

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

LANDAMERICA FINANCIAL GROUP INC
Form 10-Q
November 12, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For Quarter Ended September 30, 2002

Commission File No. 1-13990

LANDAMERICA FINANCIAL GROUP, INC.
(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

54-1589611
(I.R.S. Employer Identification No.)

101 Gateway Centre Parkway
Richmond, Virginia
(Address of principal executive offices)

23235-5153
(Zip Code)

(804) 267-8000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
 --- ---

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No
 --- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, No Par Value	18,215,520	November 6, 2002
	-----	-----

LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES

INDEX

Page No.

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

PART I. FINANCIAL INFORMATION

Item 1.	Consolidated Financial Statements:	
	Consolidated Balance Sheets.....	3
	Consolidated Statements of Operations	5
	Consolidated Statements of Cash Flows.....	6
	Consolidated Statements of Changes in Shareholders' Equity.....	7
	Notes to Consolidated Financial Statements.....	8
 Item 2.	 Management's Discussion and Analysis of Financial Condition and Results of Operations.....	 12
Item 3.	Quantitative and Qualitative Disclosures about Market Risk.....	15
Item 4.	Controls and Procedures.....	15

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings.....	16
Item 6.	Exhibits and Reports on Form 8-K.....	16
	Signatures.....	18
	Certifications.....	19

2

LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (In thousands of dollars) (Unaudited)

	September 30, 2002 -----
ASSETS	

INVESTMENTS:	
Fixed maturities available-for-sale - at fair value (amortized cost: 2002 - \$937,561; 2001 - \$865,354)	\$ 992,947
Equity securities - at fair value (cost - \$11,257)	11,076
Mortgage loans (less allowance for doubtful accounts: 2002 - \$219; 2001 - \$176)	1,042
Invested cash	91,352

Total Investments	1,096,417

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

CASH	28,399
NOTES AND ACCOUNTS RECEIVABLE:	
Notes (less allowance for doubtful accounts: 2002 - \$5,013; 2001 - \$5,278)	10,358
Accounts receivable (less allowance for doubtful accounts: 2002 - \$8,349; 2001 - \$8,058)	54,904

Total Notes and Accounts Receivable	65,262
PROPERTY AND EQUIPMENT - at cost (less accumulated depreciation and amortization: 2002 - \$136,482; 2001 - \$123,301)	62,530
TITLE PLANTS	97,096
GOODWILL (less accumulated amortization: 2001 - \$37,588)	196,951
DEFERRED INCOME TAXES	127,593
OTHER ASSETS	121,561

Total Assets	\$ 1,795,809
	=====

See accompanying notes.

3

LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)
(Unaudited)

	September 30,
	2002
LIABILITIES	----

POLICY AND CONTRACT CLAIMS	\$ 568,144
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	209,151
FEDERAL INCOME TAXES	9,138
NOTES PAYABLE	187,573
OTHER	22,386

Total Liabilities	996,392

COMMITMENTS AND CONTINGENCIES (Note 3)

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

SHAREHOLDERS' EQUITY

Common stock, no par value, 45,000,000 shares authorized, shares issued and outstanding: 2002 - 18,243,120; 2001 - 18,583,937	510,256
Accumulated other comprehensive loss	(82)
Retained earnings	289,243

Total Shareholders' Equity	799,417

Total Liabilities and Shareholders' Equity	\$ 1,795,809
	=====

See accompanying notes.

4

LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
(In thousands of dollars except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Se
	2002	2001	2002
	----	----	----
REVENUES			
Title and other operating revenues:			
Direct operations	\$ 283,397	\$ 250,665	\$ 777,43
Agency operations	332,018	277,367	993,25
	-----	-----	-----
	615,415	528,032	1,770,69
Investment income	13,214	12,507	39,02
(Loss) gain on sale of investments	(16)	542	(3
	-----	-----	-----
	628,613	541,081	1,809,67
	-----	-----	-----
EXPENSES			
Salaries and employee benefits	172,135	164,148	495,43
Agents' commissions	264,195	219,426	788,15
Provision for policy and contract claims	25,650	20,789	72,08
Interest expense	3,098	2,943	9,38
Amortization of intangibles	79	2,475	32
Exit and termination costs	-	-	17,32
General, administrative and other	102,133	102,005	299,20
	-----	-----	-----
	567,290	511,786	1,681,91
	-----	-----	-----
INCOME BEFORE INCOME TAXES	61,323	29,295	127,76
INCOME TAX EXPENSE (BENEFIT)			
Current	7,803	5,332	31,04

