525
Commitments and Contingencies	-	-
Redeemable Noncontrolling Interest	503,549	493,861
Stockholders' Equity:		
Preferred stock (1,000,000 authorized shares; no shares issued)	-	-
Common stock - no par value (10,000,000 authorized shares; 2,045,968 and 2,043,359		
shares issued and outstanding 2013 and 2012, respectively, excluding 291,676 shares		
for 2013 and 2012 of common stock held by the Company's subsidiary)	1	1
Retained earnings	109,125,314	105,820,459

Accumulated other comprehensive income	10,377,980	8,818,430
Total stockholders’ equity	119,503,295	114,638,890
Total Liabilities and Stockholders’ Equity	$174,136,049	$171,918,276

See notes to the Consolidated Financial Statements.

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Investors Title Company and Subsidiaries
Consolidated Statements of Income
For the Three Months Ended March 31, 2013 and 2012
(Unaudited)

	Three Months Ended March 31, 2013	2012
Revenues:		
Net premiums written	$23,925,997	$19,667,420
Investment income - interest and dividends	920,485	977,261
Net realized gain on investments	16,344	192,881
Other	1,985,447	1,576,712
Total Revenues	26,848,273	22,414,274
Operating Expenses:		
Commissions to agents	13,489,431	11,192,127
(Benefit) provision for claims	(389,058)	1,631,359
Salaries, employee benefits and payroll taxes	6,149,661	4,990,632
Office occupancy and operations	1,048,665	927,038
Business development	425,033	393,447
Filing fees, franchise and local taxes	180,570	351,922
Premium and retaliatory taxes	440,523	414,794
Professional and contract labor fees	614,443	400,537
Other	137,587	167,279
Total Operating Expenses	22,096,855	20,469,135
Income before Income Taxes	4,751,418	1,945,139
Provision for Income Taxes	1,365,000	513,000
Net Income	3,386,418	1,432,139
Less: Net Income Attributable to Redeemable Noncontrolling Interests	(9,688)	-
Net Income Attributable to the Company	$3,376,730	$1,432,139
Basic Earnings per Common Share	$1.65	$0.68
Weighted Average Shares Outstanding – Basic	2,044,801	2,100,835
Diluted Earnings per Common Share	$1.62	$0.67
Weighted Average Shares Outstanding – Diluted	2,083,999	2,128,788
Cash Dividends Paid per Common Share	$0.08	$0.07

See notes to the Consolidated Financial Statements.

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Investors Title Company and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2013 and 2012
(Unaudited)

	Three Months Ended March 31, 2013	2012
Net income	$3,386,418	$1,432,139
Other comprehensive income, before tax:		
(Accretion) amortization related to prior year service cost	(380)	2,349
Amortization of unrecognized loss	1,573	170
Unrealized gains on investments arising during the period	2,398,989	1,996,426
Reclassification adjustment for sale of securities included in net income	(34,829)	(192,881)
Reclassification adjustment for write-down of securities included in net income	18,485	-
Other comprehensive income, before tax	2,383,838	1,806,064
Income tax expense related to postretirement health benefits	405	857
Income tax expense related to unrealized gains on investments arising during the year	828,745	691,943
Income tax benefit related to reclassification adjustment for sale of securities included in net income	(11,989)	(66,056)
Income tax expense related to reclassification adjustment for write-down of securities included in net income	7,127	-
Net income tax expense on other comprehensive income	824,288	626,744
Other comprehensive income	1,559,550	1,179,320
Comprehensive income	$4,945,968	$2,611,459
Less: Comprehensive income attributable to redeemable noncontrolling interest	(9,688)	-
Comprehensive income attributable to the Company	$4,936,280	$2,611,459

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Three Months Ended March 31, 2013 and 2012
(Unaudited)

	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, January 1, 2012	2,107,681	$1	$99,003,018	$ 7,509,165	$106,512,184
Net income attributable to the Company			1,432,139		1,432,139
Dividends ($0.07 per share)			(147,097)		(147,097)
Shares of common stock repurchased and retired	(12,317)		(509,711)		(509,711)
Stock options exercised	2,200		45,062		45,062
Share-based compensation expense			17,690		17,690
Amortization related to postretirement health benefits				1,662	1,662
Net unrealized gain on investments				1,177,658	1,177,658
Balance, March 31, 2012	2,097,564	$1	$99,841,101	$ 8,688,485	$108,529,587
Balance, January 1, 2013	2,043,359	$1	$105,820,459	$ 8,818,430	$114,638,890
Net income attributable to the Company			3,376,730		3,376,730
Dividends ($0.08 per share)			(163,677)		(163,677)
Shares of common stock repurchased and retired	(1,791)		(114,958)		(114,958)
Stock options exercised	4,400		166,585		166,585
Share-based compensation expense			17,737		17,737
Amortization related to postretirement health benefits				788	788
Net unrealized gain on investments				1,558,762	1,558,762
Other			22,438		22,438
Balance, March 31, 2013	2,045,968	$1	$109,125,314	$ 10,377,980	$119,503,295

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2013 and 2012
(Unaudited)

	Three Months Ended March 31, 2013	2012
Operating Activities		
Net income	$3,386,418	$1,432,139
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	139,324	113,752
Amortization, net	161,803	101,242
Amortization related to postretirement benefits obligation	1,193	2,519
Share-based compensation expense related to stock options	17,737	17,690
Increase in allowance for doubtful accounts on premiums receivable	95,716	209,000
Net gain on disposals of property	-	(6,309)
Net realized gain on investments	(16,344)	(192,881)
Net earnings from other investments	(379,696)	(335,664)
(Benefit) provision for claims	(389,058)	1,631,359
Provision for deferred income taxes	799,000	339,000
Other	22,439	-
Changes in assets and liabilities:		
Decrease (increase) in receivables	1,537,769	(542,066)
Decrease in other assets	214,586	175,361
Decrease in accounts payable and accrued liabilities	(2,547,550)	(1,816,646)
Decrease in current income taxes payable	(962,058)	(492,271)
Payments of claims, net of recoveries	(380,942)	(1,342,359)
Net cash provided by (used in) operating activities	1,700,337	(706,134)
Investing Activities		
Purchases of available-for-sale securities	(9,601)	(7,207,882)
Purchases of short-term securities	(6,286,175)	(2,226,674)
Purchases of other investments	(321,231)	(1,917,500)
Proceeds from sales and maturities of available-for-sale securities	4,470,026	3,093,116
Proceeds from sales and maturities of short-term securities	14,326	7,767,468
Proceeds from sales and distributions of other investments	504,500	256,014
Proceeds from sales of other assets	4,832	-
Purchases of property	(273,381)	(32,537)
Proceeds from disposals of property	-	9,000
Net cash used in investing activities	(1,896,704)	(258,995)
Financing Activities		
Repurchases of common stock	(114,958)	(509,711)
Exercise of options	166,585	45,062
Dividends paid	(163,677)	(147,097)
Net cash used in financing activities	(112,050)	(611,746)

Net Decrease in Cash and Cash Equivalents	(308,417)	(1,576,875)
Cash and Cash Equivalents, Beginning of Period	20,810,018	18,042,258
Cash and Cash Equivalents, End of Period	$20,501,601	$16,465,383

Consolidated Statements of Cash Flows, continued

	Three Months Ended March 31,	
	2013	2012
Supplemental Disclosures:		
Cash Paid During the Year for:		
Income taxes, payments, net	$1,507,100	$667,000
Non cash net unrealized gain on investments, net of deferred tax provision of $(823,883) and $(625,887) for 2013 and 2012, respectively	$(1,558,762)	$(1,177,658)

See notes to the Consolidated Financial Statements.

INVESTORS TITLE COMPANY
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
March 31, 2013
(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, 2012 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, and have been prepared in accordance with generally accepted accounting principles for interim financial information, with the instructions to Form 10-Q and with Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted. Earnings attributable to the Company's redeemable noncontrolling interest in a majority-owned insurance agency are recorded on the Consolidated Statements of Income. The redeemable noncontrolling interest representing the portion of equity not related to the Company's ownership interest is recorded as redeemable equity in a separate section of the Consolidated Balance Sheets. 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 of the Company 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 March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions used.

Subsequent Events - The Company has concluded that there were no material subsequent events requiring adjustment to or disclosure in its Consolidated Financial Statements.

Recently Issued Accounting Standards – In February 2013, the Financial Accounting Standards Board ("FASB") updated guidance to improve the reporting of reclassifications out of accumulated other comprehensive income. The main provisions of this guidance require an entity to provide information about the amount reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the footnotes, the amount reclassified out of accumulated other comprehensive income by the respective line items of net income if the amount is reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures providing additional detail about those amounts. The amendments do not change the requirements for reporting net income or other comprehensive income in financial statements. The Company complied with this update, and it did not have an impact on the Company's financial condition or results of operations.

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In June 2011, the FASB updated requirements relating to the presentation of comprehensive income. The objectives of this accounting update are to facilitate convergence of GAAP and International Financial Reporting Standards (“IFRS”), to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. The main provisions of the guidance require that all nonowner changes in stockholders’ equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. For public entities, this update became effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company complied with this update, and it did not have an impact on the Company’s financial condition or results of operations.

