INVESTORS TITLE CO
Form 10-K
March 13, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 2014
[ ] 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 or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

121 North Columbia Street
Chapel Hill, North Carolina 27514
(919) 968-2200
(Address and telephone number of principal executive office)

Securities registered pursuant to section 12(b) of the Act:	Name of each exchange on which registered:
Common Stock, no par value	The NASDAQ Stock Market LLC
Rights to Purchase Series A Junior Participating Preferred Stock	The NASDAQ Stock Market LLC

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

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

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

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

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 [X] Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes [ ] No [X]
The aggregate market value of the common shares held by non-affiliates was $103,384,436 based on the closing sales price on the NASDAQ Stock Market LLC on the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2014).
As of February 13, 2015, there were 2,013,345 common shares of the registrant outstanding.
DOCUMENTS INCORPORATED BY REFERENCE
Portions of Investors Title Company's definitive proxy statement for the Annual Meeting of Shareholders to be held May 20, 2015 are incorporated by reference in Part III hereof.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, as well as information included in future filings by the Company with the Securities and Exchange Commission ("SEC") 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 Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, 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," "would" and other expre 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. For a description of factors that may cause actual results to differ materially from such forward-looking statements, see Item 1A, "Risk Factors" of this Annual Report on Form 10-K.

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;
- the possible inadequacy of provisions for claims to cover actual claim losses;
- the incidence of fraud-related losses;
- unanticipated adverse changes in securities markets, including interest rates, could result in material losses on the Company's investments;
- significant competition that the Company's operating subsidiaries face, including the Company's ability to develop and offer products and services that meet changing industry standards in a timely and cost-effective manner and expansion into new geographic locations;
- the Company relies upon the Texas and North Carolina markets for a significant portion of its premiums, comprising approximately 36.5% and 28.4% of premiums written, respectively;
- the Company receives a significant percentage of its net premiums written from a single title agent;
- compliance with government regulation, including pricing regulation, and significant changes to applicable regulations or in their application by regulators;
- the impact of governmental oversight of service provider's compliance with Federal Consumer Financial Laws, including title insurance agents;
- downgrades from a rating agency could result in a loss of underwriting business;
- the inability of the Company to manage, develop and implement technological advancements and prevent system interruptions or unauthorized system intrusions;
- statutory requirements applicable to the Company's insurance subsidiaries that 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;
- heightened regulatory scrutiny and investigations of the title insurance industry;
- the Company's dependence on key management and marketing personnel, the loss of whom could have a material adverse effect on the Company's business;

- reform of government-sponsored entities could adversely impact the Company;
- policies and procedures for the mitigation of risks may be insufficient to prevent losses;
- the shareholder rights plan could discourage transactions involving actual or potential changes of control; 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 SEC. 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.

INVESTORS TITLE COMPANY AND SUBSIDIARIES

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

GENERAL

Investors Title Company (the “Company”) is a holding company that operates through its subsidiaries and was incorporated in the state of North Carolina in 1973. The Company became operational in 1976, when it acquired Investors Title Insurance Company (“ITIC”), which had itself been operating since 1972, as a wholly owned subsidiary under a plan of exchange of shares of common stock. In 1983, the Company acquired National Investors Title Insurance Company (“NITIC”), formerly Northeast Investors Title Insurance Company, which had itself been operating since 1973, as a wholly owned subsidiary under a plan of exchange of shares of common stock. The Company’s executive offices are located at 121 North Columbia Street, Chapel Hill, North Carolina 27514 and its telephone number is (919) 968-2200. The Company maintains a website at www.invtitle.com.

OVERVIEW OF THE BUSINESS

The Company’s primary business activity, and its only reportable operating segment, is the issuance of residential and commercial title insurance through ITIC and NITIC. Additionally, the Company provides tax-deferred real property exchange services through its subsidiaries, Investors Title Exchange Corporation (“ITEC”) and Investors Title Accommodation Corporation (“ITAC”); investment management and trust services to individuals, trusts and other entities through its subsidiary Investors Trust Company (“Investors Trust”); and management services to title insurance agencies through its subsidiary, Investors Title Management Services (“ITMS”). See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 12 of Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for additional information related to the revenues, income and assets attributable to the Company’s primary operating segment.

Title Insurance

Through its two wholly owned title underwriting subsidiaries, ITIC and NITIC, the Company underwrites title insurance for owners and mortgagees as a primary insurer. ITIC and NITIC offer primary title insurance coverage to owners and mortgagees of real estate and assume reinsurance of title insurance risks from other title insurance companies. The commitments and policies are predominantly issued using standard forms approved by the American Land Title Association (“ALTA”).

Title insurance protects against losses resulting from title defects affecting real property. Upon a real estate closing, the seller executes a deed to the new owner, and typically, the property is encumbered with a new mortgage. 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 or mortgage that may give a third party a legal claim against such property. If a claim is made against the title to real property, title insurance provides indemnification against covered defects.

Numerous types of defects could jeopardize the property owner’s or mortgagee’s interest in the property for which a title policy may provide coverage. Such risks include title being vested in an individual or entity other than the insured, lack of a right of access to the property, invalidity or unenforceability of the insured mortgage, or other defects, liens, or encumbrances that make the property unmarketable. The policy may provide coverage for defects arising from prior unsatisfied mortgages, tax liens or confirmed assessments, judgments attaching to the property or encumbrances against the property arising through easements, restrictions or other existing covenants. Title insurance may also protect against deeds or mortgages that were forged or improperly acknowledged or delivered, that were executed by spouses without the other spouse’s signature or that were conveyed by minors or incompetents.

Title Insurance Policies. The Company issues title insurance policies based on a search of public records. The title search documents the current status of title to the property. There are two basic types of title insurance policies - one for the mortgage lender and one for the real property owner. A lender often requires property owners to purchase title insurance to protect the priority of its 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 its investment.

Insured Risk on Policies in Force. Generally, the amount of the insured risk under a title insurance policy is equal to the purchase price, the loan amount or the fair market value of the insured property. If a claim is made against an insured property's title, the insurer can choose to pay the cost of eliminating the covered title defects or to defend the insured party against covered title defects affecting the property. In the alternative, the insurer may opt to pay the policy limits to the insured or, if the loss is less than policy limits, the amount of the insured's actual loss due to the title defects, at which time the insurer's duty to defend the claim and all other obligations of the insurer with respect to the claim are satisfied.

At any given time, the insurer's actual risk of monetary loss under outstanding policies is only a portion of the aggregate insured risk, or total face amount, of all policies in force. The lower risk results primarily from the reissuance of title insurance policies by other underwriters over time when the property is subsequently conveyed or refinanced. The coverage on a lender's title insurance policy is reduced and eventually terminated as the mortgage loan it secures is paid. An owner's policy is effective as long as the insured has an ownership interest in the property or has liability under warranties of title. Due to the variability of these factors, the aggregate contingent liability of a title underwriter on outstanding policies of the Company and its subsidiaries cannot be determined with precision.

Losses and Reserves. While most other forms of insurance provide for the assumption of risk of loss arising from unforeseen events, title insurance is based upon a process of loss avoidance. Title insurance generally serves to protect the policyholder from the risk of loss from events that predate the issuance of the policy. Losses on policies typically occur when a title defect is not discovered during the examination and settlement process or upon the occurrence of certain hidden risks which cannot be determined from an accurate search of public land records. The maximum amount of liability under a title insurance policy is generally the face amount of the policy plus the cost of defending the insured's title against an adverse claim, if agreed to by the insurer prior to payment of loss under the policy, and any inflation protection clause associated with the policy. Reserves for claim losses are established from known claims, as well as estimated losses incurred but not yet reported to the Company based upon historical experience and other factors.

Title claims can often be complex, vary greatly in dollar amounts, are affected by economic and market conditions and may involve uncertainties as to ultimate exposure. Therefore, reserve estimates are subject to variability. For a more complete description of the Company's reserves for claims, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

Title Insurance Underwriting Operations. ITIC and NITIC issue title insurance through branch operations and affiliated or independent title insurance agents. The Company's title insurance subsidiaries determine the terms and conditions upon which they will insure title to real property according to the Company's underwriting standards, policies and procedures. Title insurance premiums written reflect a one-time premium payment, with no recurring premiums.

Generally, premiums for title insurance are recorded and recognized as revenue at the closing of the related transaction, when the earnings process is considered complete. When the policy is issued directly through a branch office, the premiums collected are retained by the Company. When the policy is issued through a title insurance agent, the agent retains a majority of the premium as a commission. Title insurance commissions earned by the Company's agents are recognized as expenses concurrently with premium recognition. The percentage of the premium retained by agents varies from region to region and is sometimes regulated by the states where the property is located.

For a description of the level of net premiums written by direct and agency operations, refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

Geographic Operations. ITIC was incorporated in North Carolina in 1972, and is licensed to write title insurance in 44 states and the District of Columbia. ITIC currently writes title insurance as a primary insurer in 21 states and the District of Columbia, primarily in the eastern half of the United States, and as a reinsurer for NITIC and third party title insurance companies.

NITIC was incorporated in South Carolina in 1973, and is licensed to write title insurance in 20 states and the District of Columbia. In November 2014, NITIC redomesticated to the State of Texas. It currently writes title insurance as a primary insurer in the States of Texas and New York, and as a reinsurer for ITIC.

Premiums from title insurance written on properties located in North Carolina and Texas represent the largest source of revenue for the title insurance segment. In North Carolina, ITIC primarily issues title insurance commitments and policies through branch offices. In Texas and other states, title policies are primarily issued through issuing agents. For a description of the level of net premiums written geographically for significant states, refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K.

Each state license authorizing ITIC or NITIC to write title insurance must be renewed annually. These licenses are necessary for the companies to operate as a title insurer in each state in which they write premiums.

Ratings. The Company’s title insurance subsidiaries are regularly assigned ratings by independent agencies designed to indicate their financial condition and/or their claims paying ability. The rating agencies determine ratings primarily by analyzing financial data.

Reinsurance. The Company assumes and cedes reinsurance with other insurance companies in the normal course of business. Reinsurance is a contractual arrangement whereby one insurer assumes some or all of the risk exposure written by another insurer. Ceded reinsurance is comprised of excess of loss treaties, which outlines the conditions in which the reinsurance company will pay claims and protect the ceding insurer against losses over certain agreed amounts.

In the ordinary course of business, ITIC and NITIC reinsure certain risks with other title insurers to limit their risk exposure and to comply with state insurance regulations. They also assume reinsurance for certain risks of other title insurers for which they receive additional income in the form of reinsurance premiums. For each of the last three years, revenues from reinsurance activities accounted for less than 1% of total premium volume.

Exchange Services, Investment Management and Trust Services, and Management Services

The Company's other lines of business include services offered by wholly owned subsidiaries ITEC, ITAC, Investors Trust, and ITMS.

In 1988, the Company established ITEC to provide services in connection with tax-deferred exchanges of like-kind property pursuant to Section 1031 of the Internal Revenue Code. ITEC acts as an intermediary in tax-deferred exchanges of property held for productive use in a trade or business or for investments, and its income is derived from fees for handling exchange transactions and interest earned on client deposits held by the Company. ITAC provides services for accomplishing reverse exchanges when taxpayers decide to acquire replacement property before selling the relinquished property. The services provided by the Company's exchange division, ITEC and ITAC, are pursuant to provisions in the Internal Revenue Code. From time to time, these laws are subject to review and changes, which may negatively affect the demand for tax-deferred exchanges in general, and consequently the revenues and profitability of the Company's exchange division.

Investors Trust provides investment management and trust services to individuals, companies, banks and trusts.

ITMS offers various consulting and management services to provide clients with the technical expertise to start and successfully operate a title insurance agency.

None of these subsidiaries is currently a reportable segment for which separate financial information is presented; instead, they are collectively included and reported in the category "All Other" in the Company's financial statements.

CYCLICALITY AND SEASONALITY

Real estate activity, home sales and mortgage lending are cyclical in nature. Title insurance premiums are closely related to the level of real estate activity and the average price of real estate sales. The availability of funds to finance purchases directly affects real estate sales. Other factors include mortgage interest rates, consumer confidence, economic conditions, supply and demand and family income levels. The Company's premiums in future periods are likely to fluctuate due to these and other factors which are beyond management's control.

Historically, the title insurance business tends to be seasonal as well as cyclical. Because home sales are typically strongest in periods of favorable weather, the first calendar quarter tends to have the lowest activity levels, while the spring and summer quarters tend to be more active. Refinance activity is generally less seasonal, but is subject to interest rate fluctuations.

MARKETING

The Company markets its title insurance services to a broad range of customers in the residential and commercial market sectors of the real estate industry. 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.

ITIC and NITIC strive to provide superior service to their customers and consider this an important factor in attracting and retaining customers. Branch and corporate personnel strive to develop new business and agency relationships to increase market share while ITIC's Commercial Services Division focuses on services provided to commercial clients.

REGULATION

Title Insurance

The Company is an insurance holding company and therefore it is subject to regulation in the states in which its insurance subsidiaries do business. These regulations, among others, require insurance holding companies to register and file certain reports, and require prior regulatory approval of the payment of dividends and other intercompany distributions or transfers.

Title insurance companies are extensively regulated under applicable state laws. All states have requirements for admission to do business as an insurance company, including minimum levels of capital, surplus and reserves. State regulatory authorities monitor the stability and service of insurance companies and possess broad powers with respect to the licensing of title insurers and agents, approving rate schedules and policy forms, financial reporting and accounting practices, reserve requirements, investments and dividend restrictions, as well as examining and auditing title insurers. At December 31, 2014, both ITIC and NITIC met the statutory premium reserve requirements and the minimum capital and surplus requirements of the states in which they are licensed. A substantial portion of the assets of the Company’s title insurance subsidiaries consists of their portfolios of investment securities. Both of these subsidiaries are required by various state laws to maintain assets of a defined minimum quality and amount.

The Company’s insurance subsidiaries are subject to examination at any time by the insurance regulators in the states where they are licensed. These and other governmental authorities have the power to enforce state and federal laws to which the title insurance subsidiaries are subject. These authorities include, but are not limited to, the Consumer Financial Protection Bureau (“CFPB”), which enforces the Real Estate Settlement Procedures Act (“RESPA”), the primary federal regulatory guidance covering the real estate settlement industry. The CFPB has the authority to identify and address, through regulation, unfair, deceptive and abusive practices in the mortgage industry and certain other settlement service industries.