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

Deferred	13,660	5,213	13,660
	-----	-----	-----
	21,463	10,545	44,713
	-----	-----	-----
NET INCOME	39,860	18,750	83,044
DIVIDENDS - PREFERRED STOCK	-	-	-
	-----	-----	-----
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 39,860	\$ 18,750	\$ 83,044
	=====	=====	=====
NET INCOME PER COMMON SHARE	\$ 2.16	\$ 1.02	\$ 4.44
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	18,418	18,418	18,513
NET INCOME PER COMMON SHARE ASSUMING DILUTION	\$ 2.15	\$ 1.01	\$ 4.44
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING ASSUMING DILUTION	18,573	18,567	18,653

See accompanying notes.

5

LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
(In thousands of dollars)
(Unaudited)

	2002

Cash flows from operating activities:	
Net income	\$ 83,044
Depreciation and amortization	13,921
Amortization of bond premium	2,870
Realized investment losses	39
Deferred income tax	13,667
Change in assets and liabilities, net of businesses acquired:	
Notes receivable	(1,585)
Premiums receivable	5,460
Income taxes receivable/payable	5,485
Policy and contract claims	6,706
Accounts payable and accrued expenses	(24,981)
Other	(3,928)

Net cash provided by operating activities	100,698

Cash flows from investing activities:	
Purchase of property and equipment, net	(13,753)
Purchase of business, net of cash acquired	(8,942)
Change in cash surrender value	1,959
Cost of investments acquired:	
Fixed maturities - available-for-sale	(406,676)
Equity securities	(11,604)

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

Proceeds from investment sales or maturities:	
Fixed maturities - available-for-sale	331,132
Equity securities	346
Change in mortgage loans	494

Net cash used in investing activities	(107,044)

Cash flows from financing activities:	
Proceeds from the sale of common shares	2,729
Cost of common shares repurchased	(14,268)
Repayment of cash surrender value loan	(6,966)
Dividends paid	(3,146)
Proceeds from issuance of notes payable	472
Payments on notes payable	(21,494)

Net cash (used in) provided by financing activities	(42,673)

Net decrease in cash and invested cash	(49,019)
Cash and invested cash at beginning of period	168,770

Cash and invested cash at end of period	\$ 119,751
	=====

See accompanying notes.

6

LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
(In thousands of dollars except per share amounts)
(Unaudited)

	Preferred Stock		Common Stock	
	Shares	Amounts	Shares	Amounts
	-----	-----	-----	-----
Balance - December 31, 2000	2,200,000	\$175,700	13,518,319	\$340,269
Comprehensive income:				
Net income	-	-	-	-
Other comprehensive income, net of tax of \$6,703				
Net unrealized gain on securities	-	-	-	-
Common stock issued	-	-	236,485	5,598
Preferred stock conversion	(2,200,000)	(175,700)	4,824,559	175,700
Preferred dividends (7%)	-	-	-	-
Common dividends (\$0.15/share)	-	-	-	-
	-----	-----	-----	-----
Balance - September 30, 2001	-	\$ -	18,579,363	\$521,567
	=====	=====	=====	=====
BALANCE - December 31, 2001	-	-	18,583,937	\$521,795

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

Comprehensive income:				
Net income	-	-	-	-
Other comprehensive income, net of tax of \$1,282				
Net unrealized gains on securities	-	-	-	-
Minimum pension liability adjustment	-	-	-	-
Common stock retired	-	-	(449,450)	(14,268)
Stock option and incentive plans	-	-	108,633	2,729
Common dividends (\$0.17/share)	-	-	-	-
	-----	-----	-----	-----
BALANCE - September 30, 2002	-	-	18,243,120	\$510,256
	=====	=====	=====	=====

See accompanying notes.

7

LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of dollars except per share amounts)

1. Interim Financial Information

The unaudited consolidated financial information included in this report has been prepared in conformity with the accounting principles and practices reflected in the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2001 filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934. This report should be read in conjunction with the aforementioned Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of this information have been made. The results of operations for the interim periods are not necessarily indicative of results for a full year.

Certain 2001 amounts have been reclassified to conform to the 2002 presentation.