In May 2011, the FASB updated requirements for measuring and disclosing fair value information, resulting in common principles and requirements in accordance with GAAP and IFRS. For public entities, this guidance became effective during interim and annual periods beginning after December 15, 2011. The Company complied with this update, and it did not have an impact on the Company’s financial condition or results of operations.

Note 2 - Reserves for Claims

Transactions in the reserves for claims for the three months ended March 31, 2013 and the year ended December 31, 2012 are summarized as follows:

	March 31, 2013	December 31, 2012
Balance, beginning of period	$ 39,078,000	$ 37,996,000
Provision, charged to operations	(389,058)	6,072,115
Payments of claims, net of recoveries	(380,942)	(4,990,115)
Ending balance	$ 38,308,000	$ 39,078,000

The total reserve for all reported and unreported losses the Company incurred through March 31, 2013 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 March 31, 2013. 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.

Positive legal developments in several claim matters, coupled with a significant current quarter recovery of a claim payment made in a prior period, contributed to a benefit in the claims provision during the quarter. In addition, claims experience for several recent policy years continued to emerge favorably in comparison with prior expectations.

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:

	March 31, 2013	%	December 31, 2012	%
Known title claims	$ 4,288,643	11.2	$ 5,166,370	13.2
IBNR	34,019,357	88.8	33,911,630	86.8
Total loss reserves	$ 38,308,000	100.0	$ 39,078,000	100.0

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 Company carries assets at the lower of cost or estimated realizable value, net of any indebtedness on the property.

Note 3 - Earnings Per Common Share and Share Awards

Basic earnings per common share are computed by dividing net income attributable to the company by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per common share is computed by dividing net income attributable to the Company 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 include 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, when share-based awards are exercised, (a) the exercise price of a share-based award; (b) the amount of compensation cost, if any, for future service that the Company has not yet recognized; and (c) the amount of estimated tax benefits that would be recorded in additional paid-in capital, if any, 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 39,198 and 27,953 for the three months ended March 31, 2013 and 2012, respectively.

The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31:

	Three Months Ended March 31,	
	2013	2012
Net income attributable to the Company	$ 3,376,730	$ 1,432,139
Weighted average common shares outstanding – Basic	2,044,801	2,100,835
Incremental shares outstanding assuming the exercise of dilutive stock options and SARs (share-settled)	39,198	27,953
Weighted average common shares outstanding – Diluted	2,083,999	2,128,788
Basic earnings per common share	$ 1.65	$ 0.68
Diluted earnings per common share	$ 1.62	$ 0.67

There were 4,500 potential shares excluded from the computation of diluted earnings per share for the three months ended March 31, 2012. These potential shares were anti-dilutive because the underlying share awards were out-of-the-money. There were no potential shares excluded from the computation of diluted earnings per share for the three months ended March 31, 2013.

The Company has adopted employee stock award plans under which restricted stock, and options or stock appreciation rights ("SARs") to acquire 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 generally expire in five to ten years and are exercisable and vest: immediately; within one year; or at 10% to 20% per year beginning on the date of grant. All SARs issued to date have been share-settled only.

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, 2012	101,600	$29.81	3.91	$697,780
SARs granted	3,000	50.50		
SARs exercised	-	-		
Options exercised	(6,380)	25.17		
Options/SARs cancelled/forfeited/expired	(70)	31.00		
Outstanding as of December 31, 2012	98,150	$30.74	3.17	$2,871,710
SARs granted	-	-		
SARs exercised	(3,000)	41.25		
Options exercised	(1,400)	30.59		
Options/SARs cancelled/forfeited/expired	-	-		
Outstanding as of March 31, 2013	93,750	$30.41	2.97	$3,624,608
Exercisable as of March 31, 2013	93,500	$30.41	2.97	$3,615,105
Unvested as of March 31, 2013	250	$31.06	1.44	$9,503

There was approximately $18,000 of compensation expense relating to SARs or options vesting on or before both March 31, 2013 and 2012, included in salaries, employee benefits and payroll taxes in the Consolidated Statements of Income. As of March 31, 2013, there was approximately $7,000 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 approximately 4 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 4 – Segment Information

The Company has one reportable segment, title insurance services. The remaining 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 March 31, 2013 and 2012:

Three Months Ended March 31, 2013	Title Insurance	All Other	Intersegment Eliminations	Total
Insurance and other services revenues	$25,028,558	$1,226,251	$ (343,365)	$25,911,444
Investment income	848,655	95,164	(23,334)	920,485
Net realized gain (loss) on investments	31,601	(15,257)	-	16,344
Total revenues	$25,908,814	$1,306,158	$ (366,699)	$26,848,273
Operating expenses	20,865,372	1,557,427	(325,944)	22,096,855
Income (loss) before income taxes	$5,043,442	$(251,269)	$ (40,755)	$4,751,418
Total assets	$136,734,324	$37,401,725	$ -	$174,136,049

Three Months Ended March 31, 2012	Title Insurance	All Other	Intersegment Eliminations	Total
Insurance and other services revenues	$20,273,756	$1,176,058	$ (205,682)	$21,244,132
Investment income	853,831	143,847	(20,417)	977,261
Net realized gain on investments	182,414	10,467	-	192,881
Total revenues	$21,310,001	$1,330,372	$ (226,099)	$22,414,274
Operating expenses	19,254,724	1,420,093	(205,682)	20,469,135
Income (loss) before income taxes	$2,055,277	$(89,721)	$ (20,417)	$1,945,139
Total assets	$123,921,278	$35,000,416	$ -	$158,921,694

Note 5 – 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 under the agreements upon retirement totaling $6,447,000 and $6,303,000 as of March 31, 2013 and December 31, 2012, respectively. The executive employee benefits include health insurance, dental, vision and life insurance and are unfunded. These amounts are classified as accounts payable and accrued liabilities in the Consolidated Balance Sheets. The following sets forth the net periodic benefits cost for the executive benefits for the periods ended March 31, 2013 and 2012:

	For the Three Months Ended March 31,	
	2013	2012
Service cost – benefits earned during the year	$ 3,946	$ 3,154
Interest cost on the projected benefit obligation	7,103	6,967
(Accretion) amortization of unrecognized prior service cost	(380)	2,349
Amortization of unrecognized losses	1,573	170
Net periodic benefits costs	$ 12,242	$ 12,640

Note 6 - Fair Value Measurement

Valuation of Financial Assets and Liabilities

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.

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.

Debt and Equity Securities

The Level 1 category includes equity securities that are measured at fair value using quoted active market prices and money market mutual funds valued at transacted amounts.

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 pricing resources when confirming that the prices it obtains reflect the fair values of the instruments in accordance with Accounting Standards Codification ("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 March 31, 2013 and December 31, 2012, 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 the 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 March 31, 2013 and December 31, 2012:

	2013		2012	
Cumulative probability of earning maximum rate until maturity	0.0	%	0.0	%
Cumulative probability of principal returned prior to maturity	96.0	%	96.1	%
Cumulative probability of default at some future point	4.0	%	3.9	%

Significant increases or decreases in any of the inputs in isolation would result in significant changes to the fair value measurement. Generally, increases in default probabilities and liquidity risk premiums lower the fair market value while increases in principal being returned and earning maximum rates increase fair market values.

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 2013 and 2012, the difference in the low and high values of the ranges was between approximately three and four percent of the carrying value of the Company's ARS.

The Company's ARS portfolio is comprised entirely of investment grade student loan ARS. The par value of these securities was $1,000,000 as of March 31, 2013 and December 31, 2012, with approximately 97.0% as of March 31, 2013 and December 31, 2012, 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 March 31, 2013 and December 31, 2012. 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. Level 3 assets are comprised solely of ARS.

As of March 31, 2013	Level 1	Level 2	Level 3	Total
Short-term Investments	$19,839,497	$-	$-	$19,839,497
Equity Securities				
Common stock and nonredeemable preferred stock	30,809,436	-	-	30,809,436
Fixed Maturities				
Obligations of states and political subdivisions*	-	60,339,739	-	60,339,739
Corporate debt securities*	-	16,228,034	930,800	17,158,834
Total	$50,648,933	$76,567,773	$930,800	$128,147,506

As of December 31, 2012	Level 1	Level 2	Level 3	Total
Short-term Investments	$13,567,648	$-	$-	$13,567,648
Equity Securities				
Common stock and nonredeemable preferred stock	28,510,933	-	-	28,510,933
Fixed Maturities				
Obligations of states and political subdivisions*	-	62,701,858	-	62,701,858
Corporate debt securities*	-	18,302,920	932,200	19,235,120
Total	$42,078,581	$81,004,778	$932,200	$124,015,559

*Denotes fair market value obtained from pricing services.

There were no transfers into or out of Levels 1 and 2 during the period.