On November 20, 2013, the CFPB released a final rule to integrate mortgage disclosures under the RESPA and the Truth in Lending Act (“TILA”). The final rule goes into effect in August 2015. Under this rule, the early disclosure forms required by TILA and the good faith estimate required by RESPA have been combined into one form, titled the Loan Estimate. The final disclosure required by TILA and the HUD-1 settlement statement required by RESPA have been combined into one form, titled the Closing Disclosure. The Company is actively preparing for the impact that this rule will have on both direct and agency operations in terms of processes and procedures, systems and compliance costs.

The CFPB, Office of the Comptroller of Currency and the Federal Reserve have issued memorandums to banks which have heightened their focus on vetting third party providers and may affect the Company's agents and approved providers. Further proposals to change regulations governing insurance holding companies and the title insurance industry are often introduced in Congress, in state legislatures and before various insurance regulatory agencies. The Company regularly monitors such proposals, but the likelihood and timing of passage of any such regulation, and the possible effects of any such regulation on the Company and its subsidiaries, cannot be determined at this time.

Any material change in the Company’s regulatory environment may have an adverse effect on its business.

Exchange Services, Investment Management and Trust Services, and Management Services

Investors Trust is regulated by the North Carolina Commissioner of Banks.

COMPETITION

The title insurance industry is highly competitive. The four largest title insurance companies typically maintain greater than eighty-five percent of the market for title insurance in the United States, with smaller “regional” companies holding the balance of the market. The number and size of competing companies varies in the respective geographic areas in which the Company conducts business. Key competitive factors in the title insurance industry are the financial strength and size of the insurer, timeliness and quality of service, price and expertise in certain transactions. Title insurance underwriters also compete for agents based upon service and commission levels. Some title insurers currently have greater financial resources, larger distribution networks and more extensive computerized databases of property records and related information than the Company. In addition, there are numerous industry-related regulations and statutes that set out conditions and requirements to conduct business. Changes to or the removal of such regulations and statutes could result in additional competition from alternative title insurance products or new entrants into the industry that could materially affect the Company’s business operations and financial condition.

CUSTOMER, LENDER AND AGENT CONCENTRATION

The Company is not dependent upon any single title insurance customer or a few customers, and the loss of any single customer would not have a material adverse effect on the Company.

According to data published by Mortgage Daily on March 10, 2014, there are five lending institutions in the United States that account for over 40% of all mortgage originations in the country. These lending institutions benefit from title insurance policies that are purchased by borrowers on the lending institutions' behalf as a condition to the making of a loan. Refusal by major market lenders to accept our product offerings could have a material adverse effect on the Company.

In 2014, 2013 and 2012, the Company had one agent that accounted for 23.6%, 16.4%, and 14.0% of net premiums written, respectively.

INVESTMENT POLICIES

The Company and its subsidiaries derive a substantial portion of their income from investments in municipal government securities and investment grade corporate bonds and equity securities. The Company's debt and equity securities are classified as available for sale and carried at fair market value. The Company's investment policy is designed to maintain a high quality portfolio and maximize income. Some state laws impose restrictions upon the types and amounts of investments that can be made by the Company's insurance subsidiaries. The Company's investment portfolio is managed internally and via an affiliated entity. The securities in the Company's portfolio are subject to economic conditions and normal market risks. Equity securities at December 31, 2014 and 2013 consisted of investments in various industry groups. There were not any significant investments in banks, trust or insurance companies at December 31, 2014 or 2013. Short-term investments, which consist primarily of money market instruments and certificates of deposit which have an original maturity of one year or less, are carried at cost, which approximates fair value due to the short duration to maturity. In addition, at December 31, 2014 and 2013, the Company held investments that are accounted for using the equity method (see Note 1 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.)

See Note 3 of the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K for the major categories of investments, scheduled maturities, fair values of investment securities and earnings by category.

ENVIRONMENTAL MATTERS

The title insurance policies ITIC and NITIC currently issue exclude any liability for environmental risks and contamination unless a notice of violation relating to an environmental protection law, ordinance or regulation is recorded prior to the date of such policy or the Company issues a specific policy endorsement providing coverage for environmental liens recorded prior to the date of such policy. The Company has not experienced and does not anticipate that it or its subsidiaries will incur any significant expenses related to environmental claims.

In connection with tax-deferred exchanges of like-kind property, ITEC and ITAC may temporarily hold title to property pursuant to an accommodation titleholder agreement. In order for ITEC and ITAC to enter into such arrangements, each person or entity for which title is being held must first (i) execute an indemnification agreement under which it agrees to indemnify ITEC or ITAC for any environmental or other claims which may arise as a result of the arrangement, and (ii) provide due diligence materials regarding any known environmental issues, in the form of an environmental questionnaire and/or applicable environmental engineering studies, if indicated for review by ITEC or ITAC, as applicable.

EMPLOYEES

The Company and its subsidiaries had 242 full-time employees and 21 part-time employees as of December 31, 2014. None of the employees are covered by any collective bargaining agreements. Management considers its relationship with its employees to be favorable.

ADDITIONAL INFORMATION

The Company's internet address is www.invtitle.com. The contents of the Company's website are not and shall not be deemed a part of this document or any other Securities and Exchange Commission ("SEC") filing. The Company makes available free of charge through its internet website its annual reports on Form 10-K, its quarterly reports on Form 10-Q, its current reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the SEC, and also makes available the Section 16 reports on Forms 3, 4 and 5 of its insiders no later than the end of the business day following such filings. The information is free of charge and may be reviewed and downloaded from the website at any time. The public may read any material it has filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The "Investor Relations" section of the Company's website also includes its code of business conduct and ethics and the charters of the Audit, Compensation and Nominating Committees of its Board of Directors.

EXECUTIVE OFFICERS OF THE COMPANY

Following is information regarding the executive officers of the Company as of February 26, 2015. Each officer is appointed at the annual meeting of the Board of Directors to serve until the next annual meeting of the Board or until his or her respective successor has been elected and qualified.

Name	Age	Position with Registrant
J. Allen Fine	80	Chief Executive Officer and Chairman of the Board
James A. Fine, Jr.	52	President, Treasurer, Chief Financial Officer, Chief Accounting Officer and Director
W. Morris Fine	48	Executive Vice President, Secretary and Director

J. Allen Fine has been Chief Executive Officer and Chairman of the Board of the Company since its incorporation in 1973. He also served as President of the Company until May 1997. He is the father of James A. Fine, Jr. and W. Morris Fine.

James A. Fine, Jr. was named Vice President of the Company in 1987. In 1997, he was named President and Treasurer and appointed as a Director of the Company. In 2002, he was appointed as Chief Financial Officer and Chief Accounting Officer. He is the son of J. Allen Fine and the brother of W. Morris Fine.

W. Morris Fine was named Vice President of the Company in 1992. In 1993, he was named Treasurer of the Company and served in that capacity until 1997. In 1997, he was named Executive Vice President and Secretary of the Company. In 1999, he was appointed as a Director of the Company. He is the son of J. Allen Fine and the brother of James A. Fine, Jr.

ITEM 1A. RISK FACTORS

The risk factors listed in this section and other factors noted herein could cause actual results to differ materially from those contained in any forward-looking statements or could result in a significant or material adverse effect on the Company's results of operations.

Adverse changes in real estate activity may negatively impact the Company's results of operations and financial condition.

The demand for the Company's title insurance and other real estate transaction products and services varies from year to year and is dependent upon, among other factors, the volume of residential and commercial real estate transactions and mortgage financing transactions. The volume of these transactions has historically been influenced by factors such as the state of the overall economy, the average price level of real estate sales and the availability and pricing of mortgage financing. During periods of economic uncertainty, or when the availability of mortgage credit is limited or when mortgage interest rates are increasing, real estate activity typically declines. The cyclical nature of the Company's business has caused volatility in revenue and profitability in the past and could do so in the future. Demand for title insurance also depends in part upon the requirement by mortgage lenders and other participants in the secondary mortgage market that title insurance policies be obtained on residential and commercial real property.

The Company may experience material losses resulting from fraud, defalcation or misconduct.
Fraud, defalcation and other misconduct by the Company's agents, approved attorneys and employees are risks inherent in the Company's business. Agents and approved attorneys typically handle large sums of money in trusts pursuant to the closing of real estate transactions. Misappropriation of funds by any of these parties could result in title claims, some of which could have a material negative impact on the Company's results of operations and financial condition.
The Company receives a significant portion of its premiums from one agent. Significant declines in the agent's business or real estate activity in the agent's market would have a negative impact on premiums written.
The Company had one agent that accounted for 23.6%, 16.4% and 14.0% of net premiums written for 2014, 2013 and 2012, respectively. A significant decline in premiums received from this agent would have a material negative impact on the Company's financial results. Such declines could result from declines in real estate activity in the agent's market, or from the agent using other title insurers. The agent is under no legal commitment to remit a minimum amount of premiums to the Company, and could cease doing so at any time.
The Company relies upon the Texas and North Carolina markets for a significant portion of its premiums. Changes in the economic or regulatory environments in Texas or North Carolina could have an adverse impact on the Company.

Texas and North Carolina are the largest sources of premium revenue for the Company's title insurance subsidiaries. In 2014, Texas and North Carolina represented 36.5% and 28.4% of total premiums written by the Company, respectively. A decrease in the level of real estate activity in either Texas and/or North Carolina, whether driven by depressed economic conditions, changes in regulatory environments or other factors that influence demand, could have a negative impact on the Company's financial results.

Adverse deviation from expected claims experience will result in lower net earnings.
The Company's net income is affected by the extent to which its actual claims experience differs from the assumptions used in establishing reserves for claims. Reserves for claims are established based on actuarial estimates of future payments for reported claims, as well as claims which have been incurred but not yet reported. In addition, management considers factors such as the Company's historical claims experience, case reserve estimates on reported claims, large claims and other relevant factors in determining loss provision rates and the aggregate recorded expected liability for claims.
Due to the nature of the underlying risks and the high degree of uncertainty associated with the estimation of reserves for claims, the Company cannot determine precisely the amounts which it will ultimately pay to settle its claims. Factors contributing to the complexity in establishing reserves can include varying loss potentials, timing, unfavorable market or economic conditions and the legal environment. The timing of claims is difficult to estimate as payments may not occur until well into the future. Higher levels of defaults and foreclosures upon insured properties are more prevalent in times of unfavorable economic conditions and can lead to an increase in title insurance claims. The Company may also incur higher than normal claim payment experience or large losses. To the extent that actual claims experience is greater than estimated, the Company could be required to increase reserves.
Deterioration in financial markets may cause a decline in the performance of the Company's investments and could have a material adverse impact on net income.
The Company derives a substantial portion of its income from its investment portfolio. The Company's investment policy is designed to comply with regulatory requirements and to balance the competing objectives of asset quality and investment returns. The Company's investment portfolio is subject to risk from changes in general economic conditions, interest rates, credit markets, and other external factors. The risk of loss is increased during periods of economic uncertainty and tight credit markets as these factors could limit the ability of some issuers to repay their debt obligations. If the carrying value of the Company's investments exceeds the fair value, and the decline in fair value is deemed to be other-than-temporary, the Company will be required to write down the value of its investments, which could have a material negative impact on the Company's results of operations and financial condition.

10

Competition affects the Company's results of operations.

The title insurance industry is highly competitive. Key competitive factors are quality of service, price within regulatory parameters, expertise, timeliness and the financial strength and size of the insurer. Title insurance underwriters compete for premiums by choosing various distribution channels which may include company-owned operations, independent agents and issuing agency relationships with real estate attorneys, subsidiaries of community and regional lending institutions, realtors, builders and other settlement service providers. Title insurance underwriters compete for agents on the basis of service, technology and commission levels. Some title insurers currently have greater financial resources, larger distribution networks and more extensive computerized databases of property records and information than the Company. The number and size of competing companies varies in the different geographic areas in which the Company operates, and any reductions to current regulatory barriers within any of the different geographic areas could increase the number of competitors entering into the title insurance market. Competition among the major providers of title insurance or the acceptance of alternative products to traditional title products by the regulatory authorities and the marketplace could adversely affect the Company's operations and financial condition.

The Company's insurance subsidiaries are subject to complex government regulations. Changes in regulations may have an adverse effect on the Company's results of operations.

The Company's title insurance subsidiaries are subject to extensive regulations that are intended to protect policyholders and consumers.

The nature and extent of state regulations, which vary from state to state, typically involve, among other matters, licensing and renewal requirements and trade and marketing practices, including, but not limited to the following:

- licensing of insurers and agents;
- capital and surplus requirements;
- approval of premium rates for insurance;
- limitations on types and amounts of investments;
- limitations on the size of risks that may be insured by a single company;
- filing of annual and other reports with respect to financial condition;
- the amount of dividends and other payments made by insurance subsidiaries;
- establishing reserves;
- accounting and financing practices;
- deposits of securities for the benefit of policyholders;
- trade and marketing practices;
- regulation of reinsurance;
- approval of policy forms; and
- use of personal information.

Insurance holding companies are subject to periodic examinations and the regulation of acquisitions, intercompany transactions and changes in control, among others, by state regulators.

The Company and its subsidiaries are also subject to certain federal regulations established by the CFPB, the Office of the Comptroller of Currency, the Federal Reserve and various other governmental agencies. Title insurance subsidiaries are subject to regulations by the CFPB, created by the Dodd-Frank Act. The CFPB has extensive regulatory and enforcement authority over the RESPA, the primary federal regulatory guidance covering the real estate settlement industry. Additionally, the CFPB has issued extensive regulations for the integration of mortgage disclosure which require implementation by August 15, 2015. Extensive efforts by market participants, including the Company, are required to implement these regulations. New regulations, or differing interpretations of existing laws, could have a negative impact on the Company's results of operations and financial condition.

The Company's other businesses also operate within state and federal guidelines. Any changes in the regulatory environment could restrict its existing or future operations and could possibly make it more burdensome and costly to conduct them.

Title insurance rate regulation could have an adverse impact on the Company's results of operations.

Rates for title insurance vary by state and are subject to extensive regulation. The process of implementing a rate change in most states involves pre-approval by the applicable state insurance regulator. This regulation could impact the Company's ability to adjust prices in the face of rapidly changing market conditions, which could adversely affect results of operations.

