INVESTORS TITLE CO
Form 10-Q
August 09, 2011
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 June 30, 2011

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

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 July 19, 2011, there were 2,127,735 common shares of the registrant outstanding.

INVESTORS TITLE COMPANY
AND SUBSIDIARIES

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Item 1. Financial Statements

Investors Title Company and Subsidiaries
Consolidated Balance Sheets
As of June 30, 2011 and December 31, 2010
(Unaudited)

		June 30, 2011		December 31, 2010
Assets:				
Investments in securities:				
Fixed maturities, available-for-sale, at fair value (amortized cost: 2011: $79,192,609; 2010: $81,784,262)	$	84,442,518	$	86,033,557
Equity securities, available-for-sale, at fair value (cost: 2011: $10,214,982; 2010: $9,458,773)		15,268,038		13,872,370
Short-term investments		22,212,440		27,203,550
Other investments		2,995,116		2,888,958
Total investments		124,918,112		129,998,435
Cash and cash equivalents		12,652,920		8,117,031
Premiums and fees receivable, less allowance for doubtful accounts of $1,302,000 and $1,421,000 for 2011 and 2010, respectively		5,490,826		7,253,786
Accrued interest and dividends		1,114,632		1,150,602
Prepaid expenses and other assets		4,910,571		2,816,661
Property, net		3,574,593		3,672,317
Current income taxes recoverable		730,356		-
Deferred income taxes, net		-		476,534
Total Assets	$	153,392,010	$	153,485,366
Liabilities and Stockholders' Equity				
Liabilities:				
Reserves for claims	$	37,605,000	$	38,198,700
Accounts payable and accrued liabilities		12,414,679		10,301,495
Current income taxes payable		-		1,056,356
Deferred income taxes, net		994,169		-
Total liabilities		51,013,848		49,556,551
Commitments and Contingencies				
Stockholders' Equity:				
Class A Junior Participating preferred stock (shares authorized 100,000; no shares issued)		-		-
Common stock - no par value (shares authorized 10,000,000;				

2,127,735 and 2,282,596 shares issued and outstanding as of June 30, 2011 and December 31, 2010, respectively, excluding 291,676 shares for 2011 and 2010 of common stock held by the Company's subsidiary)		1		1
Retained earnings		95,599,613		98,240,109
Accumulated other comprehensive income		6,778,548		5,688,705
Total stockholders' equity		102,378,162		103,928,815
Total Liabilities and Stockholders' Equity	$	153,392,010	$	153,485,366

See notes to Consolidated Financial Statements.

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Investors Title Company and Subsidiaries
Consolidated Statements of Income
For the Three and Six Months Ended June 30, 2011 and 2010
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Revenues:				
Net premiums written	$21,451,022	$13,638,950	$39,316,610	$25,425,252
Investment income - interest and dividends	878,818	915,852	1,778,190	1,822,474
Net realized gain on investments	147,075	325,780	120,915	350,930
Other	1,242,298	1,338,184	2,525,518	2,317,521
Total Revenues	23,719,213	16,218,766	43,741,233	29,916,177
Operating Expenses:				
Commissions to agents	13,293,828	6,476,376	24,173,414	12,075,827
Provision for claims	1,229,961	112,415	1,951,587	1,424,819
Salaries, employee benefits and payroll taxes	4,639,675	4,345,961	9,331,671	8,830,273
Office occupancy and operations	952,460	978,822	1,916,387	2,067,227
Business development	372,239	352,365	759,786	626,661
Filing fees, franchise and local taxes	118,146	147,277	332,259	292,699
Premium and retaliatory taxes	502,984	281,784	908,457	582,730
Professional and contract labor fees	411,557	338,794	720,081	703,872
Other	159,558	182,412	262,579	294,094
Total Operating Expenses	21,680,408	13,216,206	40,356,221	26,898,202
Income Before Income Taxes	2,038,805	3,002,560	3,385,012	3,017,975
Provision For Income Taxes	444,000	465,000	771,000	463,000
Net Income	$1,594,805	$2,537,560	$2,614,012	$2,554,975
Basic Earnings Per Common Share	$0.75	$1.11	$1.20	$1.12
Weighted Average Shares Outstanding - Basic	2,134,164	2,285,653	2,184,323	2,285,392
Diluted Earnings Per Common Share	$0.74	$1.11	$1.19	$1.11
Weighted Average Shares Outstanding - Diluted	2,155,116	2,293,199	2,201,398	2,293,232
Cash Dividends Paid Per Common Share	$0.07	$0.07	$0.14	$0.14