To help ensure that fair value determinations are consistent with ASC 820 fair value measurements, prices from our pricing services go through multiple review processes to ensure appropriate pricing. Pricing procedures and inputs used to price each security include, but are not limited to, the following: unadjusted quoted market prices for identical securities such as stock market closing prices; non-binding quoted prices for identical securities in markets that are not active; interest rates; yield curves observable at commonly quoted intervals; volatility; prepayment speeds; loss severity; credit risks and default rates. The Company reviews the procedures and inputs used by its pricing services and verifies a sample of the services' quotes by comparing them to values obtained from other pricing resources. In the event the Company disagrees with a price provided by its pricing services, the service reevaluates the price to corroborate the market information and then reviews inputs to the evaluation in light of potentially new market data. The Company believes that these processes and inputs result in appropriate classifications and fair values consistent with ASC 820.

Other Financial Instruments

The Company uses various financial instruments in the normal course of its business. In the measurement of the fair value of certain financial instruments, other valuation techniques were utilized if quoted market prices were not available. These derived fair value estimates are significantly affected by the assumptions used. Additionally, ASC 820 excludes from its scope certain financial instruments including those related to insurance contracts, pension and other postretirement benefits, and equity method investments.

In estimating the fair value of the financial instruments presented, 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.

Cost-basis investments

The estimated fair value of cost-basis investments is calculated from the book value of the underlying entities, which is not materially different from the fair market value of the underlying entity.

Accrued dividends and interest

The carrying amount for accrued dividends and interest is a reasonable estimate of fair value due to the short-term maturity of these assets.

Contingent consideration

The fair value of contingent consideration was estimated based on the discounted value of future cash flows. Contingent consideration consists of additional monies the Company may become obligated to pay based on the future performance of a business the Company acquired, as discussed in Note 10.

The carrying amounts and fair values of these financial instruments (please note investments are disclosed in a previous table) as of March 31, 2013 and December 31, 2012 are presented in the following table:

As of March 31, 2013:

Financial Assets	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Cash	$20,501,601	$20,501,601	$20,501,601	$-	$-
Cost-basis investments	1,754,060	1,848,949	-	-	1,848,949
Accrued dividends and interest	882,517	882,517	882,517	-	-
Total	$23,138,178	$23,233,067	$21,384,118	$-	$1,848,949
Financial Liabilities					
Contingent consideration	$691,250	$691,250	$-	$-	$691,250
Total	$691,250	$691,250	$-	$-	$691,250

As of December 31, 2012:

Financial Assets	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Cash	$20,810,018	$20,810,018	$20,810,018	$-	$-
Cost-basis investments	1,871,315	1,952,323	-	-	1,952,323
Accrued dividends and interest	1,037,447	1,037,447	1,037,447	-	-
Total	$23,718,780	$23,799,788	$21,847,465	$-	$1,952,323
Financial Liabilities					
Contingent consideration	$691,250	$691,250	$-	$-	$691,250
Total	$691,250	$691,250	$-	$-	$691,250

The following table presents a reconciliation of the Company's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), which are all ARS securities, for the period ended March 31, 2013 and the year ended December 31, 2012:

Changes in fair value during the period ended:	2013	2012
Beginning balance at January 1	$ 932,200	$ 4,552,400
Redemptions and sales	-	(3,900,000)
Realized gain – included in net realized gain on investments	-	211,061
Unrealized gain - included in other comprehensive income	(1,400)	68,739
Ending balance, net	$ 930,800	$ 932,200

The following table presents a reconciliation of the Company's liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), consisting solely of contingent consideration, for the period ended March 31, 2013 and the year ended December 31, 2012:

Changes in fair value during the period ended:	2013	2012
Beginning balance at January 1	$ 691,250	$ -
Addition of contingent consideration	-	691,250
Ending balance, net	$ 691,250	$ 691,250

Certain cost method 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 March 31, 2013 and December 31, 2012.

The following table summarizes the corresponding estimated fair value hierarchy of such investments at March 31, 2013 and December 31, 2012 and the related impairments recognized.

March 31, 2013	Valuation Method	Impaired	Level 1	Level 2	Level 3	Total at Estimated Fair Value	Impairment Losses
Cost method investments	Fair Value	Yes	$-	$-	$31,315	$31,315	$(18,485)
Total cost method investments			$-	$-	$31,315	$31,315	$(18,485)

December 31, 2012	Valuation Method	Impaired	Level 1	Level 2	Level 3	Total at Estimated Fair Value	Impairment Losses
Cost method investments	Fair Value	Yes	$-	$-	$36,406	$36,406	$(6,504)
Total cost method investments			$-	$-	$36,406	$36,406	$(6,504)

Note 7 – Investments in Securities

The aggregate estimated fair value, gross unrealized holding gains, gross unrealized holding losses and cost or amortized cost for securities by major security type are as follows:

March 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturities, available-for-sale, at fair value-				
General obligations of U.S. states, territories and political subdivisions	$37,864,558	$3,028,449	$11,011	$40,881,996
Special revenue obligations of U.S. states, territories and political subdivisions	17,612,648	1,851,821	6,726	19,457,743
Corporate debt securities	15,042,627	1,185,407	-	16,228,034
Auction rate securities	917,820	12,980	-	930,800
Total	$71,437,653	$6,078,657	$17,737	$77,498,573
Equity securities, available-for-sale at fair value-				
Common stocks and nonredeemable preferred stocks	$20,842,586	$10,047,906	$81,056	$30,809,436
Total	$20,842,586	$10,047,906	$81,056	$30,809,436
Short-term investments-				
Certificates of deposit and other	$19,839,497	$-	$-	$19,839,497
Total	$19,839,497	$-	$-	$19,839,497

December 31, 2012	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturities, available-for-sale, at fair value-				
General obligations of U.S. states, territories and political subdivisions	$38,658,463	$3,211,445	$-	$41,869,908
Special revenue obligations of U.S. states, territories and political subdivisions	18,933,299	1,909,106	10,455	20,831,950
Corporate debt securities	17,064,697	1,252,973	14,750	18,302,920
Auction rate securities	917,214	14,986	-	932,200
Total	$75,573,673	$6,388,510	$25,205	$81,936,978
Equity securities, available-for-sale at fair value-				
Common stocks and nonredeemable preferred stocks	$21,229,114	$7,373,056	$91,237	$28,510,933
Total	$21,229,114	$7,373,056	$91,237	$28,510,933
Short-term investments-				
Certificates of deposit and other	$13,567,648	$-	$-	$13,567,648
Total	$13,567,648	$-	$-	$13,567,648

The scheduled maturities of fixed maturity securities at March 31, 2013 were as follows:

	Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 5,920,278	$ 6,038,894
Due after one year through five years	48,713,658	52,822,544
Due five years through ten years	13,853,203	15,268,415
Due after ten years	2,950,514	3,368,720
Total	$ 71,437,653	$ 77,498,573

Gross realized gains and losses on securities for the three months ended March 31 are summarized as follows:

	2013	2012
Gross realized gains:		
General obligations of U.S. states, territories and political subdivisions	$ -	$ 250
Common stocks and nonredeemable preferred stocks	67,876	152,574
Auction rate securities	-	40,057
Total	$ 67,876	$ 192,881
Gross realized losses:		
Common stocks and nonredeemable preferred stocks	$ (37,879)	$ -
Total	$ (37,879)	$ -
Net realized gain	$ 29,997	$ 192,881

Realized gains and losses are determined on the specific identification method. Also included in net realized gain on investments in the Consolidated Statements of Income are impairments of other investments of $(18,485) offset by gains on other investments of $4,832 for a net totaling $(13,653) and $0 for the three months ended March 31, 2013 and 2012, respectively.

The following table presents the gross unrealized losses on investment securities and the fair value of the securities, aggregated by investment category and length of time that individual securities have been in a continuous loss position at March 31, 2013 and December 31, 2012.

	Less than 12 Months		12 Months or Longer		Total	
March 31, 2013	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
General obligations of U.S. states, territories and political sub-divisions	$ 1,118,337	$ (11,011)	$ -	$ -	$ 1,118,337	$ (11,011)
Special revenue obligations of U.S. states territories and political sub-divisions	1,238,380	(6,726)	-	-	1,238,380	(6,726)
Total fixed income securities	$ 2,356,717	$ (17,737)	$ -	$ -	$ 2,356,717	$ (17,737)
Equity securities	$ 379,334	$ (23,269)	$ 181,326	$ (57,787)	$ 560,660	$ (81,056)
Total temporarily impaired securities	$ 2,736,051	$ (41,006)	$ 181,326	$ (57,787)	$ 2,917,377	$ (98,793)

	Less than 12 Months		12 Months or Longer		Total	
December 31, 2012	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
General obligations of U.S. states, territories and political sub-divisions	$ 1,236,906	$ (10,455)	$ -	$ -	$ 1,236,906	$ (10,455)
Corporate debt securities	985,250	(14,750)	-	-	985,250	(14,750)
Total fixed income securities	$ 2,222,156	$ (25,205)	$ -	$ -	$ 2,222,156	$ (25,205)
Equity securities	$ 2,551,215	$ (91,237)	$ -	$ -	$ 2,551,215	$ (91,237)
Total temporarily impaired securities	$ 4,773,371	$ (116,442)	$ -	$ -	$ 4,773,371	$ (116,442)

As of March 31, 2013, the Company held $2,356,717 in fixed maturity securities with unrealized losses of $17,737. As of December 31, 2012, the Company held $2,222,156 in fixed maturity securities with unrealized losses of $25,205. The decline in fair value of the fixed maturity securities can be attributed primarily to changes in market interest rates and changes in credit spreads over Treasury securities. Because the Company does not have the intent to sell these securities and will likely not be compelled to sell them before it can recover its cost basis, the Company does not consider these investments to be other-than-temporarily impaired.