A downgrade from a rating agency could result in a loss of underwriting business.
The competitive positions of title insurance companies rely partly on ratings published by independent rating services. Government sponsored entities and lending institutions utilize these ratings, among other items, to evaluate a title insurer's strength and stability. The Company's title insurance subsidiaries are currently rated by A.M. Best Company, Kroll Bond Agency and Demotech, Inc. The ratings issued by independent rating agencies are not credit ratings, but represent the opinion of the individual rating agency in regards to the title insurance subsidiaries' financial strength, operating performance, and ability to meet policy holder obligations. These insurer ratings are subject to periodic review and there can be no assurance that the Company's insurance subsidiaries will maintain their current respective ratings. A significant downgrade in the ratings of either of the Company's insurance subsidiaries could negatively impact the ability to compete for new business, retain existing business and maintain the necessary licenses to operate as title insurance companies in various states.
Financial institution failures could adversely affect the Company.
The Company has substantial deposits, including deposits that are owned by third parties, with financial institutions. There is no guarantee the Company, whether through the Federal Deposit Insurance Corporation or otherwise, would recover the funds it has deposited should one or more of the financial institutions at which the Company maintains deposits fail.
The Company may encounter difficulties managing system or technological changes, which could adversely affect its financial and operating results.
Technological changes in the title insurance industry are driven primarily by evolution in technology, competitive factors, and regulatory changes. These changes have resulted in faster information delivery and efficient, highly automated production processes. The inability of the Company to manage, develop or successfully implement new systems or technological changes could negatively impact profitability.
The Company relies on distributions from its insurance subsidiaries.
The Company is an insurance holding company and it has no substantial operations of its own. Its principal assets are investments in its operating subsidiaries, primarily its insurance subsidiaries. The Company's ability to pay dividends and meet its obligations is dependent, among other factors, on the ability of its subsidiaries to pay dividends or repay intercompany loans. The Company's insurance subsidiaries are subject to regulations that limit the amount of dividends, loans or advances they can make to the Company. The restriction on these amounts is based on the amount of the insurance subsidiaries' unassigned surplus and net income, with certain adjustments. Additionally, these subsidiaries are required to maintain minimum amounts of capital, surplus and reserves. As of December 31, 2014, approximately $90,384,000 of consolidated stockholders' equity represents the net assets of the Company's subsidiaries that cannot be transferred in the form of dividends, loans or advances to the Company. In general, dividends in excess of prescribed limits are deemed "extraordinary" and require prior approval by the appropriate regulatory body. These dividend restrictions could limit the Company's ability to pay dividends to its shareholders or fund growth opportunities.
Regulatory investigations of the title insurance industry by governmental entities could adversely impact the Company's results of operations.
The title insurance industry is subject to increased scrutiny by both federal and state regulators focusing on violations of state insurance codes, RESPA and similar state and federal laws, among others. The Company's insurance subsidiaries routinely receive inquiries from regulators involving market conduct. Future inquiries could lead to fines for violations, settlements with regulating authorities that could result in fines or requirements to pay claims and the potential for further regulation, all of which could adversely affect our results of operations and financial condition.

The Company depends on its ability to attract and retain key personnel and agents, and its inability to do so could adversely affect its business.

Competition for skilled and experienced personnel in the Company's industry is high, and the success of the Company is substantially dependent on its ability to attract and retain such personnel. The Company may have difficulty hiring and retaining the necessary marketing and management personnel to support future growth plans. Also, the

Company's results of operations and financial condition could be adversely affected if it is unsuccessful in attracting and retaining new agents.

Policies and procedures for the mitigation of risk may not be sufficient.

The Company has policies and procedures in place to help identify, analyze, and measure the risks associated with the issuance of title insurance policies, investment risks, interest rate risks and legal risks, among others. Because a significant degree of judgment is involved with the establishment of policies and processes as well as the measurement of risks, it is possible not all risks have been identified or anticipated. Misidentified or unanticipated risks could adversely impact the Company and its results of operations.

The Company could be adversely affected by the possible reform of government-sponsored enterprises.

The federal government is currently in discussions regarding reform of The Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Fannie Mae and Freddie Mac often require the purchase of title insurance for home loans they securitize. Changes to these entities could impact the entire mortgage loan process and as a result, could impact the demand for title insurance. The timing and results of reform are currently unknown; however, changes to these entities could adversely impact the Company and its results of operations.

Unauthorized access to the Company's systems, or other system interruptions, and unauthorized data disclosures may harm the Company's reputation, disrupt the Company's operations, or result in monetary losses.

The Company utilizes electronic systems to deliver products and services, and to conduct major aspects of its business. The Company uses electronic systems to receive, process, store, and transmit data, including non-public consumer and financial information. Non-public information may include, among other things, names, addresses, social security numbers, and banking information. In addition, the Company utilizes electronic systems to receive and transfer money. Events beyond control of the Company, including unauthorized system intrusions, fraud, user input errors, telecommunication failures or natural disasters could disrupt operations both internally and externally, release proprietary and/or non-public information, cause significant loss of corporate funds, or damage corporate assets. To counter these risks, the Company invests significant resources in maintaining the security of our network and adapting to evolving security threats. In addition, the Company further mitigates risks by maintaining cyber-liability insurance coverage.

The Company may encounter difficulties managing growth, which could adversely affect its results.

The Company's future growth plans involve expansion into new geographic locations and further penetration in established markets. Expansion into new markets may subject the Company to associated risks, such as the diversion of management's attention and other risks related to establishing operations in new territories.

Certain provisions of the Company's shareholder rights plan may deter or discourage a takeover of the Company.

The Company has adopted a shareholders rights plan. The rights set forth in the plan are not intended to prevent a takeover of the Company, and we believe the rights would be beneficial to the Company and its shareholders in the event of negotiations with a potential acquirer. However, the shareholder rights plan could discourage transactions involving actual or potential changes of control, including transactions that may involve payment of a premium over prevailing market prices to the Company's common shareholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

The Company owns two adjacent office buildings and property located on the corner of North Columbia and West Rosemary streets in Chapel Hill, North Carolina, which serve as the Company's corporate headquarters. The main building contains approximately 23,000 square feet and has on-site parking facilities. The Company's subsidiaries, principally ITIC and NITIC, lease office space in 32 locations throughout North Carolina, South Carolina, Texas and Nebraska. The Company believes that each of the office facilities occupied by the Company and its subsidiaries are in good condition, adequately insured and sufficient for its present operations.

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are involved in 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.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock Data and Dividends

The Common Stock of the Company is traded under the symbol "ITIC" on the NASDAQ Stock Market LLC. The number of record holders of common stock at December 31, 2014 was 315. The number of record holders is based upon the actual number of holders registered on the books of the Company at such date and does not include holders of shares in "street name" or persons, partnerships, associations, corporations or other entities identified in security position listings maintained by securities depositories. The following table shows, for the periods indicated, the high and low sales prices of the Company's Common Stock as reported on the NASDAQ Global Market, and cash dividends declared.

	2014		2013	
	High	Low	High	Low
First Quarter	$82.22	$73.18	$72.96	$60.10
Second Quarter	$76.24	$62.53	$75.02	$66.00
Third Quarter	$82.08	$66.61	$77.62	$67.97
Fourth Quarter	$80.00	$64.41	$83.55	$73.31

The Company paid cash dividends of $0.08 each quarter in 2014 and 2013, respectively.

The Company's current dividend policy anticipates the payment of quarterly dividends in the future. The declaration and payment of dividends will be at the discretion of the Board of Directors and will be dependent upon the Company's future earnings, financial condition and capital requirements. The Company's ability to pay dividends is also subject to certain regulatory restrictions on the payment of dividends by its insurance subsidiaries as described in the "Liquidity and Capital Resources" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 2 to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

The following table provides information about purchases by the Company (and all affiliated purchasers) during the quarter ended December 31, 2014 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				414,458
October 2014	—	$—	—	414,458
November 2014	2,532	73.35	2,532	411,926
December 2014	3,016	72.08	3,016	408,910
Total	5,548	$72.66	5,548	408,910

For the quarter ended December 31, 2014, the Company purchased an aggregate of 5,548 shares of the Company's common stock pursuant to the Company's ongoing purchase program that was 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 Company's repurchase 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.

Common Stock Performance Graph

Presented below is a line graph comparing the yearly percentage change in the cumulative total return on the Company’s common stock to the cumulative return of the NASDAQ Composite Index and a peer group consisting of certain companies in the title insurance industry (SIC Code 6361) for the period commencing December 31, 2009 and ending December 31, 2014. The graph assumes that $100 was invested in the Company’s common stock, the NASDAQ Composite Index and the peer group on December 31, 2009 and that all dividends were reinvested on a quarterly basis. Returns for the companies included in the peer group have been weighted on the basis of the total market capitalization for each company.

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

ITEM 6. SELECTED FINANCIAL DATA
(amounts in thousands except per share data)

For the Year	2014	2013	2012	2011	2010
Net premiums written	$109,964	$113,886	$102,331	$81,529	$61,462
Revenues	123,119	126,251	115,079	90,685	71,309
Investment income	4,260	3,895	3,980	3,595	3,671
Net income attributable to the Company	9,649	14,708	11,102	6,934	6,373
Per Share Data					
Basic earnings per common share	$4.75	$7.15	$5.33	$3.22	$2.79
Weighted average shares outstanding – Basic	2,032	2,056	2,082	2,151	2,285
Diluted earnings per common share	$4.74	$7.08	$5.24	$3.20	$2.78
Weighted average shares outstanding – Diluted	2,038	2,077	2,117	2,170	2,290
Cash dividends per share	$0.32	$0.32	$0.29	$0.28	$0.28
At Year-End					
Assets	$198,039	$188,306	$171,918	$157,958	$153,485
Investments	159,411	142,764	130,779	125,701	129,998
Stockholders’ equity	137,564	128,062	114,639	106,512	103,929
Book value/share	67.99	62.86	56.10	50.54	45.53
Performance Ratios					
Net income attributable to the Company to:					
Average stockholders’ equity	7.27 %	12.12 %	10.04 %	6.59 %	6.34 %
Total revenues	7.84 %	11.65 %	9.65 %	7.65 %	8.94 %

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements and the related notes in this report. 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"). Total revenues from the title segment accounted for 95.5% of the Company's revenues in 2014. 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 the property owner to purchase a lender's title insurance policy 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 its 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 covered claim is made against real property, title insurance provides indemnification against insured defects.

The Company issues title insurance policies through home and branch offices, independent agents, and issuing agencies. 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 title insurance premiums written.

Revenues for this segment primarily 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 title insurance 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.

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.

The Company’s trust services division, Investors Trust, provides investment management and trust services to individuals, companies, banks and trusts. In July 2013, Investors Trust assumed responsibility for the management of all accounts previously managed by ICMC.

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. The economy has been gradually recovering from this downturn with the Dow Jones Industrial Average setting and remaining near the all-time high, housing values rebounding and the unemployment rate declining.

Current Initiatives

In efforts to stimulate the economy, the Federal Reserve announced in September 2012 Quantitative Easing, “QE3,” in which it would purchase mortgage-backed securities and longer-term Treasury securities. Through QE3, the Federal Reserve initially purchased mortgage-backed securities at a rate of $40 billion per month and longer-term Treasury securities at a rate of $45 billion per month. Beginning in 2014, the Federal Open Market Committee ("FOMC") of the Federal Reserve has been steadily tapering the purchases of securities, and, voted at its October 2014 meeting to conclude the QE3 program at the end of October 2014. The FOMC is also issuing disclosures on a periodic basis that include projections of the federal funds rate and expected actions. At the January 2015 meeting, the FOMC reaffirmed its intent to keep the federal funds rate exceptionally low, between 0% and 0.25%, so long as progress is made toward its employment and inflation objectives.

On October 20, 2014, the Federal Housing Finance Agency ("FHFA"), which regulates the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), announced that Fannie Mae and Freddie Mac were negotiating guidelines with mortgage lenders that could result in less strict lending requirements and lower barriers to mortgage loans for borrowers who are seeking access to home loans. The FHFA noted in its announcement that it intends to clarify the rules that allow Fannie Mae and Freddie Mac to require mortgage lenders to repurchase troubled loans. The FHFA also seeks to increase the supply of credit available, particularly to creditworthy lower and middle-income families, by collaborating with mortgage lenders to provide guidelines for mortgage loans with down payments as low as three percent. In December 2014, both Fannie Mae and Freddie Mac officially approved ninety-seven percent loan-to-value products (three percent down payment mortgages). The Fannie Mae program is targeted for first-time home buyers and became available to lenders in December 2014. The Freddie Mac program, not available to lenders until March 23, 2015, will be available to both first-time home buyers and other qualified borrowers with limited down payment savings.

In an effort to expand home ownership for lower-income buyers, the Federal Housing Authority (“FHA”) announced in January 2015 that it would cut its rates on mortgage insurance premiums. A 30-year FHA insured mortgage with a less than 5% down payment will see mortgage insurance premium rates decrease from 1.35% to 0.85%. A 30-year FHA insured mortgage with more than 5% down payment will see mortgage insurance premium rates decrease from 1.30% to 0.80%. The new rates will take effect on January 26, 2015 and will not apply to borrowers with existing mortgages, unless refinanced, or to 15-year mortgages.

Regulation and Reform

In 2008, the federal government took control of Fannie Mae and Freddie Mac in an effort to keep these government-sponsored entities from failing. The primary functions of Fannie Mae and Freddie Mac are to provide liquidity to the nation's mortgage finance system by purchasing mortgages on the secondary market, pooling them and selling them as mortgage-backed securities. In order to securitize, Fannie Mae and Freddie Mac typically require the purchase of title insurance for loans they acquire. Since taking control, there have been various discussions and proposals regarding their reform. Changes to these entities could impact the entire mortgage loan process and, as a result, could affect the demand for title insurance. The timing and results of reform are currently unknown; however, any changes to these entities could affect the Company and its results of operations.

On November 20, 2013, the Consumer Financial Protection Bureau (“CFPB”), which enforces the Real Estate Settlement Procedures Act (“RESPA”), the primary federal regulatory guidance covering the real estate settlement industry, released a final rule to integrate mortgage disclosures under the RESPA and the Truth in Lending Act

(“TILA”). The final rule goes into effect in August 2015. Under this rule, the early disclosure forms required by TILA and the good faith estimate required by RESPA have been combined into one form, titled the Loan Estimate. The final disclosure required by TILA and the HUD-1 settlement statement required by RESPA have been combined into one form, titled the Closing Disclosure. The Company is actively preparing for the impact that this rule will have on both direct and agency operations in terms of processes and procedures, systems and compliance costs.