2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Sep
	2002	2001	2002
	----	----	----
Numerator:			
Net income - numerator for diluted earnings per share	\$39,860	\$ 18,750	\$ 83,044

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

Less preferred dividends	-	-	-
	-----	-----	-----
Numerator for basic earnings per share	\$ 39,860	\$ 18,750	\$ 83,044
	=====	=====	=====
Denominator:			
Weighted average shares - denominator for basic earnings per share	18,418	18,418	18,511
Effect of dilutive securities:			
Assumed weighted average conversion of preferred stock	-	-	-
Employee stock options	155	149	146
	-----	-----	-----
Denominator for diluted earnings per share	18,573	18,567	18,657
	=====	=====	=====
Basic earnings per common share	\$2.16	\$1.02	\$4.49
	=====	=====	=====
Diluted earnings per common share	\$2.15	\$1.01	\$4.45
	=====	=====	=====

8

3. Commitments and Contingencies

For additional information, see Pending Legal Proceedings on pages F-29 and F-30 and Legal Proceedings on pages 12 and 13 of the Form 10-K for the fiscal year ended December 31, 2001 and Legal Proceedings on page 16 of this Form 10-Q.

4. New Accounting Standards

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards (SFAS) No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and included guidance on the initial recognition and measurement of goodwill and other intangible assets arising from business combinations completed after June 30, 2001. Under SFAS No. 142, goodwill and other intangible assets with indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets with indefinite lives consist of the Company's title plants.

On January 1, 2002, the Company adopted SFAS No. 142 which is expected to increase annual net earnings by approximately \$6.9 million in 2002. The Company tested goodwill for impairment using the process prescribed in SFAS No. 142. The test performed indicated that no goodwill impairment existed at January 1, 2002.

The following table provides comparative earnings and earnings per share had the non-amortization provisions of SFAS No. 142 been adopted for the periods presented:

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

	Three Months Ended September 30,		Nine M Sept 2002
	2002	2001	
	----	----	----
Reported net income	\$ 39,860	\$ 18,750	\$ 83,044
Goodwill amortization, net of tax	-	1,585	-
	-----	-----	-----
Adjusted net income	\$ 39,860	\$ 20,335	\$ 83,044
	=====	=====	=====
Basic earnings per share:			
Reported net income	\$ 2.16	\$ 1.02	\$ 4.49
Goodwill amortization	-	.09	-
	-----	-----	-----
Adjusted net income	\$ 2.16	\$ 1.11	\$ 4.49
	=====	=====	=====
Diluted earnings per share:			
Reported net income	\$ 2.15	\$ 1.01	\$ 4.45
Goodwill amortization	-	.09	-
	-----	-----	-----
Adjusted net income	\$ 2.15	\$ 1.10	\$ 4.45
	=====	=====	=====

9

On January 1, 2002, the Company adopted SFAS No. 144, Accounting for the Impairment or Disposal of Long Lived Assets, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The adoption of the Statement did not have a material impact on the Company's financial position and results of operations.

5. Exit and Termination Costs

On May 31, 2002, the Company entered into a joint venture agreement with The First American Corporation to combine their real estate valuation operations. Under the terms of the agreement, the Company contributed its former Primis (currently operating as "OneStop") residential appraisal production division, which it acquired in 2000, to First American's eAppraiseIT subsidiary. In connection with the transaction, the Company exited the residential appraisal production business which had been unprofitable and recorded a second quarter charge of \$14,132 for exit, termination and other costs. This amount was comprised of \$4,635 related to lease termination costs, \$2,209 related to employee severance costs and \$7,288 related to the write down to estimated net realizable value of assets determined not to be redeployable and other miscellaneous exit costs. In the first quarter of 2002, the Company recorded \$3,190 of exit and termination costs related to the closing of certain offices and reduction in workforce of its real estate valuation operations. Of the amounts accrued, \$3,764 had been paid as of September 30, 2002, leaving \$7,598 which the Company expects to be substantially paid by December 31, 2006.

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

6. Minimum Pension Liability

In the nine months ended September 30, 2002, two factors affected the Company's pension plan. Equity markets have declined which resulted in a decrease in the fair value of plan assets. In addition, the discount rate decreased during the year which resulted in an increase in the pension liability. As a result of these facts, in accordance with Financial Accounting Standards Board (FASB) Statement No. 87, Employer's Accounting for Pensions, the Company has recorded an additional minimum pension liability adjustment of \$26.5 million, net of tax at September 30, 2002. The adjustment is included in other comprehensive loss and is a direct charge to stockholders' equity with no effect on net income.