As of March 31, 2013, the Company held $560,660 in equity securities with unrealized losses of $81,056. As of December 31, 2012, the Company held $2,551,215 in equity securities with unrealized losses of $91,237. The unrealized losses related to holdings of equity securities were caused by market changes that the Company considers to be temporary. Since the Company has the intent and ability to hold these equity securities until a recovery of fair value, the Company does not consider these investments other-than-temporarily impaired.

Factors considered in determining whether a loss is temporary include the length of time and extent to which fair value has been below cost, the financial condition and prospects of the issuer (including credit ratings and analyst reports) and macro-economic changes. A total of 5 and 7 securities had unrealized losses at March 31, 2013 and December 31, 2012, respectively. Reviews of the values of securities are inherently uncertain and the value of the investment may not fully recover, or may decline in future periods resulting in a realized loss. During the first quarter of 2013 and 2012, the Company did not have other-than-temporary impairment charges for securities. For the 2012 fiscal year, the Company recorded other-than-temporary impairment charges in the amount of $93,436 related to securities. Other-than-temporary impairment charges are included in net realized gain on investments in the Consolidated Statements of Income.

Note 8 – Commitments and Contingencies

Legal Proceedings. A class action lawsuit is pending in the United States District Court for the Southern District of West Virginia against several title insurance companies, including Investors Title Insurance Company, entitled Backel v. Fidelity National Title Insurance et al. (6:2008- CV-00181). The plaintiff in this case contends a lack of meaningful oversight by agencies with which title insurance rates are filed and approved. There are further allegations that the title insurance companies have conspired to fix title insurance rates. The plaintiffs seek monetary damages, including treble damages, as well as injunctive relief. Similar suits have been filed in other jurisdictions, several of which have already been dismissed. In West Virginia, the case has been placed on the inactive list pending the resolution of the bankruptcy of LandAmerica Financial Group, Inc. The Company believes that this case is without merit, and intends to vigorously defend against the allegations. At this stage in the litigation, the Company does not have the ability to make a reasonable range of estimates in regards to potential loss amounts, if any.

The Company and its subsidiaries are also involved in other legal proceedings that are incidental to their business. In the Company’s opinion, based on the present status of these proceedings, any potential liability of the Company or its subsidiaries with respect to these legal proceedings, will not, in the aggregate, be material to the Company’s consolidated financial condition or operations.

Regulation. The Company’s title insurance and trust subsidiaries are regulated by various federal, state and local governmental agencies and are subject to various audits and inquiries. It is the opinion of management based on its present expectations that these audits and inquiries will not have a material impact on the Company’s consolidated financial condition or operations.

Escrow and Trust Deposits. As a service to its customers, the Company, through Investors Title Insurance Company (“ITIC”), administers escrow and trust deposits representing earnest money received under real estate contracts, undisbursed amounts received for settlement of mortgage loans and indemnities against specific title risks. These amounts are not considered assets of the Company and, therefore, are excluded from the accompanying Consolidated Balance Sheets. However, the Company remains contingently liable for the disposition of these deposits.

Like-Kind Exchanges Proceeds. In administering tax-deferred property exchanges, the Company’s subsidiary, Investors Title Exchange Corporation (“ITEC”), serves as a qualified intermediary for exchanges, holding the net sales proceeds from relinquished property to be used for purchase of replacement property. Another Company subsidiary, Investors Title Accommodation Corporation (“ITAC”), serves as exchange accommodation titleholder and, through limited liability companies (“LLCs”) that are wholly owned subsidiaries of ITAC, holds property for exchangers in reverse exchange transactions. Like-kind exchange deposits and reverse exchange property totaled approximately $47,815,000 and $55,580,000 as of March 31, 2013 and December 31, 2012, respectively. These amounts are not considered assets of the Company and, therefore, are excluded from the accompanying Consolidated Balance Sheets; however, the Company remains contingently liable for the disposition of the transfers of property, disbursements of proceeds and the return on the proceeds at the agreed upon rate. Exchange services revenues include earnings on these deposits; therefore, investment income is shown as exchange services revenue rather than investment income. These like-kind exchange funds are primarily invested in money market and other short-term investments.

Note 9 – Related Party Transactions

The Company does business with, and has investments in, unconsolidated limited liability companies that are primarily title insurance agencies. The Company utilizes the equity method to account for its investment in these limited liability companies. The following table sets forth the approximate values by year found within each financial statement classification:

Financial Statement Classification, Consolidated Balance Sheets		As of March 31, 2013		As of December 31, 2012
Other investments	$	5,187,000	$	4,892,000
Premiums and fees receivable	$	875,000	$	1,011,000

Financial Statement Classification, Consolidated Statements of Income	For the Three Months Ended March 31,			
		2013		2012
Net premiums written	$	3,417,000	$	3,383,000
Other income	$	525,000	$	474,000

Note 10 – Acquisition

In January 2012, a subsidiary of the Company, ITIC, entered into a membership interest purchase and sale agreement under which it agreed to acquire a majority ownership interest of United Title Agency Co., LLC ("United"). United, a Michigan limited liability company, is an insurance agency doing business in the State of Michigan. On April 2, 2012, ITIC purchased a 70% ownership interest in United, with both ITIC and the seller having the option to require ITIC to purchase the remaining 30% interest not less than 27 months from the closing.

The acquisition date fair value of the total consideration to be transferred is $1,041,250. This fair value total is equal to $350,000 ITIC has already paid toward the purchase price, as well as $691,250 in estimated contingent payments. The amount previously paid will be used to offset contingent payment amounts calculated for final consideration, and is eligible for refunding in part or in its entirety if greater than the final settlement amount.

The contingent payment arrangement requires that the purchase price for the 70% majority interest be paid over the next two years and determined by multiplying United's actual GAAP net income for the first full 24 calendar months subsequent to closing by an agreed upon factor. In no event will the purchase price for the majority interest exceed $1,041,250. The fair value of the contingent payment was derived using the Company's best estimate (Level 3 inputs) of net income of approximately $859,000 during the 24-month period, discounted at a 15% rate, and limited to the contractual maximum. The resulting $691,250 contingent payment is categorized in the Consolidated Balance Sheets as accounts payable and accrued liabilities. As of March 31, 2013, management's calculation of the fair value of the contingent consideration was materially unchanged from its acquisition date amount.

In the event that ITIC purchases the remaining 30% interest, the purchase price of the redeemable noncontrolling interest will be calculated by multiplying United's GAAP net income for the full 24 calendar months immediately preceding the written notice of the option exercise by an agreed upon factor. The agreement stipulates a minimum purchase price of $1,000,000 for the entire agency should this option be exercised.

As certain provisions of the membership interest purchase and sale agreement place the acquisition of the remaining 30% by ITIC out of ITIC's control, the noncontrolling interest in United is deemed redeemable. The redeemable noncontrolling interest is presented outside of permanent equity, as redeemable equity in the Consolidated Balance Sheets. On the acquisition date, the fair value of the redeemable noncontrolling interest was $446,250. The fair value of the redeemable noncontrolling interest was based on the noncontrolling interest's share of the value of net assets.

The following table provides a reconciliation of total redeemable equity for the periods ended March 31, 2013 and December 31, 2012:

Changes in fair value during the period ended:	March 31, 2013	December 31, 2012
Beginning balance at January 1	$493,861	$-
Redeemable noncontrolling interest resulting from subsidiary purchase	-	446,250
Net income attributable to redeemable noncontrolling interest	9,688	88,411
Distributions to noncontrolling interest	-	(40,800)
Balance, net	$503,549	$493,861

Fair valuation methods used for the identifiable tangible net assets acquired in the acquisition make use of discounted cash flows using current interest rates. The fair value of identifiable net tangible assets at the acquisition date was $5,600. Identifiable assets acquired included cash and fixed assets. Liabilities assumed consisted of notes payable.

The transaction was accounted for using the acquisition method required by ASC 805, Business Combinations. Accordingly, the Company recognized the required identifiable intangible assets of United. There was no goodwill recorded as a result of the acquisition. The fair values of intangible assets, all Level 3 inputs, are principally based on values obtained from a third party valuation service. At acquisition, intangible assets included $645,685 relating to a non-compete contract resulting from the acquisition and $836,215 from referral relationships. The non-compete contract is being amortized over a 10-year period using the straight-line method, starting at a future date when the related employment agreement is terminated. The referral relationships are being amortized over a 12-year period using the straight-line method. At March 31, 2013 and December 31, 2012, accumulated amortization of intangible assets was $69,684 and $52,263, respectively. Net intangible assets of $1,412,216 and $1,429,637 are categorized as prepaid expenses and other assets in the Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012. In accordance with ASC 350, Intangibles—Goodwill and Other, the Company completed interim impairment testing and determined that the intangible assets assigned to United were not impaired at March 31, 2013.