See notes to Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Three and Six Months Ended June 30, 2011 and 2010
(Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Net income	$ 1,594,805	$ 2,537,560	$ 2,614,012	$ 2,554,975
Other comprehensive income, before tax:				
Amortization related to prior year service cost	5,097	5,097	10,194	10,194
Amortization of unrecognized loss	643	641	1,286	1,284
Unrealized gains (losses) on investments arising during the year	1,080,784	(271,741)	1,760,987	111,747
Reclassification adjustment for sale of securities included in net income	(186,171)	(340,125)	(229,288)	(435,824)
Reclassification adjustment for write down of securities included in net income	39,096	14,347	108,372	84,895
Other comprehensive income (loss), before tax	939,449	(591,781)	1,651,551	(227,704)
Income tax expense related to postretirement health benefits	1,949	1,952	3,905	3,899
Income tax expense (benefit) related to unrealized gains (losses) on investments arising during the year	367,381	(84,312)	598,747	45,938
Income tax expense related to reclassification adjustment for sale of securities included in net income	(65,462)	(119,324)	(79,219)	(152,055)
Income tax expense related to reclassification adjustment for write down of securities included in net income	15,369	5,530	38,275	30,564
Net income tax expense (benefit) on other comprehensive income	319,237	(196,154)	561,708	(71,654)
Other comprehensive income (loss)	620,212	(395,627)	1,089,843	(156,050)
Comprehensive income	$ 2,215,017	$ 2,141,933	$ 3,703,855	$ 2,398,925

See notes to Consolidated
Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Six Months Ended June 30, 2011 and 2010
(Unaudited)

	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance, January 1, 2010	2,285,289	$ 1	$ 92,528,818	$ 4,730,258	$ 97,259,077
Net income			2,554,975		2,554,975
Dividends ($.14 per share)			(319,944)		(319,944)
Stock options exercised	3,995		49,022		49,022
Share based compensation expense			110,188		110,188
Repurchase of shares	(4,375)		(145,622)		(145,622)
Amortization related to postretirement health benefits				7,579	7,579
Net unrealized loss on investments, net of tax				(163,629)	(163,629)
Balance, June 30, 2010	2,284,909	$ 1	$ 94,777,437	$ 4,574,208	$ 99,351,646
Balance, January 1, 2011	2,282,596	$ 1	$ 98,240,109	$ 5,688,705	$ 103,928,815
Net income			2,614,012		2,614,012
Dividends ($.14 per share)			(302,221)		(302,221)
Stock options exercised	7,550		152,526		152,526
Share-based compensation expense			106,053		106,053
Repurchase of shares	(162,411)		(5,210,866)		(5,210,866)
Amortization related to postretirement health benefits				7,575	7,575
Net unrealized gain on investments, net of tax				1,082,268	1,082,268
Balance, June 30, 2011	2,127,735	$ 1	$ 95,599,613	$ 6,778,548	$ 102,378,162

See notes to Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2011 and 2010
(Unaudited)

	2011	2010
Operating Activities:		
Net income	$2,614,012	$2,554,975
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	255,290	272,125
Amortization, net	165,255	167,243
Amortization related to postretirement benefits obligation	11,480	11,478
Share-based compensation expense related to stock options	106,053	110,188
Decrease in allowance for doubtful accounts on premiums receivable	(119,000)	(247,000)
Net gain on disposals of property	-	(480)
Net realized gain on investments and other assets	(120,915)	(350,930)
Net earnings from other investments	(159,071)	(183,889)
Provision for claims	1,951,587	1,424,819
Provision for deferred income taxes	909,000	1,343,000
Changes in assets and liabilities:		
Decrease (increase) in receivables	1,881,960	(441)
Increase in other assets	(2,096,473)	(307,559)
Increase in current income taxes receivable	(730,356)	(949,449)
Increase (decrease) in accounts payable and accrued liabilities	2,113,184	(513,397)
Decrease in current income taxes payable	(1,056,356)	(670,290)
Payments of claims, net of recoveries	(2,545,287)	(3,162,819)
Net cash provided by (used in) operating activities	3,180,363	(502,426)
Investing Activities:		
Purchases of available-for-sale securities	(3,553,734)	(9,874,722)
Purchases of short-term securities	(2,776,535)	(9,724,271)
Purchases of other investments	(225,315)	(51,143)
Proceeds from sales and maturities of available-for-sale securities	5,412,268	9,868,039
Proceeds from maturities of held-to-maturity securities	-	2,000
Proceeds from sales and maturities of short-term securities	7,767,645	7,019,021
Proceeds from sales and distributions of other investments	249,324	269,239
Purchases of property	(157,566)	(75,936)
Proceeds from the sale of property	-	1,200
Net cash provided by (used in) investing activities	6,716,087	(2,566,573)
Financing Activities:		
Repurchases of common stock	(5,210,866)	(145,622)
Exercise of options	152,526	49,022
Dividends paid	(302,221)	(319,944)
Net cash used in financing activities	(5,360,561)	(416,544)
Net Increase (Decrease) in Cash and Cash Equivalents	4,535,889	(3,485,543)
Cash and Cash Equivalents, Beginning of Period	8,117,031	8,733,221

Cash and Cash Equivalents, End of Period	$12,652,920	$5,247,678
Supplemental Disclosures:		
Cash Paid During the Period for:		
Income taxes, payments, net	$1,649,000	$741,000
Non cash net unrealized (gain) loss on investments, net of deferred tax (provision) benefit of ($557,803) and $75,554 for 2011 and 2010, respectively	$(1,082,268)	$163,629

See notes to Consolidated Financial Statements.

INVESTORS TITLE COMPANY
AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2011
(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, 2010 for a complete description of the Company's significant accounting policies.

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

In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows in the accompanying unaudited consolidated financial statements have been included. All such adjustments are of a normal recurring nature. Operating results for the quarter ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

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 evaluated and concluded that there were no material subsequent events requiring adjustment to or disclosure in its consolidated financial statements.

Recently Issued Accounting Standards – In June 2011, the Financial Accounting Standards Board ("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 becomes effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted, and the Company elected to adopt this new guidance in the second quarter of 2011. This update did not have an impact on the Company's financial condition or results of operations.

In January 2010, the FASB updated the requirements for fair value measurements and disclosures to provide for additional disclosure related to transfers in and out of securities valuation hierarchy Levels 1 and 2, and to require companies to present Level 3 securities purchases, sales, issuances and settlement on a gross rather than net basis. Refer to Note 6 for a discussion of valuation hierarchy levels. The new disclosures are clarifications of existing disclosures and are effective for interim and annual reporting periods beginning after December 15, 2009, except that the disclosures requiring the presentation of Level 3 securities trading activity on a gross basis are effective for fiscal years beginning after December 15, 2010. This update did not have an impact on the Company’s financial condition or results of operations.

Pending Accounting Standards – 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 becomes effective during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. Management does not expect the adoption of this standard to have a material impact on the Company’s consolidated financial statements.

Note 2 - Reserves for Claims

Transactions in the reserves for claims for the six months ended June 30, 2011 and the year ended December 31, 2010 are summarized as follows:

	June 30, 2011	December 31, 2010
Balance, beginning of period	$ 38,198,700	$ 39,490,000
Provision, charged to operations	1,951,587	4,435,066
Payments of claims, net of recoveries	(2,545,287)	(5,726,366)
Ending balance	$ 37,605,000	$ 38,198,700

The total reserve for all reported and unreported losses the Company incurred through June 30, 2011 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 June 30, 2011. 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.

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:

	June 30, 2011	%	December 31, 2010	%
Known title claims	$5,833,158	15.5	$6,121,941	16.0
IBNR	31,771,842	84.5	32,076,759	84.0
Total loss reserves	$37,605,000	100.0	$38,198,700	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 acquiring 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 by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per common share is computed by dividing net income by the combination of dilutive potential common stock, comprised of shares issuable under the Company’s share-based compensation plans and the weighted-average number of common shares outstanding during the reporting period. Dilutive common share equivalents 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, the exercise price of a share-based award, the amount of compensation cost, if any, for future service that the Company has not yet recognized, and the amount of estimated tax benefits that would be recorded in additional paid-in capital, if any, when the share-based awards are exercised they 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 20,952 and 7,546 for the three months ended June 30, 2011, and 2010, respectively, and 17,075 and 7,840 for the six months ended June 30, 2011, and 2010, respectively.

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

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Net income	$ 1,594,805	$ 2,537,560	$ 2,614,012	$ 2,554,975
Weighted average common shares outstanding – Basic	2,134,164	2,285,653	2,184,323	2,285,392
Incremental shares outstanding assuming the exercise of dilutive stock options and SARs (share settled)	20,952	7,546	17,075	7,840
Weighted average common shares outstanding - Diluted	2,155,116	2,293,199	2,201,398	2,293,232
Basic earnings per common share	$ 0.75	$ 1.11	$ 1.20	$ 1.12
Diluted earnings per common share	$ 0.74	$ 1.11	$ 1.19	$ 1.11

There were 9,500 and 13,500 shares excluded from the computation of diluted earnings per share for the three months ended June 30, 2011 and 2010, respectively, because these shares were anti-dilutive. There were 11,500 and 10,500 shares excluded from the computation of diluted earnings per share for the six months ended June 30, 2011 and 2010, respectively, because these shares were anti-dilutive.

The Company has adopted employee stock award plans (the "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 are exercisable and vest immediately or within one year or at 10% to 20% per year beginning on the date of grant and generally expire in five to ten years. All SARs issued to date have been share settled only. There have not been any SARs exercised in 2011 or 2010.

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, 2010	117,245	$27.54	5.10	$541,543
SARs granted	3,000	33.31		
Options exercised	(9,445)	14.88		
Options/SARs cancelled/forfeited/expired	-	-		
Outstanding as of December 31, 2010	110,800	$28.77	4.51	$353,955
SARs granted	3,000	41.50		
Options exercised	(7,550)	20.20		
Options/SARs cancelled/forfeited/expired	(4,500)	28.61		
Outstanding as of June 30, 2011	101,750	$29.79	4.41	$1,075,771
Exercisable as of June 30, 2011	89,477	$29.72	4.36	$955,189
Unvested as of June 30, 2011	12,273	$30.34	4.77	$120,582

During both the second quarters of 2011 and 2010, the Company issued 3,000 share-settled SARs to the directors of the Company. SARs give the holder the right to receive stock equal to the appreciation in the value of shares of stock from the grant date for a specified period of time, and as a result, are accounted for as equity instruments. As such, these were valued using the Black-Scholes option valuation model. The fair value of each award is estimated on the date of grant using the Black-Scholes option valuation model with the weighted-average assumptions noted in the table shown below. Expected volatilities are based on both the implied and historical volatility of the Company's stock. The Company uses historical data to project SAR exercise and employee termination within the valuation model. The expected term of awards represents the period of time that SARs granted are expected to be outstanding. The interest rate for periods during the expected life of the award is based on the U.S. Treasury yield curve in effect at the time of the grant. The weighted-average fair value for the SARs issued was $15.55 and was estimated using the weighted-average assumptions shown in the table below.

	2011	2010
Expected Life in Years	5.0	5.0
Volatility	43.6%	42.4%
Interest Rate	1.9%	2.1%
Yield Rate	0.8%	0.8%

There was approximately $106,000 and $110,000 of compensation expense relating to SARs or options vesting on or before June 30, 2011 and 2010, respectively, included in salaries, employee benefits and payroll taxes in the consolidated statements of income. As of June 30, 2011, there was approximately $150,000 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 6 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 June 30, 2011 and 2010:

Three Months Ended June 30, 2011	Title Insurance	All Other	Intersegment Eliminations	Total
Operating revenues	$ 21,809,129	$ 1,082,802	$ (198,611)	$ 22,693,320
Investment income	773,973	125,263	(20,418)	878,818
Net realized gain on investments	145,144	1,931	-	147,075
Total revenues	$ 22,728,246	$ 1,209,996	$ (219,029)	$ 23,719,213
Operating expenses	20,610,222	1,268,797	(198,611)	21,680,408
Income (loss) before income taxes	$ 2,118,024	$ (58,801)	$ (20,418)	$ 2,038,805
Total assets	$ 116,889,860	$ 36,502,150	$ -	$ 153,392,010

Three Months Ended June 30, 2010				
Operating revenues	$ 14,105,259	$ 1,068,601	$ (196,726)	$ 14,977,134
Investment income	797,149	139,121	(20,418)	915,852
Net realized gain on investments	259,293	66,487	-	325,780
Total revenues	$ 15,161,701	$ 1,274,209	$ (217,144)	$ 16,218,766
Operating expenses	12,342,992	1,069,940	(196,726)	13,216,206
Income before income taxes	$ 2,818,709	$ 204,269	$ (20,418)	$ 3,002,560
Total assets	$ 103,957,299	$ 41,641,287	$ -	$ 145,598,586

Six Months Ended June 30, 2011	Title Insurance	All Other	Intersegment Eliminations	Total
Operating revenues	$ 39,996,441	$ 2,254,586	$ (408,899)	$ 41,842,128
Investment income	1,564,946	254,079	(40,835)	1,778,190
Net realized gain (loss) on investments	124,609	(3,694)	-	120,915
Total revenues	$ 41,685,996	$ 2,504,971	$ (449,734)	$ 43,741,233
Operating expenses	38,137,759	2,627,361	(408,899)	40,356,221
Income (loss) before income taxes	$ 3,548,237	$ (122,390)	$ (40,835)	$ 3,385,012
Total assets	$ 116,889,860	$ 36,502,150	$ -	$ 153,392,010

Six Months Ended June 30, 2010				
Operating revenues	$ 26,039,165	$ 2,096,978	$ (393,370)	$ 27,742,773
Investment income	1,567,336	295,973	(40,835)	1,822,474
Net realized gain on investments	303,096	47,834	-	350,930
Total revenues	$ 27,909,597	$ 2,440,785	$ (434,205)	$ 29,916,177
Operating expenses	25,008,822	2,282,750	(393,370)	26,898,202
Income before income taxes	$ 2,900,775	$ 158,035	$ (40,835)	$ 3,017,975
Total assets	$ 103,957,299	$ 41,641,287	$ -	$ 145,598,586

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 $5,415,000 and $5,134,000 as of June 30, 2011 and December 31, 2010, 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 June 30, 2011 and 2010:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
Service cost – benefits earned during the year	$ 6,425	$ 6,425	$ 12,849	$ 12,849
Interest cost on the projected benefit obligation	7,689	7,689	15,378	15,378
Amortization of unrecognized prior service cost	5,097	5,097	10,194	10,194
Amortization of unrecognized gains	643	641	1,286	1,284
Net periodic benefits costs	$ 19,854	$ 19,852	$ 39,707	$ 39,705

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Note 6 - Fair Value Measurement

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

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

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

The Level 2 category includes fixed maturity investments such as corporate bonds, U.S. government and agency bonds and municipal bonds. Their fair value is principally based on market values obtained from a third party pricing service. Factors that are used in determining their fair market value include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two sided markets, benchmark securities, bids, offers and reference data. The Company receives one quote per security from the pricing service, although as discussed below, the Company does consult other pricing resources when confirming that the prices it obtains reflect the fair values of the instruments in accordance with