7. Subsequent Event

On October 8, 2002 the Company reached a final settlement with the State of California in the defendant class action lawsuit filed in the Sacramento County Superior Court by the California Attorney General against the Company and the Company's principal competitors in California. Pursuant to the settlement, the Company will pay \$1.6 million to the California Attorney General and a total of \$8.0 million in the form of (i) cash payments to former escrow customers that meet certain eligibility requirements and file

10

timely claims and (ii) discounts on future escrow and title insurance services to eligible customers as agreed to in the settlement.

The Company recorded a reserve for the \$1.6 million payment in prior periods as the case developed. A charge of \$660,000 was recorded in the third quarter of 2002 for estimated cash refund payments to former customers. Discounts on future escrow and title services will be treated as reductions of revenue during the period in which they occur.

11

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

Results of Operations

Operating Revenues

Operating revenues for the third quarter of 2002 were \$615.4 million compared to \$528.0 million in the third quarter of 2001, an increase of 16.6%. Direct revenues increased 13.1% and agency revenues increased 19.7% in the third quarter of 2002 compared to the same period in 2001. Revenue increases reflected a continued strength in the level of refinancing transactions as a result of a favorable mortgage rate environment.

Operating revenues for the nine-month period ended September 30, 2002 increased 18.4% to \$1.8 billion from \$1.5 billion in the comparable period of 2001. The factors discussed under the quarterly discussion above also affected the first nine months of 2002 compared to the same period of 2001.

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

Direct orders opened in company offices totaled 352,900 and 830,600 in the third quarter and first nine months of 2002 compared to 250,400 and 761,700 in the comparable periods of 2001. Direct orders closed in company offices totaled 202,900 and 543,900 in the third quarter and first nine months of 2002 compared to 176,600 and 521,600 in the comparable periods of 2001.

Investment Income

Investment income in the first nine months of 2002 was \$39.0 million compared to \$38.3 million in the first nine months of 2001. Although the reported amounts were similar, the 2002 amount reflects a lower yield in a higher investment base compared to 2001.

Expenses

Operating expenses for the third quarter of 2002 were \$567.3 million compared to \$511.8 million for the third quarter of 2001 and were \$1.7 billion in the first nine months of 2002 compared to \$1.5 billion in the first nine months of 2001. Salaries and employee benefits increased slightly in the 2002 periods over the prior year periods principally as a result of continued high staffing levels required by higher business volumes and higher levels of variable pay associated with the increased revenue and improved profitability. Operating expenses excluding one-time charges of \$17.3 million for exit and termination costs were \$1.7 billion in the first nine months of 2002 compared to \$1.5 billion in the first nine months of 2001. This increase of \$215.5 million was composed primarily of an increase of \$180.2 million in agents' commissions. Other expenses increasing in the first nine months of 2002 compared to the same period of 2001 were largely related to the increased business volume and included salary and related expense and premium tax. On January 1, 2002, the Company adopted SFAS 142 Goodwill and Other Intangible Assets which provided that goodwill no longer be amortized, resulting in a \$6.6 million decrease in expense for the first nine months of 2002 compared to the first nine months of 2001.

12

Effective May 31, 2002, the Company entered into a joint venture with The First American Corporation, contributing its residential appraisal production division to the venture. The venture is expected to be the nation's largest provider of real estate valuation services. In connection with this transaction, the Company recorded a one time charge of \$14.1 million as discussed in Note 5 to the Consolidated Financial Statements included elsewhere in this report.

The provision for policy and contract claims was \$25.7 million in the third quarter of 2002 compared to \$20.8 million in the third quarter of 2001. In the nine months ended September 30, 2002 this provision was \$72.1 million compared to \$58.8 million in the comparable period of 2001. These increases are primarily the result of a higher level of business written in the 2002 periods compared to the 2001 periods.

Net Income

LandAmerica reported net income of \$39.9 million, or \$2.15 per share on a diluted basis, for the third quarter of 2002, compared to net income of \$18.8 million, or \$1.01 per share on a diluted basis, for the third quarter of 2001. On a pretax basis, the 2002 quarter was benefited by the reduction in goodwill amortization of \$2.1 million.