In the Consolidated Statements of Income, revenues and expenses include the operations of United since April 2, 2012, which is the acquisition date. United was formed as a result of the Company's acquisition, and had no net income prior to the acquisition date.

The Company has not provided historical or pro forma financial information related to the United acquisition because none of the purchase price paid, assets acquired or income of United were significant to the Company under Rules 8-04 or 8-05 of the SEC's Regulation S-X.

Note 11 – Accumulated Other Comprehensive Income

The following table illustrates changes in the balances of each component of accumulated other comprehensive income, net of tax, for the periods ended March 31, 2013 and 2012:

March 31, 2013	Unrealized Gains and Losses On Available-for-Sale Securities	Postretirement Benefits Plans	Total
Beginning balance at January 1	$ 8,920,883	$ (102,453)	$ 8,818,430
Other comprehensive income before reclassifications	1,570,244	-	1,570,244
Amounts reclassified from accumulated other comprehensive income	(11,482)	788	(10,694)
Net current-period other comprehensive income	1,558,762	788	1,559,550
Ending Balance	$ 10,479,645	$ (101,665)	$ 10,377,980

March 31, 2012	Unrealized Gains and Losses On Available-for-Sale Securities	Postretirement Benefits Plans	Total
Beginning balance at January 1	$ 7,563,541	$ (54,376)	$ 7,509,165
Other comprehensive income before reclassifications	1,304,483	-	1,304,483
Amounts reclassified from accumulated other comprehensive income	(126,825)	1,662	(125,163)
Net current-period other comprehensive income	1,177,658	1,662	1,179,320
Ending Balance	$ 8,741,199	$ (52,714)	$ 8,688,485

The following table provides significant amounts reclassified out of each component of accumulated other comprehensive income for the periods ended March 31, 2013 and 2012:

March 31, 2013

Details about Accumulated Other Comprehensive Income Components		Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Consolidated Statements of Income
Unrealized gains and losses on available-for-sale securities:				
Net realized gain on investment	$	34,829		
Other-than-temporary impairments		(18,485	)	
Total		16,344		Net realized gain on investment
Tax		(4,862	)	Provision for Income Taxes
Net of Tax	$	11,482		
Accretion (amortization) related to postretirement benefit plans:				
Prior year service cost	$	380		
Unrecognized loss		(1,573	)	
Total	$	(1,193	)	(a)
Tax		405		Provision for Income Taxes
Net of Tax	$	(788	)	
Reclassifications for the period	$	10,694		

March 31, 2012

Details about Accumulated Other Comprehensive Income Components		Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Consolidated Statements of Income
Unrealized gains and losses on available-for-sale securities:				
Net realized gain on investment	$	192,881		Net realized gain on investment
Tax		(66,056	)	Provision for Income Taxes
Net of Tax	$	126,825		
Amortization related to postretirement benefit plans:				
Prior year service cost	$	(2,349	)	
Unrecognized loss		(170	)	
Total	$	(2,519	)	(a)

Tax		857	Provision for Income Taxes
Net of Tax	$	(1,662	)
Reclassifications for the period	$	125,163	

(a) These accumulated other comprehensive income components are not reclassified to net income in their entirety in the same reporting period. The amounts are presented within salaries, employee benefits and payroll taxes on the Consolidated Statements of Income as amortized. Amortization related to postretirement benefit plans is included in the computation of net periodic pension costs, as discussed in Note 5.

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

The Company's 2012 Annual Report on Form l0-K should be read in conjunction with the following discussion since it contains important information for evaluating the Company's operating results and financial condition. Forward-looking statements are based on certain assumptions and expectations of future events that are subject to a number of risks and uncertainties. Actual results may vary.

Overview

Investors Title Company (the "Company") is a holding company that engages primarily in issuing title insurance through two subsidiaries, Investors Title Insurance Company ("ITIC") and National Investors Title Insurance Company ("NITIC"). Revenues from the title segment accounted for 96.1% of the Company's insurance and other services revenues in the first three months of 2013. Through ITIC and NITIC, the Company underwrites land title insurance for owners and mortgagees as a primary insurer. Title insurance protects against loss or damage resulting from title defects that affect real property.

There are two basic types of title insurance policies - one for the mortgage lender and one for the real estate owner. A lender often requires property owners to purchase title insurance to protect its position as a holder of a mortgage loan, but the lender's title insurance policy does not protect the property owner. The property owner has to purchase a separate owner's title insurance policy to protect their investment. When real property is conveyed from one party to another, occasionally there is an undisclosed defect in the title or a mistake or omission in a prior deed, will or mortgage that may give a third party a legal claim against such property. If a claim is made against real property, title insurance provides indemnification against insured defects.

The Company issues title insurance policies through issuing agencies and also directly through home and branch offices. Issuing agents are typically real estate attorneys or subsidiaries of community and regional mortgage lending institutions, depending on local customs and regulations and the Company's marketing strategy in a particular territory. The ability to attract and retain issuing agents is a key determinant of the Company's growth in premiums written.

Revenues for this segment result from purchases of new and existing residential and commercial real estate, refinance activity and certain other types of mortgage lending such as home equity lines of credit.

Volume is a factor in the Company's profitability due to fixed operating costs which are incurred by the Company regardless of premium volume. The resulting operating leverage tends to amplify the impact of changes in volume on the Company's profitability. The Company's profitability also depends, in part, upon its ability to manage its investment portfolio to maximize investment returns and minimize risks such as interest rate changes, defaults and impairments of assets.

The Company's volume of title insurance premiums is affected by the overall level of residential and commercial real estate activity, which includes sales, mortgage financing and mortgage refinancing. In turn, real estate activity is affected by a number of factors, including the availability of mortgage credit, the cost of real estate, consumer confidence, employment and family income levels and general United States economic conditions. Interest rate volatility is also an important factor in the level of residential and commercial real estate activity.

The cyclical nature of the residential and commercial real estate markets, and consequently, the land title industry, has historically caused fluctuations in revenues and profitability, and it is expected to continue to do so in the future. Additionally, there are seasonal influences in real estate activity and accordingly in revenue levels for title insurers.

Services other than title insurance provided by operating divisions of the Company that are not required to be reported separately are reported in a category called "All Other." These other services include those offered by the Company and by its wholly owned subsidiaries, Investors Title Exchange Corporation ("ITEC"), Investors Title Accommodation Corporation ("ITAC"), Investors Trust Company ("Investors Trust"), Investors Capital Management Company ("ICMC") and Investors Title Management Services, Inc. ("ITMS").

The Company's exchange services division, ITEC and ITAC, provides customer services in connection with tax-deferred real property exchanges. ITEC serves as a qualified intermediary in like-kind exchanges of real or personal property under Section 1031 of the Internal Revenue Code of 1986, as amended. In its role as qualified intermediary, ITEC coordinates the exchange aspects of the real estate transaction, and its duties include drafting standard exchange documents, holding the exchange funds between the sale of the old property and the purchase of the new property, and accepting the formal identification of the replacement property within the required identification period. ITAC serves as exchange accommodation titleholder in reverse exchanges. An exchange accommodation offers a vehicle for accommodating a reverse exchange when the taxpayer must acquire replacement property before selling the relinquished property.

In conjunction with Investors Trust, ICMC provides investment management and trust services to individuals, companies, banks and trusts. ITMS offers various consulting services to provide clients with the technical expertise to start and successfully operate a title insurance agency.

Business Trends and Recent Conditions

Beginning in 2008, the United States economy experienced one of the worst economic downturns in history. Events leading to the recession were primarily the collapse of the housing market and frozen credit markets, prompting the federal government to take unprecedented monetary and fiscal action in an attempt to slow the economic rate of decline and instill consumer confidence.

Through the mid-2000’s, home values in the United States had sustained a long trend of rising values. The Federal Reserve lowered short-term interest rates multiple times and home sales soared to record highs, while lenders simultaneously loosened underwriting standards, particularly with non-traditional loan products. Lower underwriting standards and innovative loan products increased the supply of mortgage credit, particularly with high-risk borrowers, leading to a significant increase in loan defaults and foreclosures. Beginning in September 2008, many financial firms failed or restructured, contributing to a widespread financial crisis in the United States. Lenders responded to the financial crisis by implementing stricter loan underwriting standards, which, combined with high unemployment and weakened consumer confidence, reduced the demand for homes.

The Mortgage Bankers Association's ("MBA") March 22, 2013 Mortgage Finance Forecast (the "MBA Forecast") projects 2013 mortgage originations to decrease 18.2% from 2012 levels to $1,432 billion, with purchasing activity increasing 18.7% to $597 billion and refinancing activity decreasing 33.0% to $835 billion. In 2012, refinancing activity accounted for 71.3% of all mortgage originations and is projected to represent 58.3% of mortgage originations in 2013.

According to data published by Freddie Mac, the average 30-year fixed mortgage interest rate in the United States was 3.50% and 3.92% for the three months ended March 31, 2013 and 2012, respectively. According to the MBA Forecast, refinancing is expected to decline through 2013 as interest rates climb to a projected 4.3% in the fourth quarter of 2013.

Currently, there are several federal programs in various stages intended to counteract the recent economic downturn. In September 2011, the Federal Reserve announced the "Operation Twist" program, which involved selling short-term Treasury bonds in exchange for the same amount of longer-term bonds. This program expired in the fourth quarter of 2012. In September 2012, the Federal Reserve announced a new round of Quantitative Easing, "QE 3," in which it will purchase mortgage backed securities at a rate of $40 billion per month and, with the end of Operation Twist, $45 billion per month of longer-term Treasury securities. Federal Reserve Chairman Bernanke indicated that the level of asset purchases in the months ahead may vary in response to changing economic conditions. There is no stated end date associated with this round of Quantitative Easing. The Federal Open Market Committee ("FOMC") of the Federal Reserve is also issuing disclosures on a periodic basis that include projections of the federal funds rate and expected actions. In March 2013, the FOMC stated that they intend to keep the federal funds rate exceptionally low until targets of 6.5% for unemployment and 2.5% for inflation are reached.

According to the MBA March 2013 Economic and Mortgage Finance Commentary (the "MBA Commentary,"), 2013 should see modest growth relative to 2012. Economic expectations in 2013 include increases in housing starts and stronger home sales. In 2013, the annual average for gross domestic product is expected to increase to 2.1% and the unemployment rate is expected to decrease to 7.5%.

In January 2013, the federal government averted the economic situation commonly referred to as the "fiscal cliff," and the United States House of Representatives and Senate passed measures to temporarily lift the debt ceiling until May 18, 2013. Declining refinance transactions, increased mortgage interest rates, increased taxes and sequestration budget cuts have the potential to slow the economy. Despite projected modest economic growth, increasing home prices and greater real estate activity, the overall economic outlook still remains uncertain, and could result in volatility in the real estate market.

Historically, activity in real estate markets has varied over the course of market cycles by geographic region and in response to evolving economic factors. Operating results can vary from year to year based on cyclical market conditions and do not necessarily indicate the Company's future operating results and cash flows.

Critical Accounting Estimates and Policies

The preparation of the Company's Consolidated Financial Statements requires management to make estimates and judgments that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures surrounding contingencies and commitments. Actual results could differ from these estimates. During the quarter ended March 31, 2013, the Company made no material changes in its critical accounting policies as previously disclosed in Management's Discussion and Analysis in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission.

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Results of Operations

For the quarter ended March 31, 2013, net premiums written increased 21.7% to $23,925,997, other income increased 25.9% to $1,985,447, total revenues increased 19.8% to $26,848,273 and net income attributable to the Company increased approximately 135.8% to $3,376,730, all compared with the same quarter in 2012. Net income per basic common share increased from $0.68 in the first quarter of 2012 to $1.65 in the same quarter of 2013. Net income per diluted common share increased from $0.67 in the quarter ended March 31, 2012 to $1.62 in the same quarter of 2013.

Insurance and Other Services Revenues

Insurance and other services revenues include net premiums written plus other fee income, trust income, management services income, and exchange services income. Investment income and realized investment gains and losses are not included in insurance and other services revenues and are discussed separately under "Investment Related Revenues" below.

Title Orders: The volume of title orders issued increased 6.6% in the first three months of 2013 to 57,803 compared with 54,230 title orders in the same period in 2012. The increase in title orders from 2012 is primarily attributable to higher levels of purchase transactions. Title orders did not increase proportionally with premiums due to the mix of purchase and refinance transactions as purchase transactions typically have higher premium rates than refinance transactions.

Title insurance companies typically issue title insurance policies directly through home and branch offices or through title agencies. Following is a breakdown of net premiums generated by home and branch offices and agency operations for the three months ended March 31:

	Three Months Ended March 31,			
	2013	%	2012	%
Home and Branch	$ 5,783,629	24.2	$ 4,822,792	24.5
Agency	18,142,368	75.8	14,844,628	75.5
Total	$ 23,925,997	100.0	$ 19,667,420	100.0

Home and Branch Office Net Premiums: In the Company's home and branch operations, the Company issues the insurance policy and retains the entire premium, as no commissions are paid in connection with these policies. Net premiums written from home and branch operations increased 19.9% for the three months ended March 31, 2013, compared with the prior year period. The increase in 2013 for home and branch operations primarily reflects increases in purchase transactions and new industry wide premium charges in the State of North Carolina that became effective March 1, 2012. All of the Company's home office operations and the majority of its branch offices are located in North Carolina; as a result, the home and branch office net premiums written are primarily for North Carolina policies.

Agency Net Premiums: When a policy is written through a title agency, agents retain the majority of the title premium collected, with the balance remitted to the title underwriter for bearing the risk of loss in the event that a claim is made under the title insurance policy. Agency net premiums written increased 22.2% for the three months ended March 31, 2013 versus the prior year period, primarily due to increases in purchase transactions and new industry-wide premium charges in certain markets.

Following is a schedule of net premiums written for the three months ended March 31, 2013 and 2012 in select states in which the Company's two insurance subsidiaries ITIC and NITIC currently write insurance:

	Three Months Ended March 31,	
State	2013	2012
North Carolina	$ 7,534,866	$ 6,336,265
Texas	4,920,989	4,210,845
South Carolina	2,321,050	1,535,029
Michigan	1,319,545	972,272
Virginia	1,266,895	1,218,813
All Others	6,594,342	5,411,391
Premiums	23,957,687	19,684,615
Reinsurance Assumed	500	5,754
Reinsurance Ceded	(32,190)	(22,949)
Net Premiums Written	$ 23,925,997	$ 19,667,420

Other Revenues

Other revenues primarily include other fee income, trust income, management services income, exchange services income, and income related to the Company’s equity method investments. Other revenues were $1,985,447 and $1,576,712 for the quarters ended March 31, 2013 and 2012, respectively. The increase in 2013 was primarily related to increases in earnings of unconsolidated affiliates, other fee income and income from trust and investment management services.

Investment Related Revenues

Investment income and realized gains and losses from investments are included in investment related revenues.

Investment Income: The Company derives a substantial portion of its income from investments in municipal and corporate bonds and equity securities. The Company's title insurance subsidiaries are required by statute to maintain minimum levels of investments in order to protect the interests of policyholders.

In formulating its investment strategy, the Company has emphasized after-tax income. The Company’s investments are primarily in bonds and, to a lesser extent, equity securities. The effective maturity of the majority of the bonds is within 10 years. The Company’s invested assets are managed to fund its obligations and evaluated to ensure long-term stability of capital accounts.

As the Company generates cash from operations, it is invested in accordance with the Company’s investment policy and corporate goals. The Company’s investment policy has been designed to balance multiple goals, including the assurance of a stable source of income from interest and dividends, the preservation of principal, and the provision of liquidity sufficient to meet insurance underwriting and other obligations as they become payable in the future. Securities purchased may include a combination of taxable bonds, tax-exempt bonds and equity securities. The Company strives to maintain a high quality investment portfolio. Interest and investment income levels are primarily a function of general market performance, interest rates and the amount of cash available for investment.

Investment income was $920,485 for the quarter ended March 31, 2013 compared with $977,261 for the same period 2012. The decrease in investment income in 2013 was due primarily to a decrease in the portfolio of fixed maturities coupled with lower levels of interest earned on fixed maturities and short-term funds, partially offset by an increase in dividends associated with an increase in the portfolio of equity securities. See Note 7 in the accompanying Consolidated Financial Statements for the major categories of investments, scheduled maturities, amortized cost, fair values of investment securities and earnings by security category.

Net Realized Gain (Loss) on Investments: Dispositions of equity securities at a realized gain or loss reflect such factors as industry sector allocation decisions, ongoing assessments of issuers' business prospects and tax planning considerations. Additionally, the amounts of net realized investment gains and losses are affected by assessments of securities' valuation for other-than-temporary impairment. As a result of the interaction of these factors and considerations, net realized investment gains or losses can vary significantly from period to period.

Net realized gain on investments was $16,344 for the quarter ended March 31, 2013 compared with $192,881 for the same period in 2012. The 2013 gain includes impairment charges of $18,485 on certain investments that were deemed to be other-than-temporarily impaired, offset by net realized gains on the sales of investments, other assets and property acquired in the settlement of claims of $34,829. The Company did not impair any investments during the quarter ended March 31, 2012. Management believes unrealized losses on remaining fixed income and equity securities at March 31, 2013 are temporary in nature.

The securities in the Company's portfolio are subject to economic conditions and market risks. The Company considers relevant facts and circumstances in evaluating whether a credit or interest-related impairment of a security is other-than-temporary. Relevant facts and circumstances include the extent and length of time the fair value of an investment has been below cost.

There are a number of risks and uncertainties inherent in the process of monitoring impairments and determining if an impairment is other-than-temporary. These risks and uncertainties include the risk that the economic outlook will be worse than expected or have more of an impact on the issuer than anticipated, the risk that the Company's assessment of an issuer's ability to meet all of its contractual obligations will change based on changes in the characteristics of that issuer, the risk that information obtained by the Company or changes in other facts and circumstances leads management to change its intent to hold the equity security until it recovers in value or its intent to sell the debt security, and the risk that management is making decisions based on misstated information in the financial statements provided by issuers.

Expenses

The Company's operating expenses consist primarily of commissions to agents, salaries, employee benefits and payroll taxes, provision for claims and office occupancy and operations. Operating expenses increased 8.0% for the quarter ended March 31, 2013, compared with the same period in 2012 primarily due to increases in commissions to agents and salaries, employee benefits and payroll taxes, offset by a decline in the provision for claims.

Following is a summary of the Company's operating expenses for the three months ended March 31, 2013 and 2012. Inter-segment eliminations have been netted; therefore, the individual segment amounts will not agree to Note 4 in the accompanying Consolidated Financial Statements.

	Three Months Ended March 31,					
		2013	%		2012	%
Title Insurance	$	20,558,171	93.0	$	19,061,912	93.1
All Other		1,538,684	7.0		1,407,223	6.9
Total	$	22,096,855	100.0	$	20,469,135	100.0

On a combined basis, after-tax profit margins were 12.6% for the three months ended March 31, 2013, and 6.4% for the three months ended March 31, 2012.

Commissions: Agent commissions represent the portion of premiums retained by agents pursuant to the terms of their respective agency contracts. Commissions to agents increased 20.5% for the quarter ended March 31, 2013 compared with the prior year period. This increase was primarily due to increased real estate activity. Commission expense as a percentage of net premiums written by agents was 74.4% for the three months ended March 31, 2013 compared with 75.4% for the same period in 2012. Commission rates may vary due to geographic locations, different levels of premium rate structures and state regulations.

Provision for Claims: The provision for claims as a percentage of net premiums written was (1.6)% for the three months ended March 31, 2013 versus 8.3% for the same period in 2012. For the quarter ended March 31, 2013, the Company incurred significant favorable claims experience, which resulted in a benefit in the provision for claims. Positive legal developments in several claim matters, coupled with a significant current quarter recovery of a claim payment made in a prior period, contributed to a benefit in the claims provision during the quarter. In addition, claims experience for several recent policy years continued to emerge favorably in comparison with prior expectations.

The decrease in the loss provision rate for the first quarter of 2013 from the 2012 level resulted in approximately $2,374,000 less in reserves than would have been recorded at the higher 2012 level. Loss provision ratios are subject to variability and are reviewed and adjusted as experience develops.

Title claims are typically reported and paid within the first several years of policy issuance. The provision for claims reflects actual payments of claims, net of recovery amounts, plus adjustments to the specific and incurred but not reported claims reserves, the latter of which are actuarially determined based on historical claims experience. Actual payments of claims, net of recoveries, were $380,942 and $1,342,359 for the quarters ended March 31, 2013 and 2012, respectively.

Reserves for Claims: At March 31, 2013, the total reserve for claims was $38,308,000. Of that total, approximately $4,289,000 was reserved for specific claims, and approximately $34,019,000 was reserved for claims for which the Company had no notice. Because of the uncertainty of future claims, changes in economic conditions and the fact that many claims do not materialize for several years, reserve estimates are subject to variability.

Changes from prior periods in the expected liability for claims reflect the uncertainty of the claims environment, as well as the limited predictive power of historical data. The Company continually updates and refines its reserve estimates as current experience develops and credible data emerges. Adjustments may be required as new information develops which often varies from past experience.

Movements in the reserves related to prior periods were primarily the result of changes to estimates to better reflect the latest reported loss data, rather than as a result of material changes to underlying key actuarial assumptions or methodologies. Such changes include payments on claims closed during the quarter, new details that emerge on still-open cases that cause claims adjusters to increase or decrease the case reserves and the impact that these types of changes have on the Company's total loss provision.

Salaries, Employee Benefits and Payroll Taxes: Personnel costs include base salaries, benefits and payroll taxes, and bonuses paid to employees. Salaries, employee benefits and payroll taxes were $6,149,661 for the quarter ended March 31, 2013 versus $4,990,632 in the prior year period. The increase for the three-month period in 2013 compared with the same period in 2012 was primarily due to additional headcount related to technology and system development initiatives, increased levels of business and higher levels of profitability driving increases in levels of variable compensation for the quarter ended March 31, 2013. On a consolidated basis, salaries, employee benefits and payroll taxes as a percentage of total revenues were 22.9% for the quarter ended March 31, 2013 versus 22.3% for the prior year period.

Office Occupancy and Operations: Office occupancy and operations expense as a percentage of total revenues was 3.9% and 4.1% for the first quarter ended March 31, 2013 and 2012, respectively. Office occupancy and operations expenses increased 13.1% to $1,048,665 compared with $927,038 for the same period in 2012. The increase in expense relates to increases in depreciation, rent, office supplies, postage and telecommunication expenses.

Business Development: Business development expenses, which include marketing and travel-related expenses, for the quarter ended March 31, 2013, were $425,033 compared with $393,447 for the same period in 2012. Business development expenses increased 8.0% due to increases in travel and marketing expenses.

Filing Fees, Franchise and Local Taxes: Filing fees, franchise and local tax expenses include insurance filing and licensing fees, franchise taxes, excise taxes, and local taxes. The decrease in 2013 from 2012 primarily relates to a decrease in licensing fees.

Premium and Retaliatory Taxes: Title insurance companies are generally not subject to state income or franchise taxes. However, in most states they are subject to premium and retaliatory taxes, as defined by statute. Premium tax rates vary from state to state; accordingly, the total premium tax incurred is dependent upon the geographical mix of insurance revenues. Premium and retaliatory taxes as a percentage of net premiums written were 1.8% for the quarter ended March 31, 2013 compared with 2.1% for the same period in 2012.

Professional and Contract Labor Fees: Professional and contract labor fees were $614,443 for the quarter ended March 31, 2013 compared with $400,537 for the same period in 2012. The increase in 2013 primarily relates to increases in contract labor expenses associated with technology and system development initiatives.

Other Expenses: Other operating expenses primarily include miscellaneous operating expenses of the trust division and other miscellaneous expenses of the title segment. These amounts typically fluctuate in relation with transaction volume of the title segment and the trust division.

Income Taxes

The provision for income taxes was $1,365,000 for the quarter ended March 31, 2013 compared with $513,000 for the same period in 2012. Income tax expense as a percentage of earnings before income taxes was 28.7% for the quarter ended March 31, 2013 compared with 26.4% for the same period in 2012. The increase in the effective rate for 2013 from 2012 was primarily due to a higher proportion of taxable to tax-exempt income. The effective income tax rate for both 2013 and 2012 was below the U.S. federal statutory income tax rate of 34%, primarily due to the effect of tax-exempt income. Tax-exempt income lowers the effective tax rate.

The Company believes it is more likely than not that the tax benefits associated with recognized impairment and unrecognized losses recorded through March 31, 2013 will be realized. However, this judgment could be impacted by further market fluctuations.

Liquidity and Capital Resources

Net cash flows provided by operating activities were $1,700,337 as of March 31, 2013 and net cash flows used in operating activities were $706,134 as of March 31, 2012. Cash flows from operating activities increased from 2012 to 2013, primarily due to an increase in net income and accelerated collection of receivables. Cash flows from operations have historically been the primary source of financing for expanding operations, additions to property and equipment, dividends to shareholders, and operating requirements.

Cash flows from non-operating activities have historically consisted of purchases and proceeds from investing activities, repurchases of common stock and the issuance of dividends. In 2013, the Company had a higher net level of investment purchase activity and fewer repurchases of shares of common stock compared with the same period in 2012.

The net effect of all activities on total cash and cash equivalents was a decrease of $308,417 for 2013. As of March 31, 2013, the Company held cash and cash equivalents of $20,501,601, short-term investments of $19,839,497, fixed maturity securities of $77,498,573 and equity securities of $30,809,436.

Due to the Company’s historical ability to consistently generate positive cash flows from its consolidated operations and investment income, management believes that funds generated from operations will enable the Company to adequately meet its current operating needs for the foreseeable future. However, there can be no assurance that future experience will be similar to historical experience, since it is influenced by such factors as the interest rate environment, the Company’s claims-paying ability and its financial strength ratings. The Company is unaware of any trend that is likely to result in material adverse liquidity changes, but continually assesses its capital allocation strategy, including decisions relating to repurchasing the Company’s stock and/or conserving cash. The Company’s current cash requirements include general operating expenses, income taxes, capital expenditures, dividends on its common stock declared by the Board of Directors and share repurchases of its common stock.

In addition to operational liquidity, the Company maintains a high degree of liquidity within its investment portfolio in the form of short-term investments and other readily marketable securities.

The Company’s investment portfolio is considered as available-for-sale. The Company reviews the status of each of its securities quarterly to determine whether an other-than-temporary impairment has occurred.

As noted previously, the Company’s operating results and cash flows are heavily dependent on the real estate market. The Company’s business has certain fixed costs such as personnel; therefore, changes in the real estate market are monitored closely and operating expenses such as staffing levels, are managed and adjusted accordingly. The Company believes that its significant working capital position and management of operating expenses will aid its ability to manage cash resources through fluctuations in the real estate market.

Receipt of Dividends from Subsidiaries: The Company believes that all anticipated cash requirements for current operations will be met from internally generated funds, through cash dividends and distributions from subsidiaries and cash generated by investment securities. The Company’s significant sources of funds are dividends and distributions from its subsidiaries. The holding company receives cash from its subsidiaries in the form of dividends and as reimbursements for operating and other administrative expenses that it incurs. The reimbursements are executed within the guidelines of management agreements between the holding company and its subsidiaries.

The Company's ability to pay dividends and operating expenses is dependent on funds received from the insurance subsidiaries, which are subject to regulation in the states in which they do business. Each state regulates the extent to which title underwriters can pay dividends or make distributions. These regulations require prior regulatory approval of the payment of dividends and other intercompany transfers. The Company believes, however, that amounts available for transfer from the insurance and other subsidiaries are adequate to meet the Company's current operating needs.

The maximum dividend permitted by law is not necessarily indicative of an insurer’s actual ability to pay dividends, which may be constrained by regulatory and business considerations, such as the impact of dividends on surplus, which could affect an insurer’s ratings. Further, depending on regulatory and business conditions, the Company may in the future need to retain cash in its title insurance subsidiaries in order to maintain their ratings or their statutory capital position. Such requirements could be the result of adverse financial results, changes in statutory accounting requirements by regulators, reserve charges or investment losses.

Purchase of Company Stock: On November 12, 2012, the Board of Directors of the Company approved the purchase of an additional 260,246 shares, such that there was authority remaining under the Company's ongoing purchase plan program to purchase up to an aggregate of 500,000 shares of the Company's common stock pursuant to the plan immediately after this approval. Unless terminated earlier by resolution of the Board of Directors, the plan will expire when all shares authorized for purchase under the plan have been purchased. Pursuant to this approval, the Company purchased 1,791 shares for the quarter ended March 31, 2013 and 12,317 for the same period in 2012 at an average per share price of $64.19 and $41.38, respectively. The Company anticipates making further purchases under this plan from time to time in the future, depending on such factors as the prevailing market price of the Company's common stock, the Company's available cash and alternative uses for such cash.

Capital Expenditures: During 2013, the Company has plans for various capital improvement projects, including increased investment in a number of software technology and system development initiatives and hardware purchases that are anticipated to be funded via cash flows from operations. All material anticipated capital expenditures are subject to periodic review and revision and may vary depending on a number of factors.

Off-Balance Sheet Arrangements

As a service to its customers, the Company, through ITIC, administers escrow and trust deposits representing earnest money received under real estate contracts, undisbursed amounts received for settlement of mortgage loans and indemnities against specific title risks. These amounts are not considered assets of the Company and, therefore, are excluded from the accompanying Consolidated Balance Sheets. However, the Company remains contingently liable for the disposition of these deposits.

In addition, in administering tax-deferred property exchanges, ITEC serves as a qualified intermediary for exchanges, holding the net sales proceeds from relinquished property to be used for purchase of replacement property. ITAC serves as exchange accommodation titleholder and, through limited liability companies that are wholly owned subsidiaries of ITAC, holds property for exchangers in reverse exchange transactions. Like-kind exchange deposits are held at third-party financial institutions. Like-kind exchange deposits and reverse exchange property totaled approximately $47,815,000 and $55,580,000 as of March 31, 2013 and December 31, 2012, respectively. These amounts are not considered assets of the Company for accounting purposes and, therefore, are excluded from the accompanying Consolidated Balance Sheets. Exchange services revenues include earnings on these deposits; therefore, investment income is shown as exchange services revenue, rather than investment income. The Company remains contingently liable to customers for the transfers of property, disbursements of proceeds, and the return on the proceeds at the agreed upon rate.

External assets under management and administration by Investors Trust Company are not considered assets of the Company and, therefore, are excluded from the accompanying Consolidated Balance Sheets.

It is not the general practice of the Company to enter into off-balance sheet arrangements, nor is it the policy of the Company to issue guarantees to third parties. The Company does not have any material source of liquidity or financing that involves off-balance sheet arrangements. Other than items noted above, off-balance sheet arrangements are generally limited to the future payments under noncancelable operating leases, payments due under various agreements with third party service providers and unaccrued obligations pursuant to certain executive employment agreements.

Recent Accounting Standards

For a description of recent accounting pronouncements, please refer to Note 1 to the Notes to Consolidated Financial Statements herein.

Safe Harbor for Forward-Looking Statements

This Quarterly Report on Form 10-Q, as well as information included in future filings by the Company with the Securities and Exchange Commission and information contained in written material, press releases and oral statements issued by or on behalf of the Company, contains, or may contain, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect management’s current outlook for future periods. These statements may be identified by the use of words such as "plan," "expect," "aim," "believe," "project," "anticipate," "intend," "estimate," "should," "could" and other expressions that indicate future events and trends. All statements that address expectations or projections about the future, including statements about the Company's strategy for growth, product and service development, market share position, claims, expenditures, financial results and cash requirements, are forward-looking statements. Without limitation, projected developments in the mortgage interest rate and overall economic environment set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Business Trends and Recent Conditions” constitute forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events that are subject to a number of risks and uncertainties.

Actual future results and trends may differ materially from historical results or those projected in any such forward-looking statements depending on a variety of factors, including, but not limited to, the following:

- the level of real estate transactions, the level of mortgage origination volumes (including refinancing) and changes to the insurance requirements of the participants in the secondary mortgage market, and the effect of these factors on the demand for title insurance;
- changes in general economic, business, and political conditions, including the performance of the financial and real estate markets;
- compliance with government regulation, including pricing regulation, and significant changes to applicable regulations or in their application by regulators;
- the possible inadequacy of provisions for claims to cover actual claim losses;
- the incidence of fraud-related losses;
- heightened regulatory scrutiny and investigations of the title insurance industry;
- unanticipated adverse changes in securities markets, including interest rates, could result in material losses on the Company's investments;
- the Company's dependence on key management personnel, the loss of whom could have a material adverse affect on the Company's business;
- the Company’s ability to develop and offer products and services that meet changing industry standards in a timely and cost-effective manner;
- statutory requirements applicable to the Company’s insurance subsidiaries which require them to maintain minimum levels of capital, surplus and reserves and restrict the amount of dividends that they may pay to the Company without prior regulatory approval;
- a downgrade from a rating agency could result in a loss of underwriting business;
- significant competition that the Company’s operating subsidiaries face;
- the Company’s business is concentrated geographically in North Carolina, which comprises approximately 31.5% of our premiums written; and
- other risks detailed elsewhere in this document and in the Company’s other filings with the SEC.

These and other risks and uncertainties may be described from time to time in the Company's other reports and filings with the Securities and Exchange Commission. For more details on factors that could affect expectations, see the Company’s Annual Report on Form 10-K for the year ended December 31, 2012. The Company is not under any obligation (and expressly disclaims any such obligation) and does not undertake to update or alter any forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made. You should consider the possibility that actual results may differ materially from our forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company’s primary exposure to market risk relates to interest rate risk associated with certain financial instruments. Although the Company monitors its risk associated with fluctuations in interest rates, it does not currently use derivative financial instruments on any significant scale to hedge these risks.

No material changes in the Company’s market risk or market strategy occurred during the quarter ended March 31, 2013.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in such reports is accumulated and communicated to the Company’s management as appropriate to allow timely decisions regarding required disclosure.

No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that the system of controls has operated effectively in all cases. The Company’s disclosure controls and procedures, however, are designed to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

Pursuant to Rule 13a-15(b) under the Exchange Act, an evaluation was performed under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2013 to provide reasonable assurance that the objectives of disclosure controls and procedures are met.

Changes in Internal Control Over Financial Reporting

During the quarter ended March 31, 2013, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

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

(a) None
(b) None
(c) The following table provides information about purchases by the Company (and all affiliated purchasers) during the quarter ended March 31, 2013 of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan
Beginning of period				480,505
01/01/13–01/31/13	1,791	$ 64.19	1,791	478,714
02/01/13–02/28/13	-	$ -	-	478,714
03/01/13–03/31/13	-	$ -	-	478,714
Total:	1,791	$ 64.19	1,791	478,714

For the quarter ended March 31, 2013, the Company purchased an aggregate of 1,791 shares of the Company’s common stock pursuant to the Company’s ongoing purchase program that was originally announced publicly on June 5, 2000. On November 12, 2012, the Board of Directors of the Company approved the purchase of an additional 260,246 shares pursuant to the plan, such that there was authority remaining under the plan to purchase up to an aggregate of 500,000 shares of the Company’s common stock pursuant to the plan immediately after this approval. Unless terminated earlier by resolution of the Board of Directors, the plan will expire when all shares authorized for purchase under the plan have been purchased. The Company anticipates making further purchases under this plan from time to time in the future, depending on such factors as the prevailing market price of the Company’s common stock, the Company’s available cash and then existing alternative uses for such cash.

Item 6. Exhibits

31(i)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31(ii)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* In accordance with Rule 406T of Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURE

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

INVESTORS TITLE COMPANY

By: /s/ James A. Fine, Jr.
James A. Fine, Jr.
President, Principal Financial Officer and
Principal Accounting Officer

Dated: May 10, 2013