The CFPB, Office of the Comptroller of Currency and the Federal Reserve have issued memorandums to banks which have heightened their focus on vetting third party providers and may affect the Company's agents and approved providers. Further proposals to change regulations governing insurance holding companies and the title insurance industry are often introduced in Congress, in state legislatures and before various insurance regulatory agencies. The Company regularly monitors such proposals, but the likelihood and timing of passage of any such regulation, and the possible effects of any such regulation on the Company and its subsidiaries, cannot be determined at this time.

Real Estate Environment

Overall, the economy has been recovering from the downturn with positive projections going forward. The Mortgage Bankers Association's ("MBA") January 2015 Economic and Mortgage Finance Commentary predicts 2015 overall economic growth of approximately 2.8% and a decline in the unemployment rate to 5.3% by the end of 2015. While recovery in the housing sector remains slow, improvements are predicted with increases in both housing starts and existing home sales, primarily a result of the economic growth and improved employment conditions.

The MBA January 20, 2015 Mortgage Finance Forecast ("MBA Forecast") projects 2015 purchase activity to increase 14.7% to $732 billion and refinance activity to decrease 2.7% to $471 billion, combining for total mortgage originations to increase 7.2% to $1,203 billion, all from 2014 levels. In 2014, refinance activity accounted for 43.1% of all mortgage originations and is projected to represent 39.2% of all mortgage originations in 2015.

According to data published by Freddie Mac, the average 30-year fixed mortgage interest rate in the United States was 4.17%, 3.98% and 3.66% for the years ended December 31, 2014, 2013 and 2012, respectively. According to the MBA Forecast, refinancing is expected to be lower in 2015 as mortgage interest rates continue to climb to a projected 4.8% in the fourth quarter of 2015.

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

This discussion and analysis of the Company's financial condition and results of operations is based upon the Company's accompanying Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The Company's management makes various estimates and judgments when applying policies affecting the preparation of the Consolidated Financial Statements. Actual results could differ from those estimates. Significant accounting policies of the Company are discussed in Note 1 to the accompanying Consolidated Financial Statements. Following are the accounting estimates and policies considered critical to the Company.

Reserves for Claim Losses

The Company's reserves for claims are established using estimates of 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 (incurred but not reported, or "IBNR"). The total reserve for all losses incurred but unpaid as of December 31, 2014 is represented by the reserve for claims totaling $36,677,000 in the accompanying Consolidated Balance Sheets. Of that total, approximately $5,365,000 was reserved for specific claims which have been reported to the Company, and approximately $31,312,000 was reserved for IBNR claims.

A provision for estimated future claims payments is recorded at the time the related policy revenue is recorded. The Company records the claims provision as a percentage of net premiums written. This loss provision rate is set to provide for losses on current year policies. By their nature, title claims can often be complex, vary greatly in dollar amounts, vary in number due to economic and market conditions such as an increase in mortgage foreclosures, and involve uncertainties as to ultimate exposure. In addition, some claims may require a number of years to settle and determine the final liability for indemnity and loss adjustment expense. The payment experience may extend for more than 20 years after the issuance of a policy. Events such as fraud, defalcation and multiple property defects can substantially and unexpectedly cause increases in estimates of losses. Due to the length of time over which claim payments are made and regularly occurring changes in underlying economic and market conditions, these estimates are subject to variability.

Management considers factors such as the Company's historical claims experience, case reserve estimates on reported claims, large claims, actuarial projections and other relevant factors in determining its loss provision rates and the aggregate recorded expected liability for claims. In establishing reserves, actuarial projections are compared with recorded reserves to evaluate the adequacy of such recorded claims reserves and any necessary adjustments are then recorded in the current period's income statement. As the most recent claims experience develops and new information becomes available, the loss reserve estimate related to prior periods will change to more accurately reflect updated and improved emerging data. The Company reflects any adjustments to reserves in the results of operations in the period in which new information (principally claims experience) becomes available.

The Company initially reserves for each known claim based upon an assessment of specific facts and updates the reserve amount as necessary over the course of administering each claim. Loss ratios for earlier years tend to be more reliable than recent policy years as those years are more fully developed. In making loss estimates, management determines a loss provision rate, which it then applies to net premiums written.

There are key assumptions that materially affect the reserve estimates. During the third quarter of 2013, certain actuarial inputs were changed to provide a more refined IBNR reserve estimate. The Company considered these modifications in actuarial inputs to be a change in estimate. The Company believes that these changes in actuarial inputs were necessary in response to favorable reserve development and claims experience incurred in several policy years reported in the 2013 calendar year. The approximate impact of the change in estimate for the year ended December 31, 2013 was a reduction of $2,200,000 to the reserves for claims in the Consolidated Balance Sheets, and in the Consolidated Statements of Income, a decrease of $2,200,000 to the provision for claims, an increase of approximately $750,000 in the provision for income taxes and an increase of approximately $1,450,000 in net income, or $0.71 per basic share and $0.70 per diluted share, compared with the amounts that would have been recorded under the Company's prior estimate. This change in estimate, coupled with several historical policy years which continued to emerge favorably in comparison with prior expectations, contributed to a benefit in the claims provision for 2013. The change in estimate was primarily driven by the following:

- Changing the specific weightings used in estimating expected loss ratios for use in actuarial methods, including the weighting between policy years and weighting of title industry loss data;
- Adjusting for premium rate changes and the Company's improved underwriting efforts related to construction business; and
- Increasing the ratios used to estimate projected payments of unallocated loss adjustment expenses to more accurately reflect expected payments.

The Company assumes the reported liability for known claims and IBNR, in the aggregate, will be comparable to its historical claims experience unless factors, such as loss experience, change significantly. Also affecting the Company's assumptions are large losses related to fraud and defalcation, as these can cause significant variances in loss emergence patterns. Management defines a large loss as one where incurred losses exceed $250,000. Due to the small volume of large claims, the long-tail nature of title insurance claims and the inherent uncertainty in loss emergence patterns, large claim activity can vary significantly between policy years. The estimated development of large claims by policy year is therefore subject to significant changes as experience develops. The loss provision rate is set to provide for losses on current year policies and changes in prior year estimates.

Management also considers actuarial analyses in evaluating claims reserves. The actuarial methods used to evaluate reserves are loss development methods, expected loss methods and Cape Cod methods, all of which are accepted actuarial methods for estimating ultimate losses and, therefore, loss reserves. In the loss development method, each policy year's paid or incurred losses are projected to an "ultimate" level using loss development factors. In the expected loss method, losses for each policy year are estimated based on the loss development results for all policy years, trended to the level of the policy year being estimated. Expected loss methods produce more stable ultimate loss estimates than do loss development methods, which are more responsive to the current loss data but can lead to volatile results. The Cape Cod method, a special case of the Bornhuetter-Ferguson method, blends the results of the loss development and expected loss methods. For more recent policy years, the Cape Cod method gives more weight to the results of the expected loss methods; for older policy years, more weight is given to the loss development method results.

The key actuarial assumptions are principally loss development factors and expected loss ratios. The selected loss development factors are based on a combination of the Company's historical loss experience and title industry loss experience. Expected loss ratios are estimated for each policy year based on the Company's own experience and title industry loss ratios. When updated data is incorporated into the actuarial models, the resulting loss development factors and expected loss ratios will likely change from the prior values. Changes in these values from 2012 through 2014 have been the result of actual Company and industry experience during the calendar year in addition to changes in assumptions for 2013.

If one or more of the variables or assumptions used changed such that the Company's recorded loss ratio, or loss provision as a percentage of net title premiums, increased or decreased three loss ratio percentage points, the impact on after-tax income for the year ended December 31, 2014 would be as follows:

Increase in Loss Ratio of three percentage points	$2,177,000
Decrease in Loss Ratio of three percentage points	$(2,177,000)

Company management believes that using a sensitivity of three loss percentage points for the loss ratio provides a reasonable benchmark for analysis of the calendar year loss provision of the Company based on historical loss ratios by year.

Despite the variability of such estimates, management believes that, based on historical claims experience and actuarial analysis, the Company's reserves are adequate to cover claim losses resulting from pending and future claims for policies issued through December 31, 2014. The ultimate settlement of claims will likely vary from the reserve estimates included in the Company's Consolidated Financial Statements. The Company continually reviews and adjusts its reserve estimates to reflect its loss experience and any new information that becomes available. There are no known claims that are expected to have a material adverse effect on the Company's financial position or operating results.

Premiums Written and Commissions to Agents

Title insurance premiums are generally recognized at the time of closing of the related real estate transaction, as the earnings process is then considered complete. Policies or commitments are issued upon receipt of final certificates or preliminary reports with respect to titles. Title insurance commissions earned by the Company's agents, taxes and a provision for claims losses are recognized as expenses concurrent with recognition of related premium revenue. Generally, the Company's premium revenues from agency operations include accruals based on estimates. These accruals estimate unreported agency premiums related to transactions which have settled as of the balance sheet date. Accruals for premiums from certain agencies are necessary because of the lag between policy effective dates and the reporting of these transactions to the Company by the agents. The current lag time used in the Company's estimates typically ranges between 0 and 180 days after the policy effective date, with the majority of agencies reporting within 60 to 90 days. The lag time is reviewed periodically to monitor accruals. To determine the estimated premiums, the Company uses historical experience, as well as other factors, to make certain assumptions about the average elapsed time between the policy effective date and the date the policies are reported. From time to time, the Company adjusts the inputs to the calculation of these estimates as agents report transactions and information on more current trends becomes available. In addition to estimating revenues, the Company also estimates and accrues agent commissions, claims provisions, premium taxes, income taxes, and other expenses associated with the estimated revenues which have been accrued. The Company reflects any adjustments to the accruals in the result of operations in the period in which new information becomes available.

Quarterly, the Company evaluates the collectability of receivables. Premiums not collected within 7 months are fully reserved. Write-offs of receivables have not been material to the Company.

Valuation and Impairment of Investments in Securities

Securities held principally for resale in the near term are classified as trading securities and recorded at fair value. Realized and unrealized gains and losses on trading securities are included in other income. Securities not classified as either trading or held-to-maturity are classified as available-for-sale and reported at fair value with unrealized gains and losses, net of tax, adjusted for other-than-temporary declines in fair value, reported as accumulated other comprehensive income. As of December 31, 2014 and 2013, all of the Company's invested securities were classified as available-for-sale. Realized gains and losses on the sale of investments are determined using the specific identification method.

Securities are regularly evaluated and reviewed for differences between the cost and estimated fair value of each security for factors that may indicate that a decline in fair value is other-than-temporary. When, in the opinion of management, a decline in the fair value of an investment is considered to be other-than-temporary, such investment is written down to its fair value. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include, but are not limited to:

- the duration and extent to which the fair value has been less than cost;
- with respect to equity securities, whether the Company's ability and intent to retain the investment for a period of time is sufficient to allow for a recovery in value; and
- with respect to fixed maturity securities, whether the Company has the intent to sell or will more likely than not be required to sell a particular security before recovery in value.

These factors are reviewed quarterly and any material degradation in the prospect for recovery will be considered in the other-than-temporary impairment analysis. Such reviews are inherently uncertain and the value of the investment may not fully recover or may decline in future periods resulting in a realized loss. The fair values of the majority of the Company's investments are based on quoted market prices from independent pricing services. See Note 3 to the

Consolidated Financial Statements included in this Annual Report on Form 10-K for further information on the Company’s valuation techniques.

Deferred Taxes

The Company recorded net deferred tax liabilities at December 31, 2014 and 2013. The deferred tax liabilities recorded during both periods primarily relates to net unrealized gains on investments and recorded reserves for claims, net of statutory premium reserves. See Note 8 to the Consolidated Financial Statements in this Annual Report on Form 10-K for further information on the Company's deferred taxes.

Cyclicality and Seasonality

Real estate activity, home sales and mortgage lending are cyclical in nature. Title insurance premiums are closely related to the level of real estate activity and the average price of real estate sales. The availability of funds to finance purchases directly affects real estate sales. Other factors include mortgage interest rates, consumer confidence, economic conditions, supply and demand and family income levels. The Company's premiums in future periods are likely to fluctuate due to these and other factors which are beyond management's control.

Historically, the title insurance business tends to be seasonal as well as cyclical. Because home sales are typically strongest in periods of favorable weather, the first calendar quarter tends to have the lowest activity levels, while the spring and summer seasons tend to be more active. Refinance activity is generally less seasonal, but is subject to interest rate fluctuations.

Results of Operations

The following table presents certain income statement data for the years ended December 31, 2014, 2013 and 2012:

For the Years Ended December 31,	2014	2013	2012
Revenues:			
Net premiums written	$109,963,556	$113,886,266	$102,331,102
Investment income - interest and dividends	4,259,501	3,894,608	3,980,411
Net realized gain on investments	268,294	195,800	1,066,239
Other	8,627,935	8,274,823	7,701,340
Total Revenues	123,119,286	126,251,497	115,079,092
Operating Expenses:			
Commissions to agents	65,632,353	67,150,810	59,427,070
Provision (benefit) for claims	5,229,716	(571,596)	6,072,115
Salaries, employee benefits and payroll taxes	25,218,225	25,386,511	21,881,540
Office occupancy and operations	5,049,962	4,430,220	3,994,244
Business development	2,333,491	2,145,639	1,856,848
Filing fees, franchise and local taxes	817,909	681,935	846,168
Premium and retaliatory taxes	1,851,767	2,558,227	1,885,760
Professional and contract labor fees	2,676,483	2,171,606	2,420,387
Other	820,882	755,407	615,053
Total Operating Expenses	109,630,788	104,708,759	98,999,185
Income before Income Taxes	13,488,498	21,542,738	16,079,907
Provision for Income Taxes	3,816,000	6,746,000	4,889,000
Net Income Attributable to the Company	$9,648,975	$14,708,210	$11,102,496

Insurance and Other Services Revenue

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 service revenues and are discussed separately under “Investment-Related Revenues” below. The following is a summary of the Company’s insurance and other services revenues with intersegment eliminations netted with each segment; therefore, the individual segment amounts will not agree to Note 12 in the accompanying Consolidated Financial Statements.

	2014	%		2013	%		2012	%	
Title Insurance	$113,592,742	95.8	%	$117,522,872	96.2	%	$105,931,024	96.3	%
All Other	4,998,749	4.2	%	4,638,217	3.8	%	4,101,418	3.7	%
Total	$118,591,491	100.0	%	$122,161,089	100.0	%	$110,032,442	100.0	%

Title Insurance

Net Premiums and Title Orders: Net premiums written decreased 3.4% in 2014 to $109,963,556 compared with $113,886,266 in 2013, and increased 11.3% in 2013 compared with $102,331,102 in 2012. The volume of title orders decreased 15.4% in 2014 to 203,657 compared with 240,639 in 2013, and increased 0.2% in 2013 compared with 240,233 in 2012. The 2014 decrease in net premiums and title orders versus the prior year is primarily attributable to a decline in the number of refinance transactions. Title orders did not move proportionally with premiums due to an increasing proportion of purchase transactions. Purchase transactions typically have higher premium rates than refinance transactions. The increase in net premiums written and title orders in 2013 compared with 2012 is primarily attributable to an increase in purchase transactions.

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

	2014	%		2013	%		2012	%	
Home and Branch	$24,057,032	21.9	%	$24,811,602	21.8	%	$23,762,885	23.2	%
Agency	85,906,524	78.1	%	89,074,664	78.2	%	78,568,217	76.8	%
Total	$109,963,556	100.0	%	$113,886,266	100.0	%	$102,331,102	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 decreased 3.0% in 2014 to $24,057,032 compared with $24,811,602 in 2013, and increased 4.4% in 2013 compared with $23,762,885 in 2012. The decrease in 2014 net premiums for home and branch operations primarily reflects a decrease in refinance transactions, partially offset by an increase in purchase transactions. The increase in 2013 home and branch operations primarily reflects increased purchase transactions and higher average home values. All of the Company’s home office operations and the majority of branch offices are located in North Carolina; as a result, the home and branch office net premiums written are primarily for North Carolina title insurance policies.

Agency Net Premiums: When a policy is written through a title agency, the premium is shared between the agency and the underwriter. Total premiums include an estimate of premiums for policies which have been issued, but not reported as of the balance sheet date. To determine the estimated premiums, the Company uses historical experience, as well as other factors, to make certain assumptions about the average elapsed time between the policy effective date and the date the policies are reported. From time to time, the Company adjusts the inputs to the estimation as agents report transactions and new information becomes available. In addition to estimating revenues, the Company also estimates and accrues agent commissions, claims provision, premium taxes, income taxes, and other expenses associated with the estimated revenues which have been accrued. The Company reflects any adjustments to the accruals in the results of operations in the period in which new information becomes available.

Agency net premiums written decreased 3.6% in 2014 to $85,906,524 compared with $89,074,664 in 2013, and increased 13.4% in 2013 compared with $78,568,217 in 2012. The decrease in 2014 agency net premiums written compared with 2013 was primarily attributable to a decrease in the number of refinance transactions, partially offset by purchase transactions. The increase in 2013 agency net premiums compared with 2012 reflects increases in purchase transactions and higher average home values in many parts of the nation.

Following is a schedule of net premiums written in select states where the Company's two insurance subsidiaries, ITIC and NITIC, currently underwrite title insurance:

State	2014	2013	2012
Texas	$40,139,495	$30,618,661	$25,451,717
North Carolina	31,264,486	31,274,229	31,309,073
South Carolina	8,462,014	13,059,982	8,772,882
Virginia	4,821,900	5,114,937	5,403,089
Georgia	4,335,216	2,738,214	1,094,854
Michigan	3,673,649	5,254,631	5,098,116
All Others	17,368,821	26,030,803	25,418,395
Premiums Written	110,065,581	114,091,457	102,548,126
Reinsurance Assumed	37,992	6,291	15,659
Reinsurance Ceded	(140,017)	(211,482)	(232,683)
Net Premiums Written	$109,963,556	$113,886,266	$102,331,102

For the year ended December 31, 2014, Texas premiums written have increased due to an increase in the number of purchase transactions, while the declines in most states primarily related to the decline in the number of refinance transactions.

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 $8,627,935, $8,274,823 and $7,701,340 in 2014, 2013 and 2012, respectively. Other revenues increased in 2014 compared with 2013 primarily due to increases in management services income, exchange services income, earnings of unconsolidated affiliates and trust and investment management services, partially offset by a decrease in fee income. Other revenues increased in 2013 compared with 2012 primarily due to increases in other fee income and income from trust and investment management services, partially offset by a decline in earnings of unconsolidated affiliates.

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 its investment portfolio. The Company's investment policy is designed to comply with regulatory requirements and to balance the competing objectives of asset quality and investment returns. The Company's title insurance subsidiaries are required by statute to maintain minimum levels of investments in order to protect the interests of policyholders. Bonds totaling approximately $7,060,000 and $7,022,000 at December 31, 2014 and 2013, respectively, are deposited with the insurance departments of the states in which business is conducted.

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 $4,259,501 in 2014 compared with $3,894,608 in 2013 and $3,980,411 in 2012. The increase in investment income in 2014 compared with 2013 was primarily due to higher levels of interest and dividends earned coupled with a larger portfolio of both fixed maturities and equity securities. The decrease in investment income in 2013 compared with 2012 was primarily due to lower levels of interest earned on fixed maturities and short-term funds, partially offset by an increase in dividends associated with a higher portfolio balance of equity securities. See Note 3 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 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.

The net realized gain on investments was $268,294 for 2014 compared with $195,800 for 2013 and $1,066,239 for 2012. The net realized gain on investments included impairment charges of $24,604, $34,070, and $99,940 on certain investments and other assets that were deemed to be other-than temporarily-impaired in 2014, 2013 and 2012, respectively, offset by net realized gains on the sales of investments and other assets of $292,898, $229,870 and $1,166,179 in 2014, 2013, and 2012, respectively. Management believes unrealized losses on remaining fixed income and equity securities at December 31, 2014 are temporary in nature.

The securities in the Company's investment 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 4.7% in 2014 compared with 2013 primarily due to an increase in the provision for claims, partially offset by a decline in commissions to agents. Operating expenses increased 5.8% in 2013 compared with 2012 primarily due to increases in commissions and salaries, employee benefits and payroll taxes, partially offset by a decline in the provision for claims.

Following is a summary of the Company's operating expenses for 2014, 2013 and 2012. Intersegment eliminations have been netted; therefore, the individual segment amounts will not agree to Note 12 in the accompanying Consolidated Financial Statements.

	2014	%	2013	%	2012	%
Title Insurance	$103,850,090	94.7 %	$98,521,919	94.1 %	$93,617,230	94.6 %
All Other	5,780,698	5.3 %	6,186,840	5.9 %	5,381,955	5.4 %
Total	$109,630,788	100.0 %	$104,708,759	100.0 %	$98,999,185	100.0 %

On a combined basis, the after-tax profit margins were 7.8%, 11.6% and 9.6% in 2014, 2013 and 2012, respectively. The Company continually strives to enhance its competitive strengths and market position, including ongoing initiatives to reduce its operating expenses.

Title Insurance

Profit Margin: The Company's title insurance after-tax profit margin varies according to a number of factors, including the volume and type of real estate activity. Profit margins for the title insurance segment were 8.5%, 13.0% and 10.4% in 2014, 2013 and 2012, respectively. The decrease in after-tax profit margin in 2014 compared with 2013 is primarily related to a higher provision for claims. The increase in after-tax profit margin in 2013 compared with 2012 is primarily related to an increase in premiums written due to higher levels of purchase transactions and increases in home values and decreases in claims expenses.

Commissions: Agent commissions represent the portion of premiums retained by agents pursuant to the terms of their respective agency contracts and fluctuate commensurate with agency premium volumes. In 2014, commissions to agents decreased 2.3% to $65,632,353 compared with $67,150,810 in 2013, and increased 13.0% in 2013 compared with $59,427,070 in 2012. Commission expense as a percentage of net premiums written by agents was 76.4%, 75.4% and 75.6% in 2014, 2013 and 2012, respectively. Commission rates may vary due to geographic locations, different levels of premium rate structures and state regulations.

Provision (Benefit) for Claims: The provision (benefit) for claims as a percentage of net premiums written was 4.8%, (0.5)% and 5.9% in 2014, 2013 and 2012, respectively. The increase in 2014 compared with 2013 was primarily attributable to a reduction in reserves and favorable claims experience in 2013. The 2013 reduction in the reserves for claims was approximately $2,200,000, reflecting a change in certain actuarial assumptions that stemmed from improved claims experience in recent post-recession policy years. In addition to the change in estimate, claims experience for several recent policy years continued to emerge favorably in comparison with prior period expectations, resulting in further reductions to the claims provision. A more detailed discussion related to the adjustment can be found in the Critical Accounting Estimates and Policies section of this Management's Discussion and Analysis.

The increase in the loss provision rate in 2014 from the 2013 level resulted in approximately $5,782,000 more in reserves than would have been recorded at the lower 2013 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 $3,912,716, $3,146,404 and $4,990,115 in 2014, 2013 and 2012, respectively.

Reserves for Claims: At December 31, 2014, the total reserve for claims was $36,677,000. Of that total, approximately $5,365,000 was reserved for specific claims, and approximately $31,312,000 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. Such data includes 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. Adjustments may be required as new information develops which often varies from past experience.

Salaries, Employee Benefits and Payroll Taxes: Personnel costs include base salaries, benefits and bonuses paid to employees. Salaries, employee benefits and payroll taxes were $25,218,225, $25,386,511 and $21,881,540 for 2014, 2013 and 2012, respectively. Salaries and related costs decreased by approximately 0.7% in 2014 from 2013 and increased 16.0% in 2013 from 2012. The decrease in 2014 primarily relates to a reduction in incentive compensation, partially offset by an increase in salaries. The increase in 2013 was primarily due to higher staffing levels to support increased business and ongoing software development, and increased benefits and incentive compensation. On a consolidated basis, salaries and employee benefits as a percentage of total revenues were 20.5%, 20.1% and 19.0% in 2014, 2013 and 2012, respectively.

Office Occupancy and Operations: Office occupancy and operations expenses primarily include office rent and utilities, depreciation, maintenance, telecommunications and insurance expenses. Overall office occupancy and operations expenses were $5,049,962, $4,430,220 and $3,994,244 for 2014, 2013 and 2012, respectively. As a percentage of total revenues, office occupancy and operations expenses were 4.1% in 2014 and 3.5% for both 2013 and 2012. The dollar increase in office occupancy and operations expense in 2014 compared with 2013 was primarily related to increases in hardware upgrade projects, depreciation, and building rent and utilities. The dollar increase in office occupancy and operations expense in 2013 compared with 2012 was primarily related to increases in depreciation, insurance and maintenance expense.

Business Development: Business development expenses primarily include marketing and travel-related expenses. Business development expenses increased to $2,333,491 in 2014 compared with $2,145,639 in 2013 and $1,856,848 in 2012, primarily 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. Filing fees, franchise and local tax expenses were $817,909 in 2014 compared with $681,935 in 2013, and $846,168 in 2012.

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 1.7%, 2.2% and 1.8% in 2014, 2013 and 2012, respectively.

Professional and Contract Labor Fees: Professional and contract labor fees were $2,676,483 in 2014 compared with $2,171,606 in 2013 and $2,420,387 in 2012. The increase in 2014 primarily related to increases in consulting fees associated with the Company's ongoing software initiatives. The decrease in 2013 compared with 2012 primarily related to replacing contract labor resources with salaried personnel to support ongoing software 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 with transaction volume of the title segment and the trust division. Other expenses increased to $820,882 in 2014, compared with $755,407 in 2013 and $615,053 in 2012.

Income Taxes

The provision for income taxes was $3,816,000, $6,746,000 and $4,889,000 for the years ended December 31, 2014, 2013 and 2012, respectively. Income tax expense as a percentage of earnings before income taxes was 28.3%, 31.3% and 30.4%, for the years ended December 31, 2014, 2013 and 2012, respectively. The decrease in the effective rate in 2014 compared with 2013 and 2012 was primarily due to a higher proportion of tax-exempt to taxable income. The effective income tax rate for 2014, 2013 and 2012 was below the U.S. federal statutory income tax rate (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 impairments and unrecognized losses recorded through December 31, 2014 will be realized. However, this judgment could be impacted by further market fluctuations. Information regarding the components of the income tax expense and items included in the reconciliation of the effective rate with the federal statutory rate can be found in Note 8 to the accompanying Consolidated Financial Statements.

Net Income Attributable to the Company

The Company reported net income attributable to the Company of $9,648,975, $14,708,210 and $11,102,496, or $4.74, $7.08 and $5.24 per share on a diluted basis in 2014, 2013 and 2012, respectively. Net income attributable to the Company declined in 2014 compared with 2013 primarily due to an increase in operating expenses of 4.7% and a decrease in premiums written of 3.4%. Operating expenses increased primarily as a result of a reduction in the reserves for claims in the prior year period. The prior period reduction reflected a change in estimate related to certain actuarial assumptions stemming from improved claims experience in recent policy years. Office and occupancy expenses, as well as professional fees and contract labor, also increased largely as a result of long-term software development initiatives. The 2014 decrease in premiums written compared with 2013 primarily related to a decline in refinance transactions. Net income attributable to the Company increased in 2013 compared with 2012 primarily due to an increase in premiums written of 11.3%, partially offset by an increase in operating expenses of 5.8%. The increase in revenues and expenses in 2013 compared with 2012 primarily related to higher premiums and commissions associated with higher levels of purchase transactions and increased home values. Additionally, the benefit for claims contributed to net income attributable to the Company.

Liquidity and Capital Resources

Net cash flows provided by operating activities were $9,683,980, $15,304,485 and $8,685,413 for 2014, 2013 and 2012, respectively. Cash flows from operating activities decreased from 2013 to 2014 due to the timing of payable disbursements, declines in net income and deferred tax expense, and an increase in claim payments, partially offset by an increase in the provision for claims. Cash flows from operating activities increased from 2012 to 2013, primarily due to increases in net income and the deferred tax provision, accelerated collection of receivables, the timing of payable disbursements and lower claims payments, partially offset by a benefit in the provision for claims and increases in other assets and taxes payable. 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 2014, the Company had a higher level of investment purchase activity, a comparable level of proceeds from sales and maturities of investments, and a lower level of common stock repurchases compared with 2013. In 2013, the Company had higher levels of investment purchase activity and lower levels of investment sales and maturities compared with 2012.

The net effect of all activities on total cash and cash equivalents was a decrease of $7,800,246 for 2014, an increase of $2,816,743 for 2013, and an increase of $2,767,760 for 2012. As of December 31, 2014, the Company held cash and cash equivalents of $15,826,515, short-term investments of $2,576,993, fixed maturity securities of $109,048,290 and equity securities of $39,254,981.

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 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 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. As of December 31, 2014, approximately $90,384,000 of the consolidated stockholders' equity represented net assets of the Company's subsidiaries that cannot be transferred in the form of dividends, loans or advances to the parent company under statutory regulations without prior approval from the respective state insurance department. 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. During 2015, the maximum distributions the insurance subsidiaries can make to the Company without prior approval from applicable regulators is $9,937,000.

29

Purchase of Company Stock: On November 12, 2012, the Board of Directors of the Company approved the purchase of an additional 260,246 shares pursuant to the Company's repurchase 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. Pursuant to this approval, the Company has purchased 15,372 shares in the twelve months ended December 31, 2014, 56,223 shares in the twelve months ended December 31, 2013, and 70,702 shares in the twelve months ended December 31, 2012 at an average per share price of $68.68, $75.81 and $56.23, 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 then existing alternative uses for such cash.

Capital Expenditures: Capital expenditures were approximately $2,017,000, $1,420,000 and $570,000 during 2014, 2013 and 2012, respectively. The increases in capital expenditures for 2014 and 2013 compared with 2012 primarily relates to capital improvement projects, including increased investment in a number of 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. Cash held by the Company for these purposes was approximately $18,674,000 and $11,824,000 as of December 31, 2014 and 2013, 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 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 and reverse exchange property held by the Company for the purpose of completing such transactions totaled approximately $82,477,000 and $76,037,000 as of December 31, 2014 and 2013, respectively. These exchange deposits are held at third-party financial institutions. 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 administered by the Investors Trust Company totaled approximately $450,000,000 for the years ended December 31, 2014 and 2013, respectively. These amounts 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 or 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 and payments due under various agreements with third party service providers.

The following table summarizes the Company's future estimated cash payments under existing contractual obligations at December 31, 2014, including, payments due by period:

Contractual Obligations Including Off-Balance Sheet Arrangements	Total	Payments due by period Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease obligations	$1,497,458	$625,263	$729,501	$142,694	$—
Reserves for claims	36,677,000	5,868,320	10,416,268	7,335,400	13,057,012
Other obligations	1,339,445	866,145	349,550	123,750	—
Obligations under executive employment plans and agreements	7,950,079	279,204	427,284	29,539	7,214,052
Total	$47,463,982	$7,638,932	$11,922,603	$7,631,383	$20,271,064

As of December 31, 2014, the Company had claims reserves totaling $36,677,000. The amounts and timing of these obligations are estimated and not set contractually. Nonetheless, based on historical insurance claims experience, the Company anticipates the payments shown in the Contractual Obligations table. Events such as fraud, defalcation, and multiple property title defects can substantially and unexpectedly cause increases in both the amount and timing of estimated title insurance loss payments and loss cost trends whereby increases or decreases in inflationary factors (including the value of real estate) will influence the ultimate amount of title insurance loss payments and could increase total obligations and influence claim payout patterns.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) updated guidance to improve the comparability of revenue recognition practices for entities that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards such as insurance contracts or lease standards. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For public entities, this update becomes effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The Company is currently evaluating the impact that the recently issued accounting standard will have on the Company's financial position and results of operations, but, does not expect it to have a material impact.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company’s primary exposure to market risk relates to the impact of adverse changes in the fair value of financial instruments as a result of changes in interest rates and equity market prices of its investment portfolio. Increases in interest rates diminish the value of fixed income securities and preferred stock, and decreases in stock market values diminish the value of common stocks held. The fair value of the majority of marketable securities is determined based on quoted market prices.

Although the Company monitors its risks associated with fluctuations in interest rates, it does not currently use derivative financial instruments to hedge these risks.

There were no material changes in the Company’s market risk or market strategy during the year ended December 31, 2014.

Credit Risk

Credit risk is the risk that the Company will incur economic losses due to an issuer’s inability to repay a contractual obligation. The Company’s investment portfolio, primarily municipal and corporate bonds, and to a lesser extent, equity securities, is subject to credit risk. The Company mitigates this risk by actively monitoring changes in credit ratings, security pricing and financial reports.

The Company’s average credit quality for fixed maturity securities is A+, determined by using the using the lower rating reported by the credit reporting agencies.

Interest Rate Risk

Interest rate risk is the risk that the Company will incur economic losses due to adverse changes in interest rates. This risk arises from the Company’s investments in interest-sensitive debt securities. These securities are primarily fixed-rate municipal bonds and corporate bonds. The Company typically does not purchase such securities for trading purposes. At December 31, 2014, the Company had approximately $109.0 million in fixed maturities. The Company manages the interest rate risk inherent in its assets by monitoring its liquidity needs and by targeting a specific range for the portfolio’s duration or weighted average maturity.

To determine the potential effect of interest rate risk on interest-sensitive assets, the Company calculates the effect of a 100 basis point shock in prevailing interest rates (“rate shock”) on the fair market value of these securities considering stated interest rates and time to maturity. Based upon the information and assumptions the Company uses in its calculation, management estimates that a 100 basis point increase in prevailing interest rates would decrease the net fair market value of its fixed-rate debt securities by approximately $5.0 million. The selection of a 100 basis point increase in prevailing interest rates should not be construed as a prediction by the Company’s management of future market events, but rather, to illustrate the potential impact of such an event. To the extent that actual results differ from the assumptions utilized, the Company's rate shock measures could be significantly impacted. Additionally, the Company's calculation assumes that the current relationship between short-term and long-term interest rates (the term structure of interest rates) will remain constant over time. As a result, these calculations may not fully capture the impact of nonparallel changes in the term structure of interest rates and/or large changes in interest rates.

Equity Price Risk

The Company also holds investments in marketable equity securities, which exposes it to market volatility, as discussed in Note 3 to the accompanying Consolidated Financial Statements. The sensitivity analysis presented does not consider the effects that such adverse changes may have on overall economic activity, nor does it consider additional actions the Company may take to mitigate its exposure. Equity price risk is the risk that the Company will incur economic losses due to adverse changes in a particular common stock or stock index. The Company had approximately $39.3 million in equity securities at December 31, 2014. Equity price risk is addressed in part by varying the specific allocation of equity investments over time pursuant to management's assessment of market and business conditions and ongoing liquidity needs analysis. The Company's equity exposure is a decline in market prices. Based upon the information and assumptions the Company used in its calculation, management estimates that an immediate decrease in market prices of 10% would decrease the net fair value of the Company's assets identified above by approximately $3.9 million in 2014.

The selection of a 10% immediate decrease should not be construed as a prediction by the Company's management of future market events, but rather, to illustrate the potential impact of such an event. The Company's exposure will change as a result of changes in its mix of common stocks. Since this calculation is based on historical performance, projecting future price volatility using this method involves an inherent assumption that historical volatility and correlation relationships will remain stable. Therefore, the results noted above may not reflect the Company's actual experience if future volatility and correlation relationships differ from such historical relationships.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statement schedules meeting the requirements of Regulation S-X are attached hereto as Schedules I, II, III, IV and V.

Selected Quarterly Financial Data (unaudited)

2014	March 31	June 30	September 30	December 31
Net premiums written	$24,909,252	$29,849,853	$26,356,835	$28,847,616
Net income	985,515	3,398,044	2,594,490	2,694,449
Net income attributable to the Company	986,438	3,373,598	2,594,490	2,694,449
Basic earnings per common share	0.48	1.66	1.28	1.33
Diluted earnings per common share	0.48	1.65	1.28	1.33

2013	March 31	June 30	September 30	December 31
Net premiums written	$23,925,997	$30,429,761	$30,431,560	$29,098,948
Net income	3,386,418	4,024,050	5,543,523	1,842,747
Net income attributable to the Company	3,376,730	4,005,675	5,515,798	1,810,007
Basic earnings per common share	1.65	1.94	2.67	0.88
Diluted earnings per common share	1.62	1.92	2.66	0.88

2012	March 31	June 30	September 30	December 31
Net premiums written	$19,667,420	$23,241,570	$29,018,123	$30,403,989
Net income	1,432,139	3,372,701	3,238,915	3,147,152
Net income attributable to the Company	1,432,139	3,349,488	3,158,185	3,162,684
Basic earnings per common share	0.68	1.60	1.52	1.54
Diluted earnings per common share	0.67	1.57	1.50	1.51

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Investors Title Company
Chapel Hill, North Carolina

We have audited the accompanying consolidated balance sheets of Investors Title Company and Subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedules listed in the Index at Item 15(a)(2). These consolidated financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 13, 2015, expressed an unqualified opinion thereon.

/s/ Dixon Hughes Goodman LLP

High Point, North Carolina
March 13, 2015

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Investors Title Company and Subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rules 13a-15(f) and 15(d)-15-(f). The Company’s internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of the Company’s financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles.

The Company’s internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the Company’s Consolidated Financial Statements.

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

Management conducted an evaluation of the effectiveness of the Company’s internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and concluded that the Company’s internal control over financial reporting was effective as of December 31, 2014.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Investors Title Company
Chapel Hill, North Carolina

We have audited Investors Title Company’s (the “Company”) internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

To the Board of Directors and Stockholders
Investors Title Company
March 13, 2015
Page 2

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014, and our report dated March 13, 2015, expressed an unqualified opinion on those consolidated financial statements.

/s/ Dixon Hughes Goodman LLP

High Point, North Carolina
March 13, 2015

Investors Title Company and Subsidiaries
Consolidated Balance Sheets

As of December 31,	2014	2013
Assets:		
Investments in securities:		
Fixed maturities, available-for-sale, at fair value (amortized cost: 2014: $104,421,050; 2013: $87,980,160)	$109,048,290	$91,445,413
Equity securities, available-for-sale, at fair value (cost: 2014: $24,128,753; 2013: $22,200,369)	39,254,981	36,144,065
Short-term investments	2,576,993	7,926,373
Other investments	8,530,929	7,247,831
Total investments	159,411,193	142,763,682
Cash and cash equivalents	15,826,515	23,626,761
Premium and fees receivable	8,544,183	8,750,224
Accrued interest and dividends	1,063,837	1,006,698
Prepaid expenses and other assets	7,732,677	7,466,141
Property, net	5,460,805	4,325,538
Current income taxes recoverable	—	366,772
Total Assets	$198,039,210	$188,305,816
Liabilities and Stockholders' Equity		
Liabilities:		
Reserves for claims	$36,677,000	$35,360,000
Accounts payable and accrued liabilities	18,290,819	20,324,190
Current income taxes payable	92,192	—
Deferred income taxes, net	5,415,493	4,013,983
Total liabilities	60,475,504	59,698,173
Commitments and Contingencies	—	—
Redeemable Noncontrolling Interest	—	545,489
Stockholders' Equity:		
Preferred stock (1,000,000 authorized shares; no shares issued)	—	—
Common stock - no par value (10,000,000 authorized shares; 2,023,270 and 2,037,135 shares issued and outstanding 2014 and 2013, respectively, excluding 291,676 shares for 2014 and 2013 of common stock held by the Company's subsidiary)	1	1
Retained earnings	124,707,196	116,714,749
Accumulated other comprehensive income	12,856,509	11,347,404
Total stockholders' equity	137,563,706	128,062,154
Total Liabilities and Stockholders' Equity	$198,039,210	$188,305,816

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Income

For the Years Ended December 31,	2014	2013	2012
Revenues:			
Net premiums written	$109,963,556	$113,886,266	$102,331,102
Investment income – interest and dividends	4,259,501	3,894,608	3,980,411
Net realized gain on investments	268,294	195,800	1,066,239
Other	8,627,935	8,274,823	7,701,340
Total Revenues	123,119,286	126,251,497	115,079,092
Operating Expenses:			
Commissions to agents	65,632,353	67,150,810	59,427,070
Provision (benefit) for claims	5,229,716	(571,596)	6,072,115
Salaries, employee benefits and payroll taxes	25,218,225	25,386,511	21,881,540
Office occupancy and operations	5,049,962	4,430,220	3,994,244
Business development	2,333,491	2,145,639	1,856,848
Filing fees, franchise and local taxes	817,909	681,935	846,168
Premium and retaliatory taxes	1,851,767	2,558,227	1,885,760
Professional and contract labor fees	2,676,483	2,171,606	2,420,387
Other	820,882	755,407	615,053
Total Operating Expenses	109,630,788	104,708,759	98,999,185
Income before Income Taxes	13,488,498	21,542,738	16,079,907
Provision for Income Taxes	3,816,000	6,746,000	4,889,000
Net Income	9,672,498	14,796,738	11,190,907
Net Income Attributable to Redeemable Noncontrolling Interest	(23,523)	(88,528)	(88,411)
Net Income Attributable to the Company	$9,648,975	$14,708,210	$11,102,496
Basic Earnings per Common Share	$4.75	$7.15	$5.33
Weighted Average Shares Outstanding – Basic	2,031,760	2,056,169	2,081,703
Diluted Earnings per Common Share	$4.74	$7.08	$5.24
Weighted Average Shares Outstanding – Diluted	2,037,534	2,076,628	2,116,793
Cash Dividends Paid per Common Share	$0.32	$0.32	$0.29

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Comprehensive Income

For the Years Ended December 31,	2014	2013	2012
Net income	$9,672,498	$14,796,738	$11,190,907
Other comprehensive income, before tax:			
Amortization (accretion) related to prior year service cost	2,217	(1,518)	9,396
Amortization of unrecognized loss	—	6,293	680
Accumulated postretirement (benefit) provision obligation adjustment	(47,121)	77,213	(82,918)
Unrealized gains on investments arising during the period	2,848,256	3,959,623	3,190,737
Reclassification adjustment for sale of securities included in net income	(518,279)	(229,869)	(1,166,179)
Reclassification adjustment for write-down of securities included in net income	14,542	34,070	99,940
Other	—	—	(36,600)
Other comprehensive income, before tax	2,299,615	3,845,812	2,015,056
Income tax (benefit) expense related to postretirement health benefits	(15,269)	27,887	(24,764)
Income tax expense related to unrealized gains on investments arising during the year	974,145	1,354,439	1,122,003
Income tax benefit related to reclassification adjustment for sale of securities included in net income	(173,403)	(78,622)	(426,017)
Income tax expense related to reclassification adjustment for write-down of securities included in net income	5,037	13,134	34,569
Net income tax expense on other comprehensive income	790,510	1,316,838	705,791
Other comprehensive income	1,509,105	2,528,974	1,309,265
Comprehensive Income	$11,181,603	$17,325,712	$12,500,172
Less: Comprehensive income attributable to redeemable noncontrolling interest	(23,523)	(88,528)	(88,411)
Comprehensive Income Attributable to the Company	$11,158,080	$17,237,184	$12,411,761

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Stockholders' Equity

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount			
Balance, January 1, 2012	2,107,681	$1	$99,003,018	$7,509,165	$106,512,184
Net income attributable to the Company			11,102,496		11,102,496
Dividends ($0.29 per share)			(603,334)		(603,334)
Shares of common stock repurchased and retired	(70,702)		(3,975,532)		(3,975,532)
Stock options and stock appreciation rights exercised	6,380		160,557		160,557
Share-based compensation expense			74,553		74,553
Amortization related to postretirement health benefits				6,648	6,648
Accumulated postretirement benefit obligation adjustment				(54,726)	(54,726)
Net unrealized gain on investments				1,393,943	1,393,943
Other			58,701	(36,600)	22,101
Balance, December 31, 2012	2,043,359	$1	$105,820,459	$8,818,430	$114,638,890
Net income attributable to the Company			14,708,210		14,708,210
Dividends ($0.32 per share)			(657,914)		(657,914)
Shares of common stock repurchased and retired	(56,223)		(4,262,260)		(4,262,260)
Stock options and stock appreciation rights exercised	49,999		75,797		75,797
Share-based compensation expense			83,852		83,852
Amortization related to postretirement health benefits				3,140	3,140
Accumulated postretirement benefit obligation adjustment				50,961	50,961
Net unrealized gain on investments				2,474,873	2,474,873
Income tax benefit from share-based compensation			946,605		946,605
Balance, December 31, 2013	2,037,135	$1	$116,714,749	$11,347,404	$128,062,154
Net income attributable to the Company			9,648,975		9,648,975
Dividends ($0.32 per share)			(650,433)		(650,433)
Shares of common stock repurchased and retired	(15,372)		(1,055,765)		(1,055,765)
Stock options and stock appreciation rights exercised	1,507		27,100		27,100
Share-based compensation expense			120,891		120,891
Amortization related to postretirement health benefits				1,465	1,465
				(31,100)	(31,100)

Accumulated postretirement benefit obligation adjustment					
Net unrealized gain on investments				1,538,740	1,538,740
Purchase of redeemable noncontrolling interest of subsidiary			(114,320)		(114,320)
Income tax benefit from share-based compensation			15,999		15,999
Balance, December 31, 2014	2,023,270	$1	$124,707,196	$12,856,509	$137,563,706

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Consolidated Statements of Cash Flows

For the Years Ended December 31,	2014	2013	2012
Operating Activities			
Net income	$9,672,498	$14,796,738	$11,190,907
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	833,104	669,727	486,922
Amortization, net	630,782	507,111	468,006
Amortization related to postretirement benefits obligation	2,217	4,765	10,076
Share-based compensation expense related to stock options	120,891	83,852	74,553
Net loss (gain) on disposals of property	24,608	7,831	(28,538)
Net realized gain on investments	(268,294)	(195,800)	(1,066,239)
Net earnings from other investments	(1,450,980)	(1,257,266)	(1,674,594)
Provision (benefit) for claims	5,229,716	(571,596)	6,072,115
Provision (benefit) for deferred income taxes	611,000	1,804,000	(292,000)
Payments of claims, net of recoveries	(3,912,716)	(3,146,404)	(4,990,115)
Changes in assets and liabilities:			
Decrease (increase) in receivables	206,041	2,287,489	(4,227,714)
Increase in other assets	(393,359)	(2,906,224)	(407,252)
Decrease (increase) in current income taxes recoverable	366,772	(366,772)	—
(Decrease) increase in accounts payable and accrued liabilities	(2,080,492)	4,923,858	2,372,995
Increase (decrease) in current income taxes payable	92,192	(1,336,824)	696,291
Net cash provided by operating activities	9,683,980	15,304,485	8,685,413
Investing Activities			
Purchases of available-for-sale securities	(30,899,452)	(23,466,037)	(15,899,439)
Purchases of short-term securities	(911,188)	(2,638,908)	(6,347,527)
Purchases of other investments	(1,689,950)	(1,369,210)	(3,441,412)
Investment in/purchase of subsidiary	—	—	(350,000)
Proceeds from sales and maturities of available-for-sale securities	12,472,817	9,892,634	15,646,381
Proceeds from sales and maturities of short-term securities	6,260,568	8,280,183	6,892,141
Proceeds from sales and distributions of other investments	1,584,337	2,107,675	2,301,647
Proceeds from sales of other assets	38,052	40,366	220,455
Purchase of redeemable noncontrolling interest of subsidiary	(515,275)	—	—
Purchases of property, equipment and software	(2,017,379)	(1,424,108)	(568,728)
Proceeds from disposals of property	24,400	24,335	65,837
Net cash used in investing activities	(15,653,070)	(8,553,070)	(1,480,645)
Financing Activities			
Repurchases of common stock	(1,055,765)	(4,262,260)	(3,975,532)
Exercise of options	27,100	75,797	160,557
Distribution to noncontrolling interest	(168,057)	(36,900)	(40,800)
Excess tax benefits related to exercise of stock options and SARs	15,999	946,605	22,101
Dividends paid	(650,433)	(657,914)	(603,334)
Net cash used in financing activities	(1,831,156)	(3,934,672)	(4,437,008)
Net (Decrease) Increase in Cash and Cash Equivalents	(7,800,246)	2,816,743	2,767,760
Cash and Cash Equivalents, Beginning of Period	23,626,761	20,810,018	18,042,258

Cash and Cash Equivalents, End of Period	$15,826,515	$23,626,761	$20,810,018

Consolidated Statements of Cash Flows, continued

	2014	2013	2012
Supplemental Disclosures:			
Cash Paid During the Year for:			
Income tax payments, net	$2,744,100	$5,724,000	$4,479,000
Non Cash Investing and Financing Activities			
Non cash net unrealized gain on investments, net of deferred tax provision of $(805,779), $(1,288,951) and $(730,555) for 2014, 2013 and 2012, respectively	$(1,538,740)	$(2,474,873)	$(1,393,943)
Adjustments to postretirement benefits obligation, net of deferred tax provision of $16,021, $(26,252) and $28,192 for 2014, 2013 and 2012, respectively	$31,100	$(50,961)	$54,726
Non cash intangible assets acquired from purchase of subsidiary	$—	$—	$(1,481,900)
Non cash contingent liability from purchase of subsidiary	$—	$—	$691,250

See notes to the Consolidated Financial Statements.

Investors Title Company and Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies

Description of Business – Investors Title Company's (the "Company") primary business, and only reportable segment, is title insurance. The title insurance segment, through its two subsidiaries, Investors Title Insurance Company ("ITIC") and National Investors Title Insurance Company ("NITIC"), is licensed to insure titles to residential, institutional, commercial and industrial properties. The Company issues title insurance policies primarily through approved attorneys from underwriting offices and through independent issuing agents in 22 states and the District of Columbia, primarily in the eastern half of the United States. The majority of the Company's business is concentrated in Georgia, Michigan, North Carolina, South Carolina, Texas and Virginia.

Principles of Consolidation and Basis of Presentation – The accompanying 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 in the United States ("GAAP"). Earnings attributable to the redeemable noncontrolling interest are recorded on the Consolidated Statements of Income for majority-owned subsidiaries. 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.

Immaterial Classification Correction – During the years ended December 31, 2013 and 2012, the Company realized $946,605 and $22,101, respectively, in excess tax benefits associated with the exercise of stock options and stock appreciation rights ("SARs"). Such amounts were mistakenly classified as part of operating activities rather than financing activities. Accordingly, the Consolidated Statements of Cash Flows have been corrected. The correction resulted in a decrease to previously reported operating cash flows and an increase to financing cash flows in the amount of $946,605 and $22,101 for the years ended December 31, 2013 and 2012, respectively. There was no impact to the Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Statements of Stockholders' Equity or to the Company's cash position.

Significant Accounting Policies – The significant accounting policies of the Company are summarized below.

Cash and Cash Equivalents

For the purpose of presentation in the Company's Consolidated Statements of Cash Flows, cash equivalents are highly liquid instruments with remaining original maturities of three months or less. The carrying amount of cash and cash equivalents is a reasonable estimate of fair value due to the short-term maturity at purchase of these instruments.

Investments in Securities

Securities for which the Company has the intent and ability to hold to maturity are classified as held-to-maturity and reported at cost, adjusted for amortization of premiums or accretion of discounts, and other-than-temporary declines in fair value. Securities held principally for resale in the near term are classified as trading securities and recorded at fair values. Realized and unrealized gains and losses on trading securities are included in other income. Securities not classified as either trading or held-to-maturity are classified as available-for-sale and reported at fair value with unrealized gains and losses, net of tax and adjusted for other-than-temporary declines in fair value, reported as accumulated other comprehensive income. As of December 31, 2014 and 2013, all investments in securities are classified as available-for-sale. Securities are regularly reviewed for differences between the cost and estimated fair value of each security for factors that may indicate that a decline in fair value is other-than-temporary. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include the duration and extent to which the fair value has been less than cost and the Company's ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value. Such reviews are inherently uncertain and the value of the investment may not fully recover or may decline in future periods resulting in a realized loss. Fair values of the majority of investments are based on quoted market prices. Realized gains and losses are determined on the specific identification method. Refer to Note 3 for further information regarding investments in securities and fair value.

Short-term Investments

Short-term investments are comprised of money market accounts which are invested in short-term funds, time deposits with banks and savings and loan associations, and other investments expected to have maturities or redemptions greater than three months and less than twelve months. The Company monitors any events or changes in circumstances that may have a significant adverse effect on the fair value of these investments.

Other Investments

Other investments consist primarily of investments in title insurance agencies structured as limited liability companies ("LLCs"), which are accounted for under the equity or cost methods of accounting. The aggregate cost of the Company's cost method investments totaled $2,423,408 and $1,834,229 at December 31, 2014 and 2013, respectively. The Company monitors any events or changes in circumstances that may have had a significant adverse effect on the fair value of these investments and makes any necessary adjustments.

Property Acquired in Settlement of Claims

Property acquired in settlement of claims is held for sale and valued at the lower of cost or market. Adjustments to reported estimated realizable values and realized gains or losses on dispositions are recorded as increases or decreases in claim costs. Properties acquired in settlement of claims are included in prepaid expenses and other assets in the Consolidated Balance Sheets.

Property and Equipment

Property and equipment are recorded at cost and are depreciated principally under the straight-line method over the estimated useful lives (3 to 25 years) of the respective assets. Maintenance and repairs are charged to operating expenses and improvements are capitalized.

Reserves for Claims

Total reserves for all reported and unreported losses the Company incurred through December 31, 2014 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 resulting from pending and future claims for policies issued through December 31, 2014. The Company continually reviews and adjusts its reserve estimates as necessary to reflect its loss experience and any new information that becomes available. Adjustments resulting from such reviews may be significant.

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.

Income Taxes

The Company makes certain estimates and judgments in determining income tax expense (benefit) for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. The Company provides for deferred income taxes (benefits) for the tax consequences in future years of temporary differences between the financial statements' carrying values and the tax bases of assets and liabilities using currently enacted tax rates. The Company establishes a valuation allowance if it believes that it is more likely than not that some or all of its deferred tax assets will not be realized. Refer to Note 8 for further information regarding income taxes.

Premiums Written and Commissions to Agents

Generally, title insurance premiums are recognized at the time of closing of the related real estate transaction, as the earnings process is then considered complete. Policies or commitments are issued upon receipt of final certificates or preliminary reports with respect to titles. Title insurance commissions earned by the Company's agents, taxes and a provision for claims losses are recognized as expenses concurrent with recognition of related premium revenue.

Allowance for Doubtful Accounts

Company management continually evaluates the collectability of receivables and provides an allowance for doubtful accounts equal to estimated losses expected to be incurred in the collection of premiums and fees receivable. During the second quarter of 2014, the Company changed its presentation of gross premiums and fees receivable and related allowance for doubtful accounts and now reports them net of certain commitments not expected to result in issued title insurance policies. The change had no impact to net premium and fees receivable, net premiums written, operating expenses or net income. Changes to the allowance for doubtful accounts are reflected within net premiums written in the Consolidated Statements of Income. Amounts are charged off in the period they are deemed to be uncollectible. Quarterly, the Company evaluates the collectability of receivables. Premiums not collected within 7 months are fully reserved. Write-offs of receivables have not been material to the Company.

Exchange Services Revenue
Fees are recognized at the signing of a binding agreement and investment earnings are recognized as they are earned. Exchange services revenues are included in other revenues in the Consolidated Statements of Income.
Fair Values of Financial Instruments
The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, short-term investments, premium and fees receivable, accrued interest and dividends, accounts payable, commissions payable, reinsurance payable and current income taxes recoverable/payable approximate fair value due to the short-term nature of these assets and liabilities. Fair values for the majority of investment securities are based on quoted market prices. Auction rate securities ("ARS") are valued using discounted cash flow models to determine the estimated fair value of these investments. Some of the inputs for determining the fair value of ARS are unobservable in the securities markets and are significant. Refer to Note 3 for further information regarding investments in securities and fair value.
Comprehensive Income
The Company's accumulated other comprehensive income is comprised of unrealized holding gains/losses on available-for-sale securities, net of tax, and unrecognized prior service cost and unrealized gains/losses associated with postretirement benefit liabilities, net of tax. Accumulated other comprehensive income as of December 31, 2014 consists of $12,934,497 of unrealized holding gains on available-for-sale securities and $77,988 of unrecognized prior service cost and unrecognized actuarial losses associated with postretirement benefit liabilities. Accumulated other comprehensive income as of December 31, 2013 consists of $11,395,757 of unrealized holding gains on available-for-sale securities and $48,353 of unrecognized prior service cost and unrecognized actuarial losses associated with postretirement benefit liabilities. Accumulated other comprehensive income as of December 31, 2012 consists of $8,920,884 of unrealized holding gains on available-for-sale securities and $102,454 of unrecognized prior service cost and unrecognized actuarial losses associated with postretirement benefit liabilities.
Share-Based Compensation
The Company accounts for share-based compensation in accordance with the fair value based principles required by the Financial Accounting Standards Board ("FASB"). Share-based compensation cost is generally measured at the grant date, based on the estimated fair value of the award, and is recognized as an expense over the employee's requisite service period.
As the share-based compensation expense recognized in the Consolidated Statements of Income is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.
Other Intangible Assets
The Company's other intangible assets consist of a non-compete agreement and referral relationships resulting from an agency acquisition and are recorded at the acquisition date fair value. The referral relationships are amortized on a straight-line basis over the useful life and amortization of the non-compete contract will start at a future date when the related employment agreement is terminated. Intangible assets are reviewed for impairment at least quarterly.
Subsequent Events
The Company has evaluated and concluded that there were no material subsequent events requiring adjustment or disclosure to its Consolidated Financial Statements.
Recently Issued Accounting Standards

In May 2014, the FASB updated guidance to improve the comparability of revenue recognition practices for entities that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards such as insurance contracts or lease standards. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For public entities, this update becomes effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The Company is currently evaluating the impact that the recently issued accounting standard will have on the Company's financial position and results of operations, but, does not expect it to have a material impact.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with 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 and accompanying notes. Actual results could differ materially from those estimates and assumptions used. The more significant of these estimates and assumptions include the following:

Claims – The Company's reserves for claims 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 (incurred but not reported, or "IBNR"). A provision for estimated future claims payments is recorded at the time policy revenue is recorded as a percentage of premium income. By their nature, title claims can often be complex, vary greatly in dollar amounts, vary in number due to economic and market conditions such as an increase in mortgage foreclosures, and involve uncertainties as to ultimate exposure. In addition, some claims may require a number of years to settle and determine the final liability for indemnity and loss adjustment expense. The payment experience may extend for more than 20 years after the issuance of a policy. Events such as fraud, defalcation and multiple property defects can substantially and unexpectedly cause increases in estimates of losses. Due to the length of time over which claim payments are made and regularly occurring changes in underlying economic and market conditions, these estimates are subject to variability.

Management considers factors such as the Company's historical claims experience, case reserve estimates on reported claims, large claims, actuarial projections and other relevant factors in determining loss provision rates and the aggregate recorded expected liability for claims. In establishing reserves, actuarial projections are compared with recorded reserves to evaluate the adequacy of such recorded claims reserves and any necessary adjustments are then recorded in current operations. As the most recent claims experience develops and new information becomes available, the loss reserve estimate related to prior periods will change to more accurately reflect updated and improved emerging data. The Company reflects any adjustments to reserves in the results of operations in the period in which new information (principally claims experience) becomes available.

The Company's reserves for claims 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 have been incurred but not reported ("IBNR"). During the third quarter of 2013 certain actuarial inputs were changed to reflect recent trends. See Note 6 in the accompanying Consolidated Financial Statements for further information regarding this change in accounting estimate.

Premiums written – The Company's premium revenues from certain agency operations include accruals based on estimates. These accruals estimate unreported agency premiums related to transactions which have settled as of the balance sheet date. Accruals for premiums from certain agencies are necessary because of the lag between policy effective dates and the reporting of these transactions to the Company by the agents. The current lag time used in the Company's estimates typically ranges between 0 and 180 days after the policy effective date, with the majority of agencies reporting within 60 to 90 days. The lag time is reviewed periodically to monitor accruals. To determine the estimated premiums, the Company uses historical experience, as well as other factors, to make certain assumptions about the average elapsed time between the policy effective date and the date the policies are reported. From time to time, the Company adjusts the inputs to the calculation of these estimates as agents report transactions and information on more current trends becomes available. The Company reflects any adjustments to the accruals in the results of operations in the period in which new information becomes available.

Impairments – Securities are regularly evaluated and reviewed for differences between the cost and estimated fair value of each security for factors that may indicate that a decline in fair value is other-than-temporary. When, in the opinion of management, a decline in the fair value of an investment is considered to be other-than-temporary, such investment is written down to its fair value. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include the duration and extent to which the fair value has been less than cost; the probability that the Company will be unable to collect all amounts due under the contractual terms of the security; with respect to equity securities, whether the Company's ability and intent to retain the investment for a period of time is sufficient to allow for a recovery in value; with respect to fixed maturity securities, whether the Company has the intent to sell or will more likely than not be required to sell a particular security before recovery in value; and the financial condition and prospects of the issuer (including credit ratings). These factors are reviewed quarterly and any material degradation in the prospect for recovery will be considered in the other-than-temporary impairment analysis. Such reviews are inherently uncertain and the value of the investment may not fully recover or may decline in future periods resulting in a realized loss. The fair values of the majority of the Company's investments are based on quoted market prices from independent pricing services.

2. Statutory Accounting and Restrictions on Consolidated Stockholders' Equity and Investments

The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America which differ in some respects from statutory accounting practices prescribed or permitted in the preparation of financial statements for submission to insurance regulatory authorities.

Combined capital and surplus on a statutory basis was $127,314,429 and $119,897,974 as of December 31, 2014 and 2013, respectively. Net income on a statutory basis was $9,737,634, $11,858,699 and $11,035,792 for the twelve months ended December 31, 2014, 2013 and 2012, respectively.

The Company has designated approximately $48,423,000 and $47,405,000 of retained earnings as of December 31, 2014 and 2013, respectively, as appropriated to reflect the required statutory premium and supplemental reserves. See Note 8 for the tax treatment of the statutory premium reserve.

As of December 31, 2014 and 2013, approximately $90,384,000 and $83,311,000, respectively, of consolidated stockholders' equity represents net assets of the Company's subsidiaries that cannot be transferred in the form of dividends, loans or advances to the parent company under statutory regulations without prior insurance department approval. During 2015, the maximum distributions the insurance subsidiaries can make to the Company without prior approval from applicable regulators is approximately $9,937,000.

Bonds totaling approximately $7,060,000 and $7,022,000 at December 31, 2014 and 2013, respectively, are deposited with the insurance departments of the states in which business is conducted.

3. Investments in Securities and Fair Value

The aggregate estimated fair value, gross unrealized holding gains, gross unrealized holding losses, and amortized cost for securities by major security type at December 31 were as follows:

December 31, 2014	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	$35,215,247	$1,527,794	$19,542	$36,723,499
Issuer obligations of U.S. states, territories and political subdivisions special revenue	46,707,033	2,405,725	55,502	49,057,256
Corporate debt securities	21,576,641	823,133	71,339	22,328,435
Auction rate securities	922,129	16,971	—	939,100
Total	$104,421,050	$4,773,623	$146,383	$109,048,290
Equity securities, available-for-sale, at fair value:				
Common stocks and nonredeemable preferred stocks	$24,128,753	$15,225,459	$99,231	$39,254,981
Total	$24,128,753	$15,225,459	$99,231	$39,254,981
Short-term investments:				
Money market funds and certificates of deposit	$2,576,993	$—	$—	$2,576,993
Total	$2,576,993	$—	$—	$2,576,993

December 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	$38,449,309	$1,922,862	$184,351	$40,187,820
Issuer obligations of U.S. states, territories and political subdivisions special revenue	30,874,571	1,234,130	204,800	31,903,901
Corporate debt securities	17,736,608	789,840	108,456	18,417,992
Auction rate securities	919,672	16,028	—	935,700
Total	$87,980,160	$3,962,860	$497,607	$91,445,413
Equity securities, available-for sale, at fair value:				
Common stocks and nonredeemable preferred stocks	$22,200,369	$14,052,780	$109,084	$36,144,065
Total	$22,200,369	$14,052,780	$109,084	$36,144,065
Short-term investments:				

Money market funds and certificates of deposit	$7,926,373	$—	$—	$7,926,373
Total	$7,926,373	$—	$—	$7,926,373

The special revenue category for both periods presented includes over 30 individual bonds with revenue sources from a variety of industry sectors.

The scheduled maturities of fixed maturity securities at December 31, 2014 were as follows:

	Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	$13,682,264	$13,844,384
Due after one year through five years	52,358,705	54,918,427
Due five years through ten years	36,385,776	37,703,640
Due after ten years	1,994,305	2,581,839
Total	$104,421,050	$109,048,290

Earnings on investments for the years ended December 31 were as follows:

	2014	2013	2012
Fixed maturities	$3,282,810	$2,997,901	$3,154,131
Equity securities	973,419	890,917	815,674
Invested cash and other short-term investments	3,202	5,754	10,576
Miscellaneous interest	70	36	30
Investment income	$4,259,501	$3,894,608	$3,980,411

Gross realized gains and losses on sales of investments for the years ended December 31 are summarized as follows:

	2014	2013	2012
Gross realized gains:			
General obligations of U.S. states, territories and political subdivisions	$—	$—	$250
Corporate debt securities	6,670	—	52,396
Common stocks and nonredeemable preferred stocks	1,021,463	369,673	450,461
Auction rate securities	—	—	211,061
Total	1,028,133	369,673	714,168
Gross realized losses:			
Common stocks and nonredeemable preferred stocks	(509,854)	(180,169)	(91,975)
Other than temporary impairment of securities	(14,542)	—	(93,436)
Total	(524,396)	(180,169)	(185,411)
Net realized gain	$503,737	$189,504	$528,757
Net realized (loss) gain on other investments:			
Impairments of other assets and investments	$(10,062)	$(34,070)	$(6,504)
Net gain on other assets and investments	45,288	48,946	543,986
Net loss on other assets and investments	(270,669)	(8,580)	—
Total	$(235,443)	$6,296	$537,482
Net realized gain on investments	$268,294	$195,800	$1,066,239

Realized gains and losses are determined on the specific identification method.

The following table presents the gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous loss position at December 31, 2014 and 2013:

	Less than 12 Months		12 Months or Longer		Total	
December 31, 2014	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
General obligations of U.S. states, territories and political subdivisions	$2,113,194	$(19,542)	$—	$—	$2,113,194	$(19,542)
Issuer obligations of U.S. states, territories and political subdivisions special revenue	3,946,977	(13,453)	1,182,390	(42,049)	5,129,367	(55,502)
Corporate debt securities	6,924,430	(71,339)	—	—	6,924,430	(71,339)
Total fixed maturity securities	$12,984,601	$(104,334)	$1,182,390	$(42,049)	$14,166,991	$(146,383)
Equity securities	930,208	(71,669)	141,280	(27,562)	1,071,488	(99,231)
Total temporarily impaired securities	$13,914,809	$(176,003)	$1,323,670	$(69,611)	$15,238,479	$(245,614)
December 31, 2013						
General obligations of U.S. states, territories and political subdivisions	$4,198,012	$(184,351)	$—	$—	$4,198,012	$(184,351)
Issuer obligations of U.S. states, territories and political subdivisions special revenue	11,010,093	(204,800)	—	—	11,010,093	(204,800)
Corporate debt securities	5,942,570	(108,456)	—	—	5,942,570	(108,456)
Total fixed maturity securities	$21,150,675	$(497,607)	$—	$—	$21,150,675	$(497,607)
Equity securities	2,035,971	(72,998)	244,929	(36,086)	2,280,900	(109,084)
Total temporarily impaired securities	$23,186,646	$(570,605)	$244,929	$(36,086)	$23,431,575	$(606,691)

As of December 31, 2014, the Company held $14,166,991 in fixed maturity securities with unrealized losses of $146,383. As of December 31, 2013, the Company held $21,150,675 in fixed maturity securities with unrealized losses of $497,607. 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 likely will 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 December 31, 2014, the Company held $1,071,488 in equity securities with unrealized losses of $99,231. As of December 31, 2013, the Company held $2,280,900 in equity securities with unrealized losses of $109,084. 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 income 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 25 and 26 securities had unrealized losses at December 31, 2014 and December 31, 2013, 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 2014, the Company recorded other-than-temporary impairment charges in the amount of $14,542 related to securities. During 2013, the Company did not record any other-than-temporary impairment charges related to securities. During 2012, 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.

Valuation of Financial Assets and Liabilities

The FASB has established a valuation hierarchy for disclosure of the inputs 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 are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs 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.

The Level 2 category includes fixed maturity investments such as corporate bonds, U.S. government and agency bonds and municipal bonds. Fair value is principally based on market values obtained from a third party pricing service. Factors that are used in determining 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 a third party 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 December 31, 2014 and December 31, 2013, 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 are classified as Level 2 because the pricing service from which the Company has obtained fair values for these instruments uses valuation models which use observable market inputs in addition to trading 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 are unavailable due to the failure of auctions. 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 December 31, 2014 and December 31, 2013, with approximately 97.0% as of December 31, 2014 and December 31, 2013, guaranteed by the U.S. Department of Education.

Some of the inputs to ARS valuation 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. This 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 key assumptions the service used to determine fair value as of December 31, 2014 and 2013:

	2014	2013
Cumulative probability of earning maximum rate until maturity	—%	—%
Cumulative probability of principle returned prior to maturity	95.2%	95.6%
Cumulative probability of default at some future point	4.8%	4.4%

Significant increases or decreases in any of the inputs in isolation could 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 2014 and 2013, the difference in the low and high values of the ranges was approximately one and four percent of the carrying value of the Company's ARS.

The following table presents, by level, the financial assets carried at fair value measured on a recurring basis as of December 31, 2014 and 2013. 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 December 31, 2014	Level 1	Level 2	Level 3	Total
Short-term investments	$2,576,993	$—	$—	$2,576,993
Equity securities:				
Common stocks and nonredeemable preferred stock	39,254,981	—	—	39,254,981
Fixed maturities:				
Obligations of U.S. states, territories and political subdivisions*	—	85,780,755	—	85,780,755
Corporate debt securities*	—	22,328,435	939,100	23,267,535
Total	$41,831,974	$108,109,190	$939,100	$150,880,264

As of December 31, 2013	Level 1	Level 2	Level 3	Total
Short-term investments	$7,926,373	$—	$—	$7,926,373
Equity securities:				
Common stocks and nonredeemable preferred stock	36,144,065	—	—	36,144,065
Fixed maturities:				
Obligations of U.S. states, territories and political subdivisions*	—	72,091,721	—	72,091,721
Corporate debt securities*	—	18,417,992	935,700	19,353,692
Total	$44,070,438	$90,509,713	$935,700	$135,515,851

*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 FASB ASC 820, 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 respective values obtained from other pricing resources. In the event the Company disagrees with a price provided by its pricing services, the respective 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 value of the underlying entity. These items are included in other investments in the Consolidated Balance Sheets.

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 the contingent consideration was estimated based on the discounted value of the 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 17. This item is included in accounts payable and accrued liabilities in the Consolidated Balance Sheets.

The carrying amounts and fair values of these financial instruments (please note investments are disclosed in a previous table) as of December 31, 2014 and 2013 are presented in the following table:

As of December 31, 2014

Financial Assets	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$15,826,515	$15,826,515	$15,826,515	$—	$—
Cost-basis investments	2,516,608	2,675,817	—	—	2,675,817
Accrued dividends and interest	1,063,837	1,063,837	1,063,837	—	—
Total	$19,406,960	$19,566,169	$16,890,352	$—	$2,675,817

As of December 31, 2013