For the nine months ended September 30, 2002, net income was \$83.0 million, or \$4.45 per share on a diluted basis, compared to \$53.9 million, or \$2.91 per share on a diluted basis, for the first nine months of 2001. On a pretax basis, the 2002 period reflected \$17.3 million for exit and termination costs and a

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

reduction of goodwill amortization of \$6.6 million.

Liquidity and Capital Resources

Cash provided by operations in the nine-month periods ended September 30, 2002 and 2001 were \$100.7 million and \$37.0 million, respectively. As of September 30, 2002, the Company held cash and invested cash of \$119.8 million, fixed maturity securities of \$992.9 million and equity securities of \$11.1 million.

In December 2001 the board of directors approved a program allocating \$25.0 million to repurchase up to 1.25 million shares or 7% of the Company's outstanding common stock over the following twelve months. Through September 30, 2002, 449,450 shares at a cost of \$14.3 million had been repurchased.

In view of the historic ability of the Company to generate strong, positive cash flows and its strong cash position and relatively conservative capitalization structure, management believes that the Company will have sufficient liquidity and adequate capital resources to meet both its short- and long-term capital needs. In addition, the Company has \$114.5 million available under a credit facility which was unused at September 30, 2002.

13

Interest Rate Risk

The following table provides information about the Company's financial instruments that are sensitive to changes in interest rates. For investment securities, the table presents principal cash flows and related weighted interest rates by expected maturity dates. Actual cash flows could differ from the expected amounts.

Interest Rate Sensitivity
Principal Amount by Expected Maturity
Average Interest Rate
(dollars in thousands)

	2002 ----	2003 ----	2004 ----	2005 ----	2006 ----	2007 and after -----
Assets:						
Taxable						
available-for-sale						
securities:						
Book value	\$ 10,334	\$ 34,004	\$ 30,385	\$ 48,072	\$ 50,028	\$357,294
Average yield	5.2%	5.8%	5.8%	6.5%	5.8%	6.5%
Non-taxable						
available-for-sale						
securities:						
Book value	1,125	17,033	21,231	31,331	21,111	306,934
Average yield	5.5%	4.9%	4.4%	4.4%	4.5%	4.6%
Preferred stock:						
Book value	-	-	-	-	-	8,679
Average yield	-	-	-	-	-	8.7%

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

The Company also has long-term debt of \$187.6 million bearing weighted average interest at 6.4% at September 30, 2002. A .25% change in the interest rate would affect income before income taxes by approximately \$0.5 million annually.

Forward-Looking and Cautionary Statements

Certain information contained in this Quarterly Report on Form 10-Q includes "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. Among other things, these statements relate to the financial condition, results of operation and business of the Company. In addition, the Company and its representatives may from time to time make written or oral forward-looking statements, including statements contained in other filings with the Securities and Exchange Commission and in its reports to shareholders. These forward-looking statements are generally identified by phrases such as "the Company expects," "the Company believes" or words of similar import. These forward-looking statements involve certain risks and uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking

14

statements. Further, any such statement is specifically qualified in its entirety by the cautionary statements set forth in the following paragraph.

In connection with the title insurance industry in general, factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include the following: (i) the costs of producing title evidence are relatively high, whereas premium revenues are subject to regulatory and competitive restraints; (ii) real estate activity levels have historically been cyclical and are influenced by such factors as interest rates and the condition of the overall economy; (iii) the value of the Company's investment portfolio is subject to fluctuation based on similar factors; (iv) the title insurance industry may be exposed to substantial claims by large classes of claimants and (v) the industry is regulated by state laws that require the maintenance of minimum levels of capital and surplus and that restrict the amount of dividends that may be paid by the Company's insurance subsidiaries without prior regulatory approval.

The Company cautions that the foregoing list of important factors is not exclusive. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information required by this Item is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations - Interest Rate Risk" in Item 2 of this report.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to provide assurance that information required to be disclosed by the Company in

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods required by the Securities and Exchange Commission. Within the 90 day period prior to the filing of this report, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was carried out under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer. Based on and as of the date of such evaluation, the aforementioned officers concluded that the Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation.

15

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On or about September 5, 2002, Thomas Branick and Andra Campbell filed a representative suit on behalf of the public in the Superior Court of Los Angeles, California, Central District (Case No. BC 2811015) against Lawyers Title Company, a subsidiary of the Company. The complaint pleads causes of action for unfair competition (Cal. Bus. & Prof. Codess.17200, et seq.) and unfair business practices (Cal. Bus. & Prof. Codess.17500 et. seq.) and generally alleges that Lawyers Title Company improperly charged its customers for recording documents incident to real estate transactions and overcharged its customers for administrative fees. Plaintiffs seek injunctive relief and restitution. Lawyers Title Company has filed a demurrer and a motion to strike the complaint. At this early stage in the litigation, no estimate of the amount or range of loss that could result from an unfavorable outcome can be made.

Lawyers Title Insurance Corporation, Commonwealth Land Title Company and two other subsidiaries of the Company are named as defendants in a complaint filed on October 24, 2002 in the Superior Court of Los Angeles, California (Case No. BC 284006), by Charles R. L. Anderson against Greenpoint Financial Corporation and numerous others. The complaint alleges, on behalf of the plaintiff and all others similarly situated, that the defendant mortgage lenders and title companies have committed acts of unfair competition (Cal. Bus. & Prof. Code Section 17200 et seq.) by charging reconveyance fees in excess of the amount permitted under California law (Cal. Civ. Code Section 2941). Plaintiff seeks injunctive relief, restitution, costs of suit and attorneys' fees. As of the filing of this Form 10-Q, the Company's subsidiaries have not been served with the complaint. The suit is still in its initial stages, and at this time no estimate of the amount or range of loss that could result from an unfavorable outcome can be made.

For additional information on legal proceedings, see Note 7 of Notes to Consolidated Financial Statements included in Part I, Item 1 of this report and the description of the Company's Form 8-K, dated October 8, 2002, included in Part II, Item 6(b) of this report.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

Exhibit No. -----	Document -----
10.1	LandAmerica Financial Group, Inc. Outside Directors

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

Deferral Plan, as amended and restated April 24,
2002

16

- 10.2 LandAmerica Financial Group, Inc. Executive Voluntary
Deferral Plan, as amended and restated April 24,
2002
- 11 Statement Re: Computation of Earnings Per Share
- 99.1 Statement of Chief Executive Officer Pursuant to 18
U.S.C. Section 1350
- 99.2 Statement of Chief Financial Officer Pursuant to 18
U.S.C. Section 1350

b) Reports on Form 8-K

Form 8-K, dated August 13, 2002, reporting under Items 7 and 9 thereof the delivery to the Securities and Exchange Commission of executed sworn statements of the Company's Principal Executive Officer and Principal Financial Officer pursuant to the order of the Commission dated June 27, 2002.

Form 8-K, dated October 8, 2002, reporting under Item 5 that the Company had reached a final settlement with the State of California in the defendant class action lawsuit filed in the Sacramento County Superior Court by the California Attorney General against the Company and the Company's principal competitors in California. The agreement reached with the State of California settled all outstanding claims against the Company and certain of its subsidiaries for alleged violations of California Business and Professions Code sections 17200 et. seq. and 17500 during the period from May 19, 1995 until the date of entry of final judgment approving the settlement.

17

Signatures

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

LANDAMERICA FINANCIAL GROUP, INC.

(Registrant)

Date: November 12, 2002

/s/ Charles H. Foster, Jr.

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

Charles H. Foster, Jr.
Chairman and Chief Executive Officer

Date: November 12, 2002

/s/ G. William Evans

G. William Evans
Chief Financial Officer

18

CERTIFICATIONS

I, Charles H. Foster, Jr., Chairman and Chief Executive Officer of LandAmerica Financial Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of LandAmerica Financial Group, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Charles H. Foster, Jr.

Charles H. Foster, Jr.
Chairman and Chief Executive Officer

19

CERTIFICATIONS

I, G. William Evans, Chief Financial Officer of LandAmerica Financial Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of LandAmerica Financial Group, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

- ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ G. William Evans

G. William Evans
Chief Financial Officer

20

EXHIBIT INDEX

Exhibit No. ---	Document -----
10.1	LandAmerica Financial Group, Inc. Outside Directors Deferral

Edgar Filing: LANDAMERICA FINANCIAL GROUP INC - Form 10-Q

Plan, as amended and restated April 24, 2002

- 10.2 LandAmerica Financial Group, Inc. Executive Voluntary Deferral Plan, as amended and restated April 24, 2002
- 11 Statement Re: Computation of Earnings Per Share
- 99.1 Statement of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
- 99.2 Statement